

Market Comment

Market volatility increases amid renewed growth concerns.

- Market risk sentiment worsened as macroeconomic data continue to support a gloomy global outlook.
- Today there were few economic data. The only relevant data was the **US private employment data**, which **grew less than expected in September** (135k, consensus 140k, prior 157k) with the prior month's gain downwardly revised, increasing concerns about the global economic cycle, especially after yesterday's weak manufacturing figures in the US. All eyes will be on Friday's non-farm payrolls, as a tone of caution prevails in financial markets.
- Equity indices declined sharply** across the board, led by cyclical sectors, while industry commodities and oil prices also dropped, underpinned by fears of an economic slowdown. Political risk in the US also added some noise to the markets. As a result, the S&P implied volatility (the **VIX index**) **rose above 20**. Moreover, European equity indices were also dragged down further due to higher yields, amid weak growth and the threat of the U.S. imposing tariffs on EU exports over Airbus after the WTO ruling ([see](#)).
- Sovereign bond yields were mixed**. Yields declined in the US after the weak US data, especially in shorter tenors. However, 10Y Eurozone sovereign bond yields increased with ECB officials stressing the need for fiscal expansion. 10Y Italian bonds underperformed its European peers with its risk premium widening by 2 bps.
- The JPY extended its gains** on its safe haven appeal (+0.5%), while the dollar remained between two opposite forces: the increase in risk aversion and weaker US economic activity. However, the CHF depreciated (-0.4%) as the nation's inflation fell unexpectedly in September. The **sterling fluctuated** with no clear direction as Brexit uncertainty remains high. The GBPUSD 3M implied volatility soared 1.8% after Boris Johnson outlined his plan for a new Brexit agreement and said that Britain is ready to exit the EU without an agreement by the end of the month. Elsewhere, EM currencies experienced a subdued recovery except for the KRW (-0.6%) and ARS (-0.5%).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,48	-6,2	-19,6	-2	-100
US	1,59	-4,1	-14,3	10	-109
GER (2-yr)	-0,77	0,3	-3,2	16	-16
Germany	-0,55	1,4	2,5	15	-79
France	-0,25	1,4	2,3	15	-96
Spain	0,16	1,2	3,1	4	-125
Italy	0,89	3,6	5,1	-7	-185
Portugal	0,18	0,5	2,3	5	-154
Greece	1,36	0,3	2,5	-25	-304
Japan (2-yr)	-0,30	-2,3	3,2	-1	-16
Japan	-0,16	-1,5	9,1	10	-17
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,02	3,0	-6,5	-44	-221
Chile	2,55	-0,3	8,8	4	-170
Colombia	6,00	-0,2	1,3	-9	-76
Mexico	6,85	-6,0	-4,2	-12	-179
Peru	3,70	1,2	-1,7	-10	-166
Poland	2,01	-0,1	-3,5	16	-82
Russia	7,16	0,7	3,2	-5	-162
Turkey	13,35	5,0	-41,0	-199	-245
India	6,66	0,0	-9,4	11	-71
Indonesia	7,28	-1,0	-4,0	-5	-74

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,0	-0,2	0	-17
Italy	144	2,2	2,6	-23	-106
Portugal	73	-0,9	-0,2	-10	-75
Spain	71	-0,2	0,6	-12	-46
2-yr sovereign spread vs Germany					
France	8	0,3	1,1	-4	-8
Italy	53	1,6	1,0	-16	-56
Portugal	15	0,9	-2,5	-12	-11
Spain	25	-0,6	2,2	-11	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	138	2,0	1	5	-69
Chile	37	0,3	-1	2	-26
Colombia	94	0,5	0	1	-64
Argentina	5430	-32,4	-462	-1049	4624
Mexico	117	1,2	1	5	-38
Peru	60	4,5	6	10	-35
Poland	67	0,1	2	2	-1
Russia	88	1,8	5	-10	-66
Turkey	358	5,2	-20	-66	-2
China	49	1,4	1	3	-18
India	73	-0,7	0	1	-40
Indonesia	91	0,3	3	2	-47

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	21	2,4	5	2	-5
VSTOXX	21	3,7	4	3	-3
EMEFT volatility Index	22	1,7	3	2	-3
Dollar/euro volatility	6	0,0	0	0	-1
EM FX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	227	4,0	8	1	-18
US bonds volatility index	86	8,4	5	-1	19
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,89	-	-8	-7	-25
EZ Inflation expectations (5Y5Y)	1,15	-	-3	-5	-45
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	58	0,5	1	9	-25
EZ	58	-1,6	-1	2	-46
UK	59	0,6	1	-4	-36
Large Spanish	41	-0,2	-1	4	-46
Medium Spanish	97	1,2	1	13	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	247	0,9	20	54	33
EZ Non-financial	76	-0,6	2	9	-21
UK Non-financial	106	-0,6	1	10	-13

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	n.a.	n.a.	n.a.
Euribor 3m	-0,43	0	-2	1	-12
Euribor 12m	-0,32	1	0	6	-21
Libor 3m	2,09	0	-3	-5	-71
Libor 12m	2,04	0	0	6	-98

