

Market Comment

Bonds and equities rally as expectations of dovish monetary policies increase.

- Global yields dropped across the board, with the 10Y German yield hitting fresh record low on expectations of global central banks' dovish actions. Equity market rallied supported by lower yields.
- In the Eurozone, Christine Lagarde nomination for ECB President is being viewed as a dovish signal, expecting that her succession will pave the way for a continuation of further monetary stimulus. Elsewhere, the U.S. President Trump said he will nominate two new Fed officials (J. Shelton and C Waller) that are expected to favor lower interest rates.
- In addition, European leaders managed to reach an agreement on their picks for Commission president, Council president and EU High-Representative, which will go, respectively, to German's Ursula von der Leyen, Belgium's Charles Michel and Spain's Josep Borrell. Von Der Leyen's role must be confirmed by a vote in the European Parliament the week of July 15th. Moreover, the European Parliament elected the Italian David Sassoli as president of the European Parliament for the next two-and-a-half years.
- On the economic front, Eurozone composite PMI rose slightly more than expected in June (52.2, consensus 52.1, previous month 51.8) driven by services, although the recent downturn in manufacturing continued. On the other hand, U.S. factory orders excluding transportation increased at a slower pace in May (0.1% m/m), while the U.S. ISM non-manufacturing index fell below the expectations (55.1, consensus 56, previous month 56.9). Moreover, private hiring numbers was below expectations (102K, consensus 140K, previous month 41K) increasing concern that trade war is damaging business confidence.
- Bond yields continued slipping with the 10Y German yield falling deeper into the negative territory, hitting fresh record low, while the 10Y U.S. yield hovered around level below 2%. Furthermore, peripheral bonds continued benefiting from search for yield strategies. Italy's risk premium extended its sharp drop after the European Commission withheld the disciplinary action against Italy as it committed to comply with the bloc's fiscal rules.
- In FX markets, the USD weakened slightly across the G10 board driven by the nomination of two dovish Fed officials, while the TRY gained. Across commodities, gold prices inched down, whereas crude oil prices also experienced a subdued increase, trimming partially its early increase led by a decline below the expectations in U.S. oil inventories (-1085K barrels, consensus -2964K, previous month -12778K).
- Stocks markets rose with defensive sectors leading the path. However, concerns about the next round of company earnings could cap upside, amid the absence of cheap valuations due to the rise of the stock market so far this year.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,76	0,0	-0,7	-7	-73
US	1,95	-2,6	-9,9	-12	-74
GER (2-yr)	-0,76	0,3	-2,5	-11	-15
Germany	-0,39	-1,8	-8,2	-18	-63
France	-0,10	-4,6	-12,2	-30	-81
Spain	0,21	-7,9	-17,9	-48	-131
Italy	1,58	-25,5	-55,7	-98	-131
Portugal	0,29	-7,0	-18,3	-47	-157
Greece	2,06	-12,5	-39,5	-82	-234
Japan (2-yr)	-0,22	-0,4	-0,3	-4	-8
Japan	-0,15	-0,4	-1,4	-6	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,27	-6,0	-33,3	-93	-197
Chile	3,09	-1,3	-9,2	-35	-116
Colombia	5,93	-5,6	-26,8	-72	-83
Mexico	7,34	-6,2	-34,5	-67	-130
Peru	4,15	-2,2	-6,2	-47	-122
Poland	2,31	-4,6	-4,4	-32	-52
Russia	7,47	0,3	-4,1	-54	-131
Turkey	15,55	-10,0	-22,0	-257	-25
India	6,84	-0,9	-9,7	-15	-53
Indonesia	7,29	-6,1	-14,3	-67	-74

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	-2,8	-4,0	-12	-13
Italy	197	-23,7	-47,5	-79	-68
Portugal	68	-5,2	-10,1	-28	-88
Spain	60	-6,1	-9,7	-29	-62
2-yr sovereign spread vs Germany					
France	7	0,2	-0,7	2	-8
Italy	70	-8,3	-30,4	-59	-39
Portugal	26	-3,3	-5,5	0	0
Spain	24	-3,2	-6,2	-3	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	146	-0,4	-7	-33	-61
Chile	38	0,9	-2	-13	-25
Colombia	89	1,3	-7	-27	-69
Argentina	904	-23,7	-120	-316	97
Mexico	111	3,2	-5	-19	-44
Peru	52	0,3	-3	-19	-42
Poland	65	-0,5	1	-2	-3
Russia	110	0,2	-6	-19	-44
Turkey	368	-0,2	-48	-117	8
China	42	2,0	-6	-18	-25
India	79	-0,9	0	-6	-35
Indonesia	86	-0,2	-8	-29	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,0	-3	-6	-12
VSTOXX	12	-0,1	-2	-6	-12
EM EFT volatility Index	17	0,1	-2	-5	-8
Dollar/euro volatility	5	0,0	0	0	-2
EMFX volatility index	8	-0,2	0	-1	-2
Credit spread (BAA) (change in bps)	232	2,8	0	-10	-13
US bonds volatility index	69	2,1	-5	-5	2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,00	-	-6	-10	-13
EZ Inflation expectations (5Y5Y)	1,14	-	-8	-15	-46
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	0,4	-5	-21	-35
EZ	57	-1,2	-8	-29	-47
UK	52	-0,6	-4	-20	-42
Large Spanish	39	-1,8	-6	-22	-48
Medium Spanish	97	2,1	3	15	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	160	0,4	-5	-21	-35
EZ Non-financial	70	-1,2	-8	-29	-47
UK Non-financial	97	-1,9	-3	-13	-22

