

Market Comment

## European stocks rise on manufacturing data.

- U.S. markets were closed for the Labor Day holiday. In Europe, investors traded cautiously with trade tensions and Brexit turmoil in the spotlight.
- Trump's 15% additional tariffs on \$110b in Chinese imports went into effect on Sunday, ahead of further talks expected later in the month. A separate batch of about \$160b in Chinese goods with 15% tariffs will come into effect on Dec.15. In response, China retaliated with additional tariffs on \$75b of US goods, including U.S. soybeans, crude oil and pharmaceuticals.
- Manufacturing data in both China and the Eurozone (except the UK), showed some improvement, but economic growth concerns remained. The Caixin Manufacturing PMI indicated that China's factory activity unexpectedly expanded in August, despite the worsening in export orders (50.4, 49.8 expected, 49.9 prior). Nonetheless, China's official manufacturing index dropped further below 50 in August, signaling contraction (49.5, 49.6 expected, 49.7 prior). In Europe, manufacturing PMI rose slightly more than expected in France, Italy and Spain during August, while the British manufacturing PMI dropped unexpectedly to a seven-year low (47.4, 48.4 expected, 48 prior).
- Markets expectations on a larger depo rate cut by the ECB rose significantly, now pricing a 65% chance of a 20 bps depo rate cut for the coming meeting in Sept 12.
- Core sovereign bonds in the EU were steady, while peripheral risk premia were mixed. Italy's risk premium followed its downward trend as its political uncertainty eased, whereas the risk premia in Spain and Portugal widened moderately. Elsewhere, yield on 10Y Gilts fell ahead of tomorrow's publication of the legislative plan to block a no-deal Brexit.
- Sterling dropped by 0.7% dragged mainly by persistent fears of a no-deal Brexit and partially by weak manufacturing data. The DXY index strengthened, while the euro hit a two-year low against the dollar as economic growth concerns raised expectations that the ECB would move to ease monetary policy. In EM, the Chinese yuan continued to depreciate with a daily fixing stronger than expected, maintaining its 11-year low. **ARS gained (+3.1%) after Argentina set capital controls.**
- European stocks edged up with defensive sectors leading the gains. The FTSE 100 outperformed its European peers, benefiting from the slide in the pound as the profits of several of its companies are generated overseas.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,50	0,0	-3,5	-23	-98
<b>US</b>	1,50	0,0	-3,9	-40	-119
GER (2-yr)	-0,93	-0,1	-3,3	-15	-32
<b>Germany</b>	-0,70	-0,3	-3,7	-29	-99
France	-0,40	0,3	-2,6	-21	-111
Spain	0,13	2,3	-0,5	-17	-129
Italy	0,97	-3,3	-36,0	-62	-178
Portugal	0,13	0,6	-3,7	-21	-159
Greece	1,62	-1,5	-33,6	-43	-278
Japan (2-yr)	-0,30	0,1	1,7	-11	-15
<b>Japan</b>	-0,27	0,3	-0,2	-14	-27
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,43	0,0	6,3	16	-181
Chile	2,53	1,5	1,0	-14	-172
Colombia	6,06	-0,3	7,0	4	-70
Mexico	6,97	-1,1	-3,1	-53	-168
Peru	3,80	0,9	-1,3	-23	-156
Poland	1,85	0,8	-9,1	-34	-98
Russia	7,21	-0,4	-10,1	-22	-157
Turkey	15,34	-31,0	-99,0	34	-46
India	6,56	0,0	7,9	14	-81
Indonesia	7,34	0,3	4,3	-18	-69

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	30	0,6	1,1	8	-13
Italy	167	-3,0	-32,3	-32	-79
Portugal	83	0,9	0,0	8	-61
Spain	83	2,6	3,2	13	-30
<b>2-yr sovereign spread vs Germany</b>					
France	11	0,9	0,2	2	-4
Italy	69	-2,9	-22,4	-9	-39
Portugal	27	-1,6	-4,4	4	1
Spain	37	0,1	0,0	8	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	134	-4,6	-6	7	-74
Chile	35	-1,0	-3	1	-28
Colombia	93	-2,1	-7	7	-65
Argentina	6479	1250,0	3415	5553	5672
Mexico	112	-2,3	-7	-4	-43
Peru	50	-1,2	-2	1	-45
Poland	65	0,0	0	1	-3
Russia	98	-2,2	-2	-1	-56
Turkey	424	-7,2	7	67	64
China	46	-0,7	-5	5	-22
India	72	0,3	-1	8	-41
Indonesia	89	-2,6	-5	11	-48

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	19	0,0	0	1	-6
VSTOXX	18	-0,1	-3	4	-6
EM EFT volatility Index	20	0,0	-3	0	-5
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)	227	0,0	0	10	-18
US bonds volatility index	87	-0,1	-1	22	20
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,96	-	4	-7	-18
EZ Inflation expectations (5Y5Y)	1,20	-	-5	-10	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	-1,1	-6	1	-34
EZ	56	2,1	-2	0	-49
UK	63	2,4	4	3	-32
Large Spanish	38	1,6	2	-3	-50
Medium Spanish	84	-5,0	-3	2	-29
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	193	-0,8	-10	27	-20
EZ Non-financial	68	-0,1	-2	-3	-29
UK Non-financial	96	-0,2	-2	-3	-23

