

Market Comment

All eyes on tomorrow's FOMC policy decision.

- Investors were cautious ahead of tomorrow's FOMC meeting. A 25 bps rate cut is fully priced in, while expectations of a more aggressive cut waned.
- Oil plunged 5%** after the release of a report saying Saudi Arabia **may soon resume 70% of lost output** and it would return to full production in the next two or three weeks. The oil market is in backwardation until July 2020.
- Chinese officials will visit the U.S. tomorrow ahead of high level trade talks in early October.** From the U.S. side, a limited trade agreement is under discussion that would delay or roll back some U.S. tariffs in exchange for Chinese commitment to IP and agricultural purchases. Moreover, the U.S. and Japan reached an agreement on a limited trade deal.
- On the data front, the ZEW indicator of economic sentiment for Germany suggests that the overall outlook remains negative, despite the fact that expectations rose more than expected in September (-22.5 pts, -38 pts expected, -44.1 pts prior). Elsewhere, **U.S. industrial production was better-than-expected in August** (0.6% MoM, 0.2% MoM expected, -0.1% MoM prior), but the outlook for factories remains weak against the backdrop of trade tensions and slowing global economies.
- The yield on the 10Y UST bond declined 5 bps** after the NY Fed bought 53.2b of Treasury securities to quell the liquidity squeeze, while the 10Y German bund was unchanged. **Italian bonds led the peripheral decline** (10Y yield +3.2 bps) after the former PM Renzi quit the Democratic Party and positioned himself as a new political force, raising prospects of further government instability and widening its risk premium by 7.7 bps.
- The DXY dipped 0.3%** ahead of tomorrow's Fed policy decision, whereas **the euro and the pound outperformed modestly** (EURUSD +0.6% and GBPUSD +0.5%). The latter surged, trimming early losses, as Boris Johnson's decision to suspend Parliament is under scrutiny in the Supreme Court. In EM, LatAm currencies depreciated across the board (LACI -0.3%), while the CNY dropped by 0.4% as markets hope for a more accommodating PBoC after the PBoC kept the one-year rate on medium-term loans steady. The TRY erased yesterday's losses (+0.5%) driven by a drop in oil prices.
- Global stock markets were broadly steady** with the FTSE MIB index leading the losses (-0.7%). The EURO STOXX Banks index dropped by 2.3%.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,72	-3,5	4,9	25	-76
US	1,80	-5,1	6,5	24	-89
GER (2-yr)	-0,71	1,3	13,0	20	-10
Germany	-0,48	0,5	7,2	17	-76
France	-0,18	1,7	6,0	23	-89
Spain	0,29	3,3	3,1	21	-113
Italy	0,93	8,2	-9,6	-47	-182
Portugal	0,31	4,1	3,1	20	-141
Greece	1,50	-4,0	-15,1	-47	-290
Japan (2-yr)	-0,25	-0,4	4,1	3	-10
Japan	-0,15	0,1	6,9	8	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,22	-7,3	-10,0	5	-202
Chile	2,49	-0,3	4,4	0	-176
Colombia	6,02	-0,1	-7,0	11	-73
Mexico	7,22	-1,9	13,0	26	-142
Peru	3,70	-0,4	7,8	-2	-167
Poland	2,13	0,2	-3,4	40	-70
Russia	7,17	3,1	1,9	-23	-161
Turkey	14,62	-13,0	-75,0	-21	-118
India	6,74	1,9	15,8	19	-63
Indonesia	7,27	0,1	1,3	-15	-75

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	1,2	-1,2	6	-13
Italy	140	7,7	-16,8	-64	-106
Portugal	79	3,6	-4,1	3	-65
Spain	77	2,8	-4,1	4	-37
2-yr sovereign spread vs Germany					
France	5	-0,1	-4,7	-7	-10
Italy	49	2,3	-5,5	-51	-59
Portugal	21	1,2	-1,3	-11	-6
Spain	26	-1,3	-5,2	-10	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	121	2,3	-2	-19	-86
Chile	32	1,7	0	-8	-31
Colombia	80	1,3	-2	-22	-79
Argentina	6282	363,5	1471	3396	5476
Mexico	103	2,7	3	-17	-52
Peru	44	1,4	-1	-11	-51
Poland	64	-0,1	0	-1	-3
Russia	77	-0,5	-9	-28	-77
Turkey	374	-0,3	-12	-40	14
China	39	1,0	-1	-17	-29
India	64	0,0	-2	-10	-49
Indonesia	77	1,9	0	-22	-60

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	0,1	0	-4	-11
VSTOXX	16	0,3	0	-5	-8
EMEFT volatility Index	18	0,5	0	-6	-7
Dollar/euro volatility	5	0,1	0	-1	-2
EMFX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	224	5,1	4	-1	-21
US bonds volatility index	86	0,4	9	-4	19
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,04	-	7	13	-10
EZ Inflation expectations (5Y5Y)	1,31	-	8	7	-30
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	43	1,2	0	-16	-39
EZ	50	1,4	-2	-18	-55
UK	52	0,2	-5	-15	-42
Large Spanish	36	1,5	0	-7	-52
Medium Spanish	85	-2,8	0	-2	-28
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	177	1,9	-10	-42	-36
EZ Non-financial	64	1,0	-1	-12	-33
UK Non-financial	95	1,5	0	-9	-24

