

## Market Comment

## A dash of optimism from China.

- The PBoC set its daily reference rate at 7.0039 per dollar today, stronger than the 7.0156 average that analysts expected.** Separately, China's former vice-minister of Commerce noted that despite trade war escalation, **China is keeping its door open to talks with the US in September.** Meanwhile, the White House moved ahead with a ban on U.S. Govt agencies to do business with Huawei and other Chinese firms.
- On the data front, **Chinese exports unexpectedly rose in July despite intensifying trade tensions** (3.3% y/y, consensus -1.0% y/y, previous month -1.3% y/y), while import growth continued to contract amid weakening domestic demand, although less than expected (-5.6% y/y, consensus -9.0% y/y, previous month -7.3% y/y). Elsewhere, U.S. initial jobless claims declined slightly last week ended August 3 while no change was expected (209K, consensus 215K and previous week 215K).
- Sovereign bond yields reverted from yesterday's sharp fall, with peripheral bonds leading the fall, as panic over the escalation of the trade war eased a bit. Peripheral risk premia widened, especially in Italy** as frictions within the coalition government increase over the rail link with France.
- The DXY index remained unchanged while the JPY strengthened.** The pound fluctuated as concerns over no-deal Brexit increased. UK's Downing Street official noted that PM Boris Johnson could set a general election after the Brexit deadline if he loses a confidence vote. Elsewhere, **EM currencies strengthened across the board. The Chinese RMB appreciated post its stronger-than-expected daily fixing. CNY+12M futures fell, but investors are still expecting further depreciation.**
- In commodities, **crude oil prices rebounded** from yesterday's decline after Saudi Arabia's official stated that it will cut September's output by 700,000 barrels per day amid concerns over oil demand growth. **Gold prices halted their surge**, ending slightly lower, although the ratio of copper to gold prices has fallen this week.
- Stock markets edged up** driven by the dash of optimism. Gains in the EURO STOXX 50 were led by cyclical sectors. Meanwhile, the implied volatility of S&P500 fell, trimming this week's surge.

UPDATE 17:17 CET 08 AUGUST 2019

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

| Developed Markets | level | Daily | Week   | Month   | YTD  |
|-------------------|-------|-------|--------|---------|------|
| US (2-yr)         | 1,62  | 1,4   | -11,3  | -29     | -87  |
| <b>US</b>         | 1,75  | 1,7   | -14,2  | -31     | -93  |
| GER (2-yr)        | -0,85 | 0,8   | -7,2   | -11     | -24  |
| <b>Germany</b>    | -0,56 | 1,9   | -11,2  | -25     | -84  |
| France            | -0,29 | 2,6   | -9,9   | -23     | -100 |
| Spain             | 0,22  | 4,8   | -7,5   | -20     | -120 |
| Italy             | 1,53  | 10,9  | -5,3   | -21     | -121 |
| Portugal          | 0,24  | 5,4   | -10,4  | -23     | -148 |
| Greece            | 2,04  | 5,6   | -0,4   | -16     | -236 |
| Japan (2-yr)      | -0,24 | -0,9  | -5,3   | -4      | -10  |
| <b>Japan</b>      | -0,19 | -0,3  | -6,4   | -6      | -20  |
| Emerging Markets  | level | Daily | Weekly | Monthly | YTD  |
| Brazil            | 7,15  | -3,0  | -11,7  | -13     | -209 |
| Chile             | 2,51  | 1,8   | -16,0  | -59     | -175 |
| Colombia          | 6,05  | -3,5  | 3,5    | 3       | -71  |
| Mexico            | 7,34  | 1,3   | -15,5  | -21     | -130 |
| Peru              | 3,88  | 0,8   | -14,5  | -19     | -148 |
| Poland            | 2,01  | -0,6  | -18,1  | -19     | -82  |
| Russia            | 7,37  | -2,2  | -6,0   | -6      | -141 |
| Turkey            | 14,57 | -11,0 | -43,0  | -177    | -123 |
| India             | 6,40  | 3,4   | -1,9   | -19     | -97  |
| Indonesia         | 7,34  | -15,7 | -17,3  | 7       | -68  |