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2885	-1,9	-3,3	-1,4	15
Dow Jones	26083	-1,8	-3,3	-1,2	12
Nikkei	21779	-0,5	-1,1	5,6	9
FTSE 100	7128	-3,2	-2,2	-2,1	6
EuroStoxx 50	3417	-2,9	-2,7	-0,5	14
IBEX	8929	-2,6	-1,7	1,3	5
DAX	11926	-2,8	-2,5	-0,2	13
CAC	5427	-3,0	-2,8	-1,2	15
MIB	21330	-2,7	-2,1	-0,6	16
ASE Athens	836	-3,0	-3,1	-2,9	36
MSCI Latam *	93958	-0,6	0,0	2,3	9
Ibovespa (Brazil)	101550	-2,4	-2,8	0,9	16
Mexbol (Mexico)	42468	-1,1	-1,3	0,9	2
Merval (Argentina)	30701	2,1	8,8	17,2	1
MSCI EM Europe *	5885	-0,1	-0,3	1,4	11
Poland	2098	-2,5	-2,8	-2,2	-8
Micex 10 (Russia)	4724	-1,5	-0,9	-0,7	13
Ise 100 (Turkey)	103509	-0,4	0,9	5,3	13
MSCI EM Asia *	827	0,0	-1,0	1,3	6
Shanghai Com (China)	2905	0,0	-1,7	-0,6	16
Jakarta (Indonesia)	6055	-1,8	-1,3	-4,3	-2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	133,1	-2,2	-4,9	0,8	15
JPM	113,4	-1,9	-3,9	3,2	16
Citi	66,4	-2,6	-4,4	3,1	27
BoA	27,9	-1,8	-4,5	1,5	13
MS	40,2	-2,9	-6,6	-3,1	1
GS	197,8	-2,4	-5,8	-3,0	18
EZ banks	70,1	-3,4	-3,3	3,2	2
BNP	42,5	-3,5	-2,3	3,5	8
Crédit Agricole	10,6	-3,3	-3,6	2,6	13
Deutsche Bank	6,6	-1,5	-5,3	-1,1	-6
ING	9,1	-3,7	-3,6	5,2	-3
Intesa	2,1	-2,8	-1,9	4,5	8
SG	23,6	-4,1	-5,2	2,5	-15
Unicredito	10,3	-3,8	-2,8	1,6	4
UK banks	68,9	-3,2	-2,9	3,0	-5
HSBC	603,0	-2,7	-2,1	1,4	-7
RBS	194,8	-3,3	-4,3	4,6	-10
Barclays	144,3	-3,6	-2,6	4,9	-4
Lloyds	51,6	-3,3	-3,3	2,5	0
Large Spanish banks	54,3	-4,1	-3,4	4,1	-7
Santander	3,5	-4,3	-3,5	2,4	-11
BBVA	4,5	-3,9	-3,4	5,6	-3
Medium Spanish banks	44,5	-2,1	-1,4	9,8	-23
Caixabank	2,3	-3,0	-3,0	14,2	-27
Sabadell	0,9	-1,6	-0,4	15,0	-13
Bankinter	5,6	-2,1	-1,3	7,0	-20
Bankia	1,7	-1,8	-0,7	6,8	-34

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,095	0,2	0,1	-0,2	-4
GBPUSD	1,230	0,0	-0,4	2,0	-4
USDJPY	107,210	0,5	0,5	-0,9	2
DXY	99,011	-0,1	0,0	0,1	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,93	-0,5	-1,5	-3,3	-35
USDBRL (Brazil)	4,15	0,3	0,1	1,0	-6
USDCLP (Chile)	726,46	0,3	0,2	-0,2	-4
USDCOP (Colombia)	3497	0,0	-1,82	-1,45	-7
USDMXN (Mexico)	19,77	0,3	3,07	1,9	-1
USDPEN (Peru)	3,39	0,0	-1,0	0,6	-1
LACI	50,24	0,2	-0,8	0,9	-7
USDPLN (Poland)	3,98	0,6	0,7	-0,1	-6
USDRUB (Russia)	65,21	0,0	-1,6	2,4	6
USDTRY (Turkey)	5,70	0,4	-0,6	1,8	-7
USDCNY (China)	7,15	0,0	-0,2	0,3	-4
USDINDR (India)	71,08	0,0	-0,1	0,5	-2
USDIDR (Indonesia)	14197	0,1	-0,3	0,0	1
ADXY	102,94	0,0	-0,2	0,9	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	57,4	-2,6	-8,1	-2	7
WTx	52	-2,6	-7,5	-5	15
Copper	256	0,4	-1,3	1	-3
Gold	1499	1,4	-0,3	-2	17
S&P Spot commodity *	402	-0,3	-2,3	1	7
S&P Brent Spot *	501	-0,6	-4,1	-1	9
S&P Metals Spot *	319	-0,3	-0,9	0	0
S&P Agricultural *	284	0,9	3,4	7	0

Source: Bloomberg, Datastream and Haver

* With one day delay