

Market Comment

Bond yields extend decline amid rising recession fears.

- Bonds continued to be demanded as cyclical concerns intensified, driven by trade frictions, disappointing Eurozone data and risks of a hard Brexit. The appreciation of safe-haven currencies and rallying gold prices signaled strengthening risk-off mood across financial markets.
- **The PBoC set today its RMB daily reference rate at 6.9996 per USD, compared to yesterday's rate of 6.9683 per USD, its weakest level since 2008.** CNY+12M futures partially trimmed yesterday's decline, suggesting that room for further depreciation remains significant. Moreover, rumors of a further depreciation could have added more pressure on the RMB.
- **The German industrial production in June declined more than expected** by -1.5% m/m (consensus -0.5% m/m), dragged by slower intermediate goods production, in turn underscoring the gloomy economic outlook in the Eurozone, and thereby **fueling market expectations of a more aggressive ECB depo rate cut in September.**
- **Sovereign bond yields across the board extended their decline**, driven by mounting concerns over the global economy. The 10Y-2Y yield curves kept flattening. The 10Y US Treasury declined significantly by 6.9 bps while the 10Y German Bund and UK Gilts yields continue to hit fresh record low (-0.59% and 0.49% respectively). Elsewhere, peripheral risk premia narrowed with the Spanish and Portuguese 10Y yields closer to zero.
- In FX markets, **safe-haven currencies appreciated** driven by recession fears while the DXY index declined. The GBP slipped against the EUR and the USD as the probability of a disorderly Brexit remains high. In EM, Latam currencies fell, alongside the Chinese RMB, while the TRY strengthened.
- U.S. stock markets continued falling with financials and communication services leading the decline. **The implied volatility of S&P500 rose slightly to levels close to 22 driven by cyclical concerns.** Meanwhile, European equities reverted its early gains.

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|--|---------|-------|--------|---------|------|--|
| DEBT MARKETS (10Y, %, CHANGES IN BP) | | | | | | |
| Developed Markets | level | Daily | Week | Month | YTD | |
| US (2-yr) | 1,55 | -3,4 | -32,3 | -34 | -94 | |
| US | 1,63 | -6,9 | -38,1 | -41 | -105 | |
| GER (2-yr) | -0,85 | -3,5 | -7,4 | -11 | -24 | |
| Germany | -0,59 | -5,1 | -14,7 | -26 | -87 | |
| France | -0,32 | -5,7 | -13,7 | -25 | -103 | |
| Spain | 0,16 | -7,6 | -12,9 | -28 | -126 | |
| Italy | 1,39 | -12,0 | -14,9 | -39 | -135 | |
| Portugal | 0,17 | -9,0 | -17,3 | -32 | -155 | |
| Greece | 1,99 | -6,4 | -5,1 | -11 | -241 | |
| Japan (2-yr) | -0,23 | -0,8 | -2,5 | -3 | -9 | |
| Japan | -0,19 | -0,9 | -3,8 | -5 | -19 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| Brazil | 7,20 | -7,1 | -2,8 | -8 | -203 | |
| Chile | 2,52 | -2,9 | -16,2 | -58 | -174 | |
| Colombia | 6,08 | 0,0 | 11,2 | 6 | -67 | |
| Mexico | 7,36 | -8,0 | -14,4 | -1 | -128 | |
| Peru | 3,87 | -0,9 | -12,0 | -22 | -149 | |
| Poland | 2,01 | -8,0 | -16,9 | -23 | -81 | |
| Russia | 7,39 | -3,5 | -0,2 | -5 | -140 | |
| Turkey | 14,68 | -29,0 | -23,0 | -153 | -112 | |
| India | 6,37 | 3,1 | 0,1 | -20 | -100 | |
| Indonesia | 7,50 | -15,5 | 12,3 | 25 | -53 | |
| COUNTRY RISK (BP, CHANGES IN BP) | | | | | | |