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

| Developed Markets                        | level | Daily | Weekly | Monthly | YTD |
|--|-------|-------|--------|---------|-----|
| <b>10-yr sovereign spread vs Germany</b> |       |       |        |         |     |
| France                                   | 28    | 0,7   | 1,3    | 2       | -15 |
| Italy                                    | 209   | 9,0   | 5,9    | 4       | -37 |
| Portugal                                 | 80    | 3,5   | 0,8    | 2       | -64 |
| Spain                                    | 78    | 2,9   | 3,7    | 5       | -35 |
| <b>2-yr sovereign spread vs Germany</b>  |       |       |        |         |     |
| France                                   | 10    | 0,3   | 1,2    | 3       | -5  |
| Italy                                    | 88    | 5,3   | 10,2   | 7       | -20 |
| Portugal                                 | 25    | -3,2  | 1,9    | -4      | -1  |
| Spain                                    | 35    | 0,6   | 6,6    | 7       | -2  |
| Emerging Markets                         | level | Daily | Weekly | Monthly | YTD |
| <b>5-yr sovereign CDS *</b>              |       |       |        |         |     |
| Brazil                                   | 138   | 0,5   | 11     | -5      | -70 |
| Chile                                    | 41    | -0,9  | 6      | 4       | -22 |
| Colombia                                 | 103   | 1,7   | 17     | 13      | -55 |
| Argentina                                | 1089  | 12,1  | 163    | 186     | 282 |
| Mexico                                   | 128   | -1,1  | 11     | 16      | -27 |
| Peru                                     | 56    | -0,1  | 7      | 4       | -39 |
| Poland                                   | 65    | 0,0   | 0      | 1       | -3  |
| Russia                                   | 112   | 2,4   | 13     | 0       | -42 |
| Turkey                                   | 384   | -5,5  | 27     | -9      | 25  |
| China                                    | 54    | 1,3   | 13     | 11      | -14 |
| India                                    | 71    | 0,1   | 7      | -7      | -42 |
| Indonesia                                | 98    | 2,7   | 20     | 9       | -39 |

**RISK INDICATORS**

| Volatility indicators (change in pp)    | level | Daily | Weekly | Monthly | YTD |
|---|-------|-------|--------|---------|-----|
| <b>VIX</b>                              | 18    | -1,8  | 0      | 4       | -8  |
| VSTOXX                                  | 18    | -3,1  | 4      | 5       | -6  |
| EM EFT volatility Index                 | 22    | -2,1  | 2      | 4       | -3  |
| Dollar/euro volatility                  | 5     | -0,3  | 0      | 0       | -2  |
| EM FX volatility index                  | 9     | -0,1  | 1      | 1       | -1  |
| Credit spread (BAA) (change in bps)     | 219   | -1,7  | 1      | -4      | -27 |
| US bonds volatility index               | 79    | 5,2   | 14     | 16      | 12  |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y)        | 2,01  | -     | -1     | -4      | -12 |
| EZ Inflation expectations (5Y5Y)        | 1,24  | -     | -6     | 5       | -36 |
| Banking 5y CDS (bps) *                  | level | Daily | Weekly | Monthly | YTD |
| US                                      | 57    | 1,8   | 10     | 9       | -25 |
| EZ                                      | 60    | -0,5  | 4      | 3       | -45 |
| UK                                      | 63    | -0,4  | 3      | 10      | -31 |
| Large Spanish                           | 42    | -0,2  | 1      | 2       | -46 |
| Medium Spanish                          | 90    | 6,6   | 8      | -5      | -22 |
| Corporate 5y CDS (bps) *                | level | Daily | Weekly | Monthly | YTD |
| US Non-financial                        | 202   | 14,9  | 35     | 39      | -12 |
| EZ Non-financial                        | 76    | 0,1   | 6      | 8       | -21 |
| UK Non-financial                        | 103   | -1,1  | 5      | 7       | -15 |

