

Market Comment

The S&P 500 reaches a record high

- A dose of trade optimism improved market risk sentiment after the U.S. President Trump said the **phase one trade deal** with China may be signed ahead of schedule. Moreover, the Chinese media said that the two sides have agreed to address each other's core-interest concerns. Separately, China's Ministry of Finance is planning to sell U.S. dollar and euro-denominated bonds in November.
- On the data front, U.S. wholesale inventories fell unexpectedly in September (-0.3% m/m, consensus 0.2% m/m, previous 0% m/m). The Dallas Fed Manufacturing Activity also declined unexpectedly in October (-5.1, consensus 1, previous 1). Investors will closely watch the nonfarm payrolls that will be released on Friday.
- Sovereign bond yields rose**, especially in the U.S., amid an overall positive tone (10Y US +6 bps, 10Y GER +3 bps). Italy's risk premium widened (+2bps) after the opposition League party won the regional elections in Umbria, alongside the S&P rating which affirmed its credit rating at BBB with a negative outlook. Regarding monetary policy, it is **almost a virtual certainty that the Fed will cut again its interest rates by 25bps on Wednesday** as markets are pricing in a 90% probability.
- The pound fluctuated, but ended up gaining 0.2% against the USD after the EU agreed to grant the UK a **flexible three-month Brexit delay**, removing the risk of an imminent no-deal Brexit. Nonetheless, the GBPUSD 3M implied volatility increased as the Brexit extension increases the likelihood of a general election. Both DXY index and the Japanese yen slipped (USDJPY -0.3%) as the market risk sentiment improved. Moreover, **EM currencies appreciated** across the board with the Turkish lira (USDTRY +1.0%) and the Argentinian peso leading the gains. The latter driven by the Argentina central bank decision to tighten currency controls after the left-wing populist Alberto Fernandez won Argentina's presidential election. LatAm currencies appreciated significantly (LACI index +1.0%).
- In commodities, gold prices dropped (-0.8%), while **oil prices trimmed early gains** (Brent -1%) on new signs of expanding U.S. crude stockpiles. Additionally, Russia lowered expectations of an immediate supply cut.
- Global stock markets inched up** with the S&P 500 reaching a record high above the 3000 level amid trade hopes and upbeat corporate news.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,65	3,2	2,9	-1	-84
US	1,85	5,7	5,1	16	-83
GER (2-yr)	-0,64	0,9	2,0	11	-3
Germany	-0,33	3,1	1,3	25	-57
France	-0,03	3,3	1,5	26	-74
Spain	0,31	3,3	2,1	16	-111
Italy	1,01	5,3	2,1	18	-174
Portugal	0,25	2,7	1,2	8	-147
Greece	1,23	1,8	-9,9	-12	-317
Japan (2-yr)	-0,21	2,2	2,6	12	-7
Japan	-0,12	1,4	0,3	12	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,55	0,3	2,2	-51	-269
Chile	2,84	4,2	4,4	35	-142
Colombia	6,05	1,2	-4,5	8	-70
Mexico	6,88	3,7	3,3	6	-176
Peru	3,76	2,2	16,8	0	-161
Poland	2,02	3,7	-2,2	1	-80
Russia	6,50	-2,8	-14,0	-63	-228
Turkey	12,75	-4,0	-119,0	-78	-305
India	6,50	0,0	-1,8	-22	-87
Indonesia	7,04	-4,9	-8,0	-29	-99

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,2	0,2	1	-16
Italy	134	2,2	0,8	-7	-116
Portugal	58	-0,4	-0,1	-18	-90
Spain	64	0,2	0,8	-9	-54
2-yr sovereign spread vs Germany					
France	4	0,1	-1,3	-2	-11
Italy	48	2,8	3,3	-3	-60
Portugal	15	1,1	4,3	-2	-11
Spain	26	0,3	3,0	1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	119	-1,8	-10	-18	-88
Chile	38	0,0	5	0	-25
Colombia	79	-2,0	-7	-15	-79
Argentina	6114	343,2	479	356	5307
Mexico	93	-2,9	-12	-23	-62
Peru	52	-1,4	-4	-2	-43
Poland	67	0,0	0	2	-1
Russia	74	-0,7	-3	-10	-80
Turkey	337	-17,2	-35	-37	-23
China	39	-1,1	-3	-10	-29
India	72	0,9	0	-1	-41
Indonesia	77	-1,6	-5	-12	-60

