Market Comment

Stocks rebound amid lower trade tension.

- **Equities rebounded in Europe and in the U.S. from Friday's sell-off after U.S. President Trump said China asked to restart trade talks**, despite the fact that they were already planned for September, with better prospects for a deal with China. **However, the Chinese press downplayed the significance of Trump's remarks.**

- The German ifo Business Climate index extended its fall more than expected in August to its lowest level since November 2012 (94.3, 95.1 expected, 95.8 prior), consistent with 2Q contraction and reinforcing the Bundesbank forecast that its GDP could shrink again in the third quarter. **Both companies satisfaction with their current situation and expectations regarding the coming months continue to worsen.**

- **Mixed economic indicators in the U.S**: the Chicago Fed National Activity Index dropped more than estimated in July (-0.36, 0.0 expected, 0.03 prior), suggesting that its economy is experiencing below-average growth. Nonetheless, the Dallas Fed suggested that **the sentiment among manufacturers in Texas improved in August**, exceeding estimates (2.7, -4.0 expected, -6.3 prior). On the other hand, **U.S. durable goods, excluding transportation,** worsened unexpectedly in July (-0.4%, 0.0% expected, 0.8% prior). However, including aircraft and other transportation equipment, the indicator rose ahead of economists' projections in July (2.1%, 1.2% expected, 1.8% prior).

- European sovereign bonds slipped, especially Italy, with the 10Y German bund yield inching up by 1.4 bps. However, **the U.S. Treasury bonds edged up with a flat 10-2Y yield curve.** Elsewhere, **Italy's risk premium widened slightly as coalition talks stall** with time running out to avoid an election.

- **The DXY strengthened with the USD outperforming across the G10.** The euro slipped as the German business confidence continue to deteriorate. Elsewhere, EM currencies depreciated with the Latam currency index weakening by 0.3%. The TRY and the onshore Chinese yuan fell by 0.8% against the USD with the latter reaching an 11-year low, **while the offshore reached its record low,** despite the stronger than expected daily fixing.

- Safe-haven currencies weakened but gold remained well in demand amid trade uncertainty.

- Both U.S. and European stocks picked up as trade frictions eased, recovering partially from last Friday's losses. Information technology led the gains in the S&P500, while the banking sector outperformed others in Europe. **Equity implied volatility inched up, hovering around levels above 20.**

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,52	-1,3	-2,5	-34	-97
US	1,52	-1,2	-8,3	-56	-116
GER (2-yr)	-0,88	0,8	1,4	-12	-27
Germany	-0,66	1,4	-1,3	-34	-94
France	-0,37	0,5	-0,1	-26	-108
Spain	0,13	-0,4	0,1	-22	-128
Italy	1,33	1,4	-10,6	-19	-141
Portugal	0,17	0,2	0,7	-26	-156
Greece	1,95	0,0	-8,2	-6	-245
Japan (2-yr)	-0,31	-1,9	-3,5	-11	-17
Japan	-0,26	-3,3	-4,1	-11	-27
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,33	8,1	6,3	8	-190
Chile	2,50	-0,9	-1,4	-28	-175
Colombia	5,97	-0,8	5,4	2	-78
Mexico	6,95	-0,3	-8,8	-49	-169
Peru	3,78	-2,1	0,5	-11	-158
Poland	1,94	-8,0	5,8	-13	-89
Russia	7,31	2,6	-10,6	0	-147
Turkey	16,33	26,0	94,0	96	53
India	6,48	-9,4	-10,9	-3	-89
Indonesia	7,29	5,0	-2,4	10	-73

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	-0,9	1,2	8	-14
Italy	199	0,0	-9,3	15	-47
Portugal	83	-1,2	2,0	8	-61
Spain	80	-1,8	1,4	12	-34
2-yr sovereign spread vs Germany					
France	10	-1,0	-2,5	3	-6
Italy	91	0,9	-8,0	22	-17
Portugal	30	-1,4	-1,6	11	4
Spain	34	-0,1	-1,5	8	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	140	4,2	2	16	-67
Chile	38	1,3	0	3	-25
Colombia	101	3,4	0	18	-58
Argentina	3064	51,5	337	2133	2258
Mexico	119	4,0	2	5	-36
Peru	52	1,4	-1	2	-43
Poland	65	0,0	0	1	-3
Russia	100	0,0	-2	-2	-54
Turkey	417	2,8	10	59	57
China	50	4,2	-1	10	-17
India	73	-1,0	-4	8	-41
Indonesia	94	2,1	-1	11	-44

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	21	1,1	4	8	-4
VSTOXX	21	0,9	3	8	-3
EM EFT volatility Index	23	0,3	3	7	-1
Dollar/euro volatility	6	0,0	0	1	-1
EM FX volatility index	9	0,1	0	2	-1
Credit spread (BAA) (change in bps)	235	1,2	6	21	-11
US bonds volatility index	92	8,7	5	31	25
Inflation expectations (%, change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,90	-	-1	-21	-19
EZ Inflation expectations (5Y5Y)	1,25	-	0	-6	-35
Banking 5y CDS *	level	Daily	Weekly	Monthly	YTD
US	55	2,1	-1	11	-28
EZ	58	-1,2	-8	8	-47
UK	58	-0,3	-6	7	-36
Large Spanish	36	-1,1	-5	0	-52
Medium Spanish	87	-0,3	2	0	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	203	2,1	-9	43	-11
EZ Non-financial	70	-0,4	-4	1	-27
UK Non-financial	98	-2,1	-5	3	-21

