

Market Comment

Bond yields reach historic lows.

- During the week, government bonds rose strongly as weak economic data from Germany and China renewed investor concerns about global economic growth. The only relief from market stress came from the commercial front in which the Trump administration declared that it will delay the 10% tariff on some Chinese imports until the end of the year. Similarly, the appreciation of safe-haven currencies and the rally in gold prices indicated a risk-off mood in financial markets.
- Market expectations that the ECB will aggressively relax its monetary policy at the September meeting rose during the week. Germany's flash GDP shrank in the second quarter, in line with expectations (-0.1% q/q, consensus -0.1% q/q, previous quarter 0.4% q/q). Moreover, the President of the Central Bank of Finland and member of the Board of Governors of the ECB, Olli Rehn, called on Thursday for a strong and significant stimulus programme at the next ECB meeting. In an interview with the Wall Street Journal added that it was preferable for the ECB to exceed market expectations in its new measures.
- Today, the preliminary estimate of the University of Michigan's consumer sentiment for the US was published. It fell to 92.1 in August (98.4 in the previous month, consensus of 97.2).
- Sovereign bond yields resumed their downward trend throughout the week. The 30Y U.S. Treasury yield and the 10Y German bond yield hit record lows. The 10-2Y yield curve is inverted in the U.S., mounting concerns over a global slowdown. Furthermore, the spread between 2-10Y UK Gilts yields dropped below zero for the first time since the financial crisis.
- In FX, the DXY index strengthened amid mounting fears. In EM, ARS depreciated sharply after President Macri's was defeated in primary polls. Gold benefited from the safe-haven bid, rising throughout the week.
- Stocks were very volatile during the week amid concerns about the possibility of a global recession and news about the trade war.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.52	1.9	-13.2	-30	-97
US	1.58	4.9	-16.9	-47	-111
GER (2-yr)	-0.90	1.1	-4.1	-15	-29
Germany	-0.67	4.2	-9.5	-42	-95
France	-0.39	4.5	-12.6	-36	-110
Spain	0.10	6.0	-16.6	-35	-132
Italy	1.41	7.9	-39.4	-18	-133
Portugal	0.13	5.6	-16.5	-38	-160
Greece	1.97	-5.8	-17.1	-27	-243
Japan (2-yr)	-0.27	0.4	-0.8	-9	-13
Japan	-0.23	0.5	-1.1	-11	-23
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7.20	-3.7	5.1	-10	-204
Chile	2.52	-0.8	0.2	-50	-173
Colombia	5.95	-3.4	-8.7	-7	-81
Mexico	6.98	-6.4	-19.6	-79	-166
Peru	3.73	-1.1	-8.9	-13	-164
Poland	1.73	-3.3	-21.9	-53	-110
Russia	7.41	-2.4	2.1	-5	-137
Turkey	14.83	37.0	37.0	-132	-97
India	6.55	-8.3	5.0	20	-82
Indonesia	7.42	-6.6	10.4	28	-60

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	0.3	-3.1	7	-15
Italy	208	3.7	-29.9	24	-38
Portugal	80	1.4	-7.0	4	-64
Spain	77	1.8	-7.1	7	-37
2-yr sovereign spread vs Germany					
France	12	0.5	1.4	5	-4
Italy	96	5.7	-24.9	25	-12
Portugal	31	-0.2	1.6	4	5
Spain	35	1.9	-2.1	8	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	141	-1.2	11	12	-67
Chile	40	-0.8	1	5	-23
Colombia	102	0.3	7	18	-56
Argentina	2886	-742.7	1799	1995	2080
Mexico	120	-3.8	1	7	-35
Peru	54	-2.2	2	4	-40
Poland	65	0.0	1	2	-3
Russia	105	-0.2	-3	0	-49
Turkey	414	2.4	38	28	55
China	56	0.2	6	13	-12
India	74	0.6	3	-3	-39
Indonesia	100	0.3	7	15	-38

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	19	-2.5	1	5	-7
VSTOXX	20	-2.4	1	8	-4
EM EFT volatility Index	24	-1.6	2	8	-1
Dollar/euro volatility	6	-0.1	1	1	-1
EM FX volatility index	9	-0.1	1	2	-1
Credit spread (BAA) (change in bps)	221	-4.9	-1	-4	-24
US bonds volatility index	91	3.4	12	28	24
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1.92	-	-8	-17	-22
EZ Inflation expectations (5Y5Y)	1.25	-	-1	0	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	59	0.1	4	10	-24
EZ	68	-0.7	9	13	-36
UK	67	-0.1	4	13	-28
Large Spanish	43	-0.9	3	4	-44
Medium Spanish	86	-1.1	-7	-7	-26
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	219	0.9	23	54	6
EZ Non-financial	76	0.3	1	6	-21
UK Non-financial	104	1.3	1	8	-15

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	1	-1
Euribor 3m	-0.42	-2	-2	-5	-11
Euribor 12m	-0.39	-3	-4	-9	-27
Eonia Swap 3m	-0.47	1	-2	-4	-12
Eonia Swap 12m	-0.63	1	-4	-10	-27
Libor 3m	2.12	0	-1	-13	-67
Libor 12m	1.93	0	4	-18	-108

