

Market Comment

## No clear path on the horizon.

- United States and China are ready to resume trade talks this week after a two-month break. A senior U.S. official said last week that talks are expected to re-start with a phone call between U.S. Trade Representative Robert Lighthizer, Chinese Vice Premier Liu He and Treasury Secretary Steven Mnuchin. However, knowledgeable sources of the situation believe that the G20 did little to clear the path for top negotiators to make progress in the conversations.
- While not felt in the markets, geopolitical tensions around Iran continue to rise. Iran has announced new steps towards reactivating the atomic programme limited by the agreement signed in 2015. This way, Iran has stated that it will enrich uranium above the limits agreed.
- Within the economic indicators of the day, Italy monthly retail sales did not meet expectations and dropped in May by 0.7% (-0.7%, consensus +0.2%, previous month 0%). In Mexico, inflation in June moderated to 3.95% (consensus +3.95%, previous month 4.28%). With this data, inflation in México was again in Banxico's target range of 3% +/- one percentage point.
- Now markets are focused on Federal Reserve Chairman Jerome Powell's testimony in Congress on Wednesday, in a context where expectations of a 50 basis point interest rate cut were reduced last week after U.S. employment data was above consensus. In this standby mode, the 10Y U.S. yield slightly increased (+1bps).
- Moreover, as French government bond yields have fallen into negative territory in recent weeks, Eurozone peripheral bonds are increasingly benefiting and risk premiums are declining as a result of a search for yield. Today, there was a drop in risk premiums in Italy, Spain and Portugal.
- Minor changes in FX markets. However, it should be noted that the pound has weakened to its lowest level in six months against both USD and EUR, pressured by fears of a no-deal Brexit (partly increased by the statements of the two conservative candidates to be prime minister) and greater signs of a slowing economy.
- European stocks fell after a profit warning from German chemicals maker BASF. This profit warning put caution over the half-year earnings season.

UPDATE 17:45 CET 09 JULY 2019

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

| Developed Markets | level | Daily | Week   | Month   | YTD  |
|-------------------|-------|-------|--------|---------|------|
| US (2-yr)         | 1,89  | -0,4  | 12,5   | 4       | -60  |
| <b>US</b>         | 2,05  | 0,7   | 8,0    | -3      | -63  |
| GER (2-yr)        | -0,73 | 1,1   | 2,6    | -6      | -12  |
| <b>Germany</b>    | -0,35 | 1,3   | 1,4    | -10     | -60  |
| France            | -0,05 | 1,6   | 0,3    | -14     | -76  |
| Spain             | 0,42  | -1,8  | 12,6   | -13     | -110 |
| Italy             | 1,73  | -5,2  | -10,6  | -63     | -116 |
| Portugal          | 0,47  | -2,5  | 10,4   | -16     | -139 |
| Greece            | 2,20  | 10,6  | 2,0    | -62     | -220 |
| Japan (2-yr)      | -0,19 | 0,9   | 1,9    | 1       | -5   |
| <b>Japan</b>      | -0,14 | 0,7   | 0,8    | -2      | -14  |
| Emerging Markets  | level | Daily | Weekly | Monthly | YTD  |
| Brazil            | 7,28  | 0,0   | -4,6   | -83     | -195 |
| Chile             | 3,09  | -0,4  | -1,0   | -32     | -116 |
| Colombia          | 6,03  | 1,2   | 5,0    | -44     | -72  |
| Mexico            | 7,42  | 5,1   | 1,5    | -48     | -122 |
| Peru              | 4,08  | -1,8  | -9,3   | -43     | -129 |
| Poland            | 2,20  | -4,7  | -15,8  | -27     | -63  |
| Russia            | 7,43  | -0,2  | -3,3   | -36     | -135 |
| Turkey            | 16,34 | 13,0  | 69,0   | -178    | 54   |
| India             | 6,59  | 2,2   | -25,6  | -39     | -78  |
| Indonesia         | 7,27  | 1,8   | -8,1   | -69     | -76  |

