

Market Comment

Gloomy Eurozone outlook weighed on European equities.

- The Eurozone economic sentiment decreased in line with expectations in July** to its lowest level in more than three years (102.7, consensus 102.6, previous month 103.3). This fall was driven mainly by a deterioration of the industrial confidence resulted from more pessimistic production expectations and views on the current level of overall order books. Moreover, France 2Q19 GDP declined unexpectedly (0.2% q/q, consensus 0.3% q/q, previous month 0.3% q/q) dragged by a weaker consumer spending and inventories. Elsewhere, the GfK consumer confidence in Germany fell slightly (9.7, consensus 9.7, previous month 9.8).
- US economic data were supportive.** The U.S. consumer confidence in July increased more than expected (135.7, consensus 125.0, previous month 121.5) suggesting that consumers are more optimistic in the current situation and also about the short-term outlook. Meanwhile, personal income and spending moderated in June in line with expectations.
- US-China trade frictions remain alive, ahead of today's high representative meeting.** The U.S. president Trump said that China hasn't met its pledges to buy U.S. agricultural goods, lowering the hopes of any breakthrough with trade talks which started today in Shanghai.
- Fears mount over no-deal Brexit on October 31 as Boris Johnson insisted on leaving the EU with or without a deal.** Britain's new prime minister, Boris Johnson, said that he would not meet EU leaders unless the previously rejected Withdrawal Agreement is reopened. On the other hand, EU officials insisted that it has no intention to reopen it.
- Sovereign bond yields were steady** ahead of tomorrow's FOMC meeting. Italy's risk premium widened moderately as demand at its debt auction eased.
- In FX markets, the USD remains strong** but depreciating against the JPY after the Bank of Japan held status quo on rates at its July's policy meeting, awaiting for tomorrow's Fed meeting. Moreover, the GBP depreciated further to a two-year low on increasing concerns of a no-deal Brexit. In emerging markets, the TRY extended its gains supported by the virtual certainty of a Fed rate cut at tomorrow's FOMC meeting and by lower possibilities of U.S. sanctions over the Turkey's purchase of a Russian defense system.
- European equity markets declined sharply** with cyclical sectors leading the fall due to the gloomy economic outlook driven by weaker France 2Q19 GDP and Eurozone economic sentiment. Moreover, disappointing earning results along with Brexit concerns weighed on European equity indices. U.S. equity indices also inched down as hopes for a trade deal wane, after Trump's comments.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,86	0,0	2,0	10	-63
US	2,07	0,9	-0,7	7	-61
GER (2-yr)	-0,76	0,4	1,7	-1	-15
Germany	-0,40	-0,6	-4,2	-11	-68
France	-0,14	-0,1	-5,2	-14	-85
Spain	0,35	-0,5	-4,1	-4	-106
Italy	1,58	0,9	-2,0	-52	-116
Portugal	0,41	-1,4	-5,3	-7	-132
Greece	2,07	2,4	1,3	-38	-233
Japan (2-yr)	-0,21	-0,3	-1,0	1	-7
Japan	-0,15	-0,7	-0,8	1	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,22	0,1	0,2	-24	-202
Chile	2,72	0,5	-13,0	-39	-153
Colombia	6,01	1,1	4,7	-13	-74
Mexico	7,52	0,3	3,4	-5	-113
Peru	3,90	0,0	4,0	-30	-146
Poland	2,20	5,9	9,9	-19	-62
Russia	7,43	3,6	6,7	-5	-135
Turkey	14,96	10,0	-71,0	-112	-84
India	6,39	-2,1	-7,2	-49	-98
Indonesia	7,34	5,4	6,8	-3	-69

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	26	0,5	-1,0	-3	-17
Italy	198	1,5	2,2	-41	-48
Portugal	80	-0,8	-1,1	4	-64
Spain	75	0,1	0,1	7	-38
2-yr sovereign spread vs Germany					
France	7	-0,1	-0,7	0	-8
Italy	76	0,1	1,5	-21	-32
Portugal	21	0,8	-2,3	-12	-5
Spain	26	-0,2	-3,3	-7	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	124	1,1	-3	-25	-83
Chile	35	0,6	-2	-4	-29
Colombia	84	1,6	-1	-8	-75
Argentina	916	-8,6	22	-68	109
Mexico	115	0,9	-1	4	-40
Peru	49	0,1	-2	-5	-46
Poland	64	0,0	0	0	-3
Russia	100	-0,5	-6	-15	-54
Turkey	349	-3,0	-24	-51	-11
China	40	0,4	-2	-4	-27
India	59	0,7	-9	-19	-55
Indonesia	78	-0,4	-7	-12	-60

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,6	1	-2	-12
VSTOXX	14	1,8	2	1	-9
EM EFT volatility Index	17	0,6	1	-3	-8
Dollar/euro volatility	5	0,0	0	-1	-2
EM FX volatility index	7	0,1	0	-1	-3
Credit spread (BAA) (change in bps)	212	-0,9	-11	-19	-34
US bonds volatility index	59	-0,4	-3	-12	-8
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,11	-	-1	6	-3
EZ Inflation expectations (5Y5Y)	1,29	-	1	8	-31
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	1,9	-1	-5	-36
EZ	66	1,4	-2	-12	-63
UK	71	4,8	0	0	-39
Large Spanish	41	1,8	1	-3	-47
Medium Spanish	81	-1,1	-6	-13	-32
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	164	3,5	-2	-1	-49
EZ Non-financial	68	0,5	-3	-6	-29
UK Non-financial	95	0,9	-1	-5	-24

