

Market Comment

Sovereign yields decline amid renewed uncertainty

- Today, the International Monetary Fund said in its annual External Sector Report the need to avoid policies that distort trade, in a context of full escalation of the tensions triggered by U.S. protectionism, especially with China, by ensuring that they subtract an additional 0.3 % points from global growth in 2020.
- However, pressure on China continued as Trump stated the possibility to impose additional tariffs on \$325 billion of Chinese products. On the other hand, Treasury Secretary Mnuchin and Trade Representative Lighthizer will have phone calls with China's representatives at the end of this week.
- Besides that, U.S. Federal Reserve Chairman Jerome Powell insisted that the institution he heads will act appropriately to sustain the economic expansion in which the U.S. is immersed.
- On the side of economic indicators, today we knew that new car registrations in Europe decreased by 7.8% YoY following a 0.1% YoY increase in May. The significant drop in car sales in June is mainly due to base effects from last year's pre-WLTP jump in sales. It is most likely that this will negatively affect sales in the coming months.
- In June, Eurozone CPI increased by 1.3% YoY in June, above the increase of May and above the consensus that were both 1.2% YoY. Core CPI increased by 1.1% YoY in June (consensus 1,1%, previous month 0,8%).
- Treasury yields slipped after Fed officials reinforced expectations that they would cut interest rates this month and suggested that they are debating the depth of that cut. A sense of renewed uncertainty in global markets was also shown in peripheral risk premiums, as peripheral risk premiums halted its downward trend.
- FX showed minor changes. The FMI said that the U.S. dollar was overvalued by 6% to 12%, based on near-term fundamentals, while from the IMF's point of view, the euro, the yen and the yuan would be close to the economic fundamentals. Pound (GBP) is trading at around \$1.24 on growing concern over chaotic Brexit
- Equity markets were down today amid trade worries and concerns about the balance of monetary policy and growth.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,84	-1,0	1,2	-3	-65
US	2,07	-2,8	1,3	-2	-61
GER (2-yr)	-0,75	-1,7	-1,8	-6	-14
Germany	-0,29	-4,6	-2,3	-9	-57
France	-0,04	-4,6	-1,9	-14	-75
Spain	0,45	-4,4	0,9	-8	-97
Italy	1,59	-1,9	-14,3	-71	-115
Portugal	0,51	-4,1	0,9	-13	-121
Greece	2,24	-0,6	-4,9	-48	-216
Japan (2-yr)	-0,19	-0,3	-0,9	1	-5
Japan	-0,12	-0,2	-0,3	0	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,30	-1,9	9,2	-65	-193
Chile	3,05	1,8	0,8	-11	-120
Colombia	6,03	-2,6	2,7	-34	-73
Mexico	7,69	-0,5	9,5	-4	-95
Peru	3,85	-2,9	-22,4	-39	-152
Poland	2,26	-0,9	2,3	-16	-57
Russia	7,46	0,5	6,0	-23	-132
Turkey	16,15	-48,0	-34,0	-149	35
India	6,38	4,3	-16,7	-56	-99
Indonesia	7,14	3,9	-19,9	-54	-89

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	25	0,0	0,4	-6	-18
Italy	188	2,7	-12,0	-62	-58
Portugal	80	0,5	3,2	-4	-64
Spain	74	0,2	3,2	1	-40
2-yr sovereign spread vs Germany					
France	7	0,3	-0,9	-1	-8
Italy	71	1,2	-11,7	-34	-37
Portugal	27	1,1	-2,9	-10	1
Spain	27	0,6	-1,4	-3	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	129	1,8	-7	-37	-79
Chile	35	0,3	-2	-6	-28
Colombia	84	0,9	-5	-25	-75
Argentina	891	19,3	3	-117	85
Mexico	113	3,1	-2	-11	-42
Peru	50	0,1	-2	-10	-45
Poland	63	1,0	1	-1	-4
Russia	105	-1,3	-5	-18	-49
Turkey	387	-8,6	-3	-93	27
China	43	0,3	0	-9	-25
India	77	-0,2	-1	-6	-36
Indonesia	85	0,4	-3	-18	-52

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,3	0	-2	-12
VSTOXX	13	0,4	0	-1	-11
EM EFT volatility Index	16	0,0	-1	-3	-9
Dollar/euro volatility	5	0,0	0	0	-2
EM FX volatility index	7	0,0	-1	-1	-3
Credit spread (BAA) (change in bps)	229	2,8	3	-12	-17
US bonds volatility index	61	-0,6	-1	-16	-5
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,11	-	3	20	-3
EZ Inflation expectations (5Y5Y)	1,24	-	1	10	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	0,9	-2	-11	-34
EZ	55	-0,8	-4	-20	-50
UK	54	1,9	-1	-9	-41
Large Spanish	39	0,2	-3	-13	-48
Medium Spanish	93	3,1	4	14	-19
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	165	0,9	-2	-11	-34
EZ Non-financial	70	-0,8	-4	-20	-50
UK Non-financial	96	-0,1	-1	-9	-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
Euribor 12m	-0,30	-1	-5	-12	-18
Eonia Swap 3m	-0,43	-1	-2	-6	-7
Eonia Swap 12m	-0,52	-1	-2	-10	-17
Libor 3m	2,30	0	-4	-10	-50
Libor 12m	2,21	0	-6	-4	-80

