

Market Comment

## Short-term relief for investors.

- Investors shifted to riskier assets as political tensions eased in Europe and Hong Kong, giving short-term relief to investors as the trade uncertainty remains.
- On the data front, August's Markit Eurozone services PMI was upwardly revised by 0.1 pts from 53.4 to 53.5. **European services PMI were mixed** with Spain, Germany and France increasing in August, while the indicator in the UK and Italy slipped. In China, the Caixin services PMI also improved in August (52.1, 51.7 expected, 51.6 prior). Elsewhere, the U.S. trade deficit dropped more than expected in July, dragged down by exports in consumer goods, despite the fact that exports to China fell 3.3% in July (-\$54b, -\$53.4b expected, -\$55.5b prior).
- Yield on 10Y European sovereign bonds rose (except Italy)** as market risk sentiment improved. **The 10Y UK gilt yield shot up sharply by 9 bps** as a group of MPs are seeking to avoid a no-deal Brexit, whereas the 10Y German bund yield climbed by 3 bps. Regarding peripheral bonds, **Italy's risk premium continued to extend its narrowing (-10 bps)** after Conte formally accepted a mandate as prime minister of the new coalition government. Moreover, Conte's choice of ministers suggests a far more pro-European stance.
- The DXY index weakened (-0.5%), while the pound led the gains against the USD in G10 (+0.9%). The GBPUSD 3M implied volatility declined but remains in high levels** as fears over a disorderly Brexit prevails. Johnson could move a motion for an early election but will need a two-thirds majority to pass it. In EM, the LACI index (LatAm currencies) gains were limited by the drop of the ARS (-1.2%). Meanwhile, the TRY extended its appreciation (+1.1%).
- The price of Brent crude rose sharply (+4.1%)** after Russia said it would cut production this month and U.S. pressured Iran with intensified sanctions.
- Global stocks rose** as risks lessen, **especially the Hang Seng index (+3.9%)** after the Hong Kong leader Lam formally withdrew the extradition bill that triggered the protests.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,45	-0,2	-5,0	-12	-104
<b>US</b>	1,47	1,2	-1,0	-24	-122
GER (2-yr)	-0,89	2,2	-1,0	-8	-28
<b>Germany</b>	-0,67	3,3	4,1	-20	-96
France	-0,37	2,3	5,9	-14	-108
Spain	0,15	4,1	8,5	-10	-127
Italy	0,81	-6,4	-23,4	-76	-193
Portugal	0,16	3,6	6,5	-12	-156
Greece	1,58	-4,2	-15,9	-47	-282
Japan (2-yr)	-0,29	-0,5	0,9	-8	-15
<b>Japan</b>	-0,28	0,7	-0,2	-9	-28
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,27	-8,8	-31,1	-9	-196
Chile	2,39	-11,7	-10,3	-15	-187
Colombia	6,08	-1,2	3,7	10	-67
Mexico	6,95	-0,2	-5,0	-48	-169
Peru	3,72	-3,9	-7,9	-18	-165
Poland	1,89	6,9	12,9	-15	-93
Russia	7,13	-8,2	-14,6	-34	-165
Turkey	14,81	-12,0	-95,0	-10	-99
India	6,55	3,1	-2,0	16	-82
Indonesia	7,35	-0,1	0,3	-33	-67

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	30	-1,0	1,8	6	-13
Italy	148	-9,7	-27,5	-56	-98
Portugal	83	0,3	2,4	7	-61
Spain	82	0,8	4,4	10	-31
<b>2-yr sovereign spread vs Germany</b>					
France	10	-0,2	1,7	1	-5
Italy	54	-9,0	-16,9	-30	-54
Portugal	22	-2,2	-5,2	-3	-4
Spain	33	-1,4	0,5	1	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	132	-1,8	-9	-1	-76
Chile	35	-0,9	-3	-3	-28
Colombia	92	-1,5	-7	-4	-67
Argentina	7644	1165,5	4132	6669	6838
Mexico	110	-1,6	-7	-14	-45
Peru	49	-0,3	-2	-3	-46
Poland	65	0,0	0	1	-3
Russia	95	-2,9	-6	-11	-59
Turkey	399	-20,7	-22	27	39
China	46	-1,0	-3	0	-22
India	71	-1,7	-4	2	-43
Indonesia	88	-1,7	-6	-2	-50

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	18	-2,0	-2	-7	-8
VSTOXX	17	-1,7	-3	-4	-7
EM EFT volatility Index	20	-1,4	-2	-7	-5
Dollar/euro volatility	6	-0,6	0	0	-1
EM FX volatility index	9	0,0	0	0	-1
Credit spread (BAA) (change in bps)	228	-1,2	3	0	-17
US bonds volatility index	85	-1,6	-5	8	19
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,91	-	-7	-6	-22
EZ Inflation expectations (5Y5Y)	1,21	-	1	0	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	-0,4	-5	-4	-34
EZ	55	-0,4	-2	-3	-49
UK	66	1,1	7	4	-29
Large Spanish	39	0,6	2	-3	-49
Medium Spanish	85	-2,7	1	3	-27
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	196	1,9	-3	21	-18
EZ Non-financial	68	0,3	-1	-5	-29
UK Non-financial	97	0,8	0	-3	-22