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

| Developed Markets                        | level | Daily | Weekly | Monthly | YTD |
|--|-------|-------|--------|---------|-----|
| <b>10-yr sovereign spread vs Germany</b> |       |       |        |         |     |
| France                                   | 30    | 0,3   | -1,1   | -4      | -11 |
| Italy                                    | 209   | -6,5  | -12,0  | -53     | -56 |
| Portugal                                 | 82    | -3,8  | 9,0    | -6      | -74 |
| Spain                                    | 77    | -3,1  | 11,2   | -4      | -45 |
| <b>2-yr sovereign spread vs Germany</b>  |       |       |        |         |     |
| France                                   | 7     | -0,7  | 0,0    | 1       | -8  |
| Italy                                    | 81    | -2,0  | 3,0    | -22     | -27 |
| Portugal                                 | 29    | -1,8  | -0,5   | -1      | 3   |
| Spain                                    | 28    | -2,5  | 0,1    | -1      | -9  |
| Emerging Markets                         | level | Daily | Weekly | Monthly | YTD |
| <b>5-yr sovereign CDS *</b>              |       |       |        |         |     |
| Brazil                                   | 143   | -1,2  | -3     | -28     | -64 |
| Chile                                    | 38    | 0,5   | 1      | -9      | -26 |
| Colombia                                 | 90    | 1,1   | 2      | -22     | -69 |
| Argentina                                | 903   | 13,4  | -25    | -278    | 96  |
| Mexico                                   | 112   | 2,8   | 4      | -13     | -43 |
| Peru                                     | 52    | 0,4   | 0      | -14     | -43 |
| Poland                                   | 64    | 0,0   | -1     | -2      | -4  |
| Russia                                   | 111   | -0,2  | 1      | -15     | -43 |
| Turkey                                   | 393   | 19,9  | 25     | -78     | 34  |
| China                                    | 43    | 1,4   | 3      | -12     | -25 |
| India                                    | 78    | 0,4   | -1     | -4      | -35 |
| Indonesia                                | 89    | 2,3   | 2      | -18     | -49 |

### RISK INDICATORS

| Volatility indicators (change in pp)    | level | Daily | Weekly | Monthly | YTD |
|---|-------|-------|--------|---------|-----|
| VIX                                     | 14    | 0,0   | 1      | -2      | -11 |
| VSTOXX                                  | 13    | 0,1   | 1      | -2      | -11 |
| EM EFT volatility Index                 | 18    | 0,1   | 1      | -2      | -7  |
| Dollar/euro volatility                  | 5     | 0,0   | 0      | -1      | -2  |
| EM FX volatility index                  | 8     | 0,1   | 0      | -1      | -2  |
| Credit spread (BAA) (change in bps)     | 223   | -0,7  | -7     | -20     | -23 |
| US bonds volatility index               | 63    | -2,1  | -5     | -5      | -3  |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y)        | 2,11  | -     | 10     | 4       | -3  |
| EZ Inflation expectations (5Y5Y)        | 1,19  | -     | 3      | -4      | -41 |
| Banking 5y CDS (bps) *                  | level | Daily | Weekly | Monthly | YTD |
| US                                      | 49    | 1,0   | 1      | -11     | -34 |
| EZ                                      | 57    | 1,1   | -2     | -24     | -48 |
| UK                                      | 53    | 1,2   | 0      | -12     | -42 |
| Large Spanish                           | 40    | 2,3   | -1     | -15     | -48 |
| Medium Spanish                          | 95    | 0,2   | 0      | 6       | -18 |
| Corporate 5y CDS (bps) *                | level | Daily | Weekly | Monthly | YTD |
| US Non-financial                        | 162   | 1,0   | 1      | -11     | -34 |
| EZ Non-financial                        | 69    | 1,1   | -2     | -24     | -48 |
| UK Non-financial                        | 96    | 0,6   | -3     | -10     | -22 |

### INTERBANK MARKETS (% CHANGES IN BP)

|                       | level | Daily | Weekly | Monthly | YTD |
|-----------------------|-------|-------|--------|---------|-----|
| EONIA Index           | -0,37 | 0     | 0      | -12     | -1  |
| Euribor 3m            | -0,36 | 0     | -1     | -4      | -5  |
| Euribor 12m           | -0,26 | 0     | -3     | -8      | -14 |
| Eonia Swap 3m         | -0,41 | 0     | 0      | -4      | -5  |
| <b>Eonia Swap 12m</b> | -0,49 | 1     | 1      | -8      | -14 |
| Libor 3m              | 2,34  | 3     | 1      | -12     | -46 |
| Libor 12m             | 2,26  | 7     | 6      | -9      | -75 |

