

Market Comment

Recent trade talks lack conviction

- Last Friday's risk appetite led by trade optimism, which boosted equity indices and sovereign bond yields, waned as **China seeks further talks before signing a limited trade deal**. The main outcome of recent trade talks was the U.S. calling off tariff increases on China initially planned for tomorrow, while China would double its U.S. agricultural products yearly.
- On the data front, **China's trade balance rose in September** driven mainly by a sharper fall in imports (-8.5% YoY, consensus -6% YoY, previous -5.6% YoY), suggesting a pullback of the domestic demand. Meanwhile, exports also contracted further (-3.2% YoY, consensus -2.8% YoY, previous -1% YoY), alongside the first decline of its auto sales in 15 months (-6.6% YoY). In the Eurozone, industrial production grew slightly more than expected in August (0.4% MoM, consensus 0.3% MoM, previous -0.4% MoM).
- The **U.S. cash bond market remained closed** for the Columbus Day holiday. Meanwhile, **European sovereign bond yields inched down**, especially in the periphery with their risk premia declining. The 10Y UK gilt yield dropped significantly (-7bps), leading the losses in Europe, as the prospects of a Brexit deal this week faded ahead of the EU summit starting this Thursday. Brussels said Johnson's deal regarding Irish border concessions were unrealistic, fueling expectations of general elections in the UK soon (see).
- The USD recovered partially from last week's fall, outperforming its G10 peers as market risk sentiment worsened (DXY index +0.2%). The **British pound pulled back** from a three-month high (-0.6%) amid Brexit uncertainty with the GBPUSD 1M implied volatility following its upward trend. Regarding emerging markets, LatAm currencies were mixed (USDMXN +0.3%, USDBRL -0.6%), while the CNY strengthened against the USD (+0.3%) driven by a better-than-expected trade balance in September. The **Turkish Lira extended its losses** (-0.9%) after both the U.S and EU threatened to impose higher economic sanctions.
- In commodities, **oil prices fell sharply (Brent -2%)** as the U.S.-China truce lacked conviction, whereas gold prices inched up (+0.2%).
- European and U.S. **stock markets consolidated** last Friday's rally (EuroStoxx 50 -0.4%) amid thin volume and cautiousness ahead of tomorrow's earnings release, especially from financial institutions.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	0,0	13,0	-13	-90
<b>US</b>	1,73	0,0	17,1	-4	-96
GER (2-yr)	-0,71	1,4	6,8	2	-10
<b>Germany</b>	-0,45	-1,2	12,1	6	-70
France	-0,14	-1,6	13,1	9	-85
Spain	0,21	-2,4	7,5	-1	-120
Italy	0,91	-2,9	6,0	5	-183
Portugal	0,17	-3,0	3,6	-6	-155
Greece	1,44	-0,7	0,8	-12	-296
Japan (2-yr)	-0,29	0,0	3,9	-2	-15
<b>Japan</b>	-0,18	0,0	4,3	3	-18
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,66	-1,9	-36,7	-64	-257
Chile	2,51	1,7	4,2	6	-174
Colombia	6,03	0,0	3,6	-1	-72
Mexico	6,75	-1,2	-3,6	-43	-189
Peru	3,49	-0,7	-10,0	-10	-187
Poland	1,98	-2,0	9,8	-4	-84
Russia	6,78	-3,9	-19,5	-34	-200
Turkey	15,13	100,0	175,0	56	-67
India	6,48	-2,4	-19,3	-18	-89
Indonesia	7,23	-1,7	-1,5	-3	-80

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	31	-0,4	1,0	3	-16
Italy	137	-1,7	-6,1	-2	-113
Portugal	63	-1,8	-8,5	-12	-85
Spain	67	-1,2	-4,6	-7	-51
<b>2-yr sovereign spread vs Germany</b>					
France	8	1,1	-0,4	0	-7
Italy	47	-1,4	-5,7	-4	-62
Portugal	12	-2,0	-3,1	-3	-14
Spain	24	-0,8	-1,2	-1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	133	-4,3	-5	10	-74
Chile	35	-0,7	-1	4	-28
Colombia	90	-2,7	-4	9	-69
Argentina	4664	18,2	-865	-651	3857
Mexico	110	-3,3	-4	10	-45
Peru	59	-1,4	-3	15	-36
Poland	67	0,0	0	2	-1
Russia	86	-2,7	-4	4	-68
Turkey	388	-7,8	31	-4	29
China	44	-3,1	-4	5	-23
India	74	-0,5	0	9	-40
Indonesia	87	-4,0	-5	10	-50

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0,5	-3	1	-10
VSTOXX	80	0,0	-2	2	13
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	0	-2
EM FX volatility index	18	-0,9	-2	2	-7
Credit spread (BAA) (change in bps)	225	0,0	-3	1	-20
US bonds volatility index	8	-0,1	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,95	-	3	-6	-18
EZ Inflation expectations (5Y5Y)	1,18	-	6	-12	-42
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	54	-4,8	-6	11	-29
EZ	56	-2,9	-6	4	-49
UK	55	-4,9	-8	-1	-40
Large Spanish	42	-1,7	-2	5	-46
Medium Spanish	97	0,6	0	10	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	213	-7,2	-3	33	0
EZ Non-financial	76	-2,6	-5	11	-21
UK Non-financial	106	-2,6	-4	10	-13

