

Market Comment

## Sovereign bond yields rally as trade tensions ease.

- Risk-on mood in financial markets was prompted by the announcement that China and the U.S. will hold trade talks in Washington in early October and stronger-than-expected U.S. economic data.**
- U.S. economic data were positive, with factory orders increasing more than estimated in July** (1.4% m/m, 1.0% m/m expected, 0.5% m/m prior). U.S. private sector employment was also stronger-than-expected in August (195k, 148k expected, 156k prior). However, Germany's economy continue to show signs of deterioration as its factory orders fell more than expected in July dragged down by the plunge in orders from outside the Eurozone (-2.7% m/m, -1.4% m/m expected, 2.7% m/m prior).
- Sovereign bond yields rallied as investors' risk appetite improves.** Yield on 10Y U.S. Treasury rose significantly (+11 bps) after the release of better-than-expected U.S. economic data. Market expectations of a larger Fed rate cut of 50 bps in the coming meeting lowered, hovering around 14.5%, as the U.S. economy signals some resilience. In Europe, the 10Y German bund yield surged by 8 bps despite the disappointing factory orders in July. **The yield on 10Y British gilt shot up by 10.5 bps after British MPs voted to block a no-deal Brexit and Boris Johnson failed in his attempt to call a general election.** Peripheral risk premia widened with 10Y Italian bond underperforming its European peers (+13 bps).
- Safe-haven currencies (JPY and CHF) trimmed their gains from August with the JPY depreciating by 0.6% as risk sentiment improved.** The DXY index trimmed partially its early losses (-0.1%), while **the sterling continued to strengthen** (+0.8%) as fears over a disorderly Brexit on October 31 were abated. In EM, LatAm currencies appreciated across the board (LACI +0.4%), except for the ARS (-0.1%).
- The price of Brent crude extended yesterday's gains** driven by positive economic data in the U.S. and trade relief. Meanwhile, U.S. crude oil inventories continued to fall, beating estimates.
- Global stocks climbed with cyclical sectors leading the path, especially financials,** industrials and information technology. The only exception was the Britain's FTSE 100 index which inched down by 0.5%, as the pound strengthens. Lastly, **the Euro Stoxx banks index went up by 3%.**

UPDATE 17:45 CET 05 SEPTEMBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,55	12,0	3,2	-3	-94
<b>US</b>	1,58	11,2	8,3	-13	-111
GER (2-yr)	-0,87	2,3	3,9	-5	-26
<b>Germany</b>	-0,59	8,3	10,1	-9	-87
France	-0,29	8,4	12,3	-3	-100
Spain	0,23	8,5	13,1	0	-118
Italy	0,94	12,9	-4,5	-57	-180
Portugal	0,25	8,8	12,3	-1	-147
Greece	1,59	1,4	0,6	-46	-281
Japan (2-yr)	-0,29	0,9	2,4	-7	-14
<b>Japan</b>	-0,26	1,7	2,5	-8	-26
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,34	5,8	-18,9	7	-189
Chile	2,38	-0,1	-13,0	-17	-188
Colombia	6,04	-0,2	-8,6	-4	-72
Mexico	7,00	5,0	-1,1	-44	-164
Peru	3,62	-1,7	-17,6	-26	-174
Poland	1,98	9,2	14,9	-11	-84
Russia	7,15	1,6	-12,2	-28	-164
Turkey	14,93	12,0	-72,0	-4	-87
India	6,58	2,8	2,8	24	-79
Indonesia	7,34	-1,2	-4,3	-32	-69

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	30	0,1	2,2	7	-13
Italy	153	4,6	-14,6	-48	-93
Portugal	84	0,5	2,2	8	-60
Spain	83	0,2	3,0	10	-31
<b>2-yr sovereign spread vs Germany</b>					
France	10	-0,5	0,1	1	-6
Italy	56	1,8	-15,4	-25	-53
Portugal	23	0,6	-5,3	-2	-3
Spain	33	0,0	-2,5	1	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	127	-5,0	-14	-16	-81
Chile	33	-1,6	-4	-10	-30
Colombia	87	-5,0	-11	-18	-72
Argentina	6080	-1564,3	2199	4998	5274
Mexico	105	-5,4	-11	-27	-50
Peru	47	-2,2	-4	-9	-48
Poland	65	0,0	0	1	-3
Russia	88	-6,7	-13	-21	-66
Turkey	382	-16,9	-44	-6	22
China	43	-2,7	-6	-13	-25
India	68	-2,6	-6	-2	-46
Indonesia	84	-3,6	-10	-16	-54

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-1,9	-2	-5	-10
VSTOXX	16	-1,1	-2	-6	-8
EM EFT volatility Index	18	-1,6	-2	-6	-7
Dollar/euro volatility	6	-0,2	0	0	-2
EM FX volatility index	9	-0,3	0	0	-1
Credit spread (BAA) (change in bps)	218	-11,2	-9	-9	-27
US bonds volatility index	82	-3,7	-5	8	15
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,95	-	-4	-4	-19
EZ Inflation expectations (5Y5Y)	1,26	-	5	4	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-1,2	-5	-10	-36
EZ	53	-2,6	-2	-8	-52
UK	63	-2,5	4	-1	-31
Large Spanish	37	-1,8	0	-7	-51
Medium Spanish	88	2,4	3	5	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	196	0,9	-1	15	-17
EZ Non-financial	68	-0,2	-1	-9	-29
UK Non-financial	97	-0,1	0	-7	-22

