

Market Comment

Cautiousness amid trade pessimism

- Caution prevails in financial markets ahead of the resumption of trade talks and FOMC meeting minutes. High level talks are set to begin in Washington this Thursday.
- **Trade pessimism intensifies:** China narrowed the scope of topics of any potential trade deal with the chance of a major breakthrough fading. China said that its offer to the US will not include commitments on reforming Chinese industrial policy or government subsidies. Moreover, Trump's impeachment inquiry is raising concerns of it undermining the trade talks.
- Concerns over global growth mount as **factory orders in Germany continued their decline.** Germany's factory activity fell more than expected in August (-0.6% MoM, consensus -0.3% MoM, previous -2.1% MoM), although the figure for July was upwardly revised by 0.6% MoM.
- **UST bond yields inched up**, especially in the shorter tenors (2Y +5bps). Meanwhile, European sovereign bonds were broadly steady. Regarding peripheral bonds, the 10Y Portuguese bond yield remained unchanged after António Costa won Portugal's general elections ([see](#)). On the other hand, Greece's risk premium widened significantly as a 2.8% growth targeted by the government for 2020 lacked conviction.
- **A Fed rate cut by the end of October is widely expected** by financial markets, despite the resilience of U.S. employment (73%). Separately, Fed Chairman Powell said the US economy is facing some risks, but in general terms it is in a good place, while he reiterated Fed's commitment to keep the US expansion as long as possible ([see](#)).
- In FX, the DXY index gaining slightly (+0.1%) as the US labor market showed some resilience. The euro remained unchanged despite the weak economic data in Germany, while the sterling slipped (-0.1%) as investors await for the UK to come up with a revised proposal after French President Macron gave one week for it. Meanwhile, G10 currencies linked to commodities slipped. In EM, the **Turkish lira dropped by 2%** driven by increasing geopolitical risks over Syria, while the price of Brent gained (+1.3%). LatAm currencies weakened across the board (LACI index -0.5%).
- **Stock markets were mixed.** European indexes picked up (Euro Stoxx +0.7%), while U.S. stocks remained flat.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,45	5,0	-16,8	-7	-103
US	1,55	1,9	-11,7	-1	-114
GER (2-yr)	-0,77	0,6	-0,8	9	-16
Germany	-0,58	1,1	-0,4	2	-82
France	-0,27	0,8	0,1	2	-98
Spain	0,14	0,5	-0,8	-10	-128
Italy	0,85	2,0	3,0	-9	-189
Portugal	0,14	-0,4	-2,4	-11	-159
Greece	1,43	7,6	8,0	-16	-297
Japan (2-yr)	-0,33	0,1	-1,5	-5	-19
Japan	-0,22	-1,1	-0,9	4	-23
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,99	0,9	-5,6	-31	-224
Chile	2,46	0,6	-2,1	8	-179
Colombia	5,98	1,1	-1,2	-5	-77
Mexico	6,78	3,6	-9,8	-22	-186
Peru	3,64	-0,8	-7,4	2	-173
Poland	1,89	-2,2	-11,1	-10	-94
Russia	6,97	-8,7	-17,8	-17	-181
Turkey	13,38	2,0	23,0	-155	-242
India	6,68	-1,3	-2,7	10	-69
Indonesia	7,25	1,2	-4,3	-9	-78

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0,3	0,5	0	-17
Italy	143	0,9	3,4	-11	-107
Portugal	71	-1,5	-2,0	-13	-77
Spain	71	-0,6	-0,4	-12	-46
2-yr sovereign spread vs Germany					
France	9	0,8	1,3	-1	-7
Italy	53	0,9	1,5	-3	-56
Portugal	15	-1,2	-1,9	-7	-11
Spain	25	-0,4	-0,1	-8	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	138	-0,3	0	11	-69
Chile	36	-0,3	-1	3	-27
Colombia	93	-0,6	-2	7	-65
Argentina	5529	-20,5	-171	-551	4722
Mexico	114	-1,3	-3	10	-41
Peru	61	-0,3	5	14	-34
Poland	67	-0,1	0	2	-1
Russia	90	-1,8	6	1	-64
Turkey	357	-7,4	2	-25	-3
China	49	-0,7	-1	6	-19
India	74	0,0	0	6	-40
Indonesia	93	-1,2	2	9	-45

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	0,0	1	1	-8
VSTOXX	83	0,0	6	3	17
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	6	0,1	0	0	-2
EM FX volatility index	19	-1,2	0	1	-6
Credit spread (BAA) (change in bps)	226	-1,9	5	-3	-19
US bonds volatility index	8	-0,1	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,92	-	-3	-4	-22
EZ Inflation expectations (5Y5Y)	1,13	-	-4	-13	-48
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	60	-1,3	1	13	-23
EZ	61	0,3	0	8	-43
UK	62	0,2	3	-1	-32
Large Spanish	44	-0,3	2	7	-44
Medium Spanish	96	-0,3	0	9	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	217	-22,4	-28	20	3
EZ Non-financial	81	0,7	4	14	-16
UK Non-financial	110	1,0	5	13	-9