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.996	-0,3	0,1	3,7	20
Dow Jones	27.315	-0,1	1,7	4,6	17
Nikkei	21.469	-0,3	-0,3	1,6	7
FTSE 100	7.535	-0,6	0,1	2,4	12
EuroStoxx 50	3.502	-0,6	0,0	3,5	17
IBEX	9.284	-1,0	0,3	1,7	9
DAX	12.341	-0,7	-0,3	2,1	17
CAC	5.572	-0,8	0,1	3,4	18
MIB	22.079	-0,6	0,2	7,0	20
ASE Athens	868	1,4	0,7	2,4	42
MSCI Latam *	95.939	0,0	-0,3	4,0	11
Ibovespa (Brazil)	104.203	0,4	-1,5	6,7	19
Mexbol (Mexico)	42.813	-0,4	0,0	-0,4	3
Merval (Argentina)	41.911	0,3	-2,1	3,5	38
MSCI EM Europe *	5.961	0,1	-1,4	1,1	13
Poland	2.307	-0,6	-0,3	1,3	1
Micex 10 (Russia)	4.758	-0,9	-3,3	0,0	14
Ise 100 (Turkey)	99.806	1,8	1,2	8,2	9
MSCI EM Asia *	856	0,3	1,8	3,5	9
Shanghai Com (China)	2.932	-0,2	0,6	1,5	18
Jakarta (Indonesia)	6.395	-0,4	0,1	2,3	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	140,6	-0,1	1,6	6,2	22
JPM	114,3	-0,7	1,2	4,7	17
Citi	71,3	-0,1	0,2	7,1	37
BoA	29,4	1,4	1,3	5,3	19
MS	44,0	-1,0	1,5	3,5	11
GS	214,9	-0,3	4,3	12,6	29
EZ banks	72,5	-1,5	0,8	7,7	5
BNP	42,5	-1,6	-0,4	4,3	8
Crédit Agricole	11,0	-1,4	0,0	5,7	16
Deutsche Bank	7,0	-2,4	7,4	14,8	1
ING	10,3	-1,9	0,1	4,2	9
Intesa	2,0	-0,9	0,6	11,6	5
SG	22,8	-1,2	1,6	8,0	-18
Unicredito	11,6	-1,3	1,0	14,6	17
UK banks	76,8	-0,8	-0,3	2,6	5
HSBC	664,3	-0,9	-0,4	2,0	3
RBS	229,0	-0,4	0,4	6,9	6
Barclays	155,8	-1,5	-0,4	3,3	3
Lloyds	57,7	-0,5	-0,5	-0,4	11
Large Spanish banks	61,2	-1,8	-1,0	2,4	5
Santander	4,1	-2,4	-1,2	4,0	4
BBVA	4,9	-1,3	-0,8	0,8	6
Medium Spanish banks	50,1	-2,6	-0,2	0,7	-13
Caixabank	2,5	-3,6	-2,1	-2,3	-21
Sabadell	0,9	-4,6	-2,7	-1,0	-9
Bankinter	6,5	-1,3	2,5	5,2	-8
Bankia	2,1	-2,7	-0,5	-3,2	-19

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,123	0,2	-0,2	0,1	-2
GBPUSD	1,24	0,2	-0,6	-0,8	-3
USDJPY	108,11	0,1	0,3	0,4	1
DXJ	97,20	-0,2	0,1	-0,4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,53	0,3	-1,6	3,4	-11
USDBRL (Brazil)	3,76	0,2	-0,2	3,4	3
USDCLP (Chile)	681,61	0,0	0,7	2,8	2
USDCOP (Colombia)	3185	0,5	0,7	3,1	2
USDMXN (Mexico)	19,01	0,4	0,7	0,8	3
USDPEN (Peru)	3,29	0,1	-0,1	1,9	3
LACI	55,07	0,3	0,2	2,4	1
USDPLN (Poland)	3,80	0,1	-0,1	0,1	-2
USD RUB (Russia)	62,78	0,4	0,6	2,4	10
USDTRY (Turkey)	5,69	0,4	-0,2	3,3	-7
USDCNY (China)	6,87	0,0	0,0	0,8	0
USDINR (India)	68,82	-0,2	-0,4	1,6	1
USDIDR (Indonesia)	13983	-0,3	1,1	2,5	3
ADXY	105,07	0,0	-0,1	1,0	0
COMMODITIES (%)	level	Daily	Weekly	Monthly	YTD
Brent	64,3	-0,5	-4,1	5	19
WTx	57	-0,2	-5,1	10	26
Copper	269	-0,2	-0,2	1	2
Gold	1423	1,2	0,3	6	11
S&P Spot commodity *	423	-1,8	-2,6	5	13
S&P Brent Spot *	543	-3,2	-4,5	6	19
S&P Metals Spot *	327	0,8	1,6	5	2
S&P Agricultural *	294	-1,1	-0,5	-5	4

Source: Bloomberg, Datastream and Haver

* With one day delay