

Market Comment

Risk-off mood abated on tariff delay.

- Trade tensions between China and the U.S. softened after the Trump administration stated that it will delay the 10% tariff on some Chinese imports until December 15, including cell phones, laptop computers and certain items of footwear and clothing. However, some tariffs will take effect in September as planned.
- Germany's ZEW indicator of Economic Sentiment fell more than expected to its lowest level since December 2011 in August (-44.1 points, consensus -28 points, previous month -24.5 points), suggesting a significant worsening of Germany's economic outlook. The escalation in the trade conflict, the risk of competitive devaluations and the chance of a disorderly Brexit weighted on its economic growth and will increase the pressure on German exports and industrial production. Moreover, the assessment of the economic situation in Germany also deteriorated considerably in August (-13.5 points, consensus -6.3 points, previous month -1.1 points).
- Elsewhere, U.S. core CPI, excluding food and energy, increased slightly more than expected in July, the same increase as in June (0.3% m/m, consensus 0.2% m/m, previous month 0.3% m/m). July's gain was broad-based despite the fall in the new vehicles index. Notwithstanding, investors are still expecting three more Fed rate cuts by the end of the year.
- The U.S. Treasury yields rose with the spread between 2-10Y yields, reaching its narrowest since 2007, led by the tariff delay. Meanwhile, the yield on the 10Y German bond hit a new record low (-0.61%) driven by a gloomy German economic outlook. Peripheral risk premia were mixed with Italy's risk premium narrowing sharply after the Senate delayed the date for the no-confidence vote. Moreover, Italy's Deputy PM Di Maio noted that his Five Star Movement would support the government led by PM Conte in a confidence vote.
- The DXY index strengthened while safe-haven currencies trimmed early gains with the JPY ending underperforming across the G10 board. Meanwhile, the FXJPEMCS index inched up but the ARS extended yesterday's significant losses. In Asia, the PBoC lowered its daily fixing for nine consecutive days, although stronger than expected, with the Chinese Yuan gaining, especially the offshore Yuan.
- Gold prices pared its surge, ending with a slight decline, driven by the trade relief. Oil prices rose significantly ahead of tomorrow's U.S. crude oil inventories data.
- Emerging-market credit default swaps rose significantly yesterday driven by concerns of Argentine's spillover to other developing countries. The cost of insuring against the default on Argentine debt with 5Y CDS soared 120% after Macri lost in a presidential primary, stoking fears of a more protectionist government comeback.
- Stocks picked up as trade angst eased. Information technology leads the gains in the S&P while its implied volatility declined to levels below 20.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,65	6,7	6,7	-20	-84
US	1,68	3,2	-2,5	-44	-101
GER (2-yr)	-0,87	0,5	-5,6	-15	-26
Germany	-0,61	-1,9	-7,5	-44	-89
France	-0,32	-3,1	-5,3	-38	-103
Spain	0,21	-2,1	-2,2	-36	-121
Italy	1,62	-8,6	10,4	-12	-113
Portugal	0,23	-1,0	-3,0	-42	-149
Greece	2,13	-3,6	7,5	-23	-227
Japan (2-yr)	-0,28	-1,5	-6,1	-10	-14
Japan	-0,23	-1,6	-5,1	-12	-24
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,15	-4,2	-12,5	-13	-209
Chile	2,53	2,0	-1,6	-52	-172
Colombia	6,06	-0,1	-2,1	-3	-69
Mexico	7,16	-3,3	-28,3	-46	-149
Peru	3,65	-1,6	-23,6	-39	-172
Poland	1,87	-5,0	-22,4	-44	-96
Russia	7,39	-2,5	-3,1	-5	-139
Turkey	14,46	0,0	-51,0	-208	-134
India	6,53	2,8	18,7	4	-84
Indonesia	7,54	14,9	-11,2	34	-48

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	-1,2	2,2	6	-13
Italy	223	-6,7	17,9	32	-23
Portugal	84	0,9	4,5	2	-60
Spain	82	-0,2	5,3	8	-31
2-yr sovereign spread vs Germany					
France	11	0,6	2,3	4	-4
Italy	102	-10,7	21,4	23	-7
Portugal	29	0,3	4,6	1	3
Spain	37	-0,9	5,1	6	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	136	4,9	-6	6	-71
Chile	43	3,3	0	7	-20
Colombia	101	5,2	-3	15	-57
Argentina	2308	1272,7	1226	1410	1501
Mexico	125	4,8	-6	8	-30
Peru	58	4,1	2	7	-37
Poland	65	0,1	1	2	-3
Russia	113	4,3	3	8	-41
Turkey	399	18,6	11	3	40
China	54	3,1	-2	12	-14
India	75	1,4	5	-3	-38
Indonesia	99	5,4	-1	13	-39

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	18	-2,7	-2	6	-7
VSTOXX	19	-0,6	-3	6	-5
EMEFT volatility Index	22	-1,5	-2	6	-3
Dollar/euro volatility	6	-0,4	1	1	-1
EM FX volatility index	9	0,3	0	1	-1
Credit spread (BAA) (change in bps)	220	-3,2	-8	-5	-25
US bonds volatility index	82	2,6	8	19	15
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,95	-	-4	-17	-19
EZ Inflation expectations (5Y5Y)	1,25	-	3	-4	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	0,3	-1	8	-26
EZ	84	4,9	9	14	-45
UK	80	-0,8	1	14	-30
Large Spanish	44	1,9	0	5	-43
Medium Spanish	86	-5,3	3	-2	-27
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	6,4	25	44	-7
EZ Non-financial	75	0,1	-2	6	-22
UK Non-financial	104	1,0	-1	7	-15