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,42	0	1	2	-11
<b>Euribor 12m</b>	-0,30	0	4	7	-18
Libor 3m	-0,47	0	0	-10	-11
Libor 12m	2,00	0	-4	-14	-80

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2970	0,0	1,1	-1,3	18
Dow Jones	26844	0,1	1,4	-1,2	15
Nikkei	21799	0,0	2,0	0,2	9
FTSE 100	7212	-0,5	0,2	-1,8	7
<b>EuroStoxx 50</b>	3555	-0,4	2,4	0,4	18
IBEX	9237	-0,4	2,1	1,7	8
DAX	12481	-0,2	3,2	0,6	18
CAC	5642	-0,4	2,2	0,0	19
MIB	22114	-0,2	2,1	0,1	21
ASE Athens	856	0,0	3,2	0,6	40
<b>MSCI Latam *</b>	94281	1,6	0,9	0,7	9
Ibovespa (Brazil)	104065	0,2	3,5	-0,3	18
Mexbol (Mexico)	43261	0,1	0,7	1,4	4
Merval (Argentina)	31798	0,0	2,8	9,2	5
<b>MSCI EM Europe *</b>	5850	1,1	1,6	-2,0	11
Poland	2149	-0,5	1,3	-1,9	-6
Micex 10 (Russia)	4685	-0,8	-0,5	-2,8	12
Ise 100 (Turkey)	93981	-5,1	-8,7	-8,3	3
<b>MSCI EM Asia *</b>	834	1,3	1,5	-0,7	7
Shanghai Comex (China)	3008	1,2	3,5	-0,8	21
Jakarta (Indonesia)	6127	1,7	1,1	-4,0	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	138,7	0,5	2,7	-2,2	20
JPM	116,7	0,4	2,0	-1,1	20
Citi	70,2	0,1	3,0	1,3	35
BoA	29,1	0,8	2,9	-1,8	18
MS	42,2	0,7	3,8	-4,8	6
GS	205,0	0,1	2,3	-6,3	23
<b>EZ banks</b>	74,4	-0,1	5,9	0,8	8
BNP	45,5	-0,5	6,8	2,9	15
Crédit Agricole	11,2	0,0	5,3	0,5	19
Deutsche Bank	6,9	0,8	5,7	-7,6	-2
ING	9,8	0,0	6,9	2,8	5
Intesa	2,2	-0,2	3,5	2,8	12
SG	25,3	0,0	7,4	-1,2	-9
Unicredito	10,9	-0,4	5,8	-1,0	10
<b>UK banks</b>	73,9	-1,2	7,0	4,6	1
HSBC	608,6	0,2	0,7	-2,8	-6
RBS	215,2	-1,4	10,3	8,7	-1
Barclays	157,7	-1,7	9,3	6,1	5
Lloyds	57,8	-2,3	11,8	11,2	11
<b>Large Spanish banks</b>	56,7	-1,5	3,1	-0,8	-3
Santander	3,8	-1,0	5,5	0,7	-6
<b>BBVA</b>	4,6	-1,9	0,9	-2,1	0
<b>Medium Spanish banks</b>	47,6	-0,7	6,7	6,2	-17
Caixabank	2,5	-0,7	8,1	12,2	-21
Sabadell	1,0	0,6	9,0	14,0	-4
Bankinter	5,9	-1,2	6,0	1,1	-15
Bankia	1,7	-1,2	4,7	2,6	-32

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,102	-0,2	0,5	-0,4	-4
GBPUSD	1,259	-0,6	2,4	2,1	-1
USDJPY	108,430	-0,1	-1,1	-0,3	1
DXY	98,493	0,2	-0,5	0,2	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,03	0,0	-0,3	-3,3	-35
USDBRL (Brazil)	4,14	-0,6	-0,7	-1,8	-6
USDCOP (Chile)	712,20	-0,3	0,8	-0,3	-3
USDCOL (Colombia)	3433	-0,1	0,55	-1,96	-5
USDMXN (Mexico)	19,27	0,3	1,6	0,8	2
USDPEN (Peru)	3,36	-0,2	0,6	-1,1	0
LACI	50,90	0,1	0,3	-0,6	-6
USDPLN (Poland)	3,89	0,1	1,3	0,6	-4
USD RUB (Russia)	64,32	-0,2	1,0	0,7	8
USDTRY (Turkey)	5,94	-0,9	-1,7	-4,7	-11
USDCNY (China)	7,07	0,3	1,1	0,2	-2
USDINR (India)	71,23	-0,3	-0,3	-0,1	-3
USDIDR (Indonesia)	14140	0,0	0,2	-1,0	2
ADXY	103,48	0,0	0,3	0,0	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	59,0	-2,4	1,2	-2	10
WTx	53	-2,5	1,1	-3	17
Copper	260	-0,7	1,1	-1	1
Gold	1492	0,2	-0,1	0	16
S&P Spot commodity *	409	1,8	2,6	1	9
S&P Brent Spot *	512	2,3	3,2	1	12
S&P Metals Spot *	323	-0,4	0,5	-1	1
S&P Agricultural *	287	2,9	2,7	6	1

Source: Bloomberg, Datastream and Haver

\* With one day delay