

Market Comment

Brexit roller coaster

- Financial markets remained volatile amid mixed Brexit news and gloomy outlook for Germany's economy.
- Boris Johnson's Brexit deal reached with the EU today still needs the approval of U.K. lawmakers, but Northern Ireland's Democratic Unionist Party (DUP) said it would not support the latest proposals. Brexit optimism tempered as the DUP votes are critical to back Johnson's deal with the EU before Saturday, otherwise, an extension must be requested according to the Benn Act.
- On the trade front, U.S. Treasury Secretary Mnuchin stated he is ready to meet Chinese Vice Premier Liu He if needed before the Chile summit, while China hoped to reach a global trade agreement as soon as possible and make progress on cancelling both U.S. and Chinese tariffs. Nevertheless, China has so far not confirmed any of the assertions made by Mnuchin regarding the details of the Phase-1 deal.
- U.S. economic data continued to disappoint as industrial production showed a sharper-than-expected decline in September (-0.4% MoM, consensus -0.2% MoM, previous 0.8% MoM) for the first time since February, although figures from the prior month were upwardly revised by 0.2%. Housing starts grew slower than expected (1256k, consensus 1320k, previous 1386k). Markets are pricing in 85% probability of 25bps Fed rate cut by month-end ahead of today's Fed officials speeches. Separately, tomorrow's China 3Q19 GDP will be closely watched.
- Sovereign bond yields cut earlier gains with the 10Y UST bond yield flat. Meanwhile, European sovereign bond yields declined (10Y GER yield -2bps) after Germany cut its 2020 growth forecast from 1.5% to 1%. Italy led the path with its risk premium narrowing by 2bps.
- The sterling continued to oscillate amid Brexit developments. The pound trimmed the early spike as uncertainty persists with the GBPUSD 1M implied volatility remaining close to a year-high, reflecting the fact that the Brexit plan still faces parliament challenges. The euro gained (EURUSD +0.5%) on the EU-UK Brexit deal, while the USD weakened against its G10 peers (DXY index -0.4%), dragged down by a slight risk-on mood and weaker industrial production. Elsewhere, EM currencies appreciated as market risk sentiment improved somewhat, except for the Colombian peso. Turkey's lira strengthened (USDTRY +0.3%) ahead of a Turkey-U.S meeting about Ankara's military raid into Syria.
- In commodities, oil prices fell (Brent -1.2%) as the increase of the U.S. stockpile outweighed the progress made in Brexit negotiations.
- U.S. stock markets rose to near record highs as earnings continued to surprise positively (S&P 500 +0.3%), while European stocks erased earlier gains after the Brexit optimism faded.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	-0,6	3,5	-15	-91
US	1,74	0,2	7,3	-6	-94
GER (2-yr)	-0,67	0,7	4,4	4	-6
Germany	-0,41	-2,1	6,1	7	-65
France	-0,11	-1,5	2,8	7	-82
Spain	0,23	-2,3	0,3	-6	-119
Italy	0,89	-3,7	-6,7	-3	-185
Portugal	0,18	-2,5	-2,2	-13	-154
Greece	1,39	-0,5	-6,0	-11	-301
Japan (2-yr)	-0,25	1,3	5,7	0	-11
Japan	-0,15	1,0	5,2	0	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,61	-3,7	-23,0	-58	-263
Chile	2,56	0,5	11,1	7	-169
Colombia	6,11	1,0	9,9	8	-64
Mexico	6,85	4,8	10,4	-35	-179
Peru	3,48	0,0	2,5	-24	-188
Poland	2,00	-0,9	6,6	-13	-82
Russia	6,77	-2,1	-8,4	-40	-201
Turkey	14,89	-28,0	76,0	27	-91
India	6,50	3,2	3,4	-23	-87
Indonesia	7,15	-3,2	-11,9	-12	-88

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,6	-3,3	0	-17
Italy	130	-1,6	-12,8	-10	-120
Portugal	59	-0,4	-8,3	-20	-89
Spain	64	-0,2	-5,8	-12	-54
2-yr sovereign spread vs Germany					
France	5	-0,6	-2,7	0	-10
Italy	41	-0,9	-8,7	-8	-67
Portugal	10	0,2	-2,8	-10	-16
Spain	22	0,0	-1,0	-4	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	131	0,8	-8	10	-76
Chile	34	-0,5	-3	2	-29
Colombia	88	-0,8	-6	8	-71
Argentina	5242	536,1	193	-1040	4435
Mexico	108	-1,1	-7	5	-47
Peru	57	0,0	-4	13	-38
Poland	67	0,0	0	3	-1
Russia	80	-2,9	-11	3	-74
Turkey	398	5,2	12	24	38
China	44	0,6	-4	5	-24
India	74	0,5	0	10	-40
Indonesia	86	-0,4	-6	8	-52

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,1	-4	-1	-12
VSTOXX	78	0,0	-2	-7	11
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,0	0	0	-2
EM FX volatility index	16	-0,1	-3	-1	-9
Credit spread (BAA) (change in bps)	224	-0,2	-3	2	-22
US bonds volatility index	8	0,0	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,93	-	1	-11	-21
EZ Inflation expectations (5Y5Y)	1,22	-	6	-8	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	51	-0,7	-9	8	-31
EZ	53	-1,0	-8	3	-52
UK	50	-1,5	-14	-2	-45
Large Spanish	41	-1,0	-4	5	-47
Medium Spanish	96	0,4	0	11	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	209	-2,4	-18	32	-5
EZ Non-financial	75	-0,3	-5	11	-22
UK Non-financial	104	-1,3	-6	9	-15

