

Market Comment

China's GDP increased 6.2% in the second quarter of 2019

- China's National Bureau of Statistics reported on Monday that the gross domestic product (GDP) of China increased 6.2% in the second quarter of 2019, highlighting that it is in a reasonable range given the complex domestic and international environment. This growth of the economy is in line with what analysts predicted and represents the slowest rate of expansion of the Asian giant since the first quarter of 1992. However, its quarter on quarter reading of 1.6% was ahead of forecasts and furthermore industrial production, retail sales and urban investment also beat the expectations.
- In relation to trade, China suggested that substantial discussions had yet to resume, and signaled it would not purchase large amounts of US farm products until any specific progress was made in the negotiations. Moreover, the Chinese Government claimed that it will not cooperate with US companies involved in the sale of arms to Taiwan, a message it has sent after the Pentagon last week authorised a sale of arms worth 2.2 billion dollars to the Taiwanese authorities.
- Regarding economic indicators, Federal Reserve Bank of New York's monthly report revealed that the business activity in the manufacturing sector has seen an increase from -8.6 in June to +4.3 in July (consensus forecast was +2.0). This result was the biggest rise in more than two years.
- The US yield curve steepened in the past week by the most in almost three years, with no significant changes today, reflecting optimism that a rate cut by the Federal Reserve will keep the US economy growing. This Monday, most eurozone government bond yields inched down from recent three-and-a-half-week highs in the last week.
- As regards currencies, FX showed minor changes. The pound (GBP) continue pressured by ongoing political uncertainties. Oil prices remained steady, after the increase in the last few days due to geopolitical tensions, falling inventories and a better tone for risk sentiment in a context of dovish central banks.
- European stock markets rose slightly while US stock markets remained flat as Wall Street's main indexes finished last week at record highs. At the start of the second quarter earnings season, the third largest U.S bank, Citigroup, improved expectations but the interest margin fell which impacted bank stocks.

UPDATE 17:50 CET 15 JULY 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.83	-1.4	-5.7	0	-65
US	2.10	-2.6	4.8	0	-59
GER (2-yr)	-0.74	-1.7	0.7	-6	-13
Germany	-0.25	-4.2	7.4	-5	-53
France	0.01	-4.9	8.1	-10	-70
Spain	0.51	-5.9	7.2	-3	-91
Italy	1.65	-9.4	-14.0	-71	-110
Portugal	0.59	-6.8	9.3	-6	-114
Greece	2.32	-3.7	22.1	-39	-208
Japan (2-yr)	-0.18	0.0	2.3	2	-4
Japan	-0.11	0.0	3.1	0	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7.24	-3.2	-4.1	-65	-199
Chile	3.05	-0.8	-5.3	-10	-121
Colombia	6.03	-5.6	1.2	-18	-72
Mexico	7.58	-3.1	21.2	-11	-106
Peru	4.00	-3.9	-9.5	-31	-136
Poland	2.28	-3.1	3.4	-17	-55
Russia	7.45	0.4	1.5	-32	-133
Turkey	16.54	0.0	33.0	-82	74
India	6.44	-5.1	-12.9	-57	-93
Indonesia	7.11	-9.9	-14.4	-59	-92

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	26	-0.7	0.7	-5	-16
Italy	190	-5.2	-21.4	-66	-56
Portugal	84	-2.6	1.9	-1	-60
Spain	76	-1.7	-0.2	2	-37
2-yr sovereign spread vs Germany					
France	7	0.0	-0.4	0	-8
Italy	73	-5.3	-9.8	-35	-35
Portugal	28	-0.5	-2.7	-8	2
Spain	29	-2.2	-1.3	-1	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	128	-2.3	-16	-38	-79
Chile	35	-1.1	-2	-7	-28
Colombia	84	-2.1	-5	-23	-74
Argentina	889	-8.6	0	-139	83
Mexico	113	-4.4	4	-9	-42
Peru	51	-0.8	-1	-11	-44
Poland	63	-0.5	-1	-3	-5
Russia	108	2.9	-3	-15	-46
Turkey	407	10.5	34	-57	47
China	43	0.6	1	-9	-25
India	78	-0.2	0	-5	-36
Indonesia	85	-0.5	-1	-16	-52

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.6	-1	-3	-12
VSTOXX	13	0.2	0	-2	-11
EMEFT volatility Index	15	-0.3	-2	-4	-9
Dollar/euro volatility	5	0.1	0	0	-2
EMFX volatility index	7	-0.1	0	-1	-3
Credit spread (BAA) (change in bps)	227	2.6	4	-15	-18
US bonds volatility index	63	-0.2	0	-13	-4
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.10	-	5	6	-3
EZ Inflation expectations (5Y5Y)	1.28	-	7	10	-33
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-1.0	-1	-11	-36
EZ	56	-0.4	1	-19	-48
UK	52	-1.0	0	-8	-42
Large Spanish	39	-0.3	2	-14	-48
Medium Spanish	90	1.9	-5	9	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	-1.0	-1	-11	-36
EZ Non-financial	69	-0.4	1	-19	-48
UK Non-financial	96	0.0	1	-8	-22