### STOCK MARKETS (%)

| Main indices                | level   | Daily | Weekly | Monthly | YTD |
|-----------------------------|---------|-------|--------|---------|-----|
| <b>S&amp;P500</b>           | 2.975   | 0,0   | 0,1    | 3,5     | 19  |
| Dow Jones                   | 26.711  | -0,4  | -0,3   | 2,8     | 15  |
| Nikkei                      | 21.565  | 0,1   | -0,9   | 3,3     | 8   |
| FTSE 100                    | 7.540   | -0,1  | -0,2   | 2,8     | 12  |
| <b>EuroStoxx 50</b>         | 3.510   | -0,4  | 0,1    | 3,9     | 17  |
| IBEX                        | 9.265   | -0,2  | -0,2   | 0,3     | 8   |
| DAX                         | 12.436  | -0,9  | -0,7   | 3,2     | 18  |
| CAC                         | 5.573   | -0,3  | -0,1   | 3,9     | 18  |
| MIB                         | 21.937  | -0,2  | 2,5    | 7,7     | 20  |
| ASE Athens                  | 841     | -4,3  | -3,9   | 3,0     | 37  |
| <b>MSCI Latam *</b>         | 96.583  | 0,3   | 2,1    | 5,7     | 12  |
| Ibovespa (Brazil)           | 104.530 | 0,0   | 3,9    | 6,9     | 19  |
| Mexbol (Mexico)             | 43.496  | -0,2  | 0,1    | 0,5     | 4   |
| Merval (Argentina)          | 41.756  | 0,0   | -0,1   | 17,1    | 38  |
| <b>MSCI EM Europe *</b>     | 6.082   | -0,6  | 0,4    | 3,7     | 15  |
| Poland                      | 2.313   | -1,1  | -1,2   | 1,4     | 2   |
| Micex 10 (Russia)           | 4.918   | 0,0   | 1,8    | 2,7     | 17  |
| Ise 100 (Turkey)            | 96.811  | -1,9  | -3,4   | 3,2     | 6   |
| <b>MSCI EM Asia *</b>       | 843     | -1,6  | -2,1   | 3,1     | 8   |
| Shanghai Com (China)        | 2.928   | -0,2  | -3,8   | 3,6     | 17  |
| Jakarta (Indonesia)         | 6.388   | 0,2   | 0,1    | 2,9     | 3   |
| Banking sector              | level   | Daily | Weekly | Monthly | YTD |
| <b>US banks</b>             | 139,3   | 0,5   | 0,4    | 5,9     | 20  |
| JPM                         | 113,4   | 0,5   | -0,4   | 3,9     | 16  |
| Citi                        | 71,5    | 0,6   | 1,6    | 8,9     | 37  |
| BoA                         | 29,4    | 0,6   | 0,8    | 6,7     | 19  |
| MS                          | 43,8    | 0,7   | -0,1   | 2,6     | 10  |
| GS                          | 205,8   | 0,0   | -0,1   | 8,4     | 23  |
| <b>EZ banks</b>             | 71,6    | -0,8  | 2,3    | 6,0     | 4   |
| BNP                         | 42,6    | -0,8  | 1,8    | 4,4     | 8   |
| Crédit Agricole             | 10,9    | -0,3  | 1,8    | 6,4     | 16  |
| Deutsche Bank               | 6,5     | -4,2  | -3,7   | 9,0     | -7  |
| ING                         | 10,2    | -0,8  | 0,5    | 3,6     | 9   |
| Intesa                      | 2,0     | -0,5  | 6,4    | 9,5     | 3   |
| SG                          | 22,3    | -1,1  | 0,7    | 0,9     | -20 |
| Unicredit                   | 11,4    | 0,7   | 8,3    | 14,0    | 15  |
| <b>UK banks</b>             | 77,2    | 0,3   | 1,0    | 3,1     | 6   |
| HSBC                        | 670,5   | 0,3   | 0,2    | 3,0     | 4   |
| RBS                         | 228,7   | 1,3   | 2,8    | 6,6     | 6   |
| Barclays                    | 156,4   | -0,4  | 1,7    | 3,5     | 4   |
| Lloyds                      | 57,8    | 0,2   | 0,3    | 0,4     | 12  |
| <b>Large Spanish banks</b>  | 61,6    | -0,8  | 0,7    | 2,5     | 6   |
| Santander                   | 4,1     | -0,8  | 1,0    | 4,7     | 4   |
| <b>BBVA</b>                 | 4,9     | -0,8  | -0,3   | 0,5     | 7   |
| <b>Medium Spanish banks</b> | 49,7    | -0,4  | 1,7    | -2,2    | -14 |
| Caixabank                   | 2,5     | -0,7  | 1,8    | -3,3    | -20 |
| Sabadell                    | 0,9     | 0,0   | 1,8    | -1,6    | -8  |
| Bankinter                   | 6,3     | 0,2   | 2,4    | -0,6    | -10 |
| Bankia                      | 2,1     | -1,7  | 0,3    | -5,4    | -20 |