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

|                       | level | Daily | Weekly | Monthly | YTD  |
|-----------------------|-------|-------|--------|---------|------|
| EONIA Index           | -0,36 | 0     | 0      | 1       | 0    |
| Euribor 3m            | -0,40 | -1    | -2     | -4      | -9   |
| <b>Euribor 12m</b>    | -0,34 | -2    | -4     | -8      | -22  |
| Eonia Swap 3m         | -0,46 | 0     | -2     | -5      | -10  |
| <b>Eonia Swap 12m</b> | -0,58 | 0     | -4     | -9      | -22  |
| Libor 3m              | 2,18  | 0     | -8     | -15     | -61  |
| Libor 12m             | 1,98  | 0     | -19    | -27     | -104 |

**STOCK MARKETS (%)**

| Main indices                | level  | Daily | Weekly | Monthly | YTD |
|-----------------------------|--------|-------|--------|---------|-----|
| <b>S&amp;P500</b>           | 2916   | 1,1   | -1,3   | -2,1    | 16  |
| Dow Jones                   | 26200  | 0,7   | -1,4   | -2,2    | 12  |
| Nikkei                      | 20593  | 0,4   | -4,4   | -4,5    | 3   |
| FTSE 100                    | 7256   | 0,8   | -4,3   | -3,7    | 8   |
| <b>EuroStoxx 50</b>         | 3359   | 1,5   | -3,8   | -4,3    | 12  |
| IBEX                        | 8842   | 1,1   | -2,2   | -4,7    | 4   |
| DAX                         | 11795  | 1,2   | -3,7   | -5,2    | 12  |
| CAC                         | 5360   | 1,8   | -3,6   | -3,8    | 13  |
| MIB                         | 20745  | 1,0   | -3,8   | -5,2    | 13  |
| ASE Athens                  | 847    | 1,1   | -5,4   | 0,7     | 38  |
| <b>MSCI Latam *</b>         | 93162  | 0,9   | -0,1   | -3,5    | 8   |
| Ibovespa (Brazil)           | 103582 | 0,8   | 1,4    | -0,9    | 18  |
| Mexbol (Mexico)             | 40502  | 0,2   | 0,4    | -5,4    | -3  |
| Merval (Argentina)          | 41103  | 0,4   | -0,7   | -1,6    | 36  |
| <b>MSCI EM Europe *</b>     | 5729   | -0,6  | -3,7   | -5,8    | 8   |
| Poland                      | 2159   | 1,0   | -3,7   | -6,6    | -5  |
| Micex 10 (Russia)           | 4687   | 0,6   | -1,4   | -4,7    | 12  |
| Ise 100 (Turkey)            | 99142  | 1,1   | -2,7   | 2,4     | 9   |
| <b>MSCI EM Asia *</b>       | 795    | -0,1  | -5,3   | -5,7    | 2   |
| Shanghai Com (China)        | 2795   | 0,9   | -3,9   | -4,6    | 12  |
| Jakarta (Indonesia)         | 6275   | 2,5   | -1,8   | -1,2    | 1   |
| Banking sector              | level  | Daily | Weekly | Monthly | YTD |
| <b>US banks</b>             | 133,5  | 1,2   | -3,4   | -4,3    | 15  |
| JPM                         | 109,2  | 1,0   | -3,4   | -3,7    | 12  |
| Citi                        | 66,4   | 1,9   | -2,9   | -7,3    | 27  |
| BoA                         | 28,3   | 1,6   | -4,0   | -3,5    | 15  |
| MS                          | 41,1   | 1,3   | -4,3   | -6,2    | 4   |
| GS                          | 206,2  | 0,2   | -2,5   | -0,7    | 23  |
| <b>EZ banks</b>             | 67,3   | 1,5   | -5,9   | -5,9    | -2  |
| BNP                         | 40,6   | 1,6   | -5,3   | -4,7    | 3   |
| Crédit Agricole             | 10,3   | 1,4   | -5,7   | -6,2    | 9   |
| Deutsche Bank               | 6,8    | 3,5   | -3,9   | 4,8     | -2  |
| ING                         | 8,8    | 0,9   | -10,3  | -13,6   | -6  |
| Intesa                      | 1,9    | 1,2   | -3,4   | -3,7    | 0   |
| SG                          | 22,6   | 2,2   | -3,9   | 1,5     | -19 |
| Unicredit                   | 9,8    | 0,6   | -7,9   | -13,6   | -1  |
| <b>UK banks</b>             | 70,2   | -0,4  | -5,9   | -9,0    | -4  |
| HSBC                        | 629,6  | 0,4   | -5,5   | -6,1    | -3  |
| RBS                         | 205,7  | 0,6   | -5,3   | -9,9    | -5  |
| Barclays                    | 145,4  | -1,5  | -6,7   | -7,1    | -3  |
| Lloyds                      | 49,5   | -1,5  | -6,3   | -14,3   | -5  |
| <b>Large Spanish banks</b>  | 55,3   | 1,8   | -4,1   | -10,2   | -5  |
| Santander                   | 3,7    | 1,8   | -5,1   | -11,2   | -7  |
| <b>BBVA</b>                 | 4,5    | 1,9   | -3,1   | -9,3    | -3  |
| <b>Medium Spanish banks</b> | 44,2   | 1,5   | -1,5   | -11,1   | -23 |
| Caixabank                   | 2,2    | 1,8   | -0,9   | -11,5   | -29 |
| Sabadell                    | 0,8    | 2,6   | 0,5    | -14,3   | -21 |
| Bankinter                   | 5,8    | 0,6   | -2,2   | -8,1    | -17 |
| Bankia                      | 1,7    | 2,2   | -3,4   | -15,6   | -32 |

