

Market Comment

Cautious optimism

- Trade and Brexit negotiations remain the main market drivers, but without additional news on this front, financial markets moved sideways pending new developments.
- The UK Parliament is going to decide today whether to go ahead with debating the Withdrawal Agreement Bill, which aims to turn the Brexit deal into law. In this context, UK PM Boris Johnson threatened to move straight to an election if members of Parliament do not back him tonight and vote for another delay.
- On the trade front positives prospect continues. China suggested that preliminary negotiations on trade agreements are in an advanced stage, which makes probable both countries to sign the agreement next month. White House economic adviser Kudlow stated that there is a possibility that the December tariffs plan will be canceled if trade negotiations continue to progress smoothly. Separately, China sought the WTO approval for \$2.4 billion in retaliatory sanctions as trade counter-measures against the United States.
- Today's U.S. economic data released disappointed. The U.S. existing home sales fell more than expected in September to the slowest pace in three months as prices climbed (5.38m, consensus 5.45m, previous 5.5m).
- Sovereign bond yields fell across the board, especially in Europe, retreating yesterday's increases as Brexit uncertainty remains high. The yield on the 10Y Italian bonds fell sharply by 6bps with its risk premium narrowing by 4bps.
- The USD were broadly flat waiting for next steps in main markets drivers (trade negotiation and Brexit) appreciated (DXY index +0.1%), while the pound led the losses (-0.1%) against its G10 peers ahead of the UK lawmakers' decision on the Withdrawal Agreement Bill. Moreover, EM currencies advanced in general (FXJPMECS +0.2%) with the Brazilian real outperforming others (USDBRL +1%), but the Chilean peso consolidated recent depreciational, as the country's political turmoil continues.
- U.S. stocks inched up amid some strong earnings (S&P 500 +0.2%), while European stocks were mixed with the IBEX 35 index leading the losses.

UPDATE 17:35 CET 22 OCTOBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	-0,4	-0,1	-7	-87
US	1,79	-1,4	1,4	6	-90
GER (2-yr)	-0,66	0,9	3,2	6	-5
Germany	-0,37	-2,3	5,0	15	-61
France	-0,07	-2,3	5,5	16	-78
Spain	0,26	-2,6	3,3	2	-116
Italy	0,92	-6,0	-1,3	0	-182
Portugal	0,21	-2,6	3,0	-4	-151
Greece	1,28	-4,4	-12,5	-7	-312
Japan (2-yr)	-0,23	0,0	4,3	6	-9
Japan	-0,13	0,0	4,4	8	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,57	4,8	-17,9	-48	-266
Chile	2,96	16,8	39,5	47	-129
Colombia	6,12	2,4	5,8	12	-64
Mexico	6,84	-0,5	5,4	-13	-180
Peru	3,60	1,3	10,8	-16	-176
Poland	1,99	-5,8	-0,6	-6	-84
Russia	6,59	-5,4	-20,2	-55	-219
Turkey	13,81	-13,0	-125,0	-56	-199
India	6,55	2,6	5,1	-24	-82
Indonesia	7,10	-1,7	-11,1	-15	-93

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,0	0,5	0	-17
Italy	129	-3,7	-6,3	-15	-121
Portugal	58	-0,3	-2,0	-19	-90
Spain	63	-0,3	-1,7	-13	-55
2-yr sovereign spread vs Germany					
France	5	-1,1	-1,0	-1	-11
Italy	43	-2,2	-0,7	-8	-66
Portugal	11	0,1	0,1	-9	-15
Spain	25	1,8	1,9	0	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	128	-1,1	-4	11	-79
Chile	37	4,3	2	7	-26
Colombia	86	-0,5	-4	8	-73
Argentina	5825	190,4	1161	340	5018
Mexico	103	-1,6	-7	4	-52
Peru	56	-0,1	-3	12	-39
Poland	67	0,0	0	3	-1
Russia	76	-1,3	-11	2	-78
Turkey	382	9,6	-32	13	22
China	40	-0,8	-4	2	-27
India	73	-0,1	-1	8	-41
Indonesia	81	-1,5	-7	4	-56

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,0	0	-1	-11
VSTOXX	80	0,0	0	0	14
EM EFTT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	1	-2
EM FX volatility index	16	-0,3	-1	-1	-9
Credit spread (BAA) (change in bps)	220	1,2	-1	-1	-25
US bonds volatility index	8	0,0	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,01	-	5	2	-13
EZ Inflation expectations (5Y5Y)	1,23	-	2	-2	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	-1,6	-4	1	-33
EZ	51	-1,7	-5	0	-53
UK	45	-3,1	-9	-8	-49
Large Spanish	40	-1,6	-3	3	-47
Medium Spanish	90	-0,2	-2	3	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	-2,8	-3	1	-7
EZ Non-financial	73	-1,4	-3	8	-24
UK Non-financial	102	-1,0	-3	6	-17

