

Market Comment

Wait and watch mood prevails

- The slow progress in the initial trade demands of U.S and China is raising doubts as to whether they will be able to overcome their much deeper differences. U.S. weighs how to address China's demands to ease restrictions on Huawei and China has not begun to purchase large amounts of U.S. farm products. For the moment, no face-to-face negotiations have been scheduled. However, Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer expect a phone call from Chinese officials today.
- Bloomberg reported that the ECB is considering modifying its inflation target to adapt it to the post-crisis era, a measure that could alter monetary stimulus policy. The possible revision of the inflation target would start during the succession period at the ECB. Also, the Fed announced in November 2018 that it would conduct a broad review of the strategy, tools, and communication practices that it would finished in the first half of 2020.
- Regarding economic indicators, U.S. Initial jobless claims reached a level of 216k claimers for the week ended July 13th as expected by the consensus. Result is slightly higher than the 208k level observed for the week ended July 6th.
- Across sovereign bond yields, 10Y US treasury yield was slightly upwards (+1 bps). Across European bond markets, core and semi-core sovereign bond yields declined following global concerns and ECB news. Furthermore, peripheral bonds continued benefitting from search for yield strategies. The risk premiums of Italy, Spain and Portugal extended its drop (-2 bps).
- The dollar index (DYX) was almost flat (-0,1%). The USD was hardly impacted by Treasury Secretary Steven Mnuchin comments that there are no changes in the U.S. dollar policy, but he did not rule out a change in the future. The pound (GBP) went up as U.K. parliament backed measures to prevent the next prime minister suspending the legislature to pursue a no-deal Brexit.
- On the other hand, the price of oil increased at the beginning of the day, after Iran assures that it has retained a foreign oil tanker in the Gulf but then turned around and fell sharply. Global stock markets dropped as investors are weighing central bank actions, corporate earnings and the outlook for global trade.

UPDATE 17:50 CET 18 JULY 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,82	0,4	-4,7	-5	-67
US	2,06	1,4	-7,9	0	-63
GER (2-yr)	-0,75	0,0	-2,0	1	-14
Germany	-0,31	-2,2	-8,7	-3	-59
France	-0,06	-2,6	-8,0	-7	-77
Spain	0,40	-4,3	-7,2	1	-101
Italy	1,55	-4,2	-14,8	-56	-119
Portugal	0,47	-4,0	-9,7	-6	-125
Greece	2,14	-10,1	-12,5	-38	-226
Japan (2-yr)	-0,19	-0,7	-0,2	0	-5
Japan	-0,13	-0,9	0,5	-1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,31	0,5	11,4	-63	-193
Chile	3,01	-0,8	-5,3	-15	-124
Colombia	6,04	2,5	1,8	-27	-71
Mexico	7,59	-18,0	-6,1	-10	-105
Peru	3,77	-8,7	-29,8	-49	-159
Poland	2,22	-3,6	-6,1	-11	-60
Russia	7,47	1,3	6,9	-15	-131
Turkey	16,09	-6,0	-30,0	-82	29
India	6,39	4,2	-10,7	-42	-98
Indonesia	7,14	0,2	-8,3	-53	-88

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	25	-0,4	0,7	-4	-18
Italy	186	-2,0	-6,1	-53	-60
Portugal	78	-1,8	-1,0	-3	-66
Spain	72	-2,1	1,5	4	-42
2-yr sovereign spread vs Germany					
France	7	0,4	0,2	-1	-8
Italy	71	0,1	-7,0	-29	-37
Portugal	25	-1,5	-4,5	-12	-1
Spain	27	0,1	-3,5	-6	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	129	0,2	-1	-35	-78
Chile	36	0,1	-1	-6	-28
Colombia	84	0,4	-3	-22	-74
Argentina	898	7,0	17	-125	92
Mexico	115	1,9	-1	-8	-40
Peru	50	0,2	-1	-9	-44
Poland	64	0,3	2	-1	-4
Russia	105	0,0	-4	-17	-49
Turkey	379	-7,4	-13	-101	20
China	43	0,8	2	-7	-24
India	72	-5,7	-7	-12	-42
Indonesia	86	0,9	0	-16	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,3	1	-1	-11
VSTOXX	13	0,7	1	0	-11
EM EFT volatility Index	17	0,9	0	-3	-8
Dollar/euro volatility	5	0,0	0	0	-2
EM FX volatility index	7	0,0	0	-1	-3
Credit spread (BAA) (change in bps)	224	-1,4	0	-16	-21
US bonds volatility index	62	1,0	-1	-14	-4
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,13	-	4	14	-1
EZ Inflation expectations (5Y5Y)	1,28	-	3	5	-32
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	0,3	0	-10	-34
EZ	55	0,1	-3	-20	-50
UK	55	0,9	0	-7	-40
Large Spanish	40	0,2	-2	-12	-48
Medium Spanish	88	-5,0	-2	6	-24
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	167	0,3	0	-10	-34
EZ Non-financial	71	0,1	-3	-20	-50
UK Non-financial	97	0,6	-1	-8	-22

