

Market Comment

U.S. core inflation rose by the most in nearly 18 months in June

- Today it was published that U.S. underlying consumer prices increased by the most in nearly 18 months in June. Excluding the volatile food and energy prices, core inflation rose 0.3% m/m in June. However, the market will likely not change expectations that the Federal Reserve will cut interest rates this month.
- On the other hand, the government of U.S. announced the start of an investigation against France for the tax on Internet giants that this country is considering imposing. The investigation opened by Trump's government is of the same type (Section 301) as the one that led to the tariff war between Washington and Beijing. On the positive side, U.S. economic adviser Larry Kudlow said that he expects China to begin buying U.S. agricultural products soon and stated that trade talks are ongoing.
- ECB minutes were released. The tone of the minutes reflects the ECB's concern about the outlook for growth and inflation, as well as its determination to do more. In addition, it was pointed out that the Governing Council's communication should place greater emphasis on the symmetry of its medium-term objective.
- On data front, of German harmonized CPI in June was 1.5% YoY up from 1.3% YoY increase in May. Rate of France harmonized CPI in June was 1.4% YoY equalling last month increase. Additionally, US initial jobless claims declined last week ended July 6th to 209k from previous week's level of 222k .
- Across sovereign bond yields, 10Y US treasury yield was up helped by U.S. inflation data. Across European bond markets, core and semi-core sovereign bond yields extended yesterday's appreciation following some upbeat economic news from France and Italy. Furthermore, peripheral bonds continued benefitting from search for yield strategies. Italy's risk premium extended its drop (-8bps) after an auction of medium-term Italian government bonds which showed strong demand.
- FX markets fluctuated in a narrow range. The EUR began the day rising a little with the USD, supported by yesterday Powell's dovish tone, but after U.S. inflation data corrected the increase.
- Oil remained at levels similar to yesterday's, when it rose sharply due to U.S. inventories falling more than expected and large producers evacuating some oil platforms in the Gulf of Mexico before the arrival of a storm. Moreover, London has accused Iran of blocking the passage of one of its oil tankers in the Strait of Hormuz.
- In this context, European equity markets showed minor changes. The American stock market slightly increased, being benefited by Powell's words yesterday.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,85	2,1	8,9	-8	-64
US	2,10	3,5	14,6	-5	-59
GER (2-yr)	-0,73	0,3	2,9	-6	-12
Germany	-0,23	4,2	13,4	-3	-51
France	0,02	3,5	14,8	-10	-69
Spain	0,48	3,8	22,8	-10	-94
Italy	1,70	-3,6	2,4	-69	-104
Portugal	0,57	6,6	23,3	-8	-115
Greece	2,26	-2,3	20,1	-52	-214
Japan (2-yr)	-0,19	-1,4	2,4	0	-5
Japan	-0,14	-1,7	2,0	-3	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,21	-0,2	-7,7	-77	-203
Chile	3,07	2,5	-3,0	-8	-119
Colombia	6,01	0,7	12,1	-32	-75
Mexico	7,57	-2,9	25,8	-14	-107
Peru	4,07	-0,3	-3,8	-41	-129
Poland	2,29	4,8	1,6	-25	-54
Russia	7,40	0,4	-3,1	-33	-138
Turkey	16,39	-10,0	103,0	-100	59
India	6,50	-4,7	-25,2	-54	-87
Indonesia	7,22	-11,4	-3,3	-50	-80

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	24	-0,7	1,4	-7	-19
Italy	193	-7,8	-11,0	-66	-54
Portugal	79	2,4	9,9	-5	-65
Spain	70	-0,4	9,4	-7	-43
2-yr sovereign spread vs Germany					
France	7	-0,8	0,1	0	-8
Italy	78	-4,7	-3,1	-32	-30
Portugal	29	-0,3	1,7	-6	3
Spain	30	2,1	5,2	1	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	130	-5,5	-16	-37	-77
Chile	36	-0,9	-1	-8	-27
Colombia	88	-1,2	-2	-19	-71
Argentina	882	-6,6	-7	-234	76
Mexico	116	1,2	6	-4	-39
Peru	51	-0,6	0	-12	-44
Poland	62	-0,5	-3	-4	-6
Russia	109	-1,0	-2	-14	-45
Turkey	393	3,3	21	-69	33
China	42	-1,3	0	-9	-26
India	79	0,1	1	-4	-35
Indonesia	86	-2,1	1	-14	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,3	0	-3	-13
VSTOXX	12	-0,3	1	-2	-11
EM EFT volatility Index	16	-0,4	0	-3	-9
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)	223	-2,6	-4	-15	-22
US bonds volatility index	62	-0,5	-6	-3	-4
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,09	-	8	2	-4
EZ Inflation expectations (5Y5Y)	1,25	-	9	3	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	-1,3	2	-9	-34
EZ	58	-0,8	3	-18	-47
UK	54	-0,3	3	-6	-40
Large Spanish	42	-0,6	4	-10	-46
Medium Spanish	90	0,1	-6	7	-23
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	-1,3	2	-9	-34
EZ Non-financial	70	-0,8	3	-18	-47
UK Non-financial	97	0,2	1	-7	-21

