

Market Comment

Safe-haven assets shine as uncertainty lingers.

- Markets remained cautious with the U.S.-China trade conflict showing no signs of abating, spurring fears over global growth and currency volatility.** Trump downplayed expectations of holding a trade meeting with China in September. In this context, safe-haven assets remained in demand and bets of an aggressive Fed rate cut in September rose ahead of tomorrow's U.S. CPI data.
- Fluctuation of the Chinese Yuan will remain in the spotlight. The PBoC set the daily fixing at 7.0211 per US dollar today, weaker than the level set last Friday but stronger than 7.0331 expected by analysts. Moreover, CNY+12M futures continued to rise, indicating that a further depreciation is expected, heading towards 7.15 Yuan per US dollar.
- The uncertainty lingering amid the ongoing trade conflict and the slowing global economy continued to add downward pressure on government bond yields, except for the UK Gilts. The US 10Y Treasury yield followed its downward trend, dropping by 8 bps while periphery bond yields led the decline in Europe.** Italy's risk premium fell by 5 bps after Fitch Ratings affirmed Italy's rating at BBB with a negative outlook, ahead of Moody's review in early September, driven by its high level of general government debt.
- In FX, **safe-haven currencies (JPY and CHF) remained in demand** in a context of uncertainty while the DXY index weakened. **The pound found some relief after hitting 10 year lows against the euro.** This week's UK job data are expected to remain strong with inflation near its target, although concerns of a hard Brexit prevails. In EM, **Latam currencies depreciated across the board with the ARS falling sharply (-23%)** after President Macri's resounding election defeat in the primary polls ([see](#)). Elsewhere, the Chinese Yuan strengthened slightly following a stronger than expected daily fixing.
- Gold prices edged higher** reaching levels above 1500 USD, while oil prices extended gains.
- U.S. stock markets inched down while European equities were steady. **Cyclical sectors (financials and consumer discretionary) led the losses** as investors sought shelter in safe-haven assets. Meanwhile, **the implied volatility of S&P500 rallied** to levels close to 20.

UPDATE 16:45 CET 12 AUGUST 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	-6,1	1,2	-28	-90
US	1,67	-7,9	-4,2	-47	-102
GER (2-yr)	-0,88	-1,4	-6,6	-15	-27
Germany	-0,60	-1,9	-7,9	-41	-88
France	-0,29	-1,9	-4,9	-30	-100
Spain	0,23	-3,4	-1,9	-25	-119
Italy	1,74	-7,1	16,8	3	-101
Portugal	0,24	-5,4	-4,6	-33	-148
Greece	2,16	2,6	11,5	-10	-224
Japan (2-yr)	-0,27	0,0	-5,4	-7	-12
Japan	-0,22	0,0	-2,6	-8	-22
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,22	7,2	-14,6	3	-201
Chile	2,50	-1,3	-3,1	-56	-175
Colombia	6,05	1,7	6,5	3	-70
Mexico	7,21	3,3	-21,8	-44	-143
Peru	3,73	-8,9	-16,7	-34	-164
Poland	1,92	-2,8	-12,3	-37	-91
Russia	7,43	4,3	-4,0	3	-135
Turkey	14,46	0,0	-45,0	-193	-134
India	6,50	0,0	10,6	0	-87
Indonesia	7,39	7,5	-28,3	17	-63

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,0	3,0	11	-12
Italy	233	-5,2	24,7	45	-13
Portugal	83	-3,5	3,3	8	-61
Spain	82	-1,5	6,0	16	-31
2-yr sovereign spread vs Germany					
France	10	-0,1	1,9	3	-5
Italy	114	-6,8	30,5	36	6
Portugal	29	-0,2	4,3	0	3
Spain	38	0,9	6,9	8	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	131	1,6	-1	1	-76
Chile	40	1,0	2	4	-23
Colombia	96	1,1	1	8	-62
Argentina	1035	-52,1	59	153	229
Mexico	121	1,3	-4	4	-34
Peru	54	1,4	1	3	-41
Poland	65	0,4	0	3	-3
Russia	109	0,8	3	-1	-45
Turkey	381	4,7	9	-12	21
China	51	0,8	5	9	-17
India	74	2,9	6	-5	-40
Indonesia	93	0,6	4	7	-44

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	19	1,2	-5	6	-6
VSTOXX	19	0,0	-2	6	-5
EM EFT volatility Index	23	1,6	-4	6	-2
Dollar/euro volatility	6	0,8	0	1	-1
EM FX volatility index	8	0,1	-1	1	-1
Credit spread (BAA) (change in bps)	230	7,9	2	6	-15
US bonds volatility index	79	0,4	2	16	12
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,97	-	0	-11	-16
EZ Inflation expectations (5Y5Y)	1,26	-	5	1	-34
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	1,2	4	8	-26
EZ	65	5,8	6	7	-40
UK	64	1,7	2	9	-31
Large Spanish	42	1,9	0	0	-46
Medium Spanish	91	-2,5	9	1	-21
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	200	3,8	26	38	-13
EZ Non-financial	75	0,3	2	5	-22
UK Non-financial	103	-0,6	2	5	-16

