

Market Comment

The Brexit bill approval fails to propel market risk-on mood

- Financial markets moved sideways even as global risks (trade negotiations and Brexit) evolved positively, in turn signaling that uncertainty has not dispelled completely, as UK PM Johnson warned he would freeze Brexit legislation if Parliament does not back early elections in December 2019. Elsewhere, **the ECB monetary policy meeting had a muted impact on markets** as Draghi did not provide any further clues on monetary policy. Meanwhile, **company earnings for Q3 continued to be better-than-feared**.
- The UK parliament backed the withdrawal agreement bill, but rejected a fast-track approval. Johnson paused the legislation until **EU leaders decide on an extension**, which is likely to be until Jan 31 or flexible (likely after a Commons' vote on Monday). This has led **Johnson to propose Parliament a snap election on Dec 12**, and a new timetable to ratify the withdrawal agreement bill by Nov 6, when the parliament would be dissolved. However, it is not yet clear that the vote to call for elections will succeed.
- On the trade front**, U.S. Trade Representative Lighthizer, U.S. Treasury Secretary Mnuchin and Chinese Vice Premier Liu He will speak over the phone later today as the two sides work toward finalizing the first phase of the trade deal, which Presidents Trump and Xi Jinping are expected to sign at the APEC summit in Chile on Nov 14-15. Under the Phase-1 deal China aims to buy at least \$20 billion of U.S. agricultural products in a year.
- This week's economic data suggested that **the weak growth extended to the 4Q19**. U.S. showed some gloomy signs for investment with a larger than expected fall in orders for durable and capital goods, while the EZ consumer confidence continued to drop. Nonetheless, both U.S. and EZ composite PMI rose marginally in October.
- Sovereign bond yields fluctuated**, ending the week with minor changes. Yet, **the 10Y UK yield declined 8bps in the week, due to the risk of a Parliament gridlock**. Peripheral risk premia ended broadly unchanged with Italy risk premium widening marginally ahead of regional elections this weekend. The Barcelona's riots had a muted impact on Spain's risk premium (Spain 64bps +1.2bp, Portugal 58 +0.0bps).
- In FX, the USD halted its recent depreciation trend, while the GBP depreciated (-1.2%), as did the Euro (-0.7%)**, as some uncertainties regarding Brexit are still pending. **EM FX showed minor changes, with idiosyncratic factors fueling dispersion**. The CLP depreciated (-2%), due to the recent turmoil, alongside the ARS (-2.7%) ahead of elections results. The BRL appreciated sharply (2.5%) as the Social Security Law received senate backing. Meanwhile, the TRY gained after the U.S. lifted the sanctions, but trimmed some gains after the Central Bank delivered a higher than expected interest rate cut.
- Equity markets inched up, with the S&P breaching the 3000 level** led by better-than-feared earnings results, with the banking sector outperforming and volatility at low levels (VIX 13). Commodity prices increased. **Brent prices returned to levels above \$61 per barrel**, due to the fall in inventories, while the OPEC will address further production cuts at its December meeting.

UPDATE 16:00 CET 25 OCTOBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	1,2	1,6	-9	-90
US	1,77	0,0	1,3	3	-92
GER (2-yr)	-0,66	0,9	0,5	8	-5
Germany	-0,38	2,6	0,4	20	-62
France	-0,08	2,7	-0,1	20	-79
Spain	0,26	2,3	1,6	13	-116
Italy	0,94	3,5	1,6	10	-180
Portugal	0,20	2,1	0,4	5	-152
Greece	1,21	-3,1	-11,0	-13	-319
Japan (2-yr)	-0,23	1,2	0,3	11	-9
Japan	-0,14	0,3	-0,5	12	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,56	-5,4	1,2	-53	-267
Chile	2,82	0,1	11,9	36	-143
Colombia	6,04	-0,3	-2,0	6	-71
Mexico	6,83	0,9	1,5	-7	-182
Peru	3,67	-0,1	15,3	-5	-170
Poland	1,98	0,3	-4,6	-6	-84
Russia	6,53	-8,8	-15,6	-60	-225
Turkey	12,89	-20,0	-105,0	-87	-291
India	6,50	-0,2	-1,9	-26	-87
Indonesia	7,09	0,1	-5,6	-24	-94

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,1	-0,5	0	-17
Italy	132	0,9	1,2	-10	-118
Portugal	58	-0,5	0,0	-15	-90
Spain	64	-0,3	1,2	-7	-54
2-yr sovereign spread vs Germany					
France	4	-0,9	-2,1	-3	-12
Italy	46	0,6	4,7	-5	-62
Portugal	14	1,2	3,8	-4	-12
Spain	26	0,3	4,5	3	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	121	-3,2	-8	-17	-87
Chile	38	0,7	6	0	-25
Colombia	81	-2,2	-5	-13	-77
Argentina	5770	-378,0	433	-121	4964
Mexico	96	-4,3	-10	-20	-59
Peru	53	-1,3	-2	-1	-42
Poland	67	0,0	0	2	-1
Russia	75	-0,7	-2	-9	-79
Turkey	354	-7,4	-25	-23	-6
China	40	-0,7	-3	-9	-28
India	72	-0,7	-1	-2	-42
Indonesia	79	-0,4	-6	-9	-59

