

Market Comment

Concerns over trade talks continue to mount

- Expectations for a breakthrough at this week's trade talks continue to fade** as more issues are on the table to be sorted out. The U.S. put eight Chinese tech companies and 20 government entities onto its **blacklist** and planned to limit U.S. government pension fund investments in Chinese companies. In this context, China said it will retaliate against U.S. decisions.
- On the data front, **German industrial output unexpectedly increased in August** (0.3% MoM, consensus 0% MoM, previous -0.4% MoM), while July's figure was revised higher from -0.6% to -0.4%. In China, the Caixin PMI services was weaker than expected in September (51.3, consensus 52, previous 52.1).
- Sovereign bonds increased** in general, especially in the U.S (10Y yield -3.6bps) amid escalation of trade tensions. Meanwhile, the 10Y UK gilt outperformed other European bonds as the chances of a Brexit deal by October 19 waned over Northern Ireland. The yield on 10Y German bund was dragged down (-2.2bps) by the Brexit and U.S.-China trade uncertainty, while peripheral risk premia were flat.
- The JPY and DXY index gained** 0.2% on its safe haven appeal. Meanwhile, the EURUSD weakened despite the German industrial data surprise to the upside. **The sterling reached its month-low** (GBPUSD -0.7%) amid Brexit turmoil, underperforming its G10 peers. Regarding EM currencies, **Turkey's lira fluctuated** (USDTRY +0.1%), after yesterday's strong depreciation, amid mixed comments on Turkey by U.S. President Trump ([see](#)). LatAm currencies were mixed: the Brazilian real appreciated by 0.4% against the USD, while the Chilean peso dropped 0.8% after Chile's inflation unexpectedly slowed in September, paving the way for another interest rate cut this month.
- In commodities, gold prices increased (+0.6%) as market risk sentiment worsened, whereas the price of Brent oil inched down (-0.7%).
- Both European and U.S. stock markets lost ground with the **banking sector declining significantly** (US banks -2.4%, EZ banks -1.3%).

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DEBT MARKETS (10Y, %, CHANGE IN BPS)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,45	-1,4	-9,8	-9	-104
US	1,52	-3,6	-11,3	-4	-116
GER (2-yr)	-0,78	-0,8	-1,3	9	-17
Germany	-0,60	-2,2	-3,3	4	-84
France	-0,26	1,4	0,5	8	-97
Spain	0,12	-1,7	-3,2	-5	-130
Italy	0,84	-1,0	-1,6	-4	-190
Portugal	0,12	-2,2	-6,1	-8	-161
Greece	1,45	2,5	9,2	-14	-295
Japan (2-yr)	-0,32	1,4	-3,6	-2	-18
Japan	-0,20	2,1	-5,2	4	-20
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,01	-2,2	1,4	-31	-223
Chile	2,41	-5,4	-13,8	3	-184
Colombia	5,98	-1,4	-1,9	-4	-77
Mexico	6,74	-3,9	-16,8	-22	-190
Peru	3,59	0,0	-9,6	-1	-177
Poland	1,90	1,0	-11,4	-12	-93
Russia	6,99	1,9	-16,4	-15	-179
Turkey	13,67	29,0	37,0	-140	-213
India	6,68	0,0	1,1	7	-69
Indonesia	7,26	1,5	-3,3	-6	-77

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	3,6	3,8	4	-13
Italy	144	1,2	1,7	-8	-106
Portugal	71	0,0	-2,8	-12	-77
Spain	72	0,5	0,1	-9	-46
2-yr sovereign spread vs Germany					
France	9	0,0	1,3	-1	-7
Italy	53	0,3	1,8	1	-56
Portugal	17	1,3	2,3	-5	-10
Spain	27	1,3	0,5	-5	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	140	2,6	4	16	-67
Chile	37	0,3	0	4	-26
Colombia	95	1,6	1	11	-64
Argentina	5364	-164,4	-98	-279	4558
Mexico	115	0,9	-1	14	-40
Peru	62	0,9	7	16	-33
Poland	67	0,0	0	2	-1
Russia	91	1,2	4	6	-63
Turkey	372	15,5	20	-4	13
China	50	1,3	2	9	-18
India	74	-0,3	0	7	-40
Indonesia	95	2,2	4	15	-43

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	1,8	1	5	-6
VSTOXX	82	0,0	-4	3	15
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	0	-2
EM FX volatility index	20	0,7	0	3	-5
Credit spread (BAA) (change in bps)	232	3,6	8	7	-14
US bonds volatility index	8	0,2	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,90	-	-1	-5	-23
EZ Inflation expectations (5Y5Y)	1,13	-	-2	-11	-47
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	60	0,3	3	16	-23
EZ	61	0,1	2	10	-43
UK	62	0,3	4	3	-32
Large Spanish	45	0,9	3	10	-43
Medium Spanish	96	-0,4	1	11	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	220	3,3	-26	29	6
EZ Non-financial	82	0,7	5	16	-15
UK Non-financial	110	0,2	4	15	-8

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	1	n.a.	n.a.
Euribor 3m	-0,42	1	1	2	-11
Euribor 12m	-0,33	1	0	3	-21
Libor 3m	-0,47	0	-2	-11	-11
Libor 12m	2,01	0	-6	-8	-79

