

**Market Comment**
**Global stock markets climbed as fears of trade war and global slowdown ease.**

- A cautious optimism prevailed in financial markets driven by positive news on the trade front and hopes of monetary and fiscal stimulus, outweighing fears of a global slowdown.
- In Europe, **Germany is preparing fiscal stimulus** to support its economy as its Finance Minister Scholz said the country could add about €50bn of spending after the German output contracted in the second quarter. Meanwhile, on the data front, **the Eurozone CPI was weaker-than-expected in July** (-0.5% m/m, -0.4% m/m expected, 0.2% m/m prior), **significantly increasing markets expectations of a 10 bps depo rate cut by the ECB in September.**
- On the trade front, White House economic adviser Kudlow said **recent phone calls between U.S. and Chinese trade negotiators had been positive, although U.S. president Trump suggested he wasn't ready to sign a deal.** Moreover, U.S. granted Huawei another 90 days to buy from American suppliers.
- Investors will be closely watching the **Fed Chairman Powell's speech at the annual Jackson Hole gathering on Friday** where central bankers will meet, looking for hints as to whether the Fed would cut rates again amid a gloomy economic outlook. In this context, **a 25bp cut in the Fed funds rate is a virtual certainty in the next meeting in September**, while markets expectations of two cuts remains around 19%.
- **Sovereign bonds dropped with yield curves steepening as global recessionary fears ease.** Peripheral bonds led the fall with their risk premia widening, especially in Spain.
- **The DXY strengthened** ahead of Powell's speech **while the euro fluctuated** in a narrow range. Elsewhere, emerging currencies depreciated across the board with the TRY underperforming (-1.4%).
- In commodities, **gold prices extended last Friday's decline** driven by a dash of optimism, while **oil prices surged after a drone attack in Saudi Arabia**, increasing geopolitical risks.
- Global stock markets rallied with energy and information technology outperforming. The VIX index continued to decline, hovering levels below 20.

UPDATE 18:00 CET 19 AUGUST 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,52	4,9	-5,9	-23	-96
<b>US</b>	1,58	3,0	-6,1	-44	-110
GER (2-yr)	-0,89	1,8	-1,5	-14	-28
<b>Germany</b>	-0,65	3,7	-5,6	-38	-93
France	-0,37	4,6	-8,1	-31	-108
Spain	0,13	5,3	-9,6	-27	-128
Italy	1,44	4,3	-26,5	-12	-130
Portugal	0,16	4,8	-8,1	-31	-156
Greece	2,04	6,8	-12,5	-10	-236
Japan (2-yr)	-0,28	-0,4	-1,2	-8	-14
<b>Japan</b>	-0,22	0,5	-0,6	-9	-23
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,18	0,8	-1,1	-10	-206
Chile	2,50	0,9	-1,0	-51	-175
Colombia	5,92	0,0	-14,4	-15	-84
Mexico	6,96	0,7	-22,4	-58	-168
Peru	3,72	0,4	5,4	1	-165
Poland	1,88	14,5	-4,0	-35	-95
Russia	7,42	1,6	0,5	-5	-136
Turkey	15,39	56,0	93,0	-70	-41
India	6,59	4,4	9,1	20	-78
Indonesia	7,32	-10,6	-7,7	18	-71

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	28	0,9	-2,5	7	-15
Italy	209	0,6	-20,9	26	-37
Portugal	81	1,1	-2,5	7	-63
Spain	78	1,6	-4,0	11	-35
<b>2-yr sovereign spread vs Germany</b>					
France	12	-0,1	1,2	4	-4
Italy	99	-1,1	-13,5	27	-10
Portugal	31	0,1	2,1	7	5
Spain	35	-0,2	-2,4	8	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	138	-2,7	7	9	-69
Chile	38	-2,0	-2	3	-25
Colombia	100	-1,8	4	16	-58
Argentina	2727	-159,0	1692	1829	1921
Mexico	117	-2,8	-3	2	-37
Peru	53	-1,4	-1	3	-42
Poland	65	0,1	0	2	-3
Russia	102	-3,0	-6	-3	-52
Turkey	407	-7,0	27	28	48
China	52	-3,9	1	8	-16
India	77	3,0	3	6	-36
Indonesia	95	-4,7	2	9	-42

**RISK INDICATORS**

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	-1,3	-4	4	-8
VSTOXX	18	-2,1	-1	5	-6
EM EFT volatility Index	21	-2,4	-3	5	-4
Dollar/euro volatility	6	0,3	0	1	-1
EM FX volatility index	9	-0,1	0	2	-1
Credit spread (BAA) (change in bps)	223	-3,0	-1	-6	-23
US bonds volatility index	90	-1,1	8	26	23
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,92	-	-3	-17	-21
EZ Inflation expectations (5Y5Y)	1,25	-	-3	-3	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	-2,7	0	7	-26
EZ	66	-2,6	1	11	-39
UK	64	-2,2	1	10	-30
Large Spanish	41	-2,5	-1	1	-47
Medium Spanish	86	-0,8	-5	-2	-27
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	212	-6,9	12	45	-1
EZ Non-financial	74	-1,8	-1	3	-23
UK Non-financial	103	-1,4	0	6	-16

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

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	0	-1
Euribor 3m	-0,42	0	-2	-5	-11
<b>Euribor 12m</b>	-0,40	-1	-5	-10	-28
Eonia Swap 3m	-0,47	0	-1	-3	-11
<b>Eonia Swap 12m</b>	-0,62	1	-3	-9	-26
Libor 3m	2,14	0	-5	-18	-66
Libor 12m	1,95	0	-6	-28	-107

