

Market Comment

## Cautious mood in the market after U.S. employment gains

- On Monday, global market remained in a cautious mood after U.S. employment gains reduced expectations that the Federal Reserve would apply a larger interest rate cut than 25 basis points at the Fed's July 30-31 policy meeting.
- This week the attention will be focused on Federal Reserve Chairman Jerome Powell's testimony in Congress on Wednesday and Thursday, as well as U.S. inflation data later this week. Powell's testimony could shed some light on the Fed's next move.
- On the data front, trade balance in Germany was larger than expected in May €20.6bn (consensus €17bn, previous month €17.9bn). Moreover, In Germany monthly seasonal-adjusted industrial production increased by 0.3% in May, slightly below expectations (consensus +0.4%, previous month -2.0%).
- Across sovereign bond yields, 10Y US treasury yield was down and was trading closer to 2% threshold as the sense of caution drew investors back into the debt. Risk-off mood weighted across peripherals and Spanish risk premium increased significantly, remaining close to the 80 bps level far from the 60 bps threshold it fell to last week. FX markets were broadly flat. However, lira depreciated with the USD by about 2% after the central bank governor was dismissed.
- Equity markets declined in a context where the stronger-than-expected US payrolls increased uncertainty about the next Fed move. Fed fund futures still price in 100% probability of a 25bps interest rate cut in July 2019, but the probability of a higher cut in July has practically vanished and this has been felt in the equity market.

UPDATE 18:40 CET 08 JULY 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.87	1.3	8.5	-1	-62
<b>US</b>	2.03	-0.5	0.5	-9	-66
GER (2-yr)	-0.74	0.6	1.4	-9	-13
<b>Germany</b>	-0.37	-0.3	-0.9	-13	-61
France	-0.07	1.5	-2.1	-18	-78
Spain	0.44	11.4	10.1	-17	-108
Italy	1.79	3.9	-18.2	-70	-111
Portugal	0.49	5.8	8.0	-18	-137
Greece	2.10	-5.0	-19.9	-82	-230
Japan (2-yr)	-0.20	0.8	1.5	0	-6
<b>Japan</b>	-0.15	1.0	0.1	-3	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7.32	-5.3	4.0	-90	-191
Chile	3.10	-0.4	-2.4	-34	-115
Colombia	5.98	0.7	-15.5	-52	-77
Mexico	7.34	0.9	-14.4	-60	-130
Peru	4.10	-0.5	-10.3	-45	-126
Poland	2.24	-4.1	-12.2	-25	-58
Russia	7.43	-1.0	-2.1	-39	-135
Turkey	16.21	61.0	48.0	-191	41
India	6.57	-13.0	-31.4	-37	-80
Indonesia	7.25	2.2	-11.9	-71	-78

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	30	1.8	-1.2	-6	-11
Italy	215	4.2	-17.3	-58	-50
Portugal	86	6.1	8.9	-5	-70
Spain	80	11.7	11.0	-5	-42
<b>2-yr sovereign spread vs Germany</b>					
France	8	-0.3	0.3	1	-8
Italy	83	-1.2	-2.9	-33	-25
Portugal	30	1.8	0.0	2	4
Spain	30	0.6	0.3	1	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	144	-1.3	-5	-29	-63
Chile	37	-0.1	-1	-11	-26
Colombia	89	-0.2	-3	-24	-70
Argentina	889	0.0	-75	-307	83
Mexico	109	-0.9	-1	-14	-46
Peru	52	0.3	-2	-16	-43
Poland	64	0.0	-1	-3	-4
Russia	112	1.2	-2	-15	-43
Turkey	373	6.6	-22	-92	14
China	42	0.6	-2	-16	-26
India	78	0.1	-2	-5	-36
Indonesia	86	1.5	-4	-23	-51

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	1.1	0	-2	-11
VSTOXX	13	0.2	0	-3	-11
EM EFT volatility Index	18	1.0	0	-3	-7
Dollar/euro volatility	5	0.0	0	-1	-2
EM FX volatility index	8	0.0	0	-1	-2
Credit spread (BAA) (change in bps)	227	0.7	-2	-17	-18
US bonds volatility index	65	-3.0	-1	-8	-1
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.03	-	-2	-6	-10
EZ Inflation expectations (5Y5Y)	1.20	-	-1	-9	-41
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	0.4	-3	-14	-34
EZ	69	-0.1	-9	-31	-61
UK	65	-1.7	-4	-15	-45
Large Spanish	38	1.2	-4	-17	-49
Medium Spanish	95	1.9	2	6	-18
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	0.4	-3	-14	-34
EZ Non-financial	67	-0.1	-9	-31	-61
UK Non-financial	96	0.1	-5	-12	-23

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	-1
Euribor 3m	-0.36	0	-1	-3	-5
<b>Euribor 12m</b>	-0.26	1	-4	-8	-14
Eonia Swap 3m	-0.41	0	-1	-4	-5
<b>Eonia Swap 12m</b>	-0.50	0	-1	-10	-15
Libor 3m	2.31	1	-1	-16	-49
Libor 12m	2.19	1	1	-19	-82

