

Market Comment

China eases trade tensions.

- Investors' risk appetite improved with a dash of optimism on the trade front. **China indicated it wouldn't immediately retaliate on new U.S. 5% tariff** on \$300b worth of Chinese goods starting in September. China said it's open to negotiate with the U.S. to prevent further escalation of the trade war.
- In Italy, the Five Star Movement (M5E) and the centre-left Democratic Party (PD) reached a deal to form a new coalition led by Conte, blocking early elections. Moreover, Conte signaled the possible start of a more pro-Europe outlook which would avoid frictions with the EU over the nation's budget.
- On the data front, **U.S. second-quarter GDP growth was downwardly revised by 0.1% as expected**. In the Eurozone, its business confidence was higher than expected (+0.1, +0.08 expected, -0.11 prior).
- Yield on 10Y U.S. bonds rose by 3.9 bps with **the 10-2Y yield slope flattening although it continues to be inverted**. In Europe, the German 10-2Y yield curve steepened. Elsewhere, **Italy's risk premium continued to narrow sharply as an agreement to form a government has been reached and thus avoid early elections**.
- The DXY index extended its gains on trade hopes**, outperforming its G10 peers, while the JPY ran out of steam. The pound continue to depreciate driven by a increasing risk of a no-deal Brexit. In EM, Latam currencies appreciated across the board, except for ARS which slipped after the **Argentine government asked the IMF and all its institutional creditors to postpone the repayment of the debt**, both in pesos and dollars, due to liquidity difficulties.
- Stocks in both the U.S. and Europe rose**, as China's comments eased trade tensions. **Information technology and industrials led the gains in the S&P 500**.