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	1	0
Euribor 3m	-0,40	0	-2	-4	-9
Euribor 12m	-0,35	-1	-4	-8	-24
Eonia Swap 3m	-0,46	0	-1	-4	-10
Eonia Swap 12m	-0,59	0	-3	-9	-23
Libor 3m	2,18	0	-6	-16	-62
Libor 12m	1,99	0	-12	-29	-103

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2906	-0,4	2,2	-3,1	16
Dow Jones	26076	-0,8	1,4	-3,7	12
Nikkei	20685	0,0	-0,2	-4,4	3
FTSE 100	7254	0,0	0,4	-3,4	8
EuroStoxx 50	3338	0,1	0,8	-4,5	11
IBEX	8716	-0,5	-0,7	-6,1	2
DAX	11719	0,2	0,5	-5,0	11
CAC	5330	0,0	1,7	-4,0	13
MIB	20361	0,2	-2,0	-8,2	11
ASE Athens	831	-1,1	-2,4	-3,7	36
MSCI Latam *	94089	-0,1	1,2	-3,1	9
Ibovespa (Brazil)	101934	-2,0	1,8	-3,1	16
Mexbol (Mexico)	39975	-1,1	1,2	-6,8	-4
Merval (Argentina)	39366	-11,2	-3,7	-8,1	30
MSCI EM Europe *	5745	-0,7	-0,6	-5,3	9
Poland	2111	-0,8	-2,5	-8,9	-7
Micex 10 (Russia)	4670	0,4	0,8	-4,1	12
Ise 100 (Turkey)	99405	0,0	0,7	0,0	9
MSCI EM Asia *	801	-0,2	-2,1	-5,1	2
Shanghai Com (China)	2815	1,5	-0,2	-3,5	13
Jakarta (Indonesia)	6251	-0,4	-1,4	-2,5	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	131,6	-1,7	-0,5	-6,2	14
JPM	108,4	-1,2	-1,1	-5,0	11
Citi	64,6	-2,2	-0,9	-9,8	24
BoA	27,7	-2,2	-1,3	-5,6	12
MS	40,9	-1,6	0,9	-7,5	3
GS	203,7	-1,5	1,0	-3,6	22
EZ banks	65,2	-1,2	-3,7	-9,8	-5
BNP	39,9	-0,7	-1,2	-6,2	1
Crédit Agricole	10,1	-0,9	-1,8	-8,1	7
Deutsche Bank	6,4	-4,4	-7,5	-3,4	-9
ING	8,5	-1,4	-3,7	-17,8	-9
Intesa	1,9	-0,9	-5,5	-9,6	-4
SG	22,0	-1,1	-1,6	-2,0	-21
Unicredito	9,3	-0,7	-9,9	-10,5	-6
UK banks	68,7	-1,2	-1,7	-10,9	-6
HSBC	613,4	-1,4	-2,1	-7,7	-5
RBS	201,8	-1,4	2,2	-12,1	-7
Barclays	142,4	-1,0	-3,3	-9,9	-5
Lloyds	48,9	-1,2	-2,5	-15,3	-6
Large Spanish banks	53,5	-1,9	-3,2	-13,7	-8
Santander	3,6	-1,1	-3,3	-15,0	-10
BBVA	4,3	-2,6	-3,1	-12,4	-7
Medium Spanish banks	42,3	-2,6	-4,3	-16,1	-26
Caixabank	2,1	-2,4	-4,3	-16,4	-33
Sabadell	0,8	-3,3	-2,6	-19,5	-24
Bankinter	5,5	-2,6	-5,3	-13,0	-21
Bankia	1,7	-3,0	-5,0	-21,7	-35

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,122	0,1	0,1	-0,3	-2
GBPUSD	1,206	0,3	-0,7	-3,6	-5
USDJPY	105,310	0,4	0,6	3,0	4
DXY	97,444	0,0	-0,1	0,4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,70	-22,8	-22,6	-28,9	-36
USDBRL (Brazil)	4,00	-1,4	-0,5	-6,1	-3
USDCPL (Chile)	717,23	-0,8	0,5	-5,0	-3
USDCOP (Colombia)	3438	-1,2	0,55	-6,93	-5
USDMXN (Mexico)	19,63	-1,1	-0,1	-2,8	0
USDPEN (Peru)	3,40	-0,4	-0,2	-3,2	-1
wec	51,10	-3,6	-2,9	-7,3	-6
USDPLN (Poland)	3,86	0,1	-0,1	-1,7	-3
USDRUB (Russia)	65,64	-0,6	-0,3	-4,3	6
USDTRY (Turkey)	5,56	-1,2	0,2	2,1	-5
USDCNY (China)	7,06	0,1	-0,1	-2,7	-3
USDINR (India)	70,79	0,0	-0,1	-3,3	-1
USDIDR (Indonesia)	14250	-0,4	0,0	-1,3	1
ADXY	102,86	-0,1	-0,1	-2,2	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	58,5	0,0	-2,2	-12	9
WTx	54	-0,1	-0,5	-10	20
Copper	258	0,0	1,9	4	-2
Gold	1504	0,8	2,8	7	17
S&P Spot commodity *	400	1,4	-0,5	-8	7
S&P Brent Spot *	496	1,9	-2,5	-12	8
S&P Metals Spot *	316	-0,9	1,1	-2	-1
S&P Agricultural *	284	0,6	1,7	-5	0

Source: Bloomberg, Datastream and Haver

* With one day delay