

Market Comment

## PMI data reinforce concerns over global slowdown.

- Yesterday's risk appetite was hurt by the volatility in the financial markets amid concerns over global economic weakness and renewed U.S.-China trade tensions. All eyes will be on Powell's speech tomorrow at the Jackson Hole gathering as markets look for hints on monetary policy.
- The minutes of the Fed's July meeting showed that the **decision to cut rates by 25 bps was not unanimous** but signaled that more cuts are on the way. The Fed's minutes showed that a 25 bps rate cut was insurance against low inflation and a significant decline in business investment. In this context, **investors lowered their expectations of an aggressive rate cut in the next month, alongside today's less dovish-minded comments from Fed officials, but expectations of additional rate cuts by the end of the year persist. Elsewhere, today's ECB minutes from the most recent meeting suggested a broad stimulus package next month, which could include rate cuts and asset purchases, instead of a gradual approach. A 10 bps ECB depo rate cut in September is a virtual certainty but expectations of 20 bps depo rate cut declined.**
- Mixed news on the data front:** Consumers in the Eurozone were more pessimistic in August (-7.1, -7.0 expected, -6.6 prior). Meanwhile, the preliminary Eurozone PMI data suggested that its private sector activity remained muted in August, reinforcing concern concerns. However, Eurozone business growth picked up slightly more than expected, as services expanded (53.4, 53 expected, 53.2 prior), while manufacturing contracted at a slower pace (47, 46.2 expected, 46.5 prior).
- Both **U.S. manufacturing and services flash PMI unexpectedly deteriorated in August** with the former in contraction levels (49.9, 50.5 expected, 50.4 prior). **However, U.S. labor-market strengthened** with U.S. initial jobless claims declining slightly last week ended August 17 (209K, 216K expected, 221K prior).
- European sovereign bonds dropped, except for Greece and Italy, whereas the 10Y U.S. Treasury yield fluctuated with the 10-2Y yield slope flattening.** On the other hand, Italian risk premium continued to narrow amid talks to form a new coalition, while Spanish and Portuguese risk premia widened.
- In FX, the **JPY strengthened and the sterling soared as Brexit deal hopes rise following Boris Johnson's meetings in Paris and Berlin**, despite weaker-than-expected retail sales in August. The DXY index slipped ahead Powell's speech, while the euro remained unchanged. In EM, **the Chinese Yuan dropped to a 11-year low against the dollar** with the CNY+12M futures edging up after China's Ministry of Commerce Gao Feng said that imposing any tariffs would lead to retaliatory actions.
- Stocks fell in general with cyclical sectors leading the losses. However, the IBEX 35 inched up as banking outperformed other sectors after the release of the ECB minutes including the tiering system.**

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	1,0	8,8	-25	-90
<b>US</b>	1,60	0,7	6,9	-49	-109
GER (2-yr)	-0,86	2,5	5,3	-9	-25
<b>Germany</b>	-0,65	2,4	6,7	-33	-93
France	-0,36	3,6	7,8	-27	-107
Spain	0,14	4,4	10,6	-25	-128
Italy	1,31	-2,4	-2,5	-29	-143
Portugal	0,17	4,1	10,1	-29	-155
Greece	1,97	-3,0	-5,9	-9	-243
Japan (2-yr)	-0,30	-0,1	-2,4	-10	-16
<b>Japan</b>	-0,24	0,0	-0,3	-9	-24

Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,23	2,0	-1,2	1	-201
Chile	2,50	-0,5	-2,8	-35	-175
Colombia	5,97	2,6	-0,8	1	-78
Mexico	6,97	-5,4	-7,8	-51	-167
Peru	3,81	5,8	7,0	-5	-155
Poland	2,04	8,2	27,4	-7	-79
Russia	7,29	-1,6	-14,5	-8	-149
Turkey	16,16	29,0	170,0	49	36
India	6,56	-0,5	-6,9	10	-81
Indonesia	7,25	-3,1	-23,7	-2	-77

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	29	1,2	1,1	6	-14
Italy	195	-4,8	-9,2	4	-51
Portugal	82	1,7	3,4	4	-62
Spain	79	2,0	3,9	8	-35

2-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	11	-1,6	-0,8	3	-5
Italy	84	-5,2	-6,8	9	-25
Portugal	29	-1,6	-2,3	5	3
Spain	32	-2,7	-1,3	3	-5

Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	137	-1,8	-5	9	-71
Chile	37	-1,3	-4	1	-26
Colombia	98	-2,0	-3	13	-60
Argentina	3070	-169,6	-559	2177	2264
Mexico	116	-2,3	-8	0	-39
Peru	51	-1,0	-5	1	-44
Poland	65	0,0	0	1	-3
Russia	100	0,0	-5	-5	-54
Turkey	410	-1,0	-2	37	50
China	46	-1,0	-9	5	-21
India	75	0,7	1	8	-39
Indonesia	92	-1,5	-8	7	-46

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	1,1	-4	4	-9
VSTOXX	18	1,5	-4	6	-6
EM EFT volatility Index	20	0,9	-5	4	-5
Dollar/euro volatility	6	0,0	0	0	-1
EM FX volatility index	9	-0,1	0	2	-1
Credit spread (BAA) (change in bps)	224	-0,7	-2	2	-21
US bonds volatility index	85	-2,4	-6	23	18

Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,90	-	0	-22	-24
EZ Inflation expectations (5Y5Y)	1,27	-	5	-2	-33

Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	53	-0,8	-5	6	-29
EZ	60	-2,6	-9	5	-44
UK	59	-2,0	-8	3	-36
Large Spanish	37	-2,4	-7	-2	-50
Medium Spanish	88	-0,2	0	1	-25

Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	202	0,9	-16	36	-11
EZ Non-financial	71	-1,1	-5	-1	-26
UK Non-financial	100	0,0	-2	4	-18

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	-1	0	-1
Euribor 3m	-0,42	1	-1	-5	-11
<b>Euribor 12m</b>	-0,39	1	-3	-8	-27
Eonia Swap 3m	-0,47	1	1	-3	-11
<b>Eonia Swap 12m</b>	-0,58	2	6	-4	-23
Libor 3m	2,15	0	-2	-13	-65
Libor 12m	1,95	0	-8	-24	-106

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2918	-0,2	2,5	-2,9	16
Dow Jones	26197	0,0	2,4	-4,2	12
Nikkei	20628	0,0	1,1	-4,6	3
FTSE 100	7128	-1,1	0,9	-5,7	6
<b>EuroStoxx 50</b>	3374	-0,6	2,8	-4,5	12
IBEX	8716	0,2	2,3	-6,1	2
DAX	11747	-0,5	2,9	-6,0	11
CAC	5388	-0,9	2,9	-4,1	14
MIB	20817	-0,1	4,0	-5,2	14
ASE Athens	845	1,5	5,8	-2,8	38
<b>MSCI Latam *</b>	90666	1,4	1,2	-4,5	5
Ibovespa (Brazil)	100562	-0,6	1,5	-3,0	14
Mexbol (Mexico)	40134	0,1	4,0	-2,0	-4
Merval (Argentina)	28397	1,5	-8,5	-27,6	-6
<b>MSCI EM Europe *</b>	5684	0,0	0,9	-3,5	7
Poland	2108	0,1	1,4	-9,8	-7
Micex 10 (Russia)	4613	0,1	1,4	-2,9	10
Ise 100 (Turkey)	95394	-0,1	-1,2	-7,0	5
<b>MSCI EM Asia *</b>	814	-0,1	2,1	-4,4	4
Shanghai Com (China)	2883	0,1	2,4	-0,6	16
Jakarta (Indonesia)	6239	-0,9	-0,4	-3,0	1

Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	130,4	0,9	3,4	-9,2	13
JPM	108,7	1,0	3,3	-6,6	11
Citi	64,0	1,1	4,3	-11,1	23
BoA	27,1	0,8	3,4	-10,3	10
MS	40,3	0,9	3,0	-10,7	2
GS	202,4	0,9	3,2	-7,8	21
<b>EZ banks</b>	66,8	1,3	4,5	-8,1	-3
BNP	40,9	0,8	3,4	-4,6	4
Crédit Agricole	10,3	0,8	3,5	-6,9	9
Deutsche Bank	6,5	1,9	10,0	-9,3	-7
ING	8,6	2,0	2,9	-16,5	-9
Intesa	1,9	1,0	5,2	-4,6	0
SG	22,6	2,1	5,6	-2,0	-19
Unicredito	9,8	1,3	6,1	-15,1	-1
<b>UK banks</b>	66,7	0,0	1,6	-13,7	-8
HSBC	593,7	-0,8	0,4	-11,5	-8
RBS	183,5	0,9	3,3	-19,7	-15
Barclays	139,3	0,1	1,5	-13,0	-7
Lloyds	49,7	0,4	2,3	-12,8	-4
<b>Large Spanish banks</b>	53,2	1,7	1,8	-13,0	-9
Santander	3,5	1,2	1,5	-14,7	-11
<b>BBVA</b>	4,3	2,2	2,1	-11,4	-7
<b>Medium Spanish banks</b>	41,6	2,3	3,3	-14,4	-28
Caixabank	2,1	2,9	2,6	-16,0	-35
Sabadell	0,8	3,0	5,4	-13,8	-23
Bankinter	5,4	1,7	2,6	-14,0	-23
Bankia	1,6	2,4	4,2	-17,0	-36

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,109	0,0	-0,2	-0,6	-3
GBPUSD	1,225	1,0	1,3	-1,6	-4
USDJPY	106,450	0,2	-0,3	1,7	3
DXY	98,164	-0,1	0,0	0,5	2

Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	55,02	0,0	4,1	-22,4	-32
USDBRL (Brazil)	4,06	-0,8	-1,6	-7,0	-4
USDCPL (Chile)	715,11	-0,6	-0,6	-3,1	-3
USDCOP (Colombia)	3376	0,0	2,84	-5,57	-4
USDMXN (Mexico)	19,74	-0,3	-0,7	-2,9	0
USDPEN (Peru)	3,38	-0,1	0,4	-2,5	0
LACI	51,10	-0,2	-0,2	-6,7	-6
USDPLN (Poland)	3,93	-0,3	0,0	-3,0	-5
USDRUB (Russia)	65,74	0,1	0,5	-3,9	5
USDTRY (Turkey)	5,76	-0,8	-3,4	-0,8	-8
USDCNY (China)	7,09	-0,3	-0,7	-2,9	-3
USDINR (India)	71,82	-0,4	-0,8	-4,0	-3
USDIDR (Indonesia)	14239	0,0	0,2	-1,8	1
ADXY	102,82	-0,2	-0,2	-2,0	-2

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	59,8	-0,9	2,6	-6	11
WTx	55	-0,9	1,3	-3	21
Copper	257	-0,3	-0,6	-4	-2
Gold	1501	-0,1	-1,5	6	17
S&P Spot commodity *	400	0,0	1,4	-5	7
S&P Brent Spot *	509	0,5	3,6	-6	11
S&P Metals Spot *	318	0,5	-0,2	-2	0
S&P Agricultural *	267	0,4	-0,5	-7	-6

Source: Bloomberg, Datastream and Haver

\* With one day delay