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	0	-1
Euribor 3m	-0,35	0	-1	-3	-4
Euribor 12m	-0,24	-1	-3	-7	-13
Eonia Swap 3m	-0,41	-1	-1	-4	-5
Eonia Swap 12m	-0,51	0	-3	-11	-16
Libor 3m	2,31	-2	0	-19	-48
Libor 12m	2,20	0	6	-31	-81

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.991	0,6	2,7	9,0	19
Dow Jones	26.928	0,5	1,5	8,5	15
Nikkei	21.638	-0,5	2,6	6,0	8
FTSE 100	7.609	0,7	2,6	5,9	13
EuroStoxx 50	3.541	0,9	2,8	7,3	18
IBEX	9.394	1,2	2,6	4,1	10
DAX	12.616	0,7	3,0	7,0	19
CAC	5.619	0,8	2,1	7,2	19
MIB	21.905	2,4	4,0	10,2	20
ASE Athens	891	1,9	4,6	6,5	45
MSCI Latam *	94.112	-0,5	0,0	3,4	9
Ibovespa (Brazil)	101.556	0,9	0,9	4,7	16
Mexbol (Mexico)	43.440	0,0	-0,8	0,8	4
Merval (Argentina)	41.853	0,1	4,9	24,0	38
MSCI EM Europe *	6.072	0,2	2,1	4,9	15
Poland	2.346	0,2	1,2	4,8	3
Micex 10 (Russia)	4.847	0,3	0,8	1,8	16
Ise 100 (Turkey)	99.363	-0,8	4,8	10,0	9
MSCI EM Asia *	864	0,4	2,2	5,7	10
Shanghai Com (China)	3.015	-0,9	1,3	4,3	21
Jakarta (Indonesia)	6.363	-0,3	0,7	2,5	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	138,9	0,0	4,3	9,4	20
JPM	112,8	-0,9	3,9	5,9	15
Citi	71,1	-1,0	5,8	13,6	37
BoA	29,1	-0,3	4,2	9,0	18
MS	44,1	0,5	2,5	8,2	11
GS	206,8	0,4	5,0	12,9	24
EZ banks	71,6	2,4	4,3	6,7	4
BNP	42,6	1,7	3,4	4,3	8
Crédit Agricole	10,9	1,6	5,4	7,4	16
Deutsche Bank	6,9	2,7	6,7	16,0	-1
ING	10,3	1,3	3,0	7,2	9
Intesa	2,0	5,1	5,5	8,5	2
SG	22,3	0,9	2,6	-0,3	-20
Unicredit	11,1	5,6	5,8	9,9	13
UK banks	76,9	0,7	3,0	3,6	6
HSBC	671,5	0,4	3,4	3,8	4
RBS	223,6	0,5	2,5	5,4	3
Barclays	155,0	0,8	3,8	3,7	3
Lloyds	58,3	1,1	2,4	2,1	12
Large Spanish banks	62,4	1,9	2,9	4,7	7
Santander	4,2	1,8	3,2	6,1	5
BBVA	5,0	2,0	2,7	3,4	8
Medium Spanish banks	50,0	2,3	4,6	-3,9	-13
Caixabank	2,6	2,6	3,7	-5,9	-19
Sabadell	0,9	2,3	3,3	-6,4	-7
Bankinter	6,3	1,8	6,7	-1,5	-10
Bankia	2,1	3,3	3,8	-4,0	-17

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,128	0,0	-0,8	0,4	-2
GBPUSD	1,26	-0,2	-1,0	-0,8	-1
USDJPY	107,82	0,1	0,0	0,2	2
DXY	96,82	0,1	0,6	-0,3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,08	0,2	1,4	6,6	-10
USDBRL (Brazil)	3,84	0,2	0,1	1,2	1
USDCPL (Chile)	680,41	0,0	-0,1	3,1	2
USDCOP (Colombia)	3207	0,1	-0,7	4,5	1
USDMXN (Mexico)	19,04	0,0	0,4	3,9	3
USDPEN (Peru)	3,30	-0,1	-0,1	2,0	2
LACI	54,70	0,0	0,4	3,1	1
USDPLN (Poland)	3,76	0,0	-0,3	1,2	-1
USDRUB (Russia)	63,38	-0,1	-0,6	3,0	9
USDTRY (Turkey)	5,68	0,5	2,6	3,6	-6
USDCNY (China)	6,88	-0,1	0,0	0,3	0
USDINR (India)	68,90	0,1	0,4	0,5	1
USDIDR (Indonesia)	14120	0,1	0,4	1,1	2
ADXY	105,24	0,0	0,0	0,6	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,1	1,2	-5,0	3	17
WTx	57	0,6	-4,7	6	25
Copper	267	0,6	-1,4	1	2
Gold	1416	-0,2	0,5	7	10
S&P Spot commodity *	415	-2,6	-3,8	2	11
S&P Brents Spot *	531	-4,1	-5,0	2	16
S&P Metals Spot *	315	-0,9	-2,1	1	-1
S&P Agricultural *	292	-0,6	-4,6	-1	3

Source: Bloomberg, Datastream and Haver

* With one day delay