

Market Comment

## Robustness of U.S. retail sales in June

- U.S. retail sales rose 0.4% MoM in June, the fourth consecutive month of rises and a sign of economic robustness, according to data released by the Department of Commerce. The increase in retail sales is greater than expectations, which predicted that the index would increase by 0.1% over the previous month. Several indicators from the beginning of the year had shown a decline in purchases, but in recent months consumer spending has shown signs of recovery.
- This does not change market expectations that the FED will cut interest rates this month but nevertheless contributes to the fact that the U.S. Central Bank is unlikely to cut interest rates by more than 25 basis points and allows flexibility in further interest rate cuts at meetings beyond July.
- Concerning trade talks, US Treasury Secretary Mnuchin and Trade Representative Lighthizer are thinking traveling to China for talks, if negotiations by phone this week make significant progress.
- On data front, in addition to U.S. retail sales today we had a day full of information. U.S. Industrial production was unchanged in June (slightly lower than a consensus of a 0.1% gain). In Europe, seasonal-adjusted trade balance in the Eurozone increased in May reaching €20.2 billion which compare to a level of €15.7 billion in April and consensus forecast of €17.8 billion. German ZEW confidence indicator worsened in July (-24.5, consensus -22.3, previous month -21.1) while the Eurozone ZEW confidence indicator narrowly beat expectations (-20.3, consensus -20.9, previous month -20.2).
- U.S. retail sales data favored U.S. bond yields. Both the 2Y and 10Y U.S. increased about 4 bps. Meanwhile, in Europe, search for yield continued benefiting peripherals and risk premiums declined. Italy's risk premium narrowed and the risk premium stands at 186 basis points
- U.S. retail sales data helped the index tracking the dollar, the DXY was up 0.4%. Deterioration in confidence among German investors also contributed to the decline of the euro with the dollar. The pound (GBP) continued falling as worries over a disorderly Brexit are intensifying and greater signs of a slowing economy.
- Similar to yesterday, European stock markets moved slightly up while US stock markets remained flat. Three big U.S. banks reported strong earnings on Tuesday, however JPMorgan cut its outlook for lending revenue, citing the possibility of multiple rate cuts from the FED.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,87	3,7	-4,0	3	-62
<b>US</b>	2,13	4,2	6,6	5	-55
GER (2-yr)	-0,74	-0,1	-0,2	-4	-13
<b>Germany</b>	-0,25	0,1	6,4	-4	-53
France	0,00	-1,0	5,4	-9	-71
Spain	0,49	-2,0	6,8	-1	-93
Italy	1,61	-3,5	-12,1	-74	-113
Portugal	0,55	-3,7	7,6	-6	-117
Greece	2,25	-6,5	4,6	-46	-215
Japan (2-yr)	-0,18	-0,4	1,0	2	-4
<b>Japan</b>	-0,12	-0,5	1,9	1	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,27	2,5	-1,7	-63	-197
Chile	3,03	0,0	-6,3	-16	-122
Colombia	6,05	0,1	3,4	-16	-71
Mexico	7,65	4,5	10,6	0	-99
Peru	3,92	-2,8	-15,5	-30	-144
Poland	2,27	-0,7	7,0	-13	-56
Russia	7,45	0,4	2,2	-27	-133
Turkey	16,63	9,0	29,0	-66	83
India	6,33	-10,0	-25,5	-59	-104
Indonesia	7,10	-0,6	-16,8	-58	-93

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	25	-1,1	-1,0	-6	-18
Italy	186	-3,6	-18,5	-70	-60
Portugal	80	-3,8	1,2	-3	-64
Spain	74	-2,1	0,4	2	-40
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0,7	-0,4	0	-9
Italy	70	-2,9	-11,0	-38	-38
Portugal	26	-1,6	-2,9	-12	0
Spain	27	-2,1	-1,1	-3	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	127	-1,0	-16	-35	-80
Chile	35	-0,2	-3	-6	-28
Colombia	83	-1,0	-7	-24	-75
Argentina	872	-16,9	-31	-139	66
Mexico	110	-2,6	-2	-11	-45
Peru	50	-0,4	-2	-11	-45
Poland	62	-0,6	-2	-4	-5
Russia	107	-1,6	-5	-17	-47
Turkey	395	-11,7	2	-73	36
China	42	-0,4	-1	-8	-25
India	78	-0,3	-1	-5	-36
Indonesia	85	-0,4	-4	-17	-53

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,1	-2	-3	-13
VSTOXX	12	-0,4	-1	-2	-12
EM EFT volatility Index	15	0,1	-2	-5	-10
Dollar/euro volatility	5	0,0	0	0	-2
EM FX volatility index	7	-0,2	-1	-1	-3
Credit spread (BAA) (change in bps)	221	-4,2	-2	-22	-25
US bonds volatility index	62	-0,9	-1	-19	-5
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,14	-	8	13	0
EZ Inflation expectations (5Y5Y)	1,26	-	6	12	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	0,5	-1	-11	-35
EZ	56	-0,4	-1	-20	-49
UK	52	0,0	-1	-10	-42
Large Spanish	39	0,2	-1	-13	-48
Medium Spanish	90	0,1	-5	11	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	0,5	-1	-11	-35
EZ Non-financial	69	-0,4	-1	-20	-49
UK Non-financial	96	-0,3	0	-8	-23