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	-3	-12	-19
Eonia Swap 3m	-0,44	-1	-3	-5	-8
Eonia Swap 12m	-0,53	-1	-3	-4	-18
Libor 3m	2,30	0	-4	-12	-49
Libor 12m	2,22	1	-7	-7	-80

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.977	-0,3	-0,8	2,0	19
Dow Jones	27.074	-0,5	-0,1	2,3	16
Nikkei	21.046	-2,0	-2,8	0,4	5
FTSE 100	7.494	-0,5	-0,2	0,7	11
EuroStoxx 50	3.486	-0,5	-0,3	0,9	16
IBEX	9.223	-0,7	-0,6	-0,2	8
DAX	12.237	-0,8	-0,8	-0,8	16
CAC	5.554	-0,3	0,0	0,8	17
MIB	22.121	0,2	-0,2	4,7	21
ASE Athens	871	0,3	0,8	2,0	42
MSCI Latam *	95.753	-0,2	-1,3	4,3	11
Ibovespa (Brazil)	104.229	0,4	-0,9	4,9	19
Mexbol (Mexico)	42.232	-0,8	-1,5	-2,2	1
Merval (Argentina)	40.647	-1,9	-5,2	-0,1	34
MSCI EM Europe *	5.911	-0,8	-2,6	0,4	12
Poland	2.321	0,6	0,2	-0,2	2
Micex 10 (Russia)	4.753	-0,1	-2,4	-0,9	14
Ise 100 (Turkey)	101.566	1,8	2,2	7,8	11
MSCI EM Asia *	853	-0,3	1,0	3,4	9
Shanghai Com (China)	2.901	-1,0	-0,6	0,4	16
Jakarta (Indonesia)	6.403	0,0	-0,1	3,4	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	140,4	0,4	0,1	4,0	21
JPM	114,3	0,3	0,2	3,2	17
Citi	71,3	0,7	-0,4	4,9	37
BoA	29,4	0,6	0,0	2,6	19
MS	43,9	0,3	-0,6	1,3	11
GS	213,9	0,3	1,2	9,7	28
EZ banks	72,3	-0,3	0,0	5,1	5
BNP	42,4	-0,3	-0,4	2,2	7
Crédit Agricole	10,8	-1,6	-1,7	2,6	14
Deutsche Bank	7,0	-0,3	6,0	10,4	0
ING	10,3	-0,2	-1,0	1,9	9
Intesa	2,1	0,7	0,1	9,8	6
SG	22,8	-0,2	1,3	5,6	-18
Unicredito	11,7	0,9	0,8	11,4	18
UK banks	76,8	0,0	-0,4	1,9	5
HSBC	662,0	-0,3	-0,4	0,7	2
RBS	230,9	0,8	0,5	7,4	7
Barclays	156,2	0,3	-1,1	3,1	4
Lloyds	57,5	-0,4	-0,5	-1,1	11
Large Spanish banks	60,4	-1,3	-2,5	0,0	3
Santander	4,1	-1,6	-3,5	1,1	2
BBVA	4,9	-1,1	-1,6	-1,0	5
Medium Spanish banks	49,7	-0,6	-1,3	1,3	-13
Caixabank	2,5	0,0	-1,9	-1,0	-21
Sabadell	0,9	0,4	-2,7	-1,3	-8
Bankinter	6,4	-1,0	0,7	6,4	-9
Bankia	2,0	-2,1	-3,5	-3,3	-20

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,123	0,0	-0,2	0,3	-2
GBPUSD	1,25	0,4	-0,3	-0,6	-2
USDJPY	107,73	0,2	0,7	0,7	2
DXD	97,13	-0,1	0,1	-0,5	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,36	0,4	-1,5	2,7	-11
USDBRL (Brazil)	3,75	0,4	0,2	3,0	4
USDCLP (Chile)	683,02	-0,1	-0,2	2,0	2
USDCOP (Colombia)	3187	0,0	0,4	2,1	2
USDMXN (Mexico)	19,01	0,3	0,4	0,6	3
USDPEN (Peru)	3,29	0,0	-0,1	1,4	2
LACI	55,13	0,2	0,1	1,7	2
USDPLN (Poland)	3,79	0,1	-0,1	0,3	-2
USDRUB (Russia)	63,08	-0,3	-0,4	1,5	10
USDTRY (Turkey)	5,69	0,0	-0,2	2,5	-7
USDCNY (China)	6,88	-0,1	-0,1	0,3	0
USDINR (India)	68,96	-0,2	-0,7	1,1	1
USDIDR (Indonesia)	13960	0,2	0,8	2,6	3
ADXU	105,11	0,0	0,0	0,3	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,8	-2,9	-7,1	-1	15
WTx	55	-3,1	-8,6	2	21
Copper	270	-0,3	0,8	0	3
Gold	1428	0,1	1,7	6	11
S&P Spot commodity *	428	-0,7	-3,2	2	12
S&P Brent Spot *	538	-1,0	-4,7	3	17
S&P Metals Spot *	327	0,0	1,8	3	3
S&P Agricultural *	293	-0,3	-2,4	-5	3

Source: Bloomberg, Datastream and Haver

* With one day delay