

**Market Comment**

## Peripheral risk premia widened

- Chinese state media reported face-to-face negotiations with the U.S. may resume soon as China considers a plan to encourage American agricultural products purchases.
- Boston Fed President, Rosengren, said last Friday that he sees no reason for a rate cut as he believes that the U.S. economy is not experiencing an economic slowdown. Consequently, bets of an aggressive rate cut of 50 bps have waned as the trade conflict seemed to abate and economic data turned slightly more promising. However, markets are still expecting a Fed rate cut of at least 25 bps by the end of July. Investors will watch closely corporate earnings this week for signs of economic slowdown, while the Fed is in a blackout period that limits FOMC participants to speak publicly.
- Oil gained amid rising tensions in the Persian Gulf with Brent prices hovering around 63 USD. The United Kingdom is preparing its response to Iran's arrest of the British oil tanker in the Strait of Hormuz.
- Core government bonds gained with the German 10Y yield inching down ahead of the ECB meeting on Thursday where it is expected to strengthen its forward guidance. Moreover, a worse-than-expected Chicago Fed National Activity Index (-0.02, consensus 0.08, previous month -0.05) dragged down the UST 10Y yield. Elsewhere, peripheral risk premia widened, particularly in Italy as chances of snap election heightened given the standoff between coalition partners, the League and the Movimento 5 Stelle (M5S).
- In FX markets, the USD appreciated slightly both across the G10 board and EM currencies. The pound slipped driven by a higher possibility of a no-deal Brexit due to the likelihood of Boris Johnson to become the next U.K. prime minister.
- Equity markets showed minor changes, being well supported by the prospects of central banks with looser monetary policies.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,81	-1,2	-2,3	3	-68
<b>US</b>	2,03	-2,6	-6,0	0	-66
GER (2-yr)	-0,77	-0,5	-3,9	-2	-16
<b>Germany</b>	-0,35	-2,2	-9,5	-7	-63
France	-0,08	-1,3	-9,4	-10	-79
Spain	0,39	0,3	-11,7	0	-103
Italy	1,65	4,8	0,6	-49	-109
Portugal	0,46	0,3	-12,4	-8	-126
Greece	2,11	-4,3	-19,8	-46	-229
Japan (2-yr)	-0,20	0,0	-1,9	3	-6
<b>Japan</b>	-0,14	-0,4	-2,2	3	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,28	-3,2	4,1	-55	-195
Chile	2,87	-2,6	-15,7	-20	-138
Colombia	5,96	-0,1	-8,8	-20	-80
Mexico	7,51	1,1	-9,9	-7	-113
Peru	3,70	1,0	-25,2	-51	-167
Poland	2,15	-2,3	-12,3	-21	-67
Russia	7,38	-5,3	-6,9	-7	-140
Turkey	15,52	-3,0	-102,0	-25	-28
India	6,42	5,5	-1,4	-37	-95
Indonesia	7,20	5,7	9,6	-21	-82

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	26	0,9	0,1	-3	-16
Italy	200	7,0	10,1	-42	-46
Portugal	81	2,5	-2,9	-1	-63
Spain	74	2,5	-2,2	7	-40
<b>2-yr sovereign spread vs Germany</b>					
France	8	0,0	0,5	-1	-7
Italy	80	2,8	6,8	-17	-29
Portugal	26	0,5	-1,7	-11	0
Spain	29	0,3	0,0	-6	-8

Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	128	0,2	0	-27	-79
Chile	36	-0,7	0	-3	-28
Colombia	85	-0,2	1	-10	-73
Argentina	895	-12,0	6	-61	88
Mexico	115	1,0	2	1	-40
Peru	50	-0,2	0	-5	-44
Poland	64	0,0	1	-1	-4
Russia	105	-0,7	-3	-9	-49
Turkey	370	-10,3	-37	-85	10
China	42	-1,3	-1	-2	-26
India	68	-1,2	-10	-14	-46
Indonesia	85	-2,1	-1	-9	-53

**RISK INDICATORS**

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	-0,3	1	-1	-11
VSTOXX	14	-0,1	1	0	-10
EM EFT volatility Index	17	0,8	2	-1	-8
Dollar/euro volatility	5	0,1	0	0	-2
EM FX volatility index	7	0,1	0	-1	-3
Credit spread (BAA) (change in bps)	228	2,6	3	-8	-17
US bonds volatility index	64	0,7	2	-9	-3
<b>Inflation expectations (% change in pp)</b>					
US Inflation expectations (5Y5Y)	2,10	-	-1	3	-3
EZ Inflation expectations (5Y5Y)	1,31	-	3	1	-30
<b>Banking 5y CDS (bps) *</b>					
US	49	0,5	2	-4	-34
EZ	55	-0,4	-1	-10	-49
UK	55	-0,4	4	-2	-39
Large Spanish	39	-1,0	0	-7	-48
Medium Spanish	91	0,9	1	6	-21
<b>Corporate 5y CDS (bps) *</b>					
US Non-financial	166	0,5	2	-4	-34
EZ Non-financial	71	-0,4	-1	-10	-49
UK Non-financial	97	-0,8	0	-5	-22

**INTERBANK MARKETS (% CHANGES IN BP)**

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	1	-1
Euribor 3m	-0,37	0	-1	-4	-7
<b>Euribor 12m</b>	-0,31	0	-2	-10	-19
Eonia Swap 3m	-0,43	1	-1	-3	-8
<b>Eonia Swap 12m</b>	-0,54	0	-3	-5	-19
Libor 3m	2,26	-2	-6	-13	-54
Libor 12m	2,16	-3	-7	-14	-86