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,40	0	1	-1	-10
Euribor 12m	-0,28	1	2	1	-17
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,93	0	-5	-21	-86

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3011	0,2	0,5	0,6	20
Dow Jones	26886	0,2	-0,5	-0,2	15
Nikkei	22549	0,0	1,5	2,1	13
FTSE 100	7211	0,7	0,0	-1,8	7
EuroStoxx 50	3604	0,1	0,1	0,9	20
IBEX	9372	-0,3	0,2	2,1	10
DAX	12761	0,1	1,0	2,4	21
CAC	5653	0,1	-0,9	-0,7	20
MIB	22503	0,1	0,6	1,7	23
ASE Athens	874	0,7	1,8	-0,3	42
MSCI Latam *	95183	0,5	0,6	0,7	10
Ibovespa (Brazil)	107138	1,1	2,5	2,2	22
Mexbol (Mexico)	43554	0,3	0,7	0,0	5
Merval (Argentina)	32947	1,2	5,1	9,6	9
MSCI EM Europe *	5934	0,3	2,4	-0,3	12
Poland	2212	1,3	2,7	1,9	-3
Micex 10 (Russia)	4877	0,7	3,2	1,1	16
Ise 100 (Turkey)	97886	0,6	2,8	-2,3	7
MSCI EM Asia *	846	0,3	0,7	1,1	8
Shanghai Com (China)	2954	0,5	-1,2	-1,7	18
Jakarta (Indonesia)	6225	0,5	1,6	-0,3	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	146,3	0,6	3,7	3,5	26
JPM	123,7	0,2	3,2	4,1	27
Citi	72,3	0,7	1,5	4,2	39
BoA	31,2	0,7	5,1	5,6	27
MS	45,3	0,8	6,6	3,8	14
GS	210,6	0,6	2,0	-1,5	26
EZ banks	78,3	0,0	2,9	4,3	14
BNP	47,9	0,2	1,8	5,7	21
Crédit Agricole	11,8	0,4	3,7	4,9	26
Deutsche Bank	7,2	-1,5	2,1	-1,5	3
ING	10,3	-0,3	3,0	6,2	10
Intesa	2,3	0,8	2,7	4,8	17
SG	26,4	-0,5	2,6	0,8	-5
Unicredito	11,7	-0,4	4,3	4,7	18
UK banks	77,2	-0,3	1,4	6,2	6
HSBC	609,8	0,8	0,6	-0,9	-6
RBS	239,8	-1,2	6,1	12,3	11
Barclays	165,6	0,0	0,9	9,3	10
Lloyds	60,5	-1,5	-0,5	9,1	17
Large Spanish banks	59,9	-0,1	2,3	2,3	3
Santander	4,0	0,2	2,0	5,7	0
BBVA	4,9	-0,4	2,6	-0,6	5
Medium Spanish banks	50,5	-1,6	3,5	10,0	-12
Caixabank	2,6	-3,1	-0,3	7,1	-19
Sabadell	1,0	-1,7	4,6	18,8	4
Bankinter	6,4	-0,7	5,6	9,6	-9
Bankia	1,8	-1,3	3,4	6,6	-28

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,115	0,0	1,0	1,2	-3
GBPUSD	1,295	-0,1	1,3	3,8	2
USDJPY	108,550	0,1	0,3	-0,9	1
DXY	97,393	0,1	-0,9	-1,1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,62	-0,2	-0,6	-3,3	-36
USDBRL (Brazil)	4,07	1,4	2,6	1,8	-5
USDCOP (Chile)	724,36	0,2	-1,1	-0,9	-4
USDCOP (Colombia)	3428	0,6	0,67	-0,33	-5
USDMXN (Mexico)	19,09	0,2	0,8	1,8	3
USDPEN (Peru)	3,34	0,1	0,9	0,7	1
LACI	51,19	0,6	0,9	0,9	-6
USDPLN (Poland)	3,83	0,1	1,5	3,6	-2
USD RUB (Russia)	63,60	0,3	1,1	0,6	9
USDTRY (Turkey)	5,81	0,8	1,8	-1,2	-9
USDCNY (China)	7,08	-0,1	0,1	0,2	-3
USDINR (India)	70,94	0,3	0,9	0,0	-2
USDIDR (Indonesia)	14041	0,3	0,9	0,1	2
ADXY	103,77	0,0	0,4	0,7	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,9	1,6	2,0	-7	11
WTx	54	1,8	2,8	-7	20
Copper	263	-0,4	0,8	1	0
Gold	1484	0,0	0,2	-2	16
S&P Spot commodity *	404	-0,7	0,2	-3	8
S&P Brent Spot *	499	-0,7	0,2	-7	9
S&P Metals Spot *	323	0,0	0,3	-1	1
S&P Agricultural *	287	-0,9	0,1	5	1

Source: Bloomberg, Datastream and Haver

* With one day delay