| UPDATE 17:45 CET 29 AUGUST 2019 | | | | | |
|--|---------|-------|--------|---------|------|
| DEBT MARKETS (10Y, %, CHANGES IN BP) | | | | | |
| Developed Markets | level | Daily | Week | Month | YTD |
| US (2-yr) | 1,53 | 2,6 | -8,6 | -32 | -96 |
| US | 1,52 | 3,9 | -9,5 | -54 | -117 |
| GER (2-yr) | -0,91 | -2,9 | -4,7 | -15 | -30 |
| Germany | -0,69 | 2,2 | -4,8 | -33 | -97 |
| France | -0,41 | 2,2 | -5,1 | -27 | -112 |
| Spain | 0,11 | 4,0 | -3,6 | -25 | -131 |
| Italy | 0,99 | -5,4 | -31,6 | -60 | -175 |
| Portugal | 0,13 | 3,1 | -4,5 | -28 | -160 |
| Greece | 1,58 | -15,1 | -38,3 | -48 | -282 |
| Japan (2-yr) | -0,31 | -0,6 | -0,8 | -10 | -17 |
| Japan | -0,29 | -1,0 | -4,9 | -14 | -29 |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD |
| Brazil | 7,61 | 2,8 | 37,7 | 41 | -162 |
| Chile | 2,50 | 0,8 | -1,9 | -22 | -175 |
| Colombia | 6,12 | 7,3 | 14,1 | 7 | -64 |
| Mexico | 6,99 | -1,2 | 0,6 | -54 | -165 |
| Peru | 3,80 | 0,0 | 0,1 | -11 | -157 |
| Poland | 1,84 | 7,2 | -20,0 | -37 | -99 |
| Russia | 7,27 | -0,7 | -1,9 | -17 | -151 |
| Turkey | 15,65 | -11,0 | -51,0 | 69 | -15 |
| India | 6,56 | -1,7 | -0,5 | 17 | -81 |
| Indonesia | 7,38 | 3,4 | 13,1 | 4 | -64 |
| COUNTRY RISK (BP, CHANGES IN BP) | | | | | |
| Developed Markets | level | Daily | Weekly | Monthly | YTD |
| 10-yr sovereign spread vs Germany | | | | | |
| France | 28 | 0,0 | -0,3 | 6 | -15 |
| Italy | 168 | -7,6 | -26,8 | -26 | -78 |
| Portugal | 82 | 0,9 | 0,3 | 5 | -62 |
| Spain | 80 | 1,8 | 1,2 | 9 | -34 |
| 2-yr sovereign spread vs Germany | | | | | |
| France | 10 | 1,3 | -1,1 | 2 | -6 |
| Italy | 70 | -1,0 | -13,8 | -6 | -38 |
| Portugal | 28 | 1,0 | -0,2 | 7 | 2 |
| Spain | 36 | 3,4 | 3,5 | 10 | -1 |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD |
| 5-yr sovereign CDS * | | | | | |
| Brazil | 140 | -0,5 | 4 | 16 | -67 |
| Chile | 37 | -0,4 | 0 | 3 | -26 |
| Colombia | 97 | -1,0 | -1 | 13 | -61 |
| Argentina | 3881 | 369,1 | 811 | 2966 | 3075 |
| Mexico | 116 | -0,8 | 0 | 1 | -39 |
| Peru | 51 | -0,3 | 0 | 2 | -44 |
| Poland | 65 | -0,1 | 0 | 1 | -3 |
| Russia | 101 | 0,0 | 1 | 1 | -53 |
| Turkey | 426 | 5,1 | 16 | 77 | 66 |
| China | 49 | 0,4 | 2 | 8 | -19 |
| India | 74 | -0,4 | -1 | 15 | -40 |
| Indonesia | 94 | 0,8 | 2 | 16 | -44 |
| RISK INDICATORS | | | | | |
| Volatility indicators (change in pp) | level | Daily | Weekly | Monthly | YTD |
| VIX | 18 | -1,7 | 1 | 4 | -8 |
| VSTOXX | 18 | -1,7 | -1 | 3 | -6 |
| EM EFT volatility Index | 20 | -1,3 | 0 | 3 | -5 |
| Dollar/euro volatility | 5 | 0,0 | 0 | 0 | -2 |
| EM FX volatility index | 9 | -0,1 | 0 | 2 | -1 |
| Credit spread (BAA) (change in bps) | 221 | -3,9 | -5 | 7 | -24 |
| US bonds volatility index | 90 | 1,2 | 7 | 32 | 23 |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y) | 1,98 | - | 10 | -11 | -15 |
| EZ Inflation expectations (5Y5Y) | 1,20 | - | -7 | -9 | -40 |
| Banking 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD |
| US | 53 | -0,8 | -3 | 7 | -29 |
| EZ | 68 | -2,5 | -7 | 2 | -61 |
| UK | 73 | 1,4 | -2 | 2 | -37 |
| Large Spanish | 37 | 0,6 | 0 | -3 | -50 |
| Medium Spanish | 85 | 0,3 | -3 | 4 | -27 |
| Corporate 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD |
| US Non-financial | 197 | -1,6 | -5 | 33 | -16 |
| EZ Non-financial | 69 | -0,3 | -2 | 1 | -28 |
| UK Non-financial | 97 | 0,3 | -3 | 2 | -22 |
| INTERBANK MARKETS (% CHANGES IN BP) | | | | | |
| | level | Daily | Weekly | Monthly | YTD |
| EONIA Index | -0,37 | 0 | -1 | 0 | -1 |
| Euribor 3m | -0,43 | -1 | -1 | -5 | -12 |
| Euribor 12m | -0,38 | 0 | 1 | -7 | -26 |
| Eonia Swap 3m | -0,50 | -1 | -3 | -7 | -14 |
| Eonia Swap 12m | -0,62 | -1 | -4 | -9 | -26 |
| Libor 3m | 2,12 | 0 | -3 | -14 | -67 |
| Libor 12m | 1,95 | 0 | 0 | -25 | -106 |
| STOCK MARKETS (%) | | | | | |
| Main indices | level | Daily | Weekly | Monthly | YTD |