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	0	-1
Euribor 3m	-0,44	0	-1	-5	-13
<b>Euribor 12m</b>	-0,37	1	0	-5	-26
Eonia Swap 3m	-0,51	0	-1	-6	-15
<b>Eonia Swap 12m</b>	-0,60	2	1	-4	-25
Libor 3m	2,11	0	0	-8	-68
Libor 12m	1,90	0	-1	-10	-112

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2980	1,4	1,9	3,4	19
Dow Jones	26791	1,7	1,6	2,9	15
Nikkei	21086	2,1	3,1	2,4	5
FTSE 100	7271	-0,5	1,2	1,4	8
<b>EuroStoxx 50</b>	3485	1,0	2,2	5,9	16
IBEX	8993	1,5	2,3	3,4	5
DAX	12127	0,8	2,4	4,8	15
CAC	5593	1,1	2,6	6,9	18
MIB	21955	1,0	2,6	6,4	20
ASE Athens	875	2,4	1,9	3,6	43
<b>MSCI Latam *</b>	91716	1,5	3,1	0,9	6
Ibovespa (Brazil)	102875	1,7	2,3	0,7	17
Mexbol (Mexico)	42558	0,6	1,7	7,0	2
Merval (Argentina)	25939	5,2	8,1	-37,2	-14
<b>MSCI EM Europe *</b>	5860	0,7	3,8	2,7	11
Poland	2107	0,2	1,8	-2,3	-7
Micex 10 (Russia)	4820	0,4	3,3	2,9	15
Ise 100 (Turkey)	100278	0,2	3,7	0,7	10
<b>MSCI EM Asia *</b>	820	1,4	2,0	2,8	5
Shanghai Com (China)	2986	1,0	3,3	7,5	20
Jakarta (Indonesia)	6307	0,7	0,4	2,1	2
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	135,8	3,0	3,4	1,3	17
Citi	113,0	2,8	3,4	2,3	16
Citi	66,6	3,7	4,3	0,6	28
BoA	28,2	2,7	3,3	-0,6	15
MS	42,7	2,9	3,5	3,7	8
GS	207,7	3,0	2,1	0,8	24
<b>EZ banks</b>					
BNP	70,6	2,9	4,4	5,2	2
BNP	42,5	2,9	4,0	5,4	8
Crédit Agricole	10,7	2,8	3,9	4,5	13
Deutsche Bank	7,1	5,1	8,2	5,4	2
ING	9,0	3,0	5,0	3,2	-4
Intesa	2,1	1,4	2,1	5,7	6
SG	24,2	3,5	5,8	8,4	-13
Unicredito	10,7	3,5	5,1	4,0	8
<b>UK banks</b>					
HSBC	67,5	0,9	1,6	-3,8	-7
HSBC	598,8	-0,9	1,2	-4,6	-7
RBS	190,5	3,5	3,8	-5,2	-12
Barclays	139,8	1,8	1,7	-5,0	-7
Lloyds	50,0	0,9	0,5	-0,4	-4
<b>Large Spanish banks</b>					
Santander	54,3	3,9	3,1	-0,3	-7
Santander	3,5	3,5	2,0	-2,7	-11
<b>BBVA</b>	4,5	4,2	4,0	1,9	-3
<b>Medium Spanish banks</b>					
Caixabank	43,1	6,1	3,7	-1,0	-25
Caixabank	2,2	5,3	3,9	-1,5	-32
Sabadell	0,8	7,7	4,3	5,3	-19
Bankinter	5,5	5,8	4,2	-3,9	-21
Bankia	1,7	7,7	2,6	-0,3	-34

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,104	0,1	-0,1	-1,4	-4
GBPUSD	1,234	0,7	1,3	1,4	-3
USDJPY	106,980	-0,6	-0,4	-0,5	3
DXY	98,323	-0,1	-0,2	0,7	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	56,07	-0,1	3,2	-19,2	-33
USDBRL (Brazil)	4,09	0,1	2,0	-3,1	-5
USDCLP (Chile)	717,94	0,8	0,5	-0,3	-3
USDCOP (Colombia)	3376	0,6	1,89	1,56	-4
USDMXN (Mexico)	19,69	0,1	2,3	-0,6	0
USDPEN (Peru)	3,37	0,4	1,0	0,3	0
LACI	50,90	0,4	2,1	-3,2	-6
USDPLN (Poland)	3,93	0,1	1,0	-1,9	-5
USDRUB (Russia)	66,07	0,1	0,7	-1,2	5
USDTRY (Turkey)	5,69	-0,5	2,6	-3,0	-7
USDCNY (China)	7,15	0,0	-0,1	-1,8	-4
USDCNR (India)	71,85	0,4	-0,1	-1,4	-3
USDIDR (Indonesia)	14155	0,0	0,6	0,9	2
ADXY	102,56	0,1	0,2	-0,7	-3

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	62,3	2,7	2,0	6	16
WTx	58	2,5	1,7	8	27
Copper	262	1,6	2,4	3	0
Gold	1517	-2,3	-0,7	3	18
S&P Spot commodity *	404	2,9	0,0	2	8
S&P Brent Spot *	517	4,2	0,3	3	13
S&P Metals Spot *	322	2,1	1,6	3	1
S&P Agricultural *	262	0,3	-1,8	-6	-8

Source: Bloomberg, Datastream and Haver

\* With one day delay