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

| Developed          | level   | Daily | Weekly | Monthly | YTD |
|--------------------|---------|-------|--------|---------|-----|
| <b>EURUSD</b>      | 1,122   | 0,2   | 1,2    | 0,1     | -2  |
| GBPUSD             | 1,215   | 0,0   | 0,2    | -2,5    | -5  |
| USDJPY             | 106,120 | 0,1   | 1,1    | 2,6     | 3   |
| DXY                | 97,535  | 0,0   | -0,8   | 0,0     | 1   |
| Emerging           | level   | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina) | 45,41   | 0,4   | -2,3   | -7,9    | -17 |
| USDBRL (Brazil)    | 3,93    | 0,9   | -2,4   | -3,5    | -1  |
| USDCPL (Chile)     | 710,64  | 0,7   | -0,7   | -3,0    | -4  |
| USDCOP (Colombia)  | 3398    | 1,4   | -1,72  | -5,29   | -2  |
| USDMXN (Mexico)    | 19,52   | 0,6   | -1,4   | -1,9    | 1   |
| USDPEN (Peru)      | 3,38    | 0,2   | -1,6   | -2,5    | 0   |
| LACI               | 52,85   | 0,6   | -2,0   | -3,4    | -3  |
| USDPLN (Poland)    | 3,86    | 0,1   | 0,8    | -1,2    | -3  |
| USDRUB (Russia)    | 65,16   | 0,3   | -1,2   | -2,1    | 6   |
| USDTRY (Turkey)    | 5,46    | 0,6   | 2,6    | 5,0     | -3  |
| USDCNY (China)     | 7,05    | 0,2   | -2,1   | -2,2    | -2  |
| USDCNR (India)     | 70,70   | 0,3   | -2,3   | -3,0    | -1  |
| USDIDR (Indonesia) | 14213   | 0,1   | -0,7   | -0,6    | 1   |
| ADXY               | 103,40  | 0,2   | -0,7   | -1,4    | -2  |

**COMMODITIES (%)**

|                      | level | Daily | Weekly | Monthly | YTD |
|----------------------|-------|-------|--------|---------|-----|
| <b>Brent</b>         | 57,6  | 2,5   | -4,8   | -10     | 7   |
| WTx                  | 53    | 3,4   | -2,1   | -9      | 16  |
| Copper               | 260   | 1,2   | -2,4   | -1      | -1  |
| Gold                 | 1497  | -0,3  | 3,6    | 7       | 17  |
| S&P Spot commodity * | 387   | -2,5  | -3,9   | -8      | 4   |
| S&P Brent Spot *     | 478   | -4,7  | -7,2   | -12     | 4   |
| S&P Metals Spot *    | 312   | -0,4  | -2,5   | -1      | -2  |
| S&P Agricultural *   | 278   | 0,3   | 0,7    | -5      | -2  |

Source: Bloomberg, Datastream and Haver

\* With one day delay