| Developed Markets | level | Daily | Weekly | Monthly | YTD | |
| 10-yr sovereign spread vs Germany | | | | | | |
| France | 27 | -0,6 | 1,0 | 1 | -16 | |
| Italy | 198 | -6,9 | -0,2 | -13 | -48 | |
| Portugal | 76 | -3,9 | -2,6 | -6 | -68 | |
| Spain | 74 | -2,5 | 1,8 | -2 | -39 | |
| 2-yr sovereign spread vs Germany | | | | | | |
| France | 10 | 0,6 | 1,9 | 2 | -6 | |
| Italy | 81 | 0,9 | 6,2 | -2 | -27 | |
| Portugal | 24 | -0,8 | 1,5 | -6 | -2 | |
| Spain | 34 | 2,2 | 5,5 | 4 | -3 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| 5-yr sovereign CDS * | | | | | | |
| Brazil | 137 | -5,2 | 12 | -7 | -70 | |
| Chile | 42 | -1,0 | 7 | 5 | -21 | |
| Colombia | 101 | -3,0 | 17 | 13 | -57 | |
| Argentina | 1076 | -5,7 | 155 | 187 | 270 | |
| Mexico | 129 | -3,2 | 13 | 19 | -26 | |
| Peru | 56 | -0,4 | 7 | 4 | -39 | |
| Poland | 65 | 0,0 | 0 | 1 | -3 | |
| Russia | 109 | -0,4 | 10 | -2 | -45 | |
| Turkey | 390 | 1,3 | 39 | 16 | 30 | |
| China | 52 | -3,3 | 12 | 11 | -15 | |
| India | 71 | 1,2 | 12 | -7 | -42 | |
| Indonesia | 95 | -4,3 | 16 | 9 | -42 | |
| RISK INDICATORS | | | | | | |
| Volatility indicators (change in pp) | level | Daily | Weekly | Monthly | YTD | |
| VIX | 21 | 0,6 | 5 | 7 | -5 | |
| VSTOXX | 21 | -0,8 | 6 | 8 | -3 | |
| EM EFT volatility Index | 25 | 1,0 | 8 | 8 | 0 | |
| Dollar/euro volatility | 6 | 0,4 | 1 | 1 | -2 | |
| EM FX volatility index | 9 | -0,7 | 2 | 1 | -1 | |
| Credit spread (BAA) (change in bps) | 235 | 6,9 | 21 | 11 | -11 | |
| US bonds volatility index | 74 | -3,3 | 19 | 11 | 7 | |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD | |
| US Inflation expectations (5Y5Y) | 2,01 | - | -10 | -4 | -13 | |
| EZ Inflation expectations (5Y5Y) | 1,19 | - | -13 | -2 | -42 | |
| Banking 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD | |
| US | 56 | -1,6 | 8 | 8 | -27 | |
| EZ | 60 | -1,1 | 4 | 5 | -44 | |
| UK | 63 | -0,8 | 2 | 12 | -31 | |
| Large Spanish | 42 | -2,2 | 0 | 4 | -46 | |
| Medium Spanish | 84 | 0,7 | 2 | -11 | -29 | |
| Corporate 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD | |
| US Non-financial | 187 | 5,0 | 21 | 25 | -27 | |
| EZ Non-financial | 76 | -0,9 | 5 | 9 | -21 | |
| UK Non-financial | 105 | 0,1 | 8 | 9 | -14 | |
| INTERBANK MARKETS (% CHANGES IN BP) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| EONIA Index | -0,36 | 0 | 0 | 1 | 0 | |
| Euribor 3m | -0,39 | 0 | -2 | -3 | -8 | |
| Euribor 12m | -0,32 | 0 | -2 | -6 | -21 | |
| Eonia Swap 3m | -0,45 | -1 | -2 | -4 | -9 | |
| Eonia Swap 12m | -0,58 | -1 | -4 | -8 | -22 | |
| Libor 3m | 2,19 | 0 | -4 | -10 | -61 | |
| Libor 12m | 1,99 | 0 | -15 | -15 | -102 | |
| STOCK MARKETS (%) | | | | | | |
| Main indices | level | Daily | Weekly | Monthly | YTD | |
| S&P500 | 2866 | -0,5 | -3,8 | -3,7 | 14 | |
| Dow Jones | 25786 | -0,9 | -4,0 | -3,8 | 11 | |
| Nikkei | 20517 | -0,3 | -4,7 | -4,7 | 3 | |
| FTSE 100 | 7202 | 0,4 | -5,1 | -4,6 | 7 | |
| EuroStoxx 50 | 3318 | 0,8 | -4,3 | -5,9 | 11 | |
| IBEX | 8766 | 0,8 | -2,3 | -5,6 | 3 | |
| DAX | 11688 | 1,0 | -4,1 | -6,8 | 11 | |
| CAC | 5277 | 0,8 | -4,4 | -5,6 | 12 | |
| MIB | 20603 | -0,1 | -3,7 | -6,2 | 12 | |
| ASE Athens | 838 | -0,8 | -6,9 | -4,6 | 37 | |
| MSCI Latam * | 92345 | 1,6 | -1,9 | -4,1 | 7 | |
| Ibovespa (Brazil) | 101298 | -0,8 | -0,5 | -3,1 | 15 | |
| Mexbol (Mexico) | 40076 | 0,7 | -1,9 | -8,1 | -4 | |
