

Market Comment

## Markets celebrate July 4th with limited fireworks.

- On the geopolitical front, the U.S. and China are organizing a resumption of talks for next week, although the White House advisor, Kudlow, warned that the US will not lift current tariffs on China during the talks. Moreover, the U.S. President Trump yesterday criticized China and Europe of currency manipulation. On the Chinese side, the Ministry of Commerce stated that existing tariffs in the United States will have to be eliminated if a trade agreement is to be reached.
- In the Eurozone, retail sales continued decreasing in May dragged mainly by a fall in automotive fuel and in foods, drinks and tobacco (-0.3% m/m, consensus +0.3% m/m, previous month -0.4% m/m).
- Across European bond markets, core and semi-core sovereign bond yields extended yesterday's decline underpinned by soft economic data and rate cut hopes. German Bund yield hit new lows on stimulus expectations, reaching levels very close to the current ECB deposit rate (-0.4%) for the first time. Elsewhere, peripheral risk premia halted its downward trend with Italy's risk premium increasing significantly mainly due to profit taking as the Italian 10Y bond yields have fallen over 45 bps this week.
- Minor changes in FX markets with the USD strengthening slightly against main G10 currencies, except for the CHF. In emerging markets, South American currencies and TRY experienced a subdued appreciation against the USD.
- Oil prices fluctuated, reverting its early drop amid weak data suggesting a smaller than expected decline in crude oil reserves and distrust of the global economy. Meanwhile, gold prices trimmed its early gains ending with a slight slip.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,76	0,0	1,5	-12	-73
<b>US</b>	1,95	0,0	-6,4	-18	-73
GER (2-yr)	-0,76	-0,5	-2,4	-12	-15
<b>Germany</b>	-0,40	-1,3	-7,8	-19	-64
France	-0,13	-2,6	-12,9	-31	-84
Spain	0,25	3,4	-14,8	-42	-127
Italy	1,67	8,7	-46,4	-84	-122
Portugal	0,34	4,2	-14,6	-39	-153
Greece	2,06	0,5	-40,3	-87	-234
Japan (2-yr)	-0,22	0,1	-0,8	-3	-7
Japan	-0,16	-0,5	-1,4	-5	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,29	-3,6	-28,7	-91	-195
Chile	3,09	-0,1	-3,3	-36	-116
Colombia	5,89	-2,9	-29,8	-69	-86
Mexico	7,31	-1,1	-29,5	-64	-133
Peru	4,14	-0,3	-4,3	-48	-122
Poland	2,27	-3,8	-10,9	-34	-56
Russia	7,43	-3,5	-7,1	-51	-135
Turkey	15,36	-19,0	-62,0	-276	-44
India	6,81	-2,0	-8,2	-21	-56
Indonesia	7,26	-3,1	-14,9	-71	-77

### COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	27	-1,3	-5,1	-12	-14
Italy	207	10,0	-38,6	-65	-58
Portugal	73	5,5	-6,8	-19	-83
Spain	65	4,7	-7,0	-23	-57
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0,4	-0,6	1	-9
Italy	81	10,8	-16,5	-39	-28
Portugal	27	1,4	-4,5	1	1
Spain	25	1,0	-6,2	-1	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	146	0,1	-5	-30	-61
Chile	37	-0,8	-2	-13	-26
Colombia	89	0,1	-5	-27	-69
Argentina	889	-14,5	-130	-364	83
Mexico	111	-0,2	-3	-19	-44
Peru	52	-0,7	-3	-19	-43
Poland	65	0,0	1	-2	-3
Russia	111	0,9	-6	-21	-43
Turkey	372	3,9	-39	-116	12
China	42	-0,7	-4	-19	-26
India	78	-0,4	-1	-7	-35
Indonesia	85	-1,6	-7	-30	-53

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,0	-3	-4	-13
VSTOXX	12	0,1	-2	-5	-12
EM EFT volatility Index	17	0,0	-3	-4	-8
Dollar/euro volatility	5	-0,1	0	-1	-2
EM FX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	232	0,0	1	-9	-14
US bonds volatility index	68	-0,3	-2	-7	2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,02	-	-3	-10	-12
EZ Inflation expectations (5Y5Y)	1,16	-	-5	-13	-45
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-1,0	-5	-20	-36
EZ	55	-2,0	-10	-31	-49
UK	51	-1,0	-6	-19	-43
Large Spanish	38	-1,5	-7	-23	-50
Medium Spanish	96	-1,1	3	7	-17
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	160	-1,0	-5	-20	-36
EZ Non-financial	68	-2,0	-10	-31	-49
UK Non-financial	96	-0,8	-4	-14	-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	-5
Euribor 12m	-0,26	-2	-5	-8	-14
Eonia Swap 3m	-0,41	0	-1	-4	-5
<b>Eonia Swap 12m</b>	-0,51	0	-3	-11	-16
Libor 3m	2,29	-2	-4	-19	-51
Libor 12m	2,18	-2	0	-23	-83