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,41	0	1	-1	-10
Euribor 12m	-0,29	1	3	1	-18
Libor 3m	-0,46	0	0	-10	-11
Libor 12m	2,00	0	2	-14	-79

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2998	0,3	2,0	-0,3	20
Dow Jones	27015	0,0	2,0	-0,4	16
Nikkei	22452	-0,1	4,2	2,0	12
FTSE 100	7197	0,4	0,2	-1,7	7
EuroStoxx 50	3598	0,0	3,0	2,2	20
IBEX	9358	-0,3	2,8	3,9	10
DAX	12690	0,2	4,3	2,6	20
CAC	5689	-0,1	2,2	1,3	20
MBI	22449	0,1	3,2	3,0	23
ASE Athens	859	0,1	2,4	-0,3	40
MSCI Latam *	95391	0,7	3,5	1,4	11
Ibovespa (Brazil)	105133	-0,3	3,3	0,5	20
Mexbol (Mexico)	43546	0,0	1,4	0,2	5
Merval (Argentina)	30877	0,4	-2,7	2,4	2
MSCI EM Europe *	5874	0,7	1,7	-2,5	11
Poland	2174	0,8	2,4	-0,9	-5
Micex 10 (Russia)	4799	0,2	2,0	-1,0	15
Ise 100 (Turkey)	94896	0,8	-3,9	-6,5	4
MSCI EM Asia *	848	0,5	3,2	0,6	8
Shanghai Com (China)	2977	0,0	1,0	0,0	19
Jakarta (Indonesia)	6187	0,4	2,5	-0,6	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	142,0	0,6	4,8	-0,1	23
JPM	120,5	0,7	5,5	1,6	23
Citi	69,6	0,2	1,4	0,2	34
BoA	30,3	0,3	6,3	1,0	23
MS	44,1	3,1	2,4	-0,2	11
GS	205,3	-1,0	2,7	-4,9	23
EZ banks	77,0	-0,1	7,5	5,1	12
BNP	47,1	-0,3	7,8	7,4	19
Crédit Agricole	11,6	-0,7	7,6	4,4	23
Deutsche Bank	7,1	-0,3	10,5	2,3	3
ING	10,2	-0,2	7,6	7,3	8
Intesa	2,2	0,1	4,2	5,4	16
SG	26,2	0,7	9,0	3,5	-6
Unicredito	11,5	0,5	8,5	5,3	16
UK banks	76,8	0,6	10,2	8,3	5
HSBC	608,2	0,8	1,7	-0,6	-6
RBS	232,4	1,2	18,7	13,8	7
Barclays	164,9	0,4	10,5	10,5	10
Lloyds	61,1	0,2	16,1	15,0	18
Large Spanish banks	58,3	-1,4	4,3	3,2	0
Santander	3,9	-1,3	6,4	5,8	-3
BBVA	4,7	-1,4	2,4	0,9	2
Medium Spanish banks	49,7	0,2	8,0	11,4	-14
Caixabank	2,6	-1,3	7,7	13,0	-18
Sabadell	1,0	0,2	12,9	18,7	2
Bankinter	6,2	1,0	6,6	8,0	-12
Bankia	1,8	0,7	7,6	11,4	-28

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,113	0,5	1,1	0,5	-3
GBPUSD	1,285	0,1	3,2	2,8	1
USDJPY	108,560	0,2	-0,5	-0,4	1
DXY	97,607	-0,4	-1,1	-0,7	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,31	0,1	-0,6	-3,1	-35
USDBRL (Brazil)	4,16	-0,1	-1,2	-1,9	-7
USDCPL (Chile)	712,79	0,6	0,7	0,3	-3
USDCOP (Colombia)	3469	-0,3	-0,29	-2,43	-6
USDMXN (Mexico)	19,16	0,2	1,5	1,0	3
USDPEN (Peru)	3,35	0,3	0,3	-0,5	0
LACI	50,85	0,1	0,1	-0,9	-6
USDPLN (Poland)	3,85	0,5	1,7	1,7	-3
USD RUB (Russia)	63,98	0,2	0,7	0,7	8
USDTRY (Turkey)	5,87	0,3	-0,6	-2,9	-10
USDCNY (China)	7,08	0,2	0,5	0,2	-3
USDINR (India)	71,17	0,4	-0,1	0,9	-2
USDIDR (Indonesia)	14155	0,1	0,0	-0,4	2
ADXY	103,58	0,2	0,1	0,3	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	58,7	-1,2	-0,7	-9	9
WTx	53	-0,9	-1,3	-11	16
Copper	260	0,9	-0,1	0	-1
Gold	1495	0,3	0,0	0	17
S&P Spot commodity *	405	0,5	0,8	-4	8
S&P Brent Spot *	503	1,1	0,7	-7	10
S&P Metals Spot *	320	-0,5	-1,2	-1	0
S&P Agricultural *	286	-0,1	2,6	5	1

Source: Bloomberg, Datastream and Haver

* With one day delay