| Merval (Argentina) | 41246 | -0,2 | -1,9 | -1,2 | 36 | |
| MSCI EM Europe * | 5761 | 0,9 | -3,0 | -5,8 | 9 | |
| Poland | 2138 | -0,8 | -6,1 | -8,6 | -6 | |
| Micex 10 (Russia) | 4666 | -0,4 | -2,8 | -5,2 | 11 | |
| Ise 100 (Turkey) | 98245 | -1,3 | -3,8 | -0,5 | 8 | |
| MSCI EM Asia * | 795 | -0,4 | -5,9 | -7,1 | 2 | |
| Shanghai Com (China) | 2769 | -0,3 | -5,6 | -5,6 | 11 | |
| Jakarta (Indonesia) | 6204 | 0,5 | -2,7 | -2,7 | 0 | |
| Banking sector | level | Daily | Weekly | Monthly | YTD | |
| US banks | 130,4 | -2,7 | -9,1 | -6,0 | 13 | |
| JPM | 107,1 | -3,0 | -7,7 | -5,1 | 10 | |
| Citi | 64,6 | -2,5 | -9,2 | -9,2 | 24 | |
| BoA | 27,5 | -3,3 | -10,4 | -5,8 | 12 | |
| MS | 40,1 | -2,8 | -10,1 | -7,9 | 1 | |
| GS | 202,4 | -1,8 | -8,1 | -1,7 | 21 | |
| EZ banks | 66,3 | -1,2 | -6,1 | -8,0 | -4 | |
| BNP | 39,9 | -0,9 | -5,4 | -7,1 | 1 | |
| Crédit Agricole | 10,1 | -1,1 | -6,3 | -7,9 | 7 | |
| Deutsche Bank | 6,6 | -1,7 | -6,1 | -2,6 | -5 | |
| ING | 8,8 | 0,2 | -12,9 | -14,8 | -7 | |
| Intesa | 1,9 | -1,1 | -1,9 | -4,6 | -1 | |
| SG | 22,0 | -1,2 | -0,7 | -2,3 | -21 | |
| Unicredito | 9,7 | -5,4 | -8,8 | -14,3 | -2 | |
| UK banks | 70,5 | 0,4 | -4,9 | -8,3 | -3 | |
| HSBC | 629,1 | 0,2 | -4,2 | -5,9 | -3 | |
| RBS | 203,9 | 1,5 | -6,0 | -9,7 | -6 | |
| Barclays | 147,4 | 0,1 | -4,3 | -6,0 | -2 | |
| Lloyds | 50,3 | 0,2 | -5,6 | -12,8 | -3 | |
| Large Spanish banks | 54,4 | 0,0 | -5,1 | -12,4 | -7 | |
| Santander | 3,6 | -0,3 | -6,4 | -13,6 | -9 | |
| BBVA | 4,4 | 0,3 | -3,8 | -11,2 | -5 | |
| Medium Spanish banks | 43,5 | 0,0 | -2,4 | -12,8 | -24 | |
| Caixabank | 2,2 | 0,2 | -1,7 | -13,8 | -31 | |
| Sabadell | 0,8 | 0,1 | -2,7 | -16,7 | -23 | |
| Bankinter | 5,8 | -0,1 | -1,9 | -8,7 | -18 | |
| Bankia | 1,7 | -0,1 | -5,0 | -18,7 | -33 | |
| CURRENCIES (% RED FOR CURRENCY DEPRECIATION) | | | | | | |
| Developed | level | Daily | Weekly | Monthly | YTD | |
| EURUSD | 1,122 | 0,2 | 1,3 | 0,1 | -2 | |
| GBPUSD | 1,215 | -0,1 | 0,0 | -2,9 | -5 | |
| USDJPY | 105,800 | 0,6 | 2,8 | 2,8 | 4 | |
| DXY | 97,477 | -0,2 | -1,1 | 0,1 | 1 | |
| Emerging | level | Daily | Weekly | Monthly | YTD | |
| USDARS (Argentina) | 45,63 | -0,7 | -3,8 | -8,3 | -17 | |
| USDBRL (Brazil) | 3,98 | -0,4 | -4,2 | -4,3 | -2 | |
| USDCLP (Chile) | 719,14 | -0,4 | -3,0 | -4,5 | -3 | |
| USDCOP (Colombia) | 3433 | -0,1 | -4,46 | -6,24 | -5 | |
| USDMXN (Mexico) | 19,67 | -0,5 | -2,7 | -3,8 | 0 | |
| USDPEN (Peru) | 3,38 | -0,1 | -2,3 | -2,8 | 0 | |
| LACI | 52,35 | -0,4 | -3,4 | -4,6 | -4 | |
| USDPOLN (Poland) | 3,85 | 0,1 | 0,6 | -1,5 | -3 | |
| USDRUB (Russia) | 65,46 | -0,2 | -2,8 | -2,7 | 6 | |
| USDTRY (Turkey) | 5,48 | 0,8 | 1,9 | 4,7 | -3 | |
| USDCNY (China) | 7,06 | -0,6 | -2,6 | -2,6 | -3 | |
| USDINR (India) | 70,89 | -0,1 | -2,9 | -3,1 | -2 | |
| USDIDR (Indonesia) | 14225 | 0,4 | -1,4 | -0,8 | 1 | |
| ADXY | 103,07 | -0,2 | -1,5 | -1,8 | -2 | |
| COMMODITIES (%) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| Brent | 56,9 | -3,4 | -12,6 | -11 | 6 | |
| WTx | 51 | -4,1 | -12,2 | -11 | 13 | |
| Copper | 254 | -0,3 | -4,3 | -4 | -3 | |
| Gold | 1503 | 1,9 | 6,3 | 8 | 17 | |
| S&P Spot commodity * | 398 | -1,1 | -5,9 | -6 | 6 | |
| S&P Brent Spot * | 502 | -1,5 | -9,4 | -8 | 10 | |
| S&P Metals Spot * | 313 | 0,1 | -2,8 | -1 | -2 | |
| S&P Agricultural * | 277 | -0,8 | -1,4 | -7 | -2 | |