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,972	-0.6	0.3	4.5	19
Dow Jones	26,783	-0.5	0.2	4.1	15
Nikkei	21,534	-1.0	-0.9	3.7	8
FTSE 100	7,549	-0.1	0.7	4.0	12
<b>EuroStoxx 50</b>	3,524	-0.1	0.7	5.6	17
IBEX	9,285	-0.5	0.2	1.3	9
DAX	12,544	-0.2	0.2	4.9	19
CAC	5,589	-0.1	0.4	5.9	18
MB	21,976	0.0	3.4	8.9	20
ASE Athens	878	-1.8	0.4	7.5	43
<b>MSCI Latam *</b>	96,256	0.3	2.1	6.0	12
Ibovespa (Brazil)	104,601	0.5	3.2	7.6	19
Mexbol (Mexico)	43,751	0.8	0.7	1.4	5
Merval (Argentina)	41,756	0.0	0.6	16.9	38
<b>MSCI EM Europe *</b>	6,117	-0.2	2.1	5.1	16
Poland	2,339	-0.1	0.4	3.5	3
Micex 10 (Russia)	4,920	0.4	2.0	2.9	18
Ise 100 (Turkey)	98,695	-0.9	-1.0	9.2	8
<b>MSCI EM Asia *</b>	856	-0.3	0.3	4.4	9
Shanghai Com (China)	2,933	-2.6	-3.7	3.7	18
Jakarta (Indonesia)	6,352	-0.4	-0.1	2.3	3
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	139.0	-0.4	-0.3	4.8	20
Citi	113.3	-0.2	-0.4	2.6	16
Citi	71.5	0.1	1.1	7.6	37
BoA	29.2	-0.2	-0.7	4.8	19
MS	43.7	-1.2	-0.7	2.0	10
GS	205.6	-1.1	-0.6	8.3	23
<b>EZ banks</b>					
BNP	72.1	-1.6	2.8	7.0	5
BNP	43.0	-1.0	2.1	4.8	9
Crédit Agricole	11.0	-1.4	1.8	7.2	16
Deutsche Bank	6.8	-5.4	0.5	13.9	-3
ING	10.3	-2.0	0.6	5.0	9
Intesa	2.0	-0.7	8.0	10.5	4
SG	22.6	-1.1	1.5	1.1	-19
Unicredito	11.3	-1.8	6.4	13.9	15
<b>UK banks</b>					
HSBC	76.9	-0.3	1.5	3.4	6
HSBC	668.5	-0.6	1.0	3.8	3
RBS	225.8	-0.1	1.7	5.8	4
Barclays	156.9	-0.2	2.9	3.8	4
Lloyds	57.7	-0.2	0.8	0.8	11
<b>Large Spanish banks</b>					
Santander	62.1	-1.4	0.9	3.0	6
Santander	4.2	-0.9	1.6	5.4	5
<b>BBVA</b>	5.0	-1.8	0.2	0.8	8
<b>Medium Spanish banks</b>					
Caixabank	49.9	-2.1	0.5	-2.0	-13
Caixabank	2.5	-2.6	0.3	-4.1	-19
Sabadell	0.9	-3.0	0.0	-2.3	-8
Bankinter	6.3	-1.3	1.3	-0.2	-10
Bankia	2.1	-2.5	-0.5	-3.2	-18

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.122	-0.1	-0.6	-0.5	-2
GBPUSD	1.25	-0.1	-1.0	-1.4	-2
USDJPY	108.68	-0.2	-0.2	-0.3	1
DXY	97.37	0.1	0.5	0.3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41.82	0.0	1.3	7.4	-10
USDBRL (Brazil)	3.81	0.4	1.0	2.0	2
USDCLP (Chile)	686.65	-0.5	-1.0	0.8	1
USDCOP (Colombia)	3210	0.0	-0.1	2.5	1
USDMXN (Mexico)	18.91	0.6	1.1	4.1	4
USDPEN (Peru)	3.29	0.1	0.1	1.5	2
LACI	54.95	0.2	0.8	3.1	1
USDPLN (Poland)	3.80	-0.2	-1.0	-0.2	-2
USD RUB (Russia)	63.58	0.4	-1.1	2.4	9
USDTRY (Turkey)	5.73	-1.8	-1.4	0.8	-8
USDCNY (China)	6.88	0.2	-0.4	0.4	0
USDINR (India)	68.66	-0.3	0.4	0.9	2
USDIDR (Indonesia)	14108	-0.2	0.0	1.1	2
ADXY	104.97	0.0	-0.4	0.4	0

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	64.5	0.5	-0.8	5	20
WTX	58	0.6	-2.1	10	27
Copper	266	0.2	-0.6	0	1
Gold	1396	-0.3	0.8	5	9
S&P Spot commodity *	422	0.3	-0.7	5	13
S&P Brent Spot *	547	0.6	-1.3	4	19
S&P Metals Spot *	316	0.0	-0.5	1	-1
S&P Agricultural *	298	-0.3	1.4	2	5

Source: Bloomberg, Datastream and Haver

\* With one day delay