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	#N/A	#N/A	n.a.	n.a.	n.a.
Euribor 3m	-0,42	0	-1	2	-11
Euribor 12m	-0,34	0	-1	4	-22
Libor 3m	-0,47	0	-2	-11	-11
Libor 12m	2,03	0	-6	-7	-77

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2953	0,0	-0,8	-0,8	18
Dow Jones	26553	-0,1	-1,4	-0,7	14
Nikkei	21375	-0,2	-1,7	1,4	7
FTSE 100	7198	0,6	-2,8	-1,0	7
EuroStoxx 50	3471	0,7	-2,8	-0,4	16
IBEX	9044	0,9	-2,2	0,6	6
DAX	12097	0,7	-2,7	-0,2	15
CAC	5522	0,6	-2,8	-1,3	17
MIB	21652	0,8	-2,1	-1,4	18
ASE Athens	830	0,6	-4,5	-5,2	35
MSCI Latam *	93429	1,4	-1,5	1,9	8
Ibovespa (Brazil)	101656	-0,9	-2,9	-0,6	16
Mexbol (Mexico)	43166	-0,6	0,4	1,0	4
Merval (Argentina)	31731	-0,3	9,2	17,8	5
MSCI EM Europe *	5758	0,0	-2,8	-1,7	9
Poland	2122	0,0	-2,4	0,7	-7
Micex 10 (Russia)	4706	0,7	-1,6	-2,4	12
Ise 100 (Turkey)	102993	-0,5	-1,9	2,7	13
MSCI EM Asia *	822	-0,1	-0,4	0,2	5
Shanghai Com (China)	2905	0,0	0,0	-2,7	16
Jakarta Ind (Indonesia)	6001	-0,6	-3,2	-4,3	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	135,7	0,3	-2,5	0,4	17
JPM	114,9	0,2	-2,4	2,2	18
Citi	68,5	0,4	-0,9	3,2	32
BoA	28,4	0,1	-2,6	1,0	15
MS	41,0	0,4	-4,0	-3,6	3
GS	201,6	0,4	-2,7	-2,6	21
EZ banks	70,3	0,6	-4,6	-0,5	2
BNP	42,6	0,8	-4,6	0,4	8
Crédit Agricole	10,7	0,7	-4,4	-0,2	13
Deutsche Bank	6,5	0,0	-5,7	-8,6	-7
ING	9,2	0,7	-4,2	1,8	-2
Intesa	2,1	0,6	-3,1	2,5	9
SG	23,5	0,5	-6,5	-2,7	-15
Unicredit	10,3	0,8	-4,9	-3,8	4
UK banks	69,1	0,2	-4,2	2,3	-5
HSBC	604,3	0,4	-3,3	0,9	-7
RBS	195,1	0,0	-6,0	2,4	-10
Barclays	144,3	1,0	-4,0	3,2	-4
Lloyds	51,7	-0,6	-4,5	3,3	0
Large Spanish banks	55,1	1,0	-4,4	1,5	-6
Santander	3,6	0,9	-4,8	0,9	-10
BBVA	4,6	1,1	-4,0	2,0	-1
Medium Spanish banks	44,7	0,8	-2,8	3,6	-22
Caixabank	2,3	1,7	-3,5	7,7	-26
Sabadell	0,9	0,8	-0,7	9,1	-12
Bankinter	5,6	0,7	-3,3	1,2	-20
Bankia	1,7	-0,2	-3,8	-2,0	-35

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,098	0,0	0,8	-0,5	-4
GBPUSD	1,231	-0,1	0,2	-0,2	-3
USDJPY	107,150	-0,2	0,9	-0,2	2
DXY	98,875	0,1	-0,5	0,5	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,91	-0,3	-0,5	-3,3	-35
USDBRL (Brazil)	4,09	-0,8	1,6	0,5	-5
USDCLP (Chile)	718,12	-0,4	1,5	-0,4	-3
USDCOP (Colombia)	3447	-0,3	0,90	-1,92	-6
USDMXN (Mexico)	19,55	-0,2	0,9	0,9	0
USDPEN (Peru)	3,39	-0,2	-0,5	-0,7	-1
LACI	50,77	-0,5	0,9	0,0	-7
USDPLN (Poland)	3,94	-0,1	1,8	-0,2	-5
USDRUB (Russia)	64,86	-0,3	0,0	2,1	7
USDTRY (Turkey)	5,81	-2,0	-2,8	-2,1	-9
USDCNY (China)	7,15	0,0	0,0	0,0	-4
USDCNR (India)	71,03	-0,2	-0,2	1,2	-2
USDIDR (Indonesia)	14163	-0,2	0,2	-0,1	2
ADXY	103,15	-0,1	0,1	0,6	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,1	1,3	-2,7	-3	10
WTx	54	1,6	-0,7	-5	18
Copper	258	1,0	0,7	-2	-2
Gold	1498	-0,4	1,8	-1	17
S&P Spot commodity *	399	0,5	-1,0	-1	7
S&P Brent Spot *	497	1,1	-1,5	-4	8
S&P Metals Spot *	318	0,1	-0,5	-2	0
S&P Agricultural *	280	-0,3	-0,3	7	-1

Source: Bloomberg, Datastream and Haver
* With one day delay