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

| Developed          | level  | Daily | Weekly | Monthly | YTD |
|--------------------|--------|-------|--------|---------|-----|
| <b>EURUSD</b>      | 1,121  | 0,0   | -0,7   | -1,1    | -2  |
| GBPUSD             | 1,25   | -0,4  | -1,0   | -2,2    | -2  |
| USDJPY             | 108,79 | -0,1  | -0,8   | -0,6    | 1   |
| DXY                | 97,49  | 0,1   | 0,8    | 1,0     | 1   |
| Emerging           | level  | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina) | 41,82  | 0,0   | 0,8    | 7,3     | -10 |
| USDBRL (Brazil)    | 3,81   | 0,1   | 1,1    | 2,0     | 2   |
| USDCPL (Chile)     | 687,92 | -0,1  | -1,1   | 0,6     | 1   |
| USDCOP (Colombia)  | 3224   | -0,2  | -0,4   | 1,4     | 1   |
| USDMXN (Mexico)    | 18,90  | 0,1   | 0,8    | 3,8     | 4   |
| USDPEN (Peru)      | 3,29   | -0,1  | 0,2    | 1,2     | 2   |
| LACI               | 54,94  | 0,1   | 0,5    | 2,9     | 1   |
| USDPLN (Poland)    | 3,81   | -0,3  | -1,2   | -1,3    | -2  |
| USDRLB (Russia)    | 63,75  | -0,1  | -0,7   | 1,6     | 9   |
| USDTRY (Turkey)    | 5,73   | 0,1   | -1,2   | 1,8     | -8  |
| USDCNY (China)     | 6,89   | -0,1  | -0,2   | 0,3     | 0   |
| USDINR (India)     | 68,55  | 0,2   | 0,6    | 1,3     | 2   |
| USDIDR (Indonesia) | 14130  | -0,2  | 0,1    | 1,0     | 2   |
| ADXY               | 104,88 | -0,1  | -0,3   | 0,4     | 0   |

### COMMODITIES (%)

|                      | level | Daily | Weekly | Monthly | YTD |
|----------------------|-------|-------|--------|---------|-----|
| <b>Brent</b>         | 64,1  | 0,0   | 2,7    | 1       | 19  |
| WTx                  | 58    | 0,1   | 2,6    | 7       | 27  |
| Copper               | 262   | -1,4  | -1,4   | 0       | 0   |
| Gold                 | 1397  | 0,1   | -1,5   | 4       | 9   |
| S&P Spot commodity * | 422   | -0,2  | 1,7    | 4       | 13  |
| S&P Brent Spot *     | 545   | -0,3  | 2,6    | 2       | 19  |
| S&P Metals Spot *    | 316   | 0,1   | 0,5    | 2       | -1  |
| S&P Agricultural *   | 297   | -0,2  | 1,8    | 3       | 5   |

Source: Bloomberg, Datastream and Haver

\* With one day delay