

Market Comment

Oil prices soared more than 10% amid mounting geopolitical tensions.

- Investors sought shelter in safe-haven assets after the attack on Saudi Arabia's oil production heightened geopolitical risk between the U.S. and Iran.
- In commodities, the price of Brent crude surged sharply by 20% after the drone strikes on Saudi Arabia's oil infrastructure, cutting approximately 6% of the global oil production. Nonetheless, Brent crude trimmed 10% of its early gains (\$67 per barrel) after U.S. President Trump said he would authorize releases of crude from the U.S. Strategic Petroleum Reserve to maintain the supply. In addition, investors sought shelter on gold, the price of which edged higher (+1.1%).
- On the data front, the Chinese economy is under pressure with its industrial production growing at the slowest rate since 2002 in August (4.4% YoY, 5.2% YoY expected, 4.8% YoY prior). Moreover, Chinese retail sales and fixed asset investment also fell short of expectations in August. In the U.S., the Fed Empire index on general business conditions fell more than expected in September (2.0 pts, 4.0 pts expected, 4.8 pts prior), despite the fact that employment remained resilient.
- Sovereign bonds rose as market risk sentiment worsened. The yield on 10Y UST bonds fell by 5.8 bps, whereas the 10Y German bund yield declined 3 bps. Meanwhile, the 10Y gilt yield dropped significantly (-7.0 bps) after the Prime Minister of Luxembourg Bettel said he would only delay the Brexit deadline if it serves a purpose.
- The JPY and commodity-linked currencies (CAD and NOK) appreciated amid geopolitical fears in the Middle East. The DXY index advanced (0.4%), while both the EUR and GBP weakened against the USD by 0.6% as Brexit uncertainty remains. Currencies have weakened across most emerging markets (FXJPMECS -0.15%), although the RUB benefitted from Saudi turmoil.
- U.S. and European stocks inched down with cyclical sectors leading the losses, while the energy sector outperformed.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,76	-4,1	16,7	26	-73
US	1,84	-5,8	19,4	31	-85
GER (2-yr)	-0,73	-2,1	12,9	19	-12
Germany	-0,48	-3,1	10,5	19	-76
France	-0,20	-3,0	8,0	24	-91
Spain	0,26	-4,6	3,8	22	-116
Italy	0,84	-3,9	-10,2	-49	-190
Portugal	0,27	-5,0	2,8	20	-145
Greece	1,54	-4,2	-6,3	-48	-286
Japan (2-yr)	-0,24	0,0	6,6	4	-10
Japan	-0,15	0,0	9,8	8	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,33	-3,6	0,2	9	-190
Chile	2,50	-0,7	6,8	-3	-176
Colombia	6,06	-0,8	1,0	8	-69
Mexico	7,24	0,0	23,8	19	-140
Peru	3,65	0,8	3,0	-9	-172
Poland	2,13	-2,2	3,6	37	-70
Russia	7,14	2,1	-1,9	-29	-164
Turkey	14,75	27,0	-22,0	29	-105
India	6,72	7,9	13,9	9	-65
Indonesia	7,27	8,1	0,4	-22	-75

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	0,1	-2,5	5	-15
Italy	132	-0,8	-20,7	-68	-114
Portugal	75	-1,9	-7,7	1	-69
Spain	74	-1,5	-6,7	3	-40
2-yr sovereign spread vs Germany					
France	5	0,5	-3,6	-6	-10
Italy	47	-3,9	-6,9	-43	-61
Portugal	19	0,2	-3,6	-12	-7
Spain	28	-3,4	-4,0	-6	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	119	-0,3	-4	-23	-88
Chile	30	0,2	-1	-11	-33
Colombia	78	-0,3	-4	-23	-80
Argentina	5919	466,5	1142	2290	5112
Mexico	100	1,0	0	-24	-55
Peru	42	0,2	-3	-14	-52
Poland	65	-0,3	0	-1	-3
Russia	77	-2,2	-8	-28	-77
Turkey	374	1,0	-5	-38	15
China	38	0,0	-2	-17	-30
India	64	-1,1	-2	-9	-49
Indonesia	75	-0,2	-3	-24	-62

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	0,8	-1	-7	-11
VSTOXX	15	1,5	0	-7	-9
EMEFT volatility Index	17	0,6	-1	-8	-8
Dollar/euro volatility	5	0,1	0	-1	-2
EMFX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	227	5,8	6	1	-18
US bonds volatility index	86	8,0	9	-5	19
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,03	-	5	13	-11
EZ Inflation expectations (5Y5Y)	1,32	-	7	10	-29
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	42	0,5	-1	-17	-41
EZ	49	-0,3	-2	-20	-56
UK	52	-1,1	-6	-15	-43
Large Spanish	34	-0,2	0	-10	-53
Medium Spanish	88	1,0	0	0	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	175	-1,5	-14	-43	-38
EZ Non-financial	63	-0,5	-3	-13	-34
UK Non-financial	93	-1,4	-2	-10	-26