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	-1	-1
Euribor 3m	-0,37	-1	0	-3	-7
Euribor 12m	-0,30	1	1	-9	-18
Eonia Swap 3m	-0,42	0	1	-2	-7
Eonia Swap 12m	-0,52	0	1	-4	-17
Libor 3m	2,26	0	-2	-5	-54
Libor 12m	2,20	0	1	1	-82

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3013	-0,3	0,2	2,4	20
Dow Jones	27185	-0,1	-0,6	2,2	17
Nikkei	21709	0,4	0,4	2,0	8
FTSE 100	7658	-0,4	1,3	3,1	14
EuroStoxx 50	3465	-1,6	-1,9	-0,2	15
IBEX	8986	-2,5	-3,2	-2,3	5
DAX	12152	-2,1	-2,7	-2,0	15
CAC	5515	-1,5	-1,8	-0,4	17
MIB	21304	-1,9	-3,0	0,3	16
ASE Athens	890	-0,6	2,3	2,5	45
MSCI Latam *	94727	0,8	-0,3	0,6	10
Ibovespa (Brazil)	103399	-0,1	-0,3	2,4	18
Mexbol (Mexico)	41075	-0,5	0,3	-4,8	-1
Merval (Argentina)	42628	-0,4	8,7	2,0	41
MSCI EM Europe *	5949	0,4	1,0	-0,9	13
Poland	2264	-1,0	-3,1	-2,7	-1
Micex 10 (Russia)	4790	0,2	0,8	0,5	14
Ise 100 (Turkey)	102686	-0,7	0,1	6,4	13
MSCI EM Asia *	847	-0,6	-0,5	-1,1	8
Shanghai Com (China)	2952	0,4	1,8	-0,9	18
Jakarta (Indonesia)	6377	0,8	-0,9	0,4	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	142,7	-0,7	-0,5	3,6	23
Citi	115,3	-0,4	-0,9	3,2	18
Citi	71,1	-0,9	-1,2	1,6	37
BoA	30,5	-0,1	0,8	5,1	24
MS	44,4	-1,8	-1,5	1,4	12
GS	219,2	-0,5	-0,1	7,1	31
EZ banks					
BNP	70,2	-2,7	-3,5	0,4	2
BNP	41,4	-2,9	-3,5	-0,8	5
Crédit Agricole	10,7	-2,7	-3,3	1,0	13
Deutsche Bank	6,9	-2,3	-3,1	1,9	-1
ING	10,1	-2,5	-1,8	-1,1	7
Intesa	2,0	-1,4	-3,5	4,3	1
SG	22,0	-3,8	-4,4	-0,9	-21
Unicredito	10,7	-3,4	-1,2	-1,5	8
UK banks					
HSBC	75,8	-1,4	-1,9	1,2	4
HSBC	665,5	-0,1	-0,8	1,3	3
RBS	221,0	-3,7	-3,3	0,5	2
Barclays	158,2	-1,6	-1,2	5,6	5
Lloyds	55,4	-1,4	-2,9	-2,2	7
Large Spanish banks					
Santander	58,0	-3,1	-5,1	-4,8	-1
Santander	3,9	-3,6	-5,9	-4,7	-2
BBVA	4,7	-2,7	-4,2	-5,0	1
Medium Spanish banks					
Caixabank	44,5	-2,9	-8,5	-8,8	-23
Caixabank	2,2	-2,5	-8,8	-11,1	-29
Sabadell	0,8	-3,2	-10,6	-12,4	-20
Bankinter	5,8	-3,7	-7,2	-3,7	-17
Bankia	1,8	-1,7	-10,4	-14,6	-31

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,115	0,0	0,0	-2,0	-3
GBPUSD	1,215	-0,6	-2,3	-4,3	-5
USDJPY	108,690	0,1	-0,4	-0,8	1
DXY	98,132	0,1	0,4	2,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	43,89	-0,1	-2,8	-3,2	-14
USDBRL (Brazil)	3,79	-0,2	-0,4	1,6	2
USDCPL (Chile)	701,24	-0,6	-1,2	-3,2	-1
USDCOP (Colombia)	3300	-0,4	-3,38	-2,67	-1
USDMXN (Mexico)	19,08	-0,1	0,5	0,7	3
USDPEN (Peru)	3,29	0,2	0,1	0,1	2
LACI	54,36	-0,2	-0,7	-0,3	0
USDPLN (Poland)	3,86	-0,2	-1,1	-3,2	-3
USDRUB (Russia)	63,66	-0,3	-0,7	-0,7	9
USDTRY (Turkey)	5,56	1,0	2,8	4,2	-5
USDCNY (China)	6,88	0,1	-0,1	-0,2	0
USDINR (India)	68,86	-0,2	0,1	0,3	1
USDIDR (Indonesia)	14028	-0,1	-0,3	0,7	3
ADXY	104,88	0,0	-0,1	-0,5	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	64,1	0,6	0,4	-4	19
WTx	57	0,5	0,7	-2	26
Copper	268	-1,0	-0,4	-1	2
Gold	1428	0,1	0,7	1	11
S&P Spot commodity *	419	0,4	-0,3	-2	12
S&P Brent Spot *	541	0,4	-0,2	-2	18
S&P Metals Spot *	326	0,8	0,5	2	2
S&P Agricultural *	289	0,7	0,0	-3	2

Source: Bloomberg, Datastream and Haver

* With one day delay