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2.996	0,0	2,4	6,9	20
Dow Jones	26.966	0,0	1,7	6,4	16
Nikkei	21.702	0,3	1,7	6,3	8
FTSE 100	7.603	-0,1	2,7	5,4	13
<b>EuroStoxx 50</b>	3.543	0,1	2,9	6,3	18
IBEX	9.394	0,0	2,7	3,0	10
DAX	12.631	0,1	2,9	5,5	20
CAC	5.620	0,0	2,3	6,7	19
MIB	22.106	0,9	4,7	9,3	21
ASE Athens	893	0,2	3,9	9,8	46
<b>MSCI Latam *</b>	95.074	1,0	0,7	4,2	10
Ibovespa (Brazil)	103.751	1,7	3,0	6,5	18
Mexbol (Mexico)	43.488	0,0	0,4	0,6	4
Merval (Argentina)	41.351	0,1	0,5	19,2	37
<b>MSCI EM Europe *</b>	6.096	0,4	1,9	3,7	15
Poland	2.356	0,5	0,9	5,5	4
Micex 10 (Russia)	4.906	1,2	2,5	3,6	17
Ise 100 (Turkey)	99.382	0,0	4,0	10,0	9
<b>MSCI EM Asia *</b>	858	-0,7	1,2	4,2	10
Shanghai Com (China)	3.005	-0,3	0,3	5,0	21
Jakarta (Indonesia)	6.376	-0,1	1,0	2,7	3
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	138,7	0,0	3,1	4,9	20
JPM	112,8	0,0	3,7	2,8	16
Citi	70,9	0,0	4,0	7,5	36
BoA	29,1	0,0	3,0	4,0	18
MS	44,0	0,0	1,1	3,6	11
GS	206,0	0,0	3,4	8,5	23
<b>EZ banks</b>	72,9	1,8	5,1	5,4	6
BNP	43,2	1,5	4,2	2,9	9
Crédit Agricole	11,1	2,0	6,2	5,9	18
Deutsche Bank	7,0	1,0	6,6	12,1	0
ING	10,4	1,1	2,2	4,3	11
Intesa	2,0	2,5	8,1	8,8	5
SG	22,4	0,4	2,0	-1,3	-19
Unicredito	11,7	5,1	8,9	12,3	18
<b>UK banks</b>	77,1	0,3	3,0	2,4	6
HSBC	671,3	0,0	2,5	3,6	4
RBS	224,8	0,5	3,0	2,9	4
Barclays	156,3	0,9	4,2	1,4	4
Lloyds	58,5	0,3	2,8	1,0	13
<b>Large Spanish banks</b>	63,0	1,0	4,0	2,8	8
Santander	4,2	0,9	4,5	4,3	6
<b>BBVA</b>	5,1	1,1	3,7	1,4	10
<b>Medium Spanish banks</b>	50,8	1,6	5,3	-4,6	-12
Caixabank	2,6	3,0	5,6	-6,3	-17
Sabadell	0,9	1,8	5,2	-6,5	-5
Bankinter	6,4	1,3	6,3	-1,7	-9
Bankia	2,1	0,6	4,0	-5,2	-17

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,128	0,0	-0,8	0,3	-2
GBPUSD	1,26	0,0	-0,7	-0,9	-1
USDJPY	107,80	0,0	0,0	0,3	2
DXY	96,75	0,0	0,6	-0,3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41,66	0,9	2,5	7,3	-10
USDBRL (Brazil)	3,79	1,0	0,8	1,8	2
USDCLP (Chile)	676,72	0,4	0,5	2,6	3
USD COP (Colombia)	3198	0,0	0,0	2,9	2
USDMXN (Mexico)	18,99	0,1	1,0	3,0	3
USD PEN (Peru)	3,29	0,0	0,0	1,8	2
LACI	55,08	0,4	0,8	2,9	1
USDPLN (Poland)	3,76	0,0	-0,6	1,1	-1
USD RUB (Russia)	63,45	-0,3	-0,6	2,6	9
USD TRY (Turkey)	5,60	0,4	3,1	3,3	-6
USDCNY (China)	6,87	0,1	0,1	0,5	0
USD INR (India)	68,51	0,6	0,8	1,1	2
USD IDR (Indonesia)	14135	-0,1	0,0	0,9	2
ADXY	105,24	0,0	-0,1	0,6	0

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	63,5	-0,4	-4,5	3	18
WTx	57	-0,7	-4,2	6	25
Copper	268	-0,2	-1,4	0	2
Gold	1415	-0,2	0,4	7	10
S&P Spot commodity *	421	1,6	-2,2	3	12
S&P Brent Spot *	543	2,3	-2,8	3	19
S&P Metals Spot *	316	0,3	-1,2	1	-1
S&P Agricultural *	299	2,4	-2,3	2	5

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