

Market Comment

The global economic outlook keeps deteriorating.

- The disappointing ISM non-manufacturing data confirmed the weakening macro backdrop. Market risk sentiment remains fragile with gauges such as the VIX and the MOVE index rising to August's levels amid concerns over growth and fresh US tariffs on European goods.
- The highlight of the session was the **US ISM services**, which **dropped more than expected** to a three-year low in September (52.6, consensus 55, prior 56.4). Growth in orders and business activity slowed abruptly, while the employment gauge registered its weakest print in more than five years. Elsewhere, the Eurozone's September services PMI was downwardly revised (51.6, consensus 52, prior 52), suggesting that the downturn is spreading from manufacturing to services as the private sector stagnates. However, Italy's services PMI remained strong in September as its business confidence increases.
- The yield of UST bonds dropped sharply** (2Y -10bps, 10Y -6bps) after the release of the weak US services data, **dragging down European sovereign bond yields**. 10Y German bund yield declined 4 bps, hovering around -0.6%, amid gloomy services data in both the US and Europe. Regarding peripheral bonds, the 10Y Italy bond yield led the drops in Europe (-7.5bps) with its risk premium narrowing led by its better-than-expected services PMI.
- The gloomy US economic outlook increased **market expectations of an additional Fed rate cut by the end of October** from 73% to 90%, whereas two additional cuts by the end of this year remains high (65%).
- The USD underperformed both G10 and EM currencies** as the US services sector slowed down (DXY index -0.3%), especially against the sterling (-0.8%) on hopes that Boris Johnson's proposal could get through the House of Commons. The JPY extended its gains (+0.4%), while the CHF trimmed early losses. Moreover, EM currencies continued to recover as the USD weakens. The LACI index (LatAm) gained 0.5% with the CLP leading the path (USDCPL +1.2%).
- Stock indexes reverted the losses** experienced with the release of the ISM non-manufacturing data as **expectations of further monetary easing rise**. Meanwhile, Britain's FTSE 100 index extended yesterday's losses with the appreciation of the pound.

UPDATE 17:45 CET 03 OCTOBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,38	-10,0	-27,7	-7	-111
US	1,54	-6,0	-15,3	8	-114
GER (2-yr)	-0,78	-1,6	-3,0	13	-17
Germany	-0,59	-4,3	-0,7	12	-83
France	-0,29	-4,3	-0,2	11	-100
Spain	0,13	-3,7	-1,7	2	-128
Italy	0,83	-7,5	0,2	-5	-192
Portugal	0,15	-4,0	-2,9	2	-158
Greece	1,35	-1,0	0,9	-26	-305
Japan (2-yr)	-0,32	-2,1	0,2	-4	-18
Japan	-0,20	-3,2	5,0	9	-20
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,02	-2,9	-3,9	-34	-222
Chile	2,50	-3,2	1,9	0	-175
Colombia	5,99	-0,4	1,5	-11	-77
Mexico	6,75	-9,5	-6,7	-20	-189
Peru	3,69	-0,9	-6,3	-6	-167
Poland	1,93	-7,5	-7,5	11	-89
Russia	7,15	-1,4	1,8	-6	-163
Turkey	13,36	1,0	-17,0	-157	-244
India	6,61	-5,0	-10,3	9	-76
Indonesia	7,26	-2,2	-6,1	-9	-76

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,0	0,5	-1	-17
Italy	142	-3,2	0,9	-17	-109
Portugal	73	0,3	-2,2	-10	-75
Spain	72	0,6	-1,0	-9	-45
2-yr sovereign spread vs Germany					
France	8	0,2	0,6	-3	-8
Italy	52	-0,5	0,5	-12	-57
Portugal	16	1,2	-0,5	-8	-10
Spain	25	-0,4	0,5	-9	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	140	2,5	3	7	-67
Chile	38	0,1	0	2	-26
Colombia	95	0,5	0	2	-64
Argentina	5562	131,4	-196	-917	4755
Mexico	117	0,5	2	6	-38
Peru	60	0,4	6	11	-35
Poland	67	0,0	2	2	-1
Russia	90	2,0	6	-8	-64
Turkey	366	8,1	-8	-54	6
China	50	0,4	1	3	-18
India	74	0,6	0	1	-40
Indonesia	94	2,8	4	5	-44

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	-0,9	4	0	-6
VSTOXX	21	-0,5	4	2	-3
EMEFT volatility Index	21	-0,6	3	0	-4
Dollar/euro volatility	6	0,0	0	-1	-1
EMFX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	232	6,0	13	3	-14
US bonds volatility index	89	3,8	10	4	23
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,88	-	-5	-3	-25
EZ Inflation expectations (5Y5Y)	1,12	-	-8	-7	-49
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	60	2,0	2	11	-23
EZ	60	2,2	-1	5	-44
UK	61	2,7	2	-3	-33
Large Spanish	43	1,9	0	5	-44
Medium Spanish	96	-1,0	0	8	-17
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	256	9,8	18	63	43
EZ Non-financial	78	1,4	2	10	-19
UK Non-financial	107	1,1	1	10	-12

