

Market Comment

Hopes of a Brexit deal

- Risk-on mood** emerged at the end of the session amid optimism over a Brexit deal and strong U.S. earnings, despite renewed concerns over global growth.
- Concerns over global growth were supported by the **IMF** decision to cut again its 2019 global growth forecast from 3.2% to 3% to its slowest pace in a decade underpinned by trade tensions. Meanwhile, its 2020 estimate fell by 0.1% to 3.4%.
- On the data front, the **ZEW figures** suggested a persistent weakness in the German economy. Investors confidence in Germany's economic outlook continued to worsen in October to its lowest level since April 2010, although less than estimated (-22.8, consensus -26.4, previous -22.5), while the assessment of the current situation was more pessimistic than expected (-25.3, consensus -23.6, previous -19.9). Moreover, the Chinese producer price index continued to fall in September as estimated (-1.2% YoY, consensus -1.2% YoY, previous -0.8% YoY), whereas its CPI remained strong led by a surge in pork prices (3% YoY, consensus 2.9% YoY, previous 2.8% YoY).
- The kick off of the **US 3Q19 company earnings** started on the right foot, with a bunch of companies beating earnings estimates, offsetting some growth concerns. The outlook for the S&P500 3Q19 earnings was low, with the consensus estimating 3% YoY decline ([see](#)).
- The sovereign bonds market was steady until the end of the session, although **European yields surged on optimism over a Brexit deal** (10Y GER yield +4bps, 10Y UK yield +6bps). The 10Y UST bond yields also benefited from hopes of a Brexit deal, trimming early losses (10Y US +2bps). Separately, tensions in money market rates slightly re-emerged, with U.S. general collateral repo rising to 2.05% from 1.896% in response to a large Treasury coupon settlement. Nonetheless, the US money markets strains should be limited by the Fed's liquidity provision. On the other hand, James Bullard backed another Fed interest rate cut, supporting current market expectations that price in 68% probability of a rate cut in October.
- The sterling was volatile during the session amid Brexit developments. **The GBPUSD resumed its rally** to a 3-month high (+0.9%), outperforming its G10 peers, on the back of Barnier's comments that a Brexit deal is still possible this week, with both sides targeting a deal by midnight. However, the **GBPUSD 1M implied volatility rose near to a year-high**. The euro slipped 0.1% against the USD led by the weak ZEW figures in Germany, while safe-haven currencies slipped (USDJPY -0.4%, DXY index -0.1%). Regarding EM currencies, the Turkish lira led the gains (**USDTRY +0.7%**) as both U.S. and EU sanctions over Turkey were softer than investors had feared. Meanwhile, LatAm currencies depreciated (LACI index -0.4%) given the uncertainty of recent trade talks, alongside the yuan (USDCNY -0.2%) driven by the risk of deflation in China.
- Equity markets soared** with both the U.S. and European banking sector outperforming driven by investors risk appetite. Turkish stock trimmed partially yesterday's sharp decline (BIST 100 +1.4%).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,61	2,3	19,5	-19	-87
US	1,75	2,1	22,1	-15	-93
GER (2-yr)	-0,69	1,7	9,7	2	-8
Germany	-0,42	4,0	17,7	3	-66
France	-0,12	2,2	13,6	5	-83
Spain	0,23	1,6	10,5	-8	-119
Italy	0,94	2,4	9,4	6	-181
Portugal	0,18	0,4	6,4	-14	-154
Greece	1,41	-2,6	-4,4	-18	-299
Japan (2-yr)	-0,28	1,5	4,0	-4	-14
Japan	-0,17	1,0	3,2	-2	-17
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,74	8,6	-24,8	-63	-250
Chile	2,54	0,3	12,8	4	-171
Colombia	6,04	0,8	7,3	-3	-72
Mexico	6,75	1,1	-0,5	-49	-189
Peru	3,50	0,9	-9,2	-14	-186
Poland	1,99	0,8	9,6	-16	-83
Russia	6,79	1,0	-20,4	-33	-199
Turkey	15,06	-7,0	139,0	58	-74
India	6,50	1,3	-18,1	-14	-87
Indonesia	7,21	-2,0	-5,0	2	-82

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-1,8	-4,1	2	-17
Italy	135	-1,6	-8,3	2	-115
Portugal	60	-3,6	-11,3	-17	-88
Spain	64	-2,4	-7,2	-11	-53
2-yr sovereign spread vs Germany					
France	6	-2,4	-3,0	1	-10
Italy	44	-2,7	-9,4	-8	-65
Portugal	11	-1,3	-6,6	-8	-16
Spain	23	-0,5	-3,6	-8	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	132	-0,6	-8	13	-75
Chile	35	0,1	-1	5	-28
Colombia	89	-0,3	-6	11	-69
Argentina	4664	0,0	-700	-788	3857
Mexico	110	-0,4	-5	11	-45
Peru	58	-0,2	-4	16	-36
Poland	67	0,0	0	2	-1
Russia	87	0,7	-4	7	-68
Turkey	413	25,1	41	40	54
China	44	0,0	-6	7	-23
India	74	-0,2	0	8	-40
Indonesia	88	0,5	-7	12	-50