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	1	0
Euribor 3m	-0,40	0	-1	-4	-9
Euribor 12m	-0,36	-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	-3	-13	-62
Libor 12m	1,99	0	-5	-21	-102

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2924	1,4	1,5	-3,0	17
Dow Jones	26300	1,6	1,0	-3,8	13
Nikkei	20455	-1,1	-0,6	-5,7	2
FTSE 100	7251	0,3	1,1	-3,4	8
EuroStoxx 50	3357	0,9	2,0	-4,0	12
IBEX	8695	0,2	0,0	-6,4	2
DAX	11750	0,6	1,6	-4,7	11
CAC	5363	1,0	2,5	-3,8	13
MIB	20539	1,4	-0,4	-7,4	12
ASE Athens	819	-1,5	-3,1	-4,6	33
MSCI Latam *	91190	-3,1	0,3	-5,8	6
Ibovespa (Brazil)	103475	1,5	1,3	-0,4	18
Mexbol (Mexico)	39813	-0,1	0,1	-6,6	-4
Merval (Argentina)	29514	7,2	-28,6	-31,0	-3
MSCI EM Europe *	5749	0,1	0,7	-4,7	9
Poland	2140	1,4	-0,7	-7,6	-6
Micex 10 (Russia)	4647	-0,4	-0,8	-3,9	11
Ise 100 (Turkey)	99405	0,0	-0,2	2,4	9
MSCI EM Asia *	801	0,0	0,4	-5,6	2
Shanghai Com (China)	2797	-0,6	0,7	-4,5	12
Jakarta (Indonesia)	6211	-1,1	0,6	-3,2	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	132,9	1,7	-0,8	-6,1	15
Citi	109,7	1,9	-0,7	-4,9	12
Citi	65,7	2,3	-0,8	-8,5	26
BoA	28,0	1,4	-1,4	-4,9	14
MS	41,0	1,5	-0,7	-8,7	3
GS	205,1	1,8	-0,5	-4,2	23
EZ banks					
BNP	66,0	2,1	-1,7	-9,0	-4
BNP	40,4	1,8	0,2	-5,1	2
Crédit Agricole	10,1	1,4	-0,8	-7,9	7
Deutsche Bank	6,4	1,3	-5,1	-5,6	-8
ING	8,6	1,7	-1,2	-16,8	-8
Intesa	1,9	2,8	-3,0	-8,0	-3
SG	22,4	2,7	0,3	-1,5	-20
Unicredit	9,5	3,1	-7,1	-17,3	-4
UK banks					
HSBC	68,7	0,4	-2,1	-10,7	-6
HSBC	614,3	0,5	-2,2	-7,4	-5
RBS	202,8	0,9	1,0	-11,8	-6
Barclays	141,1	-0,3	-4,2	-10,2	-6
Lloyds	49,0	0,5	-2,5	-15,1	-6
Large Spanish banks					
Santander	53,8	1,5	-1,2	-12,7	-8
Santander	3,6	1,2	-0,9	-14,2	-10
BBVA	4,4	1,8	-1,4	-11,1	-6
Medium Spanish banks					
Caixabank	41,9	0,2	-3,7	-17,3	-27
Caixabank	2,1	-1,1	-5,1	-18,8	-34
Sabadell	0,8	1,3	-1,1	-18,9	-24
Bankinter	5,5	0,0	-4,8	-15,0	-22
Bankia	1,7	1,3	-2,8	-22,4	-35

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,118	-0,3	-0,1	-0,8	-2
GBPUSD	1,206	-0,2	-0,9	-4,1	-5
USDJPY	106,540	-1,2	-0,1	1,3	3
DXY	97,727	0,4	0,1	0,9	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	54,24	-2,3	-16,4	-23,3	-31
USDBRL (Brazil)	3,96	0,6	0,1	-5,6	-2
USDCPL (Chile)	706,82	1,0	1,3	-3,9	-2
USDCOP (Colombia)	3395	0,9	0,98	-5,97	-4
USDMXN (Mexico)	19,44	0,8	0,7	-2,3	1
USDPEN (Peru)	3,38	0,1	-0,1	-2,8	0
LACI	51,91	0,3	-1,3	-6,2	-4
USDPLN (Poland)	3,88	-0,4	-0,6	-2,3	-4
USDRUB (Russia)	65,05	0,6	0,4	-3,2	7
USDTRY (Turkey)	5,57	-0,1	-0,8	2,8	-5
USDCNY (China)	7,40	0,2	-0,3	-2,3	-2
USDIND (India)	71,04	-0,8	-0,8	-3,8	-2
USDIDR (Indonesia)	14325	-0,5	-0,3	-2,2	0
ADXY	103,39	0,5	0,1	-1,6	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,0	4,2	3,5	-9	13
WTx	57	3,9	6,4	-5	26
Copper	262	1,5	2,6	-2	0
Gold	1502	-0,6	1,9	6	17
S&P Spot commodity *	397	-0,6	-0,1	-9	6
S&P Brent Spot *	497	0,0	-1,0	-12	8
S&P Metals Spot *	317	0,2	1,2	-1	-1
S&P Agricultural *	273	-4,0	-1,6	-10	-4

Source: Bloomberg, Datastream and Haver

* With one day delay