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	-1	2	-12
Euribor 12m	-0,33	-1	0	6	-21
Libor 3m	2,06	0	-1	-4	-74
Libor 12m	1,96	0	5	9	-105

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2894	0,2	-2,8	-0,4	15
Dow Jones	26027	-0,2	-3,2	-0,3	12
Nikkei	21342	-2,0	-3,2	3,5	7
FTSE 100	7079	-0,6	-3,7	-2,6	5
EuroStoxx 50	3419	0,2	-3,2	0,0	14
IBEX	8920	0,1	-2,3	1,3	4
DAX	11925	0,0	-3,0	0,1	13
CAC	5443	0,4	-3,2	-0,4	15
MIB	21320	0,1	-2,9	-0,4	16
MSCI Athens	823	-1,5	-5,0	-3,6	34
MSCI Latam *	91815	-2,3	-2,7	0,7	6
Ibovespa (Brazil)	101252	0,2	-3,9	1,6	15
Mexbol (Mexico)	42416	0,5	-1,3	1,4	2
Merval (Argentina)	30896	0,3	9,7	33,9	2
MSCI EM Europe *	5789	-1,6	-1,9	-1,1	9
Poland	2099	0,0	-3,4	-0,4	-8
Micex 10 (Russia)	4723	-0,1	-1,4	-0,2	13
Ise 100 (Turkey)	102784	-0,7	0,8	4,0	13
MSCI EM Asia *	822	-0,6	-1,1	0,5	5
Shanghai Com (China)	2905	0,0	-0,8	-0,9	16
Jakarta (Indonesia)	6039	-1,6	-1,8	-4,0	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	132,0	-0,8	-5,0	1,5	14
JPM	111,9	-1,2	-4,4	3,1	15
Citi	66,1	-0,2	-4,3	4,2	27
BoA	27,6	-0,7	-5,1	2,2	12
MS	40,0	-0,6	-6,2	-2,5	1
GS	196,4	-0,9	-5,7	-1,3	18
EZ banks	69,8	-0,5	-4,0	3,0	1
BNP	42,1	-1,1	-4,1	3,0	7
Crédit Agricole	10,6	-0,6	-4,6	2,6	12
Deutsche Bank	6,6	0,0	-3,5	-0,9	-6
ING	9,1	0,0	-3,5	5,3	-3
Intesa	2,1	0,1	-2,2	4,7	8
SG	23,3	-1,2	-6,4	1,6	-16
Unicredit	10,2	-0,3	-4,0	1,0	3
UK banks	68,6	-0,5	-3,9	3,1	-6
HSBC	601,8	-0,2	-2,8	1,4	-7
RBS	193,4	-0,7	-5,6	5,1	-11
Barclays	141,9	-1,7	-4,9	3,3	-6
Lloyds	51,7	0,2	-3,5	4,2	0
Large Spanish banks	54,3	0,0	-3,5	4,5	-7
Santander	3,5	-0,1	-3,4	3,4	-12
BBVA	4,5	0,1	-3,7	5,5	-2
Medium Spanish banks	44,4	-0,1	-1,3	10,9	-23
Caixabank	2,3	-0,1	-3,0	13,9	-27
Sabadell	0,9	0,8	0,4	17,8	-12
Bankinter	5,6	-0,2	-1,4	8,2	-21
Bankia	1,7	-0,9	-0,7	7,9	-35

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,099	0,3	0,7	0,2	-4
GBPUSD	1,240	0,8	0,6	2,7	-3
USDJPY	106,750	0,4	1,0	-0,8	3
DXY	98,700	-0,3	-0,4	-0,3	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,79	0,0	-1,0	-4,2	-35
USDBRL (Brazil)	4,09	0,9	1,9	1,8	-5
USDCLP (Chile)	716,75	1,2	1,5	1,3	-3
USDCOP (Colombia)	3463	1,0	-0,43	-0,57	-6
USDMXN (Mexico)	19,71	0,4	0,2	1,4	0
USDPEN (Peru)	3,38	0,4	0,2	0,9	0
LACI	50,65	0,5	0,6	0,5	-7
USDPLN (Poland)	3,94	1,0	2,0	0,5	-5
USDRUB (Russia)	65,23	-0,2	-1,5	2,4	6
USDTRY (Turkey)	5,69	0,2	-0,4	0,7	-7
USDCNY (China)	7,15	0,0	-0,2	0,4	-4
USDINR (India)	70,90	0,3	0,0	2,1	-2
USDIDR (Indonesia)	14172	0,2	0,0	0,4	2
ADXY	103,13	0,2	0,0	1,0	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	57,1	-1,0	-9,0	-2	6
WTx	52	-1,5	-8,1	-4	14
Copper	256	-0,3	-0,2	2	-3
Gold	1511	0,8	0,4	-2	18
S&P Spot commodity *	397	-1,3	-3,5	1	6
S&P Brent Spot *	491	-2,0	-6,6	-1	7
S&P Metals Spot *	317	-0,5	-0,7	0	-1
S&P Agricultural *	281	-0,9	2,3	8	-1

Source: Bloomberg, Datastream and Haver

* With one day delay