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	-0,9	-7	0	-12
VSTOXX	80	0,0	-1	-6	13
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,0	0	0	-2
EM FX volatility index	17	-1,2	-4	1	-8
Credit spread (BAA) (change in bps)	223	-1,9	-8	2	-22
US bonds volatility index	8	-0,2	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,93	-	5	-11	-20
EZ Inflation expectations (5Y5Y)	1,21	-	8	-10	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	53	-0,5	-7	12	-29
EZ	56	0,9	-5	8	-48
UK	55	0,1	-8	2	-40
Large Spanish	43	1,3	-2	8	-45
Medium Spanish	92	-4,6	-4	6	-20
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	209	-3,9	-11	33	-4
EZ Non-financial	76	-0,1	-6	13	-21
UK Non-financial	106	-0,5	-5	11	-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	0	-2	-11
Euribor 12m	-0,30	0	3	2	-19
Libor 3m	-0,46	0	0	-10	-11
Libor 12m	2,00	0	-1	-12	-80

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2999	1,1	3,7	-0,3	20
Dow Jones	27031	0,9	3,3	-0,7	16
Nikkei	22207	1,9	2,9	1,0	11
FTSE 100	7212	0,0	1,0	-2,1	7
EuroStoxx 50	3599	1,2	4,8	1,4	20
IBEX	9356	1,2	4,7	2,4	10
DAX	12630	1,1	5,5	1,3	20
CAC	5702	1,0	4,5	0,8	21
MB	22365	1,2	4,5	0,8	22
ASE Athens	858	0,3	4,1	0,1	40
MSCI Latam *	94577	0,3	2,7	0,6	10
Ibovespa (Brazil)	104902	0,6	4,9	1,4	19
Mexbol (Mexico)	43389	0,2	2,0	1,3	4
Merval (Argentina)	31370	-1,3	3,7	4,1	4
MSCI EM Europe *	5796	-0,9	0,0	-2,4	10
Poland	2155	0,3	1,1	-2,1	-5
Micex 10 (Russia)	4727	0,7	1,1	-1,5	13
Ise 100 (Turkey)	95258	1,4	-6,5	-7,6	4
MSCI EM Asia *	841	0,8	2,4	-0,1	7
Shanghai Comex (China)	2991	-0,6	2,7	-1,3	20
Jakarta (Indonesia)	6158	0,9	2,6	-2,9	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	141,8	2,2	7,4	-1,6	23
JPM	121,0	3,9	8,2	0,6	24
Citi	71,8	2,3	8,2	2,0	38
BoA	29,8	2,4	8,0	-1,1	21
MS	42,8	1,3	7,5	-5,2	8
GS	204,7	-0,5	3,7	-6,9	23
EZ banks	76,1	2,3	9,7	0,3	10
BNP	47,0	3,6	11,1	3,7	19
Crédit Agricole	11,4	1,5	8,9	-0,6	21
Deutsche Bank	7,0	2,9	11,8	-7,9	1
ING	10,0	2,1	10,7	2,0	7
Intesa	2,2	1,4	5,9	1,3	14
SG	25,8	2,1	11,4	-0,9	-7
Unicredito	11,2	3,2	10,3	-2,1	13
UK banks	76,1	3,1	11,6	3,9	4
HSBC	605,9	-0,2	1,1	-3,9	-6
RBS	226,1	5,1	19,4	8,3	4
Barclays	164,0	4,1	14,0	4,7	9
Lloyds	60,8	5,2	19,3	11,3	17
Large Spanish banks	58,5	3,1	7,9	-0,3	0
Santander	3,9	3,8	10,7	1,9	-2
BBVA	4,7	2,5	5,4	-2,4	2
Medium Spanish banks	48,8	2,2	11,1	3,5	-15
Caixabank	2,6	2,3	12,6	7,2	-19
Sabadell	1,0	3,2	15,5	9,3	0
Bankinter	6,1	1,8	9,6	-0,4	-14
Bankia	1,8	2,3	9,2	1,2	-30

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,102	-0,1	0,5	-0,5	-4
GBPUSD	1,273	0,9	4,1	1,8	0
USDJPY	108,840	-0,4	-1,6	-0,7	1
DXY	98,332	-0,1	-0,8	0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,29	-0,4	-0,8	-3,7	-35
USDBRL (Brazil)	4,15	-0,6	-1,3	-1,5	-6
USDCPL (Chile)	715,88	-0,5	1,2	-1,2	-3
USDCOP (Colombia)	3460	-0,8	-0,16	-2,77	-6
USDMXN (Mexico)	19,27	0,0	1,8	0,7	2
USDPEN (Peru)	3,37	-0,1	0,4	-1,5	0
LACI	50,75	-0,4	0,4	-1,0	-7
USDPLN (Poland)	3,90	0,0	1,3	0,2	-4
USD RUB (Russia)	64,29	-0,1	1,4	0,1	8
USDTRY (Turkey)	5,88	0,7	-0,9	-3,3	-10
USDCNY (China)	7,08	-0,2	0,9	0,0	-3
USDINR (India)	71,54	-0,4	-0,7	-0,9	-2
USDIDR (Indonesia)	14166	-0,2	0,0	-1,4	2
ADXY	103,37	-0,1	0,3	-0,1	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,3	-0,1	1,8	-2	10
WTx	53	-0,3	1,5	-3	18
Copper	261	-0,7	1,6	-3	-1
Gold	1481	-0,8	-1,6	-1	15
S&P Spot commodity *	405	-1,0	1,4	0	8
S&P Brent Spot *	503	-1,7	1,8	0	10
S&P Metals Spot *	321	-0,7	0,2	-3	1
S&P Agricultural *	288	0,2	1,5	5	1

Source: Bloomberg, Datastream and Haver

* With one day delay