

Market Comment

Markets moved sideways although Brexit bill was backed

- Markets reacted mildly to Brexit agreement, although it represents a major breakthrough to avert a hard-Brexit, not all uncertainties have been dispelled. Positive prospects over a partial U.S.-China agreement, along with the perception that the U.S. will also reduce frictions with Europe, failed to boost the risk-on mood. On the other hand, weaker earnings in the industrial sector (Caterpillar and Texas Instruments) weighed slightly on U.S. equity indices, which hovered around maximum levels.
- The principles of Boris Johnson's deal reached with the EU was backed by the UK Parliament, but failed to reach an agreement on a three-day timetable to debate the bill, increasing the risk of a general election (see). In this context, the President of the European Council, Tusk, has already proposed to EU leaders an extension until January 31, while Boris Johnson insisted to leave the EU on October 31.
- Regarding trade talks between the U.S. and EU, U.S. Commerce Secretary, Ross, suggested new negotiations with the EU as an alternative to imposing tariffs on automotive imports next month.
- On the data front, the Eurozone's consumer confidence dropped more than expected this month (-7.6, consensus -6.8, previous -6.5), the lowest level since last December, while French manufacturing confidence deteriorated unexpectedly in October (99, consensus 102, previous 102).
- Sovereign bond yields extended yesterday's losses (10Y US -1bps, 10Y Ger -3bps) except for Italy, which risk premium widened significantly by 4bps.
- G10 currencies showed minor changes. The pound continued to fluctuate amid Brexit developments, consolidating yesterday's losses. Meanwhile, EM currencies were mixed with the TRY leading the gains (USDTRY +1.4%) underpinned by the Turkey-Russia agreement on northern Syria (see). The ARS followed its depreciation trend ahead of its general elections on Sunday, alongside the Chilean peso (USDCLP -0.3%) despite Chile's President announcements of spending promises and tax hike for top earners aimed to calm the protests. The market is expecting a rate cut of between 25bps and 50bps by Chile's central bank later today.
- In commodities, both gold and oil prices increased (Brent +0.8%, gold +0.4%) with the latter driven by an unexpected decline of 1.7m barrels in U.S. crude oil inventories last week.
- U.S. stock markets remained resilient, despite some disappointing earnings, while European stocks were mixed (Euro Stoxx 50 0.1%)

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	-1,5	-0,4	-10	-91
US	1,75	-1,1	1,1	2	-93
GER (2-yr)	-0,66	0,1	1,8	9	-5
Germany	-0,39	-2,6	-0,7	19	-64
France	-0,09	-2,8	0,6	20	-80
Spain	0,25	-1,5	-0,7	10	-117
Italy	0,94	1,2	0,9	11	-181
Portugal	0,19	-1,9	-1,0	2	-153
Greece	1,27	-1,3	-12,0	-6	-313
Japan (2-yr)	-0,24	-1,1	1,6	5	-10
Japan	-0,14	-1,0	2,6	7	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,57	-3,2	-7,1	-54	-266
Chile	2,94	2,0	38,7	46	-131
Colombia	6,11	-1,6	0,9	13	-64
Mexico	6,86	-1,0	5,4	-3	-178
Peru	3,66	1,3	18,3	-7	-170
Poland	1,96	-2,3	-4,9	-9	-86
Russia	6,58	-0,4	-20,6	-56	-220
Turkey	13,13	-68,0	-204,0	-118	-267
India	6,51	-3,1	4,6	-24	-86
Indonesia	7,08	-2,3	-10,6	-19	-95

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0,2	1,3	1	-17
Italy	133	3,8	1,6	-8	-117
Portugal	59	0,7	-0,3	-17	-89
Spain	64	1,1	0,0	-9	-53
2-yr sovereign spread vs Germany					
France	4	-0,8	-1,3	-2	-11
Italy	44	0,7	1,8	-6	-64
Portugal	11	0,2	1,6	-9	-15
Spain	25	-0,6	2,5	1	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	127	-1,5	-4	-4	-81
Chile	38	0,8	4	3	-25
Colombia	84	-1,5	-4	-5	-74
Argentina	6163	338,7	1458	1005	5357
Mexico	102	-1,1	-7	-8	-53
Peru	55	-0,3	-2	5	-40
Poland	67	0,0	0	-3	-1
Russia	75	-0,7	-8	-6	-79
Turkey	377	-4,3	-16	3	18
China	40	-0,8	-4	-5	-28
India	73	0,2	0	-1	-41
Indonesia	79	-1,7	-7	-8	-58

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	-0,2	1	-1	-11
VSTOXX	79	0,0	1	-2	12
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,2	0	0	-2
EM FX volatility index	16	0,5	0	-1	-9
Credit spread (BAA) (change in bps)	220	1,0	-4	4	-26
US bonds volatility index	8	-0,1	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,00	-	6	3	-13
EZ Inflation expectations (5Y5Y)	1,20	-	-2	-1	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	-0,3	-3	-5	-34
EZ	51	-0,1	-3	-5	-53
UK	45	0,0	-6	-12	-49
Large Spanish	40	-0,2	-2	-1	-48
Medium Spanish	92	1,4	-4	4	-21
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	205	-1,3	-5	-12	-8
EZ Non-financial	74	0,5	-2	1	-23
UK Non-financial	102	-0,4	-3	-1	-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	0	-9
Euribor 12m	-0,29	0	1	1	-17
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,94	0	-7	-20	-86

