

Market Comment

Relief rally fades

- Trade relief after the truce between the U.S. and China waned on the back of the threat of new U.S. tariffs on European products, and increasing concerns over the global economy driven by weak manufacturing activity last month.
- On the trade front, **the U.S. government proposed new tariffs on \$4bn worth of European Union products in retaliation for European aircraft subsidies.** Trump extended a list of European products that could get hit with tariffs, including olives, cheese and pasta. Meanwhile, Trump said trade talks with China already have started.
- EU leaders meet again to try to reach agreement on the positions of responsibility of the European Institutions. If they do not reach an agreement they risk being overtaken by the new European Parliament, which it is expected to elect its new president on Wednesday and could act independently unless the 28 leaders reach an agreement.
- Furthermore, ECB policy makers are waiting until September for more economic data to determine the type of monetary stimulus needed, although they could act on the coming meeting in July 25 if the outlook deteriorates. This is aligned with markets' expectations as the implied probability of a ECB cut in September is higher than in July.
- Treasury yields slipped with peripheral and the UK leading the decline,** the latter one after BOE's Carney warned of downside risks. The 10Y UST yield breached on the down side 2% level. Search for yield contributed to the sharp fall of Italy's risk premia, following its downward trend, driven by lessening budgetary tensions with the EU. Italian 2Y yield dropped to levels very close to zero.
- In FX markets, the DXY slightly declined with the JPY and the EUR strengthening against the USD, whereas the latter one appreciated slightly across EM currencies. The MXN gained after **U.S. President Trump paused the tariffs imposition on Mexico,** recognizing Mexico's efforts to diminish U.S.-bound migrants. Elsewhere, **gold prices rose as risk appetite weakens, while oil prices declined** as concerns of economic slowdown would hit oil demand. These worries outweighed the agreement reached by OPEC and allies to extend production cuts.
- In this context, equity markets were flat showing minor changes with the exception of the Italian stock exchange, which rose by more than half a percentage point benefited from the 2019 deficit cut.

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DEBT MARKETS (10Y, %, CHANGES IN BP)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,76	-2,4	3,2	-16	-72
US	1,98	-4,0	-0,1	-14	-70
GER (2-yr)	-0,76	-0,4	-2,1	-10	-15
Germany	-0,37	-1,1	-3,7	-17	-61
France	-0,06	-1,0	-5,4	-27	-77
Spain	0,29	-4,3	-8,7	-42	-123
Italy	1,84	-12,9	-32,2	-83	-105
Portugal	0,36	-4,9	-11,8	-45	-150
Greece	2,18	-11,5	-29,6	-73	-222
Japan (2-yr)	-0,21	0,5	1,7	-4	-7
Japan	-0,15	0,0	0,9	-5	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,33	4,4	-37,4	-112	-191
Chile	3,10	-2,4	0,3	-34	-115
Colombia	6,09	-4,5	-8,9	-55	-66
Mexico	7,44	-4,8	-24,9	-56	-120
Peru	4,18	-2,6	3,7	-44	-119
Poland	2,35	-1,1	4,0	-29	-47
Russia	7,46	1,0	-3,8	-53	-132
Turkey	15,65	-8,0	-13,0	-239	-15
India	6,85	-3,4	-3,4	-19	-52
Indonesia	7,35	-2,0	-7,3	-61	-68

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,1	-1,7	-10	-10
Italy	221	-11,8	-28,5	-67	-44
Portugal	73	-3,8	-8,1	-28	-83
Spain	66	-3,2	-5,0	-26	-56
2-yr sovereign spread vs Germany					
France	7	-0,2	-0,1	2	-8
Italy	78	-7,9	-25,4	-59	-30
Portugal	30	-0,8	-1,8	3	4
Spain	28	-2,1	-4,3	-1	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	147	-3,2	-4	-31	-61
Chile	37	-1,0	-3	-13	-26
Colombia	88	-3,5	-7	-25	-70
Argentina	927	-36,6	-56	-251	121
Mexico	108	-3,1	-6	-15	-47
Peru	52	-1,1	-4	-17	-43
Poland	65	0,5	0	-1	-3
Russia	110	-3,7	-3	-18	-44
Turkey	368	-27,3	-60	-124	8
China	40	-3,5	-3	-16	-27
India	79	-0,5	1	-3	-34
Indonesia	87	-3,8	-5	-25	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,6	-3	-5	-12
VSTOXX	12	-0,5	-2	-6	-12
EM EFT volatility Index	17	-0,6	-3	-5	-8
Dollar/euro volatility	5	-0,2	-1	0	-2
EMFX volatility index	8	-0,2	0	0	-2
Credit spread (BAA) (change in bps)	234	4,0	-2	-5	-12
US bonds volatility index	67	-3,9	-8	-6	0
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,03	-	-2	-8	-11
EZ Inflation expectations (5Y5Y)	1,16	-	-5	-13	-44
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-2,0	-3	-18	-35
EZ	58	-2,7	-6	-26	-46
UK	53	-1,0	-3	-21	-42
Large Spanish	41	-1,0	-4	-18	-46
Medium Spanish	95	1,9	0	9	-18
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	161	-2,0	-3	-18	-35
EZ Non-financial	71	-2,7	-6	-26	-46
UK Non-financial	99	-1,6	-1	-10	-20