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	0	-1
Euribor 3m	-0,37	0	-1	-5	-6
<b>Euribor 12m</b>	-0,29	0	-3	-12	-17
Eonia Swap 3m	-0,42	0	-2	-5	-7
<b>Eonia Swap 12m</b>	-0,51	-1	-2	-8	-16
Libor 3m	2,30	-2	-3	-11	-49
Libor 12m	2,21	-2	-5	-10	-80

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3.010	-0,1	1,0	4,3	20
Dow Jones	27.365	0,0	2,2	4,9	17
Nikkei	21.535	-0,7	-0,1	2,0	8
FTSE 100	7.576	0,6	0,5	3,1	13
<b>EuroStoxx 50</b>	3.520	0,5	0,3	4,2	17
IBEX	9.364	0,4	1,0	1,8	10
DAX	12.426	0,3	-0,1	2,7	18
CAC	5.613	0,6	0,7	4,6	19
MIB	22.214	0,2	1,5	7,8	21
ASE Athens	856	0,5	1,8	1,0	40
<b>MSCI Latam *</b>	95.924	0,0	-0,7	3,2	11
Ibovespa (Brazil)	104.162	0,3	-0,4	6,2	19
Mexbol (Mexico)	42.815	-0,6	0,0	-0,7	3
Merval (Argentina)	41.922	1,6	0,4	3,5	38
<b>MSCI EM Europe *</b>	5.952	-0,5	-2,1	0,5	13
Poland	2.322	-0,1	0,4	1,5	2
Micex 10 (Russia)	4.800	-0,5	-2,4	1,1	15
Ise 100 (Turkey)	98.028	1,0	1,3	8,0	7
<b>MSCI EM Asia *</b>	853	0,7	1,3	2,5	9
Shanghai Com (China)	2.938	-0,2	0,3	1,9	18
Jakarta (Indonesia)	6.402	0,4	0,8	2,1	3
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	140,9	0,5	1,0	5,8	22
Citi	115,1	1,0	1,5	4,8	18
BofA	71,6	-0,1	-0,1	6,1	38
MS	29,1	-0,5	0,9	3,7	18
GS	44,8	0,8	2,3	4,6	13
214,2	1,2	3,1	11,7	28	
<b>EZ banks</b>					
BNP	73,6	1,3	2,9	9,4	7
43,2	0,9	1,6	5,8	10	
Crédit Agricole	11,1	1,0	1,6	8,0	18
Deutsche Bank	7,2	4,3	10,4	19,2	3
ING	10,5	1,1	2,7	6,8	11
Intesa	2,1	0,8	2,9	12,4	6
SG	23,0	1,0	3,5	8,5	-17
Unicredito	11,7	2,7	3,2	16,0	19
<b>UK banks</b>					
HSBC	77,5	0,5	0,5	4,3	6
670,9	0,6	0,0	3,9	4	
RBS	230,1	0,3	0,8	8,3	6
Barclays	158,1	0,8	1,1	6,1	5
Lloyds	58,0	0,3	0,4	0,6	12
<b>Large Spanish banks</b>					
Santander	62,2	1,0	1,0	4,0	7
4,2	1,1	1,6	6,5	6	
<b>BBVA</b>	5,0	0,8	0,3	1,8	7
<b>Medium Spanish banks</b>					
Caixabank	51,3	1,3	3,1	3,1	-11
2,6	1,4	2,3	0,7	-18	
Sabadell	1,0	1,8	3,4	4,0	-4
Bankinter	6,5	1,6	3,7	6,3	-7
Bankia	2,1	0,4	3,0	-0,8	-17

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,121	-0,4	0,1	0,1	-2
GBPUSD	1,24	-0,9	-0,5	-1,4	-3
USDJPY	108,31	-0,4	0,5	0,2	1
DXY	97,32	0,4	-0,2	-0,3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,67	-0,6	-2,0	3,1	-12
USDBRL (Brazil)	3,76	0,0	1,0	3,7	3
USDCLP (Chile)	680,79	0,0	1,3	2,8	2
USDCOP (Colombia)	3196	-0,2	0,7	2,4	2
USDMXN (Mexico)	19,08	-0,5	0,4	0,4	3
USDPEN (Peru)	3,29	-0,1	0,3	1,9	3
LACI	54,99	-0,3	0,5	2,2	2
USDPLN (Poland)	3,80	-0,3	0,4	0,0	-1
USDRUB (Russia)	62,81	-0,3	1,6	2,5	10
USDTRY (Turkey)	5,71	0,2	0,5	3,3	-7
USDCNY (China)	6,88	0,0	0,2	0,7	0
USDINR (India)	68,71	-0,2	-0,2	1,6	2
USDIDR (Indonesia)	13935	-0,1	1,4	2,8	3
ADXY	105,12	0,0	0,3	0,8	0

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	66,7	0,3	4,0	8	24
WTx	60	0,0	3,1	14	31
Copper	272	0,6	3,8	3	4
Gold	1409	-0,3	0,8	5	10
S&P Spot commodity *	431	-0,9	2,0	6	15
S&P Brent Spot *	561	-0,6	2,9	8	23
S&P Metals Spot *	325	0,9	2,7	4	2
S&P Agricultural *	297	-2,0	1,2	-4	5

Source: Bloomberg, Datastream and Haver

\* With one day delay