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	1	-1	-1
Euribor 3m	-0,44	1	-2	-6	-13
<b>Euribor 12m</b>	-0,38	1	0	-7	-26
Eonia Swap 3m	-0,51	0	-2	-6	-15
<b>Eonia Swap 12m</b>	-0,62	1	-1	-7	-27
Libor 3m	2,13	0	2	-11	-67
Libor 12m	1,94	0	0	-17	-108

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2933	0,9	1,6	3,1	17
Dow Jones	26327	0,8	1,1	2,4	13
Nikkei	20649	0,1	0,8	-0,3	3
FTSE 100	7311	0,6	2,8	1,2	9
<b>EuroStoxx 50</b>	3451	0,9	2,5	4,2	15
IBEX	8857	0,5	1,3	0,9	4
DAX	12025	1,0	2,8	3,1	14
CAC	5532	1,2	3,0	5,5	17
MIB	21738	1,6	3,6	4,6	19
ASE Athens	854	0,1	1,3	0,4	39
<b>MSCI Latam *</b>	90371	-0,9	2,4	-2,8	5
Ibovespa (Brazil)	100713	1,0	2,6	0,6	15
Mexbol (Mexico)	42166	0,8	3,0	6,7	1
Merval (Argentina)	24211	4,9	-4,9	-40,8	-20
<b>MSCI EM Europe *</b>	5822	-0,6	3,2	0,7	10
Poland	2103	-0,2	2,5	-2,8	-8
Micex 10 (Russia)	4800	1,5	4,0	3,7	15
Ise 100 (Turkey)	100077	1,3	4,3	1,4	10
<b>MSCI EM Asia *</b>	809	-1,0	0,7	-1,1	3
Shanghai Com (China)	2957	0,9	2,2	4,8	19
Jakarta (Indonesia)	6270	-0,3	-0,1	-1,1	1
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	131,5	1,2	2,2	-0,5	14
JPM	109,8	1,1	2,8	0,2	12
Citi	64,3	1,3	3,1	-1,4	23
BoA	27,4	1,2	2,0	-2,5	11
MS	41,4	1,0	2,6	2,3	4
GS	201,1	1,1	0,3	-0,3	20
<b>EZ banks</b>	68,6	1,3	3,3	1,4	0
BNP	41,3	1,0	2,6	2,1	5
Crédit Agricole	10,4	0,8	2,8	1,2	10
Deutsche Bank	6,7	1,8	4,3	-2,1	-3
ING	8,8	1,4	3,4	-0,9	-7
Intesa	2,0	1,3	3,0	3,0	5
SG	23,4	1,7	4,3	4,3	-16
Unicredito	10,3	2,1	4,4	-0,3	4
<b>UK banks</b>	66,9	0,7	1,8	-4,3	-7
HSBC	604,1	1,8	3,8	-3,6	-7
RBS	184,1	0,1	0,8	-6,8	-15
Barclays	137,4	0,0	0,9	-6,7	-9
Lloyds	49,6	0,0	0,2	-1,2	-4
<b>Large Spanish banks</b>	52,2	0,4	-0,4	-5,5	-11
Santander	3,4	0,3	-1,8	-7,9	-14
<b>BBVA</b>	4,3	0,6	0,9	-3,3	-7
<b>Medium Spanish banks</b>	40,6	1,5	-1,2	-8,1	-29
Caixabank	2,1	1,7	0,1	-8,0	-35
Sabadell	0,8	0,9	-1,7	-3,6	-25
Bankinter	5,2	1,6	-0,6	-10,4	-25
Bankia	1,6	1,9	-4,2	-9,1	-38

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,103	0,5	-0,5	-1,6	-4
GBPUSD	1,219	0,9	-0,2	0,4	-4
USDJPY	106,290	-0,3	-0,2	-0,3	3
DXY	98,518	-0,5	0,3	1,0	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	56,01	-1,2	3,6	-18,8	-33
USDBRL (Brazil)	4,11	1,3	1,3	-3,3	-6
USDCPL (Chile)	723,05	0,4	-0,1	-0,3	-4
USDCOP (Colombia)	3402	1,2	2,22	1,62	-4
USDMXN (Mexico)	19,77	1,0	1,7	-0,8	-1
USDPEN (Peru)	3,39	0,5	0,4	-0,1	-1
LACI	50,66	0,5	1,3	-3,7	-7
USDPLN (Poland)	3,94	0,6	0,7	-2,0	-5
USDRUB (Russia)	66,12	1,0	1,0	-1,0	5
USDTRY (Turkey)	5,67	1,1	2,6	-1,7	-7
USDCNY (China)	7,15	0,5	0,3	-1,3	-4
USDINR (India)	72,12	0,4	-0,5	-1,9	-3
USDIDR (Indonesia)	14160	0,5	0,7	0,7	2
ADXY	102,45	0,4	-0,1	-0,5	-3

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	60,6	4,1	0,2	1	13
WTx	56	4,2	0,7	3	24
Copper	257	2,4	0,8	1	-2
Gold	1547	0,0	0,5	6	21
S&P Spot commodity *	392	-1,2	-2,0	-2	5
S&P Brent Spot *	496	-1,7	-2,8	-3	8
S&P Metals Spot *	316	-0,6	0,2	1	-1
S&P Agricultural *	261	-1,5	-2,4	-6	-8

Source: Bloomberg, Datastream and Haver

\* With one day delay