**STOCK MARKETS (%)**

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2926	1,3	1,5	-2,3	17
Dow Jones	26159	1,1	1,0	-3,9	12
Nikkei	20563	0,7	-0,6	-2,3	3
FTSE 100	7190	1,0	-0,5	-4,0	7
<b>EuroStoxx 50</b>	3369	1,2	1,3	-3,3	12
IBEX	8733	0,7	0,7	-5,3	2
DAX	11715	1,3	0,3	-4,2	11
CAC	5372	1,3	1,2	-3,2	14
MIB	20715	1,9	2,2	-6,2	13
ASE Athens	828	4,6	-0,3	-4,9	35
<b>MSCI Latam *</b>	89689	0,8	-4,7	-6,3	4
Ibovespa (Brazil)	100460	0,7	-1,4	-4,1	14
Mexbol (Mexico)	39672	0,8	-0,4	-4,7	-5
Merval (Argentina)	30407	0,0	10,4	-25,4	0
<b>MSCI EM Europe *</b>	5566	-0,5	-3,1	-5,8	5
Poland	2102	1,8	-0,4	-9,4	-8
Micex 10 (Russia)	4577	1,1	-1,9	-3,6	9
Ise 100 (Turkey)	95286	-0,5	-4,1	-6,2	4
<b>MSCI EM Asia *</b>	803	0,7	0,2	-5,9	3
Shanghai Com (China)	2883	2,1	2,4	-0,6	16
Jakarta (Indonesia)	6297	0,6	0,2	-1,5	2
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	130,9	1,2	0,2	-7,3	13
JPM	108,6	0,8	0,9	-5,3	11
Citi	64,5	1,6	0,4	-10,2	24
BoA	27,3	0,9	-1,3	-7,4	11
MS	40,4	1,2	0,1	-9,0	2
GS	203,3	2,0	0,9	-5,2	22
<b>EZ banks</b>	66,4	0,8	2,6	-8,0	-4
BNP	40,8	0,5	2,8	-3,7	3
Crédit Agricole	10,3	0,5	2,9	-4,7	9
Deutsche Bank	6,3	2,7	0,5	-9,3	-9
ING	8,5	-1,1	0,0	-17,1	-10
Intesa	1,9	1,7	4,3	-6,6	-1
SG	22,4	1,4	2,7	-1,5	-20
Unicredito	9,8	2,4	5,4	-16,2	-1
<b>UK banks</b>	67,4	0,9	-1,5	-12,2	-7
HSBC	603,7	1,1	-1,2	-8,7	-7
RBS	184,7	1,4	-8,1	-20,0	-15
Barclays	140,6	0,6	-0,6	-10,1	-7
Lloyds	49,9	0,6	2,5	-13,0	-4
<b>Large Spanish banks</b>	53,0	-1,6	-0,1	-12,2	-9
Santander	3,5	-1,0	-0,1	-12,3	-11
<b>BBVA</b>	4,3	-2,2	-0,2	-12,1	-8
<b>Medium Spanish banks</b>	41,6	-0,8	-0,7	-16,5	-28
Caixabank	2,1	-1,3	-1,5	-17,4	-35
Sabadell	0,8	0,1	3,1	-15,6	-23
Bankinter	5,4	-1,7	-2,6	-16,4	-24
Bankia	1,6	0,8	0,6	-19,5	-36

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

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,110	0,1	-1,0	-1,6	-3
GBPUSD	1,215	0,0	0,6	-3,2	-5
USDJPY	106,510	-0,1	-1,1	0,7	3
DXY	98,218	0,1	0,9	1,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	54,80	0,0	-3,3	-22,6	-31
USDBRL (Brazil)	4,03	-0,7	-1,2	-7,7	-4
USDCLP (Chile)	712,57	-0,6	0,2	-4,0	-3
USDCOP (Colombia)	3441	-0,3	-0,41	-7,67	-5
USDMXN (Mexico)	19,81	-0,8	-1,0	-4,4	-1
USDPEN (Peru)	3,38	-0,1	0,0	-2,8	0
LACI	51,12	-0,4	-1,2	-7,7	-6
USDPLN (Poland)	3,94	-0,5	-1,9	-4,2	-5
USDRUB (Russia)	66,86	-0,5	-2,1	-6,1	4
USDTRY (Turkey)	5,66	-1,4	-1,7	-0,8	-7
USDCNY (China)	7,05	-0,1	0,1	-2,4	-2
USDINR (India)	71,43	-0,4	-0,9	-3,5	-2
USDIDR (Indonesia)	14238	0,0	0,1	-2,0	1
ADXY	102,96	-0,2	0,1	-2,2	-2

**COMMODITIES (%)**

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	59,4	1,2	1,3	-4	10
WTx	56	1,5	1,4	1	23
Copper	260	0,3	0,7	-4	-1
Gold	1502	-0,7	-0,6	4	17
S&P Spot commodity *	396	0,3	-0,3	-4	6
S&P Brent Spot *	495	0,6	-0,3	-6	8
S&P Metals Spot *	319	0,0	0,6	-3	0
S&P Agricultural *	272	1,2	-0,3	-6	-4

Source: Bloomberg, Datastream and Haver

\* With one day delay