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2899	-1,4	-1,4	-2,7	16
Dow Jones	26173	-1,2	-1,5	-2,3	12
Nikkei	21588	1,0	-1,4	1,8	8
FTSE 100	7161	-0,5	-2,7	-1,7	6
EuroStoxx 50	3437	-1,0	-2,3	-1,7	15
IBEX	8949	-1,0	-2,4	-0,5	5
DAX	11974	-1,0	-2,4	-1,8	13
CAC	5463	-1,1	-2,4	-2,5	15
MB	21418	-1,1	-2,3	-2,4	17
ASE Athens	824	-0,7	-4,3	-5,2	34
MSCI Latam *	92115	-1,4	-2,5	-0,6	7
Ibovespa (Brazil)	100969	0,4	-3,0	-1,9	15
Mexbol (Mexico)	42776	-0,4	-0,4	0,2	3
Merval (Argentina)	30150	-2,6	0,3	9,0	0
MSCI EM Europe *	5798	0,7	-1,6	-1,8	10
Poland	2132	0,5	-1,0	0,4	-6
Micex 10 (Russia)	4677	-0,6	-2,5	-2,7	12
Ise 100 (Turkey)	101859	-1,1	-1,9	2,9	12
MSCI EM Asia *	821	-0,1	-0,7	-1,1	5
Shanghai Com (China)	2914	0,3	0,3	-2,9	17
Jakarta (Indonesia)	6040	-0,4	-2,1	-4,2	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	131,9	-2,4	-3,2	-2,0	14
JPM	111,8	-2,3	-3,3	-0,7	14
Citi	66,3	-2,7	-2,7	0,5	27
BoA	27,6	-2,7	-3,1	-0,6	12
MS	39,8	-2,1	-3,7	-5,5	0
GS	196,8	-1,8	-2,9	-5,0	18
EZ banks	69,4	-1,3	-4,4	-2,0	1
BNP	42,3	-0,7	-3,9	-0,3	7
Crédit Agricole	10,5	-1,5	-4,6	-2,1	11
Deutsche Bank	6,3	-2,7	-5,6	-11,4	-10
ING	9,1	-1,3	-3,9	0,0	-3
Intesa	2,1	-1,0	-3,2	0,9	8
SG	23,1	-1,6	-6,0	-4,2	-17
Unicredito	10,2	-1,2	-4,9	-4,4	3
UK banks	68,3	-1,2	-4,1	1,1	-6
HSBC	599,2	-0,8	-3,3	-0,3	-7
RBS	189,3	-2,9	-6,1	0,6	-13
Barclays	143,9	-0,3	-3,8	2,7	-4
Lloyds	51,2	-1,1	-4,2	2,2	-1
Large Spanish banks	54,4	-1,2	-4,0	0,2	-7
Santander	3,5	-0,8	-3,9	0,0	-11
BBVA	4,5	-1,6	-4,0	0,5	-3
Medium Spanish banks	44,0	-1,5	-3,2	3,0	-24
Caixabank	2,3	-1,5	-3,4	7,3	-28
Sabadell	0,9	-2,1	-2,3	8,3	-13
Bankinter	5,5	-1,3	-3,2	0,5	-21
Bankia	1,6	-1,9	-4,9	-2,7	-36

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,095	-0,2	0,1	-0,8	-5
GBPUSD	1,220	-0,7	-0,8	-0,7	-4
USDJPY	107,070	0,2	0,6	-0,1	2
DXY	99,198	0,2	0,1	0,8	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,83	0,0	-0,3	-3,4	-35
USDBRL (Brazil)	4,09	0,4	1,7	-0,7	-5
USDCOP (Chile)	723,68	-0,8	0,7	-1,6	-4
USDCOP (Colombia)	3452	0,0	1,30	-2,77	-6
USDMXN (Mexico)	19,59	-0,1	1,2	-0,3	0
USDPEN (Peru)	3,38	0,0	0,1	-1,2	0
LACI	50,70	-0,1	1,1	-1,0	-7
USDPLN (Poland)	3,95	-0,1	1,4	-0,4	-5
USD RUB (Russia)	65,30	-0,5	-0,1	0,7	6
USDTRY (Turkey)	5,83	0,1	-1,8	-2,0	-9
USDCNY (China)	7,14	0,1	0,1	-0,4	-4
USDINR (India)	71,03	0,0	0,1	1,0	-2
USDIDR (Indonesia)	14162	0,0	0,4	-0,4	2
ADXY	103,13	0,0	0,2	0,3	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	57,9	-0,7	-1,6	-6	8
WTx	52	-0,9	-2,5	-8	15
Copper	256	-0,3	0,5	-8	-2
Gold	1502	0,6	1,6	0	17
S&P Spot commodity *	399	-0,1	-0,8	-1	7
S&P Brent Spot *	496	-0,2	-1,1	-5	8
S&P Metals Spot *	322	1,1	1,0	-1	1
S&P Agricultural *	280	-0,2	-1,4	7	-1

Source: Bloomberg, Datastream and Haver

* With one day delay