**STOCK MARKETS (%)**

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2.982	0,2	-1,1	0,9	19
Dow Jones	27.139	-0,1	-0,8	1,4	16
Nikkei	21.417	-0,2	-1,2	-0,2	7
FTSE 100	7.515	0,1	-0,2	1,2	12
<b>EuroStoxx 50</b>	3.490	0,3	-0,4	0,6	16
IBEX	9.164	-0,1	-1,7	-0,5	7
DAX	12.289	0,2	-0,8	-0,5	16
CAC	5.567	0,3	-0,2	0,6	18
MI	21.736	0,4	-2,0	1,8	19
ASE Athens	865	-0,3	1,6	3,4	41
<b>MSCI Latam *</b>	94.974	-0,8	-1,0	1,3	10
Ibovespa (Brazil)	103.998	0,5	0,2	3,7	18
Mexbol (Mexico)	41.512	-0,2	-3,6	-4,9	0
Merval (Argentina)	39.453	-1,8	-4,4	-1,0	30
<b>MSCI EM Europe *</b>	5.923	0,1	-1,0	-0,6	12
Poland	2.343	-0,1	0,8	1,0	3
Micex 10 (Russia)	4.727	-0,4	-2,0	-2,1	13
Ise 100 (Turkey)	101.089	-0,7	4,1	7,4	11
<b>MSCI EM Asia *</b>	854	0,7	0,7	1,0	9
Shanghai Com (China)	2.887	-1,3	-1,9	-3,4	16
Jakarta (Indonesia)	6.434	0,5	0,9	1,5	4
<b>Banking sector</b>					
<b>US banks</b>	level	Daily	Weekly	Monthly	YTD
JPM	140,5	0,1	0,1	4,4	21
Citi	113,9	0,3	0,0	3,4	17
BoA	71,0	0,1	-1,0	4,2	36
MS	29,5	0,3	1,0	4,4	20
GS	44,2	-0,3	-0,4	1,8	12
Bank of Montreal	213,6	0,0	0,9	9,1	28
<b>EZ banks</b>	71,2	0,0	-2,0	3,6	3
BNP	42,0	0,0	-2,0	1,4	6
Crédit Agricole	10,8	0,2	-1,8	3,6	15
Deutsche Bank	6,9	0,5	0,6	9,6	-1
ING	10,1	-0,1	-2,9	1,2	7
Intesa	2,0	0,2	-1,8	6,4	4
SG	22,3	-0,2	-2,1	2,8	-20
Unicredit	11,2	-0,3	-2,2	5,5	13
<b>UK banks</b>	76,5	0,1	-0,8	1,5	5
HSBC	662,6	0,0	-0,7	1,3	2
Barclays	228,5	0,2	-0,3	5,0	5
Lloyds	156,6	0,6	-0,1	4,1	4
<b>Large Spanish banks</b>	56,7	-0,1	-2,0	-2,9	9
Santander	59,2	-0,6	-4,0	-2,3	1
CaixaBank	4,0	-0,4	-4,2	-0,6	0
<b>BBVA</b>	4,7	-0,7	-3,7	-3,9	2
<b>Medium Spanish banks</b>	47,2	-3,0	-6,7	-1,6	-18
Sabadell	2,4	-0,7	-6,4	-3,2	-14
Bancaja	0,9	-3,7	-8,5	-5,2	-24
Bankinter	6,1	-3,9	-4,9	3,7	-13
Bankia	1,9	-4,1	-10,1	-7,0	-26

**CURRENCIES (% RED FOR CURRENCY DEPRECIATION)**

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,121	-0,1	-0,4	-0,7	-2
GBPUSD	1,25	-0,2	-0,3	-1,8	-2
USDJPY	107,89	-0,2	0,0	-0,5	2
DX	97,26	0,1	0,3	0,7	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,46	-0,1	-0,2	2,1	-11
USDBRL (Brazil)	3,74	0,3	0,5	2,7	4
USDCLP (Chile)	688,62	-0,3	-1,2	-0,7	1
USDCOP (Colombia)	3174	0,0	0,5	0,6	3
USDMXN (Mexico)	19,07	-0,2	-0,5	-0,3	3
USDPEN (Peru)	3,29	-0,1	0,0	0,8	3
LACI	55,08	0,0	-0,1	1,0	1
USDPLN (Poland)	3,79	0,0	-0,1	-0,6	-1
USDRUB (Russia)	63,11	-0,1	-0,7	-0,4	10
USDTRY (Turkey)	5,69	-0,5	0,5	1,3	-7
USDCNY (China)	6,88	0,0	0,0	-0,4	0
USDINR (India)	68,92	-0,2	-0,5	0,7	1
USDIDR (Indonesia)	13943	0,0	-0,2	1,7	3
ADXY	105,09	0,0	0,0	-0,2	0

COMMODITIES (%)	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	63,5	1,6	-4,5	-1	18
WTX	56	1,1	-5,6	-1	24
Copper	272	-0,9	0,5	0	4
Gold	1426	0,1	0,9	3	11
S&P Spot commodity *	416	0,8	-3,5	-1	11
S&P Metals Spot *	530	1,1	-5,5	-2	16
S&P Agricultural *	329	0,2	1,4	4	3
S&P Agricultural *	292	1,5	-1,6	-5	3

Source: Bloomberg, Datastream and Haver

\* With one day delay