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	0	0
Euribor 3m	-0,44	0	-2	-6	-13
<b>Euribor 12m</b>	-0,38	0	-2	-8	-27
Eonia Swap 3m	-0,51	-1	-4	-8	-16
<b>Eonia Swap 12m</b>	-0,63	-1	-4	-10	-28
Libor 3m	2,14	0	-1	-13	-66
Libor 12m	1,97	0	-7	-23	-104

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2926	0,0	1,7	-0,9	17
Dow Jones	26403	0,0	1,9	-0,7	13
Nikkei	20620	-0,4	1,8	-4,3	3
FTSE 100	7282	1,0	2,6	-4,0	8
<b>EuroStoxx 50</b>	3432	0,2	2,5	-1,7	14
IBEX	8815	0,0	1,6	-2,5	3
DAX	11954	0,1	2,5	-2,4	13
CAC	5493	0,2	2,7	-1,2	16
MIB	21452	0,6	3,7	-0,5	17
ASE Athens	861	-0,9	3,8	-3,9	40
<b>MSCI Latam *</b>	91871	1,1	4,2	-1,5	6
Ibovespa (Brazil)	101389	0,3	5,1	-0,7	15
Mexbol (Mexico)	42084	-1,3	5,0	4,3	1
Merval (Argentina)	25804	4,9	-0,2	-37,7	-15
<b>MSCI EM Europe *</b>	5804	1,3	2,3	-2,5	10
Poland	2144	0,4	2,2	-4,3	-6
Micex 10 (Russia)	4756	1,0	3,9	0,0	14
Ise 100 (Turkey)	98343	1,7	1,3	-3,5	8
<b>MSCI EM Asia *</b>	817	1,2	0,9	-2,8	4
Shanghai Com (China)	2924	1,3	2,1	0,5	17
Jakarta (Indonesia)	6291	0,0	0,6	-1,6	2
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	132,1	0,0	2,7	-4,5	14
JPM	109,9	0,0	2,8	-2,7	13
Citi	64,4	0,0	2,6	-5,9	24
BoA	27,5	0,0	2,7	-6,7	12
MS	41,5	0,0	3,3	-3,4	5
GS	203,9	0,0	2,1	-3,6	22
<b>EZ banks</b>	68,0	0,1	2,6	-4,9	-1
BNP	41,0	0,0	1,2	-4,2	4
Crédit Agricole	10,4	-0,3	2,1	-4,7	10
Deutsche Bank	6,6	1,2	5,0	-6,3	-5
ING	8,7	-0,4	2,1	-12,0	-8
Intesa	2,0	0,5	3,3	0,2	3
SG	23,1	0,0	2,3	-1,9	-17
Unicredito	10,1	0,5	0,5	-5,2	2
<b>UK banks</b>	67,0	0,7	5,9	-10,2	-8
HSBC	594,9	0,6	1,4	-10,7	-8
RBS	186,3	0,4	1,8	-14,2	-14
Barclays	137,5	0,7	-0,4	-11,8	-9
Lloyds	50,3	1,0	0,7	-4,8	-3
<b>Large Spanish banks</b>	52,2	-0,5	-0,8	-9,5	-11
Santander	3,4	-0,2	-1,7	-11,4	-14
<b>BBVA</b>	4,3	-0,7	0,0	-7,7	-8
<b>Medium Spanish banks</b>	40,5	-2,3	-2,1	-9,9	-30
Caixabank	2,0	-2,2	-1,4	-11,0	-36
Sabadell	0,8	-2,7	-0,6	-4,0	-24
Bankinter	5,2	-1,4	-2,9	-11,9	-26
Bankia	1,6	-4,3	-3,4	-12,4	-38

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,097	-0,1	-1,2	-1,0	-4
GBPUSD	1,207	-0,7	-1,2	-0,5	-5
USDJPY	106,150	0,1	0,0	1,1	3
DXY	99,070	0,2	1,0	0,7	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,73	3,1	-4,2	-23,2	-35
USDBRL (Brazil)	4,17	-0,5	-0,2	-7,8	-7
USDCPL (Chile)	724,83	-0,4	-0,7	-2,7	-4
USDCOP (Colombia)	3444	-0,1	0,03	-3,02	-6
USDMXN (Mexico)	20,14	-0,4	-1,1	-4,5	-2
USDPEN (Peru)	3,40	-0,1	-0,4	-2,0	-1
LACI	49,92	0,1	-1,2	-7,4	-8
USDPLN (Poland)	3,98	0,2	-1,2	-2,3	-6
USDRUB (Russia)	66,75	-0,1	-1,0	-3,6	4
USDTRY (Turkey)	5,82	0,2	0,1	-3,7	-9
USDCNY (China)	7,17	-0,2	-0,3	-3,8	-4
USDINR (India)	71,41	0,0	0,9	-3,3	-2
USDIDR (Indonesia)	14194	0,0	0,3	-0,5	1
ADXY	102,05	-0,2	-0,2	-2,0	-3

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	58,5	-3,3	-0,4	-3	9
WTx	55	-0,8	1,9	1	20
Copper	252	-0,5	-0,8	-5	-4
Gold	1528	0,5	0,1	6	19
S&P Spot commodity *	397	-1,6	1,2	-2	6
S&P Brent Spot *	504	-2,0	1,9	-2	10
S&P Metals Spot *	318	0,1	0,9	-1	-1
S&P Agricultural *	265	-0,6	-0,6	-4	-7

Source: Bloomberg, Datastream and Haver

\* With one day delay