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	0	-1
Euribor 3m	-0,36	-1	-1	-5	-6
Euribor 12m	-0,28	-2	-2	-10	-16
Eonia Swap 3m	-0,41	0	0	-5	-6
Eonia Swap 12m	-0,50	0	1	-9	-15
Libor 3m	2,34	0	5	-10	-46
Libor 12m	2,29	1	11	-5	-73

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.999	0,2	0,1	3,9	20
Dow Jones	27.056	0,7	0,3	3,9	16
Nikkei	21.644	0,5	-0,3	2,1	8
FTSE 100	7.512	-0,2	-1,2	1,5	12
EUROStoxx 50	3.497	-0,1	-1,3	2,8	17
IBEX	9.274	0,2	-1,4	-0,1	9
DAX	12.335	-0,3	-2,3	1,5	17
CAC	5.554	-0,2	-1,2	2,7	17
MIB	22.169	0,6	0,2	7,6	21
ASE Athens	863	0,2	-3,3	2,1	41
MSCI Latam *	97.056	0,8	2,1	5,6	12
Ibovespa (Brazil)	105.121	-0,7	1,4	6,2	20
Mexbol (Mexico)	42.714	-0,2	-1,7	-2,3	3
Merval (Argentina)	43.037	0,5	4,0	12,2	42
MSCI EM Europe *	6.067	0,3	-0,5	2,3	15
Poland	2.317	0,2	-1,7	0,9	2
Micex 10 (Russia)	4.863	-1,2	-0,9	1,5	16
Ise 100 (Turkey)	99.406	0,8	0,0	7,1	9
MSCI EM Asia *	844	0,4	-1,7	1,2	8
Shanghai Com (China)	2.918	0,1	-2,9	-0,3	17
Jakarta (Indonesia)	6.417	0,4	0,9	2,0	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	139,4	0,7	0,5	3,5	21
Citi	113,7	0,6	0,8	2,7	16
Citi	71,4	0,4	0,8	5,2	37
BoA	29,2	0,5	0,4	3,2	18
MS	43,7	1,0	-0,6	0,2	10
GS	208,7	1,3	1,3	7,2	25
EZ banks					
BNP	72,4	0,6	-0,5	5,3	5
BNP	42,6	-0,2	-1,1	2,5	8
Crédit Agricole	11,0	0,3	-1,1	4,8	17
Deutsche Bank	6,6	1,0	-5,8	6,5	-5
ING	10,4	1,2	-0,1	2,7	11
Intesa	2,1	1,1	1,3	11,1	6
SG	22,6	0,4	0,7	1,2	-19
Unicredit	11,6	1,1	-0,8	12,9	17
UK banks					
HSBC	77,2	0,3	0,3	2,4	6
HSBC	664,3	-0,4	-1,1	1,3	3
Barclays	230,3	1,0	2,6	6,5	6
Barclays	158,1	1,0	1,4	3,9	5
Lloyds	58,0	0,0	-0,5	-0,1	12
Large Spanish banks					
Santander	62,0	0,3	-1,7	1,7	6
Santander	4,2	1,1	-0,1	5,2	6
BBVA	4,9	-0,4	-3,2	-1,5	6
Medium Spanish banks					
Caixabank	50,4	0,5	-1,0	-2,0	-12
Caixabank	2,6	-0,3	-3,0	-2,9	-19
Sabadell	0,9	0,4	-0,5	-0,6	-6
Bankinter	6,4	1,0	0,1	-0,7	-9
Bankia	2,1	0,8	-1,2	-5,1	-18

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,126	0,1	-0,2	-0,6	-2
GBPUSD	1,26	0,4	-0,2	-1,4	-2
USDJPY	108,29	0,2	-0,4	0,2	1
DXJ	96,99	-0,1	0,2	0,3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41,77	0,2	0,1	7,0	-10
USDBRL (Brazil)	3,76	-0,2	1,0	2,6	3
USDCLP (Chile)	683,61	0,2	-0,7	1,3	2
USDCOP (Colombia)	3194	0,4	0,2	2,0	2
USDMXN (Mexico)	19,12	0,1	-0,6	0,1	3
USDPEN (Peru)	3,28	0,0	0,2	1,3	3
LACI	55,03	0,1	0,1	2,1	1
USDPLN (Poland)	3,79	0,0	-0,8	-0,7	-1
USDRUB (Russia)	62,85	0,5	1,0	2,7	10
USDTRY (Turkey)	5,66	0,3	-1,1	2,4	-7
USDCNY (China)	6,87	0,0	0,0	0,6	0
USDINR (India)	68,45	0,2	0,1	1,5	2
USDIDR (Indonesia)	14067	0,5	0,5	1,2	2
ADXY	105,21	0,0	0,0	0,6	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	67,1	0,1	5,9	8	25
WTX	61	0,6	6,0	14	34
Copper	269	-0,2	0,3	0	2
Gold	1413	-0,5	-0,2	6	10
S&P Spot commodity *	434	2,8	3,1	7	16
S&P Brent Spot *	569	4,3	4,7	8	24
S&P Metals Spot *	322	1,9	1,9	2	1
S&P Agricultural *	295	0,6	-1,1	0	4

Source: Bloomberg, Datastream and Haver

* With one day delay