INTERBANK MARKETS (%, CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	0	-1
Euribor 3m	-0,42	-1	0	-4	-11
Euribor 12m	-0,36	-1	3	-5	-25
Eonia Swap 3m	-0,47	0	0	-6	-12
Eonia Swap 12m	-0,60	0	2	-6	-25
Libor 3m	2,14	0	0	-13	-65
Libor 12m	2,03	0	3	-21	-98

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2861	0,5	-2,1	-4,7	14
Dow Jones	25780	0,6	-1,4	-5,0	11
Nikkei	20261	-2,2	-1,5	-6,9	1
FTSE 100	7095	0,0	-1,3	-5,3	5
EuroStoxx 50	3337	0,1	-1,0	-4,9	11
IBEX	8651	0,0	-0,9	-6,9	1
DAX	11621	0,1	-0,8	-6,0	10
CAC	5333	0,1	-0,7	-4,4	13
MIB	20591	0,6	-0,6	-6,0	12
ASE Athens	829	-0,3	0,1	-6,4	35
MSCI Latam *	88146	-1,9	-1,7	-7,2	2
Ibovespa (Brazil)	96880	-0,8	-2,6	-5,8	10
Mexbol (Mexico)	39943	0,2	1,0	-2,4	-4
Merval (Argentina)	26538	-0,2	-12,7	-33,5	-12
MSCI EM Europe *	5675	-0,4	2,0	-3,7	7
Poland	2098	-0,3	-0,2	-9,2	-8
Micex 10 (Russia)	4572	-0,4	-0,1	-3,9	9
Ise 100 (Turkey)	97030	-0,1	1,8	-4,9	6
MSCI EM Asia *	809	0,1	-0,8	-5,3	3
Shanghai Com (China)	2864	-1,2	-0,7	-2,5	15
Jakarta (Indonesia)	6215	-0,4	-1,1	-2,7	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	127,7	0,7	-2,2	-10,7	10
JPM	106,2	0,2	-2,3	-8,2	9
Citi	62,4	0,7	-3,0	-12,6	20
BoA	26,5	0,2	-2,7	-12,6	8
MS	39,8	1,3	-1,3	-11,2	0
GS	199,1	1,5	-1,5	-9,5	19
EZ banks	66,1	0,8	-0,4	-9,3	-4
BNP	40,5	1,0	-0,8	-5,8	3
Crédit Agricole	10,1	0,3	-1,6	-8,5	7
Deutsche Bank	6,3	-0,3	0,2	-10,8	-9
ING	8,5	0,6	-0,3	-19,0	-10
Intesa	1,9	1,9	1,3	-4,0	0
SG	22,5	0,7	0,5	-2,1	-19
Unicredito	9,5	0,9	-2,3	-16,6	-4
UK banks	66,3	0,0	-1,6	-13,2	-9
HSBC	586,4	0,0	-2,9	-10,5	-9
RBS	183,0	0,0	-0,9	-19,8	-16
Barclays	138,0	0,0	-1,8	-13,5	-8
Lloyds	50,0	0,0	0,1	-11,9	-4
Large Spanish banks	52,4	0,5	-1,0	-13,9	-10
Santander	3,5	0,3	-2,0	-15,0	-12
BBVA	4,3	0,6	-0,1	-12,9	-8
Medium Spanish banks	41,3	0,7	-0,6	-15,0	-28
Caixabank	2,0	0,7	-1,4	-16,1	-35
Sabadell	0,8	1,1	-1,7	-15,2	-24
Bankinter	5,4	0,6	0,4	-15,3	-23
Bankia	1,6	0,8	-0,6	-15,6	-36

CURRENCIES (%, RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,111	-0,3	0,3	-0,3	-3
GBPUSD	1,222	-0,4	0,8	-1,9	-4
USDJPY	105,960	-0,5	0,6	2,5	4
DXY	97,958	0,3	-0,4	0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	55,31	-0,3	-0,9	-21,5	-32
USDBRL (Brazil)	4,14	-0,4	-1,6	-8,7	-6
USDCLP (Chile)	718,60	0,0	-0,8	-3,1	-3
USDCOP (Colombia)	3430	-0,2	0,21	-6,19	-5
USDMXN (Mexico)	19,91	0,1	-0,2	-4,4	-1
USDPEN (Peru)	3,38	0,0	0,3	-2,4	0
LACI	50,52	-0,3	-0,6	-7,6	-7
USDPLN (Poland)	3,92	0,0	0,5	-2,6	-5
USDRUB (Russia)	66,07	0,0	1,3	-4,3	5
USDTRY (Turkey)	5,81	-0,8	-2,5	-1,9	-9
USDCNY (China)	7,15	-0,8	-1,4	-3,9	-4
USDINR (India)	72,02	-0,5	-0,8	-4,1	-3
USDIDR (Indonesia)	14243	-0,2	0,0	-1,9	1
ADXY	102,21	-0,3	-0,6	-2,6	-3

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,2	-0,2	-0,8	-7	10
WTx	54	0,5	-3,1	-3	20
Copper	253	0,0	-2,7	-6	-4
Gold	1535	0,5	2,6	9	20
S&P Spot commodity *	393	-1,2	-1,5	-6	6
S&P Brent Spot *	500	-1,2	-0,7	-7	9
S&P Metals Spot *	315	-0,2	-1,5	-4	-1
S&P Agricultural *	266	-0,5	-0,6	-8	-6

Source: Bloomberg, Datastream and Haver
* With one day delay