| S&P500 | 2924 | 1,3 | 0,1 | -2,9 | 17 |
| Dow Jones | 26378 | 1,3 | 0,5 | -3,0 | 13 |
| Nikkei | 20461 | -0,1 | -0,8 | -5,8 | 2 |
| FTSE 100 | 7184 | 1,0 | 0,8 | -6,0 | 7 |
| EuroStoxx 50 | 3411 | 1,4 | 1,1 | -1,5 | 14 |
| IBEX | 8796 | 0,6 | 0,9 | -2,1 | 3 |
| DAX | 11839 | 1,2 | 0,8 | -2,5 | 12 |
| CAC | 5450 | 1,5 | 1,1 | -1,1 | 15 |
| MIB | 21398 | 1,9 | 2,8 | 0,6 | 17 |
| ASE Athens | 858 | 1,8 | 1,6 | -3,5 | 40 |
| MSCI Latam * | 88970 | 0,8 | -1,9 | -6,1 | 3 |
| Ibovespa (Brazil) | 99290 | 1,1 | -0,7 | -3,5 | 13 |
| Mexbol (Mexico) | 41641 | 1,7 | 3,7 | 1,2 | 0 |
| Merval (Argentina) | 24407 | -4,1 | -12,8 | -42,5 | -19 |
| MSCI EM Europe * | 5646 | 0,1 | -0,7 | -5,1 | 7 |
| Poland | 2069 | 0,9 | -1,8 | -8,6 | -9 |
| Micex 10 (Russia) | 4666 | 1,1 | 1,1 | -2,7 | 11 |
| Ise 100 (Turkey) | 96718 | 0,8 | 1,4 | -5,8 | 6 |
| MSCI EM Asia * | 804 | -0,1 | -1,1 | -5,0 | 3 |
| Shanghai Com (China) | 2891 | -0,1 | 0,3 | -2,1 | 16 |
| Jakarta (Indonesia) | 6289 | 0,2 | 0,6 | -0,2 | 2 |
| Banking sector | level | Daily | Weekly | Monthly | YTD |
| US banks | 131,5 | 2,2 | 0,8 | -8,6 | 14 |
| JPM | 109,4 | 2,4 | 0,6 | -5,4 | 12 |
| Citi | 64,0 | 2,6 | 0,1 | -10,8 | 23 |
| BoA | 27,3 | 1,8 | 0,5 | -11,6 | 11 |
| MS | 41,4 | 2,5 | 2,7 | -7,4 | 4 |
| GS | 203,8 | 1,7 | 0,7 | -8,0 | 22 |
| EZ banks | 67,7 | 1,8 | 1,2 | -3,6 | -2 |
| BNP | 40,8 | 1,6 | -0,3 | -1,7 | 3 |
| Crédit Agricole | 10,3 | 1,7 | 0,1 | -3,5 | 9 |
| Deutsche Bank | 6,6 | 1,4 | 1,3 | -5,0 | -6 |
| ING | 8,6 | 1,4 | 0,3 | -14,7 | -9 |
| Intesa | 2,0 | 2,3 | 3,7 | 2,4 | 4 |
| SG | 22,9 | 2,0 | 1,2 | 3,6 | -18 |
| Unicredito | 10,2 | 2,9 | 4,3 | -4,7 | 3 |
| UK banks | 66,5 | 1,0 | -0,4 | -12,1 | -9 |
| HSBC | 591,5 | 1,7 | -0,4 | -11,0 | -9 |
| RBS | 183,5 | 0,5 | 0,0 | -16,7 | -15 |
| Barclays | 137,5 | 1,0 | -1,3 | -12,8 | -9 |
| Lloyds | 49,8 | 0,6 | 0,2 | -9,6 | -4 |
| Large Spanish banks | 52,6 | 0,4 | -1,0 | -9,0 | -10 |
| Santander | 3,5 | -0,3 | -2,0 | -11,0 | -13 |
| BBVA | 4,3 | 1,1 | -0,1 | -7,2 | -7 |
| Medium Spanish banks | 41,6 | 1,0 | -0,1 | -6,8 | -28 |
| Caixabank | 2,1 | 1,5 | 0,9 | -7,2 | -34 |
| Sabadell | 0,8 | 1,5 | 0,9 | -2,4 | -22 |
| Bankinter | 5,3 | 0,9 | -1,7 | -9,2 | -24 |
| Bankia | 1,7 | 0,5 | 0,9 | -6,9 | -35 |
| CURRENCIES (% RED FOR CURRENCY DEPRECIATION) | | | | | |
| Developed | level | Daily | Weekly | Monthly | YTD |
| EURUSD | 1,106 | -0,2 | -0,2 | -0,9 | -4 |
| GBPUSD | 1,220 | -0,1 | -0,4 | 0,4 | -4 |
| USDJPY | 106,510 | -0,4 | -0,1 | 2,0 | 3 |
| DXY | 98,439 | 0,2 | 0,3 | 0,4 | 2 |
| Emerging | level | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina) | 58,21 | -0,3 | -5,3 | -24,5 | -35 |
| USDBRL (Brazil) | 4,16 | 0,2 | -2,1 | -8,8 | -7 |
| USDCPL (Chile) | 719,35 | 0,4 | -0,8 | -2,5 | -4 |
| USDCOP (Colombia) | 3453 | 0,7 | -1,82 | -4,33 | -6 |
| USDMXN (Mexico) | 20,11 | 0,0 | -1,4 | -5,2 | -2 |
| USDPEN (Peru) | 3,40 | 0,1 | -0,7 | -3,0 | -1 |
| LACI | 49,98 | -0,1 | -2,0 | -8,2 | -8 |
| USDPLN (Poland) | 3,97 | -0,2 | -1,0 | -3,0 | -6 |
| USDRUB (Russia) | 66,54 | 0,4 | -1,4 | -4,6 | 4 |
| USDTRY (Turkey) | 5,84 | -0,5 | -1,3 | -4,9 | -9 |
| USDCNY (China) | 7,14 | 0,3 | -0,8 | -3,6 | -4 |
| USDINR (India) | 71,78 | 0,0 | 0,1 | -4,1 | -3 |
| USDIDR (Indonesia) | 14238 | 0,1 | 0,0 | -1,5 | 1 |
| ADXY | 102,36 | -0,2 | -0,5 | -2,4 | -3 |
| COMMODITIES (%) | | | | | |
| | level | Daily | Weekly | Monthly | YTD |
| Brent | 60,7 | 0,3 | 1,3 | -6 | 13 |
| WTx | 57 | 1,3 | 2,1 | -3 | 24 |
| Copper | 256 | 0,3 | 0,2 | -4 | -3 |
| Gold | 1536 | -0,2 | 2,5 | 7 | 20 |
| S&P Spot commodity * | 400 | 1,1 | 0,6 | -5 | 7 |
| S&P Brent Spot * | 510 | 1,5 | 0,7 | -7 | 11 |
| S&P Metals Spot * | 315 | -0,2 | 0,0 | -2 | -1 |
| S&P Agricultural * | 267 | 0,7 | -0,1 | -6 | -6 |

Source: Bloomberg, Datastream and Haver

* With one day delay