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	-1	-1
Euribor 3m	-0,35	-1	-1	-3	-4
Euribor 12m	-0,23	-2	-2	-7	-12
Eonia Swap 3m	-0,41	0	0	-4	-5
Eonia Swap 12m	-0,51	-1	-2	-11	-15
Libor 3m	2,33	1	0	-19	-47
Libor 12m	2,20	2	2	-38	-81

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.963	-0,1	1,5	7,6	18
Dow Jones	26.702	-0,1	0,6	7,6	14
Nikkei	21.754	0,1	2,6	5,6	9
FTSE 100	7.562	0,9	1,9	5,6	12
EuroStoxx 50	3.510	0,4	1,9	7,0	17
IBEX	9.295	0,3	1,5	3,2	9
DAX	12.532	0,1	2,5	6,9	19
CAC	5.581	0,2	1,2	7,2	18
MIB	21.396	0,7	1,3	8,1	17
ASE Athens	874	0,0	3,3	5,3	43
MSCI Latam *	94.596	0,3	-0,7	3,5	10
Ibovespa (Brazil)	100.689	-0,6	0,6	3,8	15
Mexbol (Mexico)	43.615	0,4	-0,4	2,0	5
Merval (Argentina)	41.945	1,1	4,1	23,5	38
MSCI EM Europe *	6.057	1,1	1,3	5,2	15
Poland	2.341	0,5	1,6	4,5	3
Micex 10 (Russia)	4.823	0,0	1,3	3,8	15
Ise 100 (Turkey)	100.201	0,5	5,0	10,6	10
MSCI EM Asia *	861	0,8	1,1	5,5	10
Shanghai Com (China)	3.044	0,0	2,1	5,0	22
Jakarta (Indonesia)	6.385	0,4	1,5	4,6	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	138,5	-0,6	4,7	9,6	20
JPM	113,6	-0,1	5,4	7,2	16
Citi	70,4	-0,4	5,8	13,3	35
BoA	29,1	-0,9	5,0	9,6	18
MS	43,6	-0,8	2,2	7,1	10
GS	204,5	-1,1	4,3	12,1	22
EZ banks	70,0	-0,2	3,8	3,6	2
BNP	41,8	-0,6	3,4	2,4	6
Crédit Agricole	10,8	-0,2	5,3	5,2	14
Deutsche Bank	6,8	0,1	8,0	11,1	-3
ING	10,2	-0,4	4,7	5,1	8
Intesa	1,9	1,0	1,0	2,9	-3
SG	22,1	-0,4	3,3	-1,5	-20
Unicredito	10,5	-1,2	2,6	3,5	7
UK banks	76,5	0,9	3,3	3,0	5
HSBC	669,4	1,1	3,3	3,8	3
RBS	222,5	0,2	3,0	4,1	3
Barclays	154,2	1,1	4,9	3,2	2
Lloyds	57,9	1,1	2,0	1,0	12
Large Spanish banks	61,3	-0,5	2,0	2,7	5
Santander	4,1	0,0	3,0	4,2	4
BBVA	4,9	-0,9	1,1	1,3	6
Medium Spanish banks	49,0	-1,4	3,3	-7,1	-15
Caixabank	2,5	-2,0	2,1	-9,7	-21
Sabadell	0,9	-1,4	2,1	-8,2	-9
Bankinter	6,2	-0,8	5,3	-4,7	-12
Bankia	2,1	-2,0	2,6	-8,8	-19

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,130	0,1	-0,6	1,2	-1
GBPUSD	1,26	-0,3	-0,7	-0,2	-1
USDJPY	108,02	0,4	-0,8	0,2	2
DXY	96,69	-0,2	0,6	-1,1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,58	-0,5	-0,5	5,2	-12
USDBRL (Brazil)	3,87	-0,6	-0,4	1,5	0
USDCLP (Chile)	682,43	-0,4	-0,2	4,1	2
USDCOP (Colombia)	3214	-0,2	-0,7	4,9	1
USDMXN (Mexico)	19,08	0,2	0,7	2,8	3
USDPEN (Peru)	3,29	0,0	0,4	2,7	2
LACI	54,44	-0,1	0,0	3,0	0
USDPLN (Poland)	3,75	0,1	-0,3	2,1	0
USDRUB (Russia)	63,30	-0,7	-0,7	3,4	10
USDTRY (Turkey)	5,63	0,3	2,9	3,6	-6
USDCNY (China)	6,87	-0,3	0,1	0,5	0
USDINR (India)	68,94	0,0	0,6	1,1	1
USDIDR (Indonesia)	14139	-0,2	-0,1	0,9	2
ADXY	105,25	-0,1	0,0	1,0	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,7	-3,7	-3,7	-3	16
WTx	57	-4,1	-2,0	6	25
Copper	266	-0,7	-2,8	1	1
Gold	1403	1,3	-1,5	7	9
S&P Spot commodity *	425	0,0	0,2	4	14
S&P Brent Spot *	554	-0,5	1,2	5	21
S&P Metals Spot *	318	0,9	-1,6	1	-1
S&P Agricultural *	293	-1,7	-4,3	0	3

Source: Bloomberg, Datastream and Haver
* With one day delay