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	-1	-1	-1
Euribor 3m	-0,39	1	4	1	-9
Euribor 12m	-0,31	2	5	4	-19
Eonia Swap 3m	-0,45	0	6	3	-9
Eonia Swap 12m	-0,52	0	9	12	-16
Libor 3m	2,14	0	-2	-5	-66
Libor 12m	2,05	0	6	-2	-96

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2999	-0,3	0,7	5,3	20
Dow Jones	27065	-0,6	0,9	5,8	16
Nikkei	21988	0,0	3,1	7,8	10
FTSE 100	7345	-0,3	1,5	3,9	9
EuroStoxx 50	3526	-0,7	0,9	7,4	17
IBEX	9078	-0,7	0,8	6,6	6
DAX	12400	-0,5	1,4	8,7	17
CAC	5614	-0,7	0,5	7,2	19
MB	22034	-0,7	0,2	10,1	20
ASE Athens	868	1,3	1,1	8,6	42
MSCI Latam *	93697	-0,4	0,7	4,6	9
Ibovespa (Brazil)	103792	0,3	0,6	4,8	18
Mexbol (Mexico)	42841	0,0	0,4	11,1	3
Merval (Argentina)	31493	4,5	15,9	1,5	4
MSCI EM Europe *	5936	-0,1	0,8	5,4	12
Poland	2218	0,8	2,0	6,7	-3
Micex 10 (Russia)	4865	1,4	1,6	6,9	16
Ise 100 (Turkey)	102590	-0,5	2,0	6,2	12
MSCI EM Asia *	845	0,4	1,5	6,0	8
Shanghai Com (China)	3031	0,0	0,2	7,6	22
Jakarta (Indonesia)	6219	-1,9	-1,4	-0,8	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	142,7	-1,0	3,1	13,2	23
Citi	119,1	-0,9	3,2	13,2	22
Citi	69,4	-1,4	0,9	13,1	33
BoA	30,0	-0,5	4,9	14,4	22
MS	44,7	-1,1	3,6	14,3	13
GS	217,1	-1,3	2,4	10,6	30
EZ banks					
BNP	74,9	-1,3	2,9	17,2	9
BNP	44,7	-1,5	2,2	12,9	13
Crédit Agricole	11,4	-0,8	3,5	14,9	21
Deutsche Bank	7,5	-2,1	2,3	27,4	8
ING	9,7	-1,4	3,9	16,4	3
Intesa	2,2	-1,5	2,3	16,5	11
SG	25,8	-0,8	2,6	20,6	-7
Unicredito	11,3	-1,4	3,3	22,9	14
UK banks					
HSBC	72,4	-1,2	6,2	10,3	-1
HSBC	620,8	-1,6	2,3	5,0	-4
RBS	206,9	-0,9	7,3	16,5	-5
Barclays	154,3	-1,5	9,6	12,5	3
Lloyds	54,4	-0,5	8,4	11,9	5
Large Spanish banks					
Santander	58,0	-1,2	4,4	11,1	-1
BBVA	4,8	-1,3	4,3	13,4	4
Medium Spanish banks					
Caixabank	46,4	-1,6	5,6	15,1	-19
Sabadell	2,4	-0,7	8,2	18,9	-25
Sabadell	0,9	-1,3	7,9	23,2	-10
Bankinter	5,9	-2,4	5,6	12,9	-15
Bankia	1,7	-1,5	0,4	10,1	-32

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,101	-0,6	-0,4	-0,9	-4
GBPUSD	1,242	-0,6	0,6	2,8	-3
USDJPY	107,960	0,1	-0,7	-1,7	2
DXY	98,652	0,4	0,4	0,5	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	56,28	-0,3	-0,5	1,7	-33
USDBRL (Brazil)	4,08	0,1	0,4	-2,2	-5
USDCPL (Chile)	708,50	-0,2	0,9	0,3	-2
USDCOP (Colombia)	3366	-0,1	0,19	3,15	-3
USDMXN (Mexico)	19,43	-0,1	0,7	0,9	1
USDPEN (Peru)	3,32	-0,1	0,7	2,0	1
LACI	51,27	0,0	0,5	0,2	-6
USDPLN (Poland)	3,93	-0,7	-0,2	0,1	-5
USDTRY (Russia)	63,97	0,6	2,5	3,2	8
USDTRY (Turkey)	5,72	-0,6	0,5	-2,7	-8
USDCNY (China)	7,07	0,2	0,8	-0,5	-3
USDINR (India)	71,60	-0,9	0,2	-0,4	-3
USDIDR (Indonesia)	14042	-0,5	0,0	1,7	2
ADX	103,42	0,0	0,6	0,4	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	67,3	11,7	7,5	16	25
WTX	61	11,2	5,4	12	34
Copper	264	-1,7	0,9	2	0
Gold	1504	1,1	0,4	-1	17
S&P Spot commodity *	404	0,1	-1,4	2	8
S&P Brent Spot *	504	-0,7	-5,0	3	10
S&P Metals Spot *	331	1,2	1,5	4	4
S&P Agricultural *	273	0,4	3,9	2	-4

Source: Bloomberg, Datastream and Haver

* With one day delay