

Market Comment

Disappointing manufacturing data lower bond yields.

- Weak economic data in the Eurozone and mixed data in the U.S. added concerns about their growth outlook, contributing to increase markets expectations of a ECB rate cut at tomorrow's meeting.** In this context, European government bonds benefitted, especially peripheral bonds. Meanwhile, hopes for an improved relation between the U.S. and China increases due to the resumption of trade talks.
- Increasing hopes for an improved relation between the U.S. and China as **U.S. trade negotiators are set to travel to China next Monday for face-to-face negotiation.** However, it is not expected to yield major breakthroughs and U.S. officials are now eyeing for a long-term timeline of roughly six months to reach a deal with China.
- On the data front, **the Flash Eurozone PMI composite was worse-than-expected in July**, adding concerns about the region's growth outlook (51.5, consensus 52.2, previous month 52.2). Both manufacturing and services PMI were weaker than the previous month with the former one deepening further in the contraction area dragged by geopolitical tensions and the decline in the performance of the autos sector. Among countries, **the German PMI composite was notably dragged down by manufacturing. Elsewhere, the Flash U.S. PMI composite increased slightly in July** (51.6, previous month 51.5) driven by an improvement in services **while, manufacturing expanded at a lower pace below expectations** (50, consensus 51, previous month 50.6). New home sales in the U.S. increased in June although missing estimates (646K, consensus 658K, previous month 626K).
- Government bond yields declined, especially the peripheral ones benefited by search for yield strategies**, as market expectations for a ECB rate cut at tomorrow's meeting remains high after the release of poor economic data in Europe. **Italy's risk premium narrowed significantly led by the easing of tensions within the coalition government** after the approval to proceed with the work on the rail link with France. Moreover, Italy's prime minister Conte said the government wants to approve 2020 budget ahead of schedule.
- In FX markets, **the USD halted its gain extension slightly depreciating** across the G10 board and EM currencies. The EUR fluctuated, trimming its early losses coming from the weak activity data in Germany, whereas the GBP inched up. Furthermore, **Brent crude prices picked up as the U.S. crude oil inventories plunged, although this gains were reversed.**
- Equity markets oscillated in a narrow range driven by earnings, economic data and the U.S. Justice Department antitrust review of tech companies.

UPDATE 17:50 CET 24 JULY 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,81	-3,2	-0,5	7	-68
US	2,05	-3,3	0,3	3	-64
GER (2-yr)	-0,78	-0,3	-2,7	-3	-17
Germany	-0,38	-2,4	-8,9	-11	-66
France	-0,12	-2,7	-7,8	-14	-83
Spain	0,35	-4,7	-10,0	-6	-107
Italy	1,49	-10,8	-10,0	-66	-125
Portugal	0,42	-4,2	-9,3	-11	-130
Greece	2,00	-5,7	-24,3	-43	-240
Japan (2-yr)	-0,20	-0,4	-1,6	3	-6
Japan	-0,15	-0,5	-2,6	1	-15

Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,19	-2,5	-11,0	-47	-205
Chile	2,82	-3,4	-20,4	-28	-143
Colombia	5,95	-1,8	-7,0	-28	-81
Mexico	7,44	-3,9	-32,8	-23	-120
Peru	3,83	-2,6	-2,1	-33	-153
Poland	2,02	-8,2	-23,9	-33	-80
Russia	7,34	-2,3	-11,3	-14	-144
Turkey	15,70	3,0	-45,0	11	-10
India	6,44	-2,6	9,2	-41	-93
Indonesia	7,26	-1,2	12,1	-22	-77

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	26	-0,3	1,1	-3	-16
Italy	187	-8,4	-1,1	-55	-59
Portugal	80	-1,8	-0,4	0	-64
Spain	73	-2,3	-1,1	5	-41
2-yr sovereign spread vs Germany					
France	7	-0,9	0,0	-1	-8
Italy	69	-5,6	-2,3	-34	-39
Portugal	22	-1,9	-4,6	-13	-4
Spain	27	-1,8	0,5	-6	-9

Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	126	-1,2	-2	-23	-81
Chile	36	-0,5	0	-3	-28
Colombia	84	-0,8	0	-8	-74
Argentina	890	-3,7	-1	-51	84
Mexico	116	0,0	2	5	-39
Peru	51	0,0	0	-4	-44
Poland	64	0,0	1	-1	-4
Russia	104	-1,2	-1	-8	-50
Turkey	364	-9,0	-23	-77	4
China	42	-0,4	-1	-2	-26
India	67	-0,7	-11	-15	-47
Indonesia	84	-0,8	-1	-8	-53

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0,2	-2	-3	-13
VSTOXX	13	0,4	1	-1	-11
EMEFT volatility Index	16	-0,4	0	-2	-9
Dollar/euro volatility	6	0,2	1	0	-2
EMFX volatility index	7	0,0	0	-1	-3
Credit spread (BAA) (change in bps)	226	3,3	1	-7	-19
US bonds volatility index	61	0,3	-1	-13	-5

Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,09	-	-1	2	-5
EZ Inflation expectations (5Y5Y)	1,29	-	5	2	-31

Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	45	-1,6	-3	-4	-37
EZ	53	-2,2	-2	-12	-52
UK	54	-2,0	0	-3	-41
Large Spanish	38	-1,2	-2	-9	-50
Medium Spanish	93	6,3	0	-1	-19

Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	-1,6	-3	-4	-37
EZ Non-financial	71	-2,2	-2	-12	-52
UK Non-financial	96	-0,5	0	-4	-23

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	-1	-1
Euribor 3m	-0,38	0	-1	-3	-7
Euribor 12m	-0,32	-1	-2	-11	-20
Eonia Swap 3m	-0,44	-1	-1	-4	-9
Eonia Swap 12m	-0,54	-1	-2	-6	-19
Libor 3m	2,28	-1	-2	-7	-52
Libor 12m	2,19	0	-2	-1	-82

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3.007	0,0	0,7	2,1	20
Dow Jones	27.209	-0,5	0,0	1,8	17
Nikkei	21.710	0,4	1,1	2,0	8
FTSE 100	7.501	-0,7	-0,5	1,1	11
EuroStoxx 50	3.533	0,0	0,9	2,2	18
IBEX	9.330	0,5	0,5	1,5	9
DAX	12.523	0,3	1,5	2,0	19
CAC	5.606	-0,2	0,6	1,5	19
MI8	22.080	0,6	0,0	3,7	20
ASE Athens	874	0,5	0,7	2,9	43
MSCI Latam *	94.694	-0,3	-1,3	-0,4	10
Ibovespa (Brazil)	104.423	0,7	0,5	2,3	19
Mexbol (Mexico)	41.230	0,7	-3,1	-5,7	-1
Merval (Argentina)	39.687	1,2	-4,3	-1,1	31
MSCI EM Europe *	5.921	0,5	-0,7	-0,4	12
Poland	2.335	0,0	1,2	0,2	3
Micex 10 (Russia)	4.721	-0,6	-0,8	-1,4	13
MSCI 100 (Turkey)	103.457	0,9	3,7	8,7	13
MSCI EM Asia *	855	0,4	-0,1	0,3	9
Shanghai Com (China)	2.923	0,8	-0,3	-2,8	17
Jakarta (Indonesia)	6.385	-0,8	-0,3	1,1	3

Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	144,2	0,5	3,1	8,0	25
Citi	72,4	0,6	2,3	7,4	39
BoA	30,6	1,1	4,8	9,3	24
MS	45,3	0,4	3,5	5,2	14
GS	220,1	0,3	3,2	11,4	32
EZ banks					
BNP	72,7	0,0	0,3	7,1	6
Crédit Agricole	42,9	0,0	1,0	5,3	9
Deutsche Bank	11,0	0,2	0,7	6,8	17
ING	7,0	-1,9	-0,1	11,7	1
Intesa	10,3	0,2	0,0	5,1	9
SG	2,0	0,0	-0,4	8,5	5
Unicredit	23,2	0,6	1,5	7,4	-17
Unicredito	11,4	-0,3	-1,2	9,6	16
UK banks					
HSBC	76,6	-0,8	-0,2	3,3	5
HSBC	656,4	-2,2	-1,2	1,6	1
RBS	228,2	-0,2	-0,3	6,0	5
Barclays	159,9	-0,1	2,7	7,7	6
Lloyds	57,0	-0,1	-1,2	-0,1	10
Large Spanish banks					
Santander	61,1	0,0	0,4	1,4	5
Santander	4,1	0,1	-0,1	3,9	4
BBVA	4,9	0,0	-0,6	-0,8	5
Medium Spanish banks					
Saibabank	48,4	-0,5	-3,4	1,4	-16
Sabadell	2,4	-0,3	-2,4	0,0	-23
Sabadell	0,9	0,5	-2,0	0,1	-10
Bankinter	6,3	-0,6	-3,4	5,4	-11
Bankia	1,9	-2,0	-6,7	-3,5	-24

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,114	-0,1	-0,7	-2,3	-3
GBPUSD	1,25	0,4	0,5	-1,9	-2
USDJPY	108,08	0,1	0,1	-0,7	1
DXY	97,66	-0,1	-0,4	1,7	2

Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,89	-0,5	-0,9	-1,1	-12
USDBRL (Brazil)	3,76	0,3	0,1	1,7	3
USDCPL (Chile)	691,26	0,3	-1,3	-1,5	0
USDCOP (Colombia)	3203	-0,5	-0,6	0,0	2
USDMXN (Mexico)	19,09	0,4	-0,2	0,6	3
USDPEN (Peru)	3,29	0,1	-0,1	0,3	2
LACI	54,82	0,1	-0,3	0,4	1
USDPLN (Poland)	3,82	-0,1	-0,5	-2,3	-2
USDRLB (Russia)	63,10	0,1	-0,3	-0,9	10
USDTRY (Turkey)	5,69	0,4	-0,2	2,0	-7
USDCNY (China)	6,87	0,1	0,0	0,1	0
USDINR (India)	68,98	-0,1	-0,2	0,5	1
USDIDR (Indonesia)	13997	-0,1	-0,1	1,1	3
ADXY	105,08	0,1	0,0	-0,3	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,6	-0,3	-0,1	-2	18
WTX	56	-0,8	-0,8	-3	24
Copper	271	0,5	-0,1	0	3
Gold	1422	0,3	-0,3	0	11
S&P Spot commodity *	420	0,7	0,0	-1	12
S&P Metals Spot *	543	1,1	0,9	-1	18
S&P Precious Metals Spot *	324	-0,2	-1,0	2	1
S&P Agricultural *	289	0,5	-1,4	-6	2

Source: Bloomberg, Datastream and Haver

* With one day delay