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	0	-1
Euribor 3m	-0,40	0	4	2	-9
Euribor 12m	-0,30	1	7	8	-19
Eonia Swap 3m	-0,45	0	6	2	-9
Eonia Swap 12m	-0,52	0	8	11	-17
Libor 3m	2,15	0	0	2	-65
Libor 12m	2,07	0	10	12	-94

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3000	0,1	0,7	3,8	20
Dow Jones	27044	-0,1	0,5	4,5	16
Nikkei	22001	0,1	2,8	7,8	10
FTSE 100	7319	0,0	0,7	2,8	9
EuroStoxx 50	3522	0,1	0,7	5,8	17
IBEX	9008	-0,5	-0,8	3,9	5
DAX	12379	0,0	0,9	7,1	17
CAC	5615	0,2	0,4	5,9	19
MIB	21809	-0,7	-0,3	7,3	19
ASE Athens	862	-0,7	1,4	8,8	41
MSCI Latam *	94077	0,4	0,9	5,8	9
Ibovespa (Brazil)	103889	0,2	0,8	4,1	18
Mexbol (Mexico)	43294	1,1	1,7	10,1	4
Merval (Argentina)	30332	-0,8	6,7	-0,2	0
MSCI EM Europe *	6028	1,5	2,0	7,8	14
Poland	2193	-1,1	0,2	6,2	-4
Micex 10 (Russia)	4839	-0,7	0,7	6,9	16
Ise 100 (Turkey)	101447	-1,1	0,2	6,0	11
MSCI EM Asia *	843	-0,2	0,9	5,8	8
Shanghai Com (China)	2978	-1,7	-1,4	5,5	19
Jakarta (Indonesia)	6237	-1,5	-1,4	-0,3	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	141,5	-1,1	0,8	9,5	22
Citi	118,0	-1,0	1,0	9,6	21
BoA	69,4	-0,7	0,6	9,3	33
MS	29,8	-1,0	1,6	10,3	21
GS	44,0	-1,6	1,1	10,3	11
GS	214,6	-1,2	-0,5	7,6	28
EZ banks					
BNP	73,4	-1,8	-0,9	11,5	6
Crédit Agricole	44,0	-1,3	-1,2	8,3	11
Deutsche Bank	11,1	-2,4	-1,5	8,4	18
ING	7,3	-2,2	-1,6	19,0	5
ING	9,5	-1,7	-0,6	10,8	1
Intesa	2,1	-1,0	-0,1	12,8	9
SG	25,3	-1,7	-1,1	14,5	9
Unicredito	10,9	-3,2	0,1	14,4	10
UK banks					
HSBC	71,0	-1,6	1,2	6,3	-3
HSBC	613,4	-0,8	0,0	2,7	-5
RBS	204,0	-1,6	3,2	12,0	-6
Barclays	149,4	-2,7	1,2	6,9	-1
Lloyds	53,2	-1,6	1,8	7,2	3
Large Spanish banks					
Santander	56,6	-2,2	-0,5	5,2	-3
BBVA	3,7	-2,6	-1,4	2,3	-8
BBVA	4,7	-1,8	0,3	7,8	2
Medium Spanish banks					
Caixabank	44,6	-3,5	-1,3	6,5	-22
Sabadell	2,3	-3,9	1,2	9,2	-28
Sabadell	0,9	-4,0	1,0	11,3	-14
Bankinter	5,8	-2,8	-2,0	5,7	-18
Bankia	1,6	-4,9	-6,3	0,8	-36

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,106	0,6	0,2	-0,3	-4
GBPUSD	1,249	0,5	1,1	2,8	-2
USDJPY	108,130	0,0	-0,5	-1,6	1
DXY	98,344	-0,3	0,0	0,2	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	56,50	-0,4	-0,8	-3,0	-33
USDBRL (Brazil)	4,10	-0,4	-0,4	-2,3	-5
USDCLP (Chile)	716,33	-1,0	-0,7	-1,1	-3
USDCOP (Colombia)	3378	-0,4	-0,49	1,52	-4
USDMXN (Mexico)	19,43	0,1	0,3	1,2	1
USDPEN (Peru)	3,34	-0,3	0,0	1,0	1
LACI	51,09	-0,3	-0,3	-0,5	-6
USDPLN (Poland)	3,92	0,4	0,0	-0,1	-5
USD RUB (Russia)	64,33	-0,5	1,6	3,4	8
USDTRY (Turkey)	5,70	-0,5	1,2	-2,1	-7
USDCNY (China)	7,09	-0,4	0,3	-0,7	-3
USDINR (India)	71,79	-0,3	-0,1	-0,9	-3
USDIDR (Indonesia)	14100	-0,4	-0,3	1,0	2
ADXY	103,30	-0,1	0,3	0,1	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	65,5	-5,1	5,0	12	22
WTX	60	-5,1	4,0	9	32
Copper	261	-0,4	0,0	1	-1
Gold	1505	0,4	1,3	-1	17
S&P Spot commodity *	436	8,0	6,3	10	16
S&P Brent Spot *	576	14,2	9,2	16	26
S&P Metals Spot *	326	-1,4	-0,5	2	2
S&P Agricultural *	276	1,2	3,5	2	-3

Source: Bloomberg, Datastream and Haver

* With one day delay