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2886	1.4	-1.1	-3.3	15
Dow Jones	25900	1.3	-1.5	-4.8	11
Nikkei	20419	0.1	-1.3	-4.9	2
FTSE 100	7114	0.7	-1.9	-5.6	6
EuroStoxx 50	3331	1.5	-0.1	-4.9	11
IBEX	8662	1.7	-1.1	-6.7	1
DAX	11565	1.3	-1.1	-6.3	10
CAC	5301	1.2	-0.5	-4.9	12
MIB	20333	1.6	0.0	-7.9	11
ASE Athens	792	-0.9	-5.7	-8.7	29
MSCI Latam *	88953	-0.7	-5.6	-7.3	3
Ibovespa (Brazil)	99667	0.6	-4.2	-4.0	13
Mexbol (Mexico)	38970	1.0	-3.6	-8.4	-6
Merval (Argentina)	31410	1.2	-29.2	-24.2	4
MSCI EM Europe *	5594	-0.7	-3.3	-6.2	6
Poland	2064	-0.7	-3.0	-10.5	-9
Micex 10 (Russia)	4540	-0.3	-2.4	-4.6	8
Ise 100 (Turkey)	95793	-0.8	-3.6	-4.0	5
MSCI EM Asia *	797	0.0	-0.7	-6.9	2
Shanghai Com (China)	2824	0.3	1.8	-3.7	13
Jakarta (Indonesia)	6287	0.3	0.2	-1.8	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	129.0	2.4	-3.6	-7.7	12
JPM	107.7	2.4	-1.9	-5.5	10
Citi	62.9	2.6	-4.8	-11.2	21
BoA	26.9	2.4	-5.1	-7.9	9
MS	40.1	2.4	-3.5	-8.5	1
GS	200.2	2.0	-3.2	-6.2	20
EZ banks	65.7	2.8	-0.5	-9.4	-5
BNP	40.5	2.3	0.8	-4.7	3
Crédit Agricole	10.2	2.6	-0.1	-7.3	8
Deutsche Bank	6.1	3.8	-8.4	-12.9	-12
ING	8.6	2.7	-1.0	-16.8	-9
Intesa	1.9	2.4	0.8	-7.5	-3
SG	22.0	2.9	-1.3	-3.7	-21
Unicredito	9.6	4.3	1.9	-17.3	-3
UK banks	66.8	1.7	-4.1	-13.1	-8
HSBC	597.5	1.0	-3.9	-10.1	-8
RBS	182.1	2.5	-11.0	-20.5	-16
Barclays	139.6	1.8	-2.9	-10.4	-7
Lloyds	49.5	2.0	0.1	-14.1	-4
Large Spanish banks	53.6	2.7	-1.6	-12.3	-8
Santander	3.6	2.8	-1.1	-13.3	-10
BBVA	4.3	2.6	-2.0	-11.4	-6
Medium Spanish banks	41.6	3.2	-4.2	-16.9	-28
Caixabank	2.1	3.6	-4.8	-17.0	-34
Sabadell	0.8	5.1	-2.4	-16.2	-23
Bankinter	5.4	2.8	-4.8	-16.4	-23
Bankia	1.6	2.4	-5.1	-22.2	-37

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.110	-0.1	-0.9	-1.1	-3
GBPUSD	1.215	0.5	0.9	-2.3	-5
USDJPY	106.360	-0.2	-0.6	1.5	3
DXY	98.185	0.0	0.7	1.0	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	56.16	1.9	-19.3	-24.3	-33
USDBRL (Brazil)	3.99	0.0	-1.3	-5.7	-3
USDCPL (Chile)	708.87	0.3	0.4	-3.8	-2
USDCOP (Colombia)	3439	0.9	-1.28	-7.40	-5
USDMXN (Mexico)	19.56	0.3	-0.7	-2.5	0
USDPEN (Peru)	3.38	0.2	-0.1	-2.8	0
LACI	51.41	0.4	-3.0	-6.5	-5
USDPLN (Poland)	3.92	0.5	-1.4	-3.0	-5
USDRUB (Russia)	66.40	-0.5	-1.7	-5.3	4
USDTRY (Turkey)	5.57	-0.1	-1.3	2.1	-5
USDCNY (China)	7.04	-0.1	0.3	-2.4	-2
USDINR (India)	71.16	0.2	-0.5	-3.3	-2
USDIDR (Indonesia)	14240	0.2	-0.3	-1.8	1
ADXY	103.18	0.1	0.2	-1.8	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	58.7	0.9	0.4	-8	9
WTx	55	0.6	0.5	-4	21
Copper	260	0.4	0.6	-4	-1
Gold	1507	-1.1	1.0	6	18
S&P Spot commodity *	395	-0.9	-1.3	-6	5
S&P Brent Spot *	492	-2.2	-0.9	-9	7
S&P Metals Spot *	319	0.3	0.8	-3	0
S&P Agricultural *	268	-0.2	-5.4	-8	-5

Source: Bloomberg, Datastream and Haver

* With one day delay