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3002	0,2	0,4	0,3	20
Dow Jones	26861	0,3	-0,5	-0,3	15
Nikkei	22625	0,3	0,7	2,5	13
FTSE 100	7262	0,7	1,3	-0,9	8
EuroStoxx 50	3608	0,1	0,2	2,0	20
IBEX	9386	0,1	0,0	3,2	10
DAX	12806	0,4	1,1	3,8	21
CAC	5656	0,0	-0,7	0,4	20
MBI	22362	-0,6	-0,3	2,1	22
ASE Athens	873	0,0	1,7	1,2	42
MSCI Latam *	95934	0,8	1,3	1,0	11
Ibovespa (Brazil)	107467	0,1	1,9	2,7	22
Mexbol (Mexico)	43306	-0,1	-0,5	-0,5	4
Merval (Argentina)	33585	1,0	9,2	15,2	11
MSCI EM Europe *	6019	1,4	3,2	1,2	14
Poland	2209	-0,2	2,4	2,9	-3
Micex 10 (Russia)	4902	0,3	2,4	2,1	17
Ise 100 (Turkey)	99785	1,9	6,0	-0,2	9
MSCI EM Asia *	847	0,1	0,4	0,6	8
Shanghai Ind (China)	2942	-0,4	-1,2	-1,2	18
Jakarta (Indonesia)	6258	0,9	1,6	0,4	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	146,6	0,2	3,9	3,9	27
Citi	124,5	-0,2	4,0	4,7	28
BoA	72,1	0,0	3,7	3,6	38
MS	31,3	0,2	3,6	5,9	27
GS	45,6	0,4	6,5	4,6	15
Wells Fargo	211,3	0,8	1,9	-1,0	26
EZ banks					
BNP	78,3	0,1	1,6	6,7	14
Crédit Agricole	48,0	0,4	1,7	9,1	22
Deutsche Bank	11,9	0,4	1,9	6,6	26
ING	7,2	-0,1	1,0	2,0	3
Intesa	10,3	-0,1	1,2	8,5	10
SG	2,3	-0,5	1,1	5,8	17
UniCredit	26,5	0,3	2,1	4,3	-5
UK banks					
HSBC	116,6	-0,6	0,6	7,2	5
RBS	610,2	0,0	1,1	-0,4	-6
Barclays	233,6	-2,9	1,7	11,8	8
Lloyds	166,0	0,4	1,1	11,2	10
Large Spanish banks					
Santander	60,3	-0,2	-1,2	11,0	16
CaixaBank	60,3	0,6	2,0	6,9	3
Medium Spanish banks					
Banco Sabadell	4,0	0,5	1,6	9,0	0
BBVA	4,9	0,7	2,4	5,0	6
Banking sector					
CaixaBank	50,5	0,1	1,8	12,7	-12
Sabadell	2,6	0,9	-1,4	10,0	-18
Banco Sabadell	1,0	-0,2	2,4	21,3	4
Bankinter	6,4	0,3	4,2	12,9	-9
Bankia	1,8	-0,1	0,8	9,1	-28

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,112	-0,1	0,4	1,1	-3
GBPUSD	1,289	0,1	0,4	3,7	1
USDJPY	108,650	-0,1	0,1	-1,0	1
DXY	97,578	0,1	-0,4	-1,0	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,85	-0,3	-0,9	-3,3	-36
USDBRL (Brazil)	4,07	0,4	2,1	2,4	-5
USDCOP (Chile)	725,97	-0,3	-1,2	-0,5	-4
USDCOL (Colombia)	3399	0,9	1,75	1,11	-4
USDMXN (Mexico)	19,12	0,2	0,4	1,9	3
USDPEN (Peru)	3,35	0,1	0,5	0,3	1
LACI	51,18	0,2	0,7	1,0	-6
USDPLN (Poland)	3,84	-0,2	0,7	3,9	-3
USDTRY (Russia)	63,82	-0,1	0,5	0,0	9
USDTRY (Turkey)	5,73	1,4	2,7	-0,2	-8
USDCNY (China)	7,07	0,2	0,4	0,7	-2
USDINR (India)	70,91	0,0	0,7	0,0	-2
USDIDR (Indonesia)	14032	0,1	1,0	0,4	3
ADXY	103,79	0,0	0,4	0,4	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60,2	0,8	1,3	-7	12
WTx	55	1,7	3,2	-6	21
Copper	266	1,4	3,1	2	1
Gold	1493	0,4	0,2	-2	16
S&P Spot commodity *	407	0,7	0,4	-3	9
S&P Brent Spot *	506	1,3	0,5	-7	10
S&P Metals Spot *	323	0,0	0,8	0	1
S&P Agricultural *	286	-0,2	0,0	4	1

Source: Bloomberg, Datastream and Haver

* With one day delay