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-1	-1
Euribor 3m	-0.36	0	-1	-5	-5
Euribor 12m	-0.29	-1	-3	-12	-17
Eonia Swap 3m	-0.42	-1	-1	-5	-6
Eonia Swap 12m	-0.51	-1	-1	-9	-16
Libor 3m	2.32	2	1	-11	-47
Libor 12m	2.23	4	4	-10	-78

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3,011	-0.1	1.2	4.1	20
Dow Jones	27,316	-0.1	1.9	4.6	17
Nikkei	21,686	0.0	0.7	3.1	8
FTSE 100	7,542	0.5	-0.1	2.4	12
EuroStoxx 50	3,506	0.3	-0.5	3.4	17
IBEX	9,334	0.4	0.5	0.9	9
DAX	12,399	0.6	-1.2	1.9	17
CAC	5,586	0.2	-0.1	3.9	18
MIB	22,200	0.1	1.0	7.6	21
ASE Athens	851	-0.8	-3.1	0.1	39
MSCI Latam *	95,913	-0.9	-0.4	3.3	11
Ibovespa (Brazil)	104,280	0.4	-0.2	5.6	19
Mexbol (Mexico)	43,074	1.0	-1.2	-0.9	3
Merval (Argentina)	42,752	0.0	2.4	5.2	41
MSCI EM Europe *	5,981	-0.8	-2.2	1.1	13
Poland	2,324	0.4	-0.6	1.0	2
Micex 10 (Russia)	4,825	-0.2	-1.9	0.7	15
Ise 100 (Turkey)	97,098	0.0	-1.6	7.3	6
MSCI EM Asia *	848	-0.1	-1.0	1.6	8
Shanghai Com (China)	2,942	0.4	0.3	1.1	18
Jakarta (Indonesia)	6,418	0.0	0.7	2.3	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	140.6	-0.7	1.4	5.8	22
JPM	114.4	-0.7	1.4	4.5	17
Citi	71.7	0.0	0.9	6.9	38
BoA	29.2	-0.9	0.0	4.5	18
MS	44.7	-0.3	2.9	4.1	13
GS	211.2	-1.3	2.6	10.3	26
EZ banks	72.7	0.3	0.8	7.3	6
BNP	42.9	0.8	-0.2	4.3	9
Crédit Agricole	11.0	0.2	0.4	6.1	17
Deutsche Bank	6.9	2.2	1.7	13.1	-1
ING	10.4	0.1	1.0	4.7	10
Intesa	2.0	-0.1	1.5	11.2	6
SG	22.9	0.5	1.3	6.4	-18
Unicredit	11.4	-0.8	0.9	12.2	16
UK banks	77.2	0.2	0.3	3.3	6
HSBC	667.2	0.6	-0.2	3.0	3
RBS	229.3	-0.3	1.6	6.8	6
Barclays	157.1	-0.1	0.1	5.1	4
Lloyds	58.0	0.5	0.4	-0.2	12
Large Spanish banks	61.8	0.4	-0.5	2.7	6
Santander	4.2	0.1	0.1	5.3	5
BBVA	4.9	0.6	-1.1	0.3	6
Medium Spanish banks	50.6	-0.2	1.4	0.6	-12
Caixabank	2.6	0.0	0.5	-1.0	-19
Sabadell	0.9	-0.2	1.3	0.5	-6
Bankinter	6.5	-0.1	2.3	3.3	-8
Bankia	2.1	-0.8	1.0	-2.4	-17

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.126	-0.1	0.4	-0.2	-2
GBPUSD	1.25	-0.4	0.0	-1.2	-2
USDJPY	107.94	0.0	0.7	0.4	2
DXY	96.95	0.1	-0.4	-0.1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41.95	-0.9	-0.3	3.8	-10
USDBRL (Brazil)	3.75	-0.4	1.5	2.6	3
USDCPL (Chile)	679.98	-0.1	1.0	2.4	2
USDCOP (Colombia)	3194	-0.1	0.8	2.3	2
USDMXN (Mexico)	18.99	0.0	-0.4	1.1	3
USDPEN (Peru)	3.29	-0.1	0.0	1.4	3
LACI	55.21	-0.3	0.6	2.3	2
USDPLN (Poland)	3.79	0.0	0.2	-0.4	-1
USDRUB (Russia)	62.63	0.6	1.7	3.1	11
USDTRY (Turkey)	5.71	0.2	0.5	2.8	-7
USDCNY (China)	6.88	0.0	0.1	0.6	0
USDINR (India)	68.55	0.2	0.2	1.4	2
USDIDR (Indonesia)	13920	0.6	1.4	2.6	3
ADXY	105.13	0.0	0.2	0.7	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	66.9	0.3	4.4	9	24
WTx	60	0.1	4.6	15	33
Copper	270	0.4	1.8	2	3
Gold	1411	-0.3	1.1	5	10
S&P Spot commodity *	435	0.2	3.1	7	16
S&P Brent Spot *	565	0.1	3.6	10	23
S&P Metals Spot *	322	0.1	1.7	2	1
S&P Agricultural *	303	1.1	2.1	-1	7

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