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,3	-1	-3	-12
VSTOXX	69	0,0	-9	-11	2
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,2	-1	-1	-2
EM FX volatility index	16	0,5	1	-2	-8
Credit spread (BAA) (change in bps)	218	0,0	-3	-1	-27
US bonds volatility index	7	-0,2	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,04	-	6	8	-9
EZ Inflation expectations (5Y5Y)	1,21	-	-1	2	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	0,0	-1	-7	-33
EZ	53	0,8	-1	-6	-52
UK	47	2,0	-3	-10	-47
Large Spanish	39	-0,4	-4	-3	-48
Medium Spanish	91	-0,6	-3	-4	-21
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	209	2,7	2	-17	-4
EZ Non-financial	74	-0,2	-1	-1	-23
UK Non-financial	102	-0,3	-2	-3	-17

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,41	-1	-1	0	-10
Euribor 12m	-0,29	-1	1	3	-18
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,94	0	-3	-17	-86

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3010	0,0	0,8	0,8	20
Dow Jones	26869	0,2	0,4	-0,4	15
Nikkei	22800	0,2	1,4	3,5	14
FTSE 100	7297	-0,4	2,0	0,1	8
EuroStoxx 50	3613	-0,2	0,9	2,9	20
IBEX	9406	0,2	0,8	3,5	10
DAX	12855	-0,1	1,8	5,1	22
CAC	5698	0,2	1,1	2,0	20
MB	22575	0,2	1,1	3,6	23
ASE Athens	872	-0,2	1,1	1,2	42
MSCI Latam *	96097	0,0	1,0	2,3	11
Ibovespa (Brazil)	107961	0,9	3,1	3,3	23
Mexbol (Mexico)	43670	-0,2	1,1	1,5	5
Merval (Argentina)	33476	0,0	4,7	18,7	11
MSCI EM Europe *	6143	1,5	4,1	4,1	16
Poland	2173	-1,6	0,4	0,6	-5
Micex 10 (Russia)	4949	-0,4	2,6	3,8	18
Ise 100 (Turkey)	100194	-0,2	1,8	-2,4	10
MSCI EM Asia *	849	0,6	-0,1	1,6	9
Shanghai Com (China)	2955	0,5	0,6	0,0	18
Jakarta (Indonesia)	6252	-0,1	1,2	1,9	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	148,2	0,8	4,3	5,9	28
Citi	125,8	0,6	4,3	6,6	29
BoA	72,8	0,6	4,3	4,9	40
MS	31,6	0,9	4,2	8,1	28
GS	46,2	0,9	5,7	7,2	16
EZ banks	212,8	0,8	3,1	1,3	27
BNP	77,9	-0,1	1,4	7,4	13
Crédit Agricole	47,4	-0,8	0,9	9,0	20
Deutsche Bank	11,9	0,5	2,9	7,8	26
ING	7,1	1,2	0,7	2,9	3
Intesa	10,3	0,0	1,6	9,3	10
SG	2,3	-0,1	1,5	6,3	17
Unicredito	26,1	-0,5	0,1	4,6	-6
UK banks	11,6	-0,4	0,5	9,3	17
HSBC	76,3	-0,3	-0,4	7,4	5
RBS	615,1	-0,4	2,2	-0,1	-5
Barclays	223,7	-1,0	-6,1	9,9	3
Lloyds	167,9	0,9	1,8	13,4	12
Lloyds	59,4	-0,8	-1,3	11,3	15
Large Spanish banks	60,0	0,3	2,4	6,6	3
Santander	4,0	0,8	2,9	9,3	0
BBVA	4,9	-0,2	2,0	4,3	5
Medium Spanish banks	49,5	0,3	0,3	9,9	-14
Caixabank	2,6	0,6	-0,4	7,6	-19
Sabadell	1,0	0,0	-0,9	15,7	1
Bankinter	6,3	0,1	2,2	11,4	-10
Bankia	1,8	1,0	-1,6	4,6	-31

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,109	-0,1	-0,7	1,4	-3
GBPUSD	1,282	-0,2	-1,2	3,8	1
USDJPY	108,570	0,0	-0,1	-0,7	1
DXY	97,765	0,1	0,5	-1,3	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,97	-0,6	-2,7	-4,8	-37
USDBRL (Brazil)	4,01	0,7	2,5	3,3	-3
USDCOP (Chile)	726,88	-0,4	-2,1	0,1	-5
USDCOP (Colombia)	3396	0,3	0,89	1,10	-4
USDMXN (Mexico)	19,10	0,2	0,0	2,4	3
USDPEN (Peru)	3,35	0,0	-0,3	0,1	1
LACI	51,31	0,1	0,4	1,3	-6
USDPLN (Poland)	3,86	-0,1	-0,7	3,9	-3
USD RUB (Russia)	63,82	0,4	-0,2	0,6	9
USDTRY (Turkey)	5,77	-0,1	0,4	-1,7	-8
USDCNY (China)	7,07	0,0	0,2	0,9	-3
USDINR (India)	70,89	0,2	0,4	0,2	-2
USDIDR (Indonesia)	14038	0,1	0,8	0,8	3
ADXY	103,76	0,1	0,1	0,6	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,4	-0,5	3,3	-2	14
WTx	56	-0,4	4,1	-1	23
Copper	266	0,2	1,5	3	1
Gold	1513	0,6	1,6	1	18
S&P Spot commodity *	414	0,4	1,9	1	11
S&P Brent Spot *	522	0,9	3,9	0	14
S&P Metals Spot *	326	0,2	0,9	1	2
S&P Agricultural *	286	-0,3	-1,2	4	1

Source: Bloomberg, Datastream and Haver

* With one day delay