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,3	-1	-3	-12
VSTOXX	67	0,0	-13	-13	0
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	-1	-1	-3
EM FX volatility index	16	-0,8	0	-2	-9
Credit spread (BAA) (change in bps)	211	-5,7	-8	-8	-35
US bonds volatility index	7	-0,2	-1	-1	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,99	-	-2	6	-15
EZ Inflation expectations (5Y5Y)	1,23	-	-1	3	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	-0,8	-2	-9	-34
EZ	52	-0,7	-1	-9	-52
UK	47	-0,3	-1	-12	-47
Large Spanish	38	-0,8	-3	-5	-49
Medium Spanish	92	0,3	1	-4	-21
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	-2,1	-2	-31	-6
EZ Non-financial	73	-0,7	-2	-3	-24
UK Non-financial	102	-0,2	-2	-4	-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	0	0	0	-10
Euribor 12m	-0,28	1	1	4	-16
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,93	0	-2	-16	-87

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3040	0,6	1,1	2,1	21
Dow Jones	27055	0,4	0,8	0,6	16
Nikkei	22867	0,3	1,4	3,7	14
FTSE 100	7338	0,2	2,4	-0,2	9
EuroStoxx 50	3631	0,2	0,9	2,8	21
IBEX	9452	0,2	0,5	3,5	11
DAX	12957	0,5	1,6	5,4	23
CAC	5738	0,3	1,6	2,1	21
MB	22712	0,5	1,0	3,5	24
ASE Athens	872	0,0	0,6	0,7	42
MSCI Latam *	95993	-0,1	1,4	1,7	11
Ibovespa (Brazil)	107967	0,6	1,8	2,5	23
Mexbol (Mexico)	43624	0,5	0,5	1,5	5
Merval (Argentina)	33558	-2,8	3,1	19,1	11
MSCI EM Europe *	6110	-0,5	3,2	3,5	16
Poland	2212	1,7	1,3	1,8	-3
Micex 10 (Russia)	4936	-0,5	1,9	3,1	18
Ise 100 (Turkey)	99838	-0,4	2,6	-2,1	9
MSCI EM Asia *	848	-0,1	0,5	2,1	8
Shanghai Com (China)	2980	-0,9	1,4	1,7	19
Jakarta (Indonesia)	6265	1,2	1,2	1,9	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	150,4	1,1	3,4	8,2	30
Citi	127,1	0,8	2,8	8,6	30
BoA	74,1	1,3	3,2	7,2	42
MS	31,9	0,6	2,8	9,5	29
GS	47,0	1,4	4,5	10,3	19
218,1	1,8	4,2	4,7	31	
EZ banks					
BNP	78,5	0,3	0,3	8,0	14
Crédit Agricole	47,9	0,5	0,3	9,3	21
Deutsche Bank	12,0	0,2	1,8	8,4	27
ING	7,2	0,8	-0,9	6,4	4
Intesa	10,4	-0,1	0,0	9,9	10
SG	2,3	0,1	1,0	6,2	17
Unicredito	26,4	0,7	-0,5	5,9	-5
11,6	0,5	-1,3	8,8	17	
UK banks					
HSBC	75,5	-1,9	-2,6	5,7	4
RBS	593,8	-3,8	-1,8	-4,1	-8
Barclays	223,6	-1,0	-7,8	9,1	3
Lloyds	170,4	0,0	2,9	14,3	13
58,9	-1,9	-4,2	9,8	14	
Large Spanish banks					
Santander	60,1	0,1	0,2	6,7	3
BBVA	4,0	0,3	0,7	9,7	0
4,9	-0,1	-0,2	4,0	5	
Medium Spanish banks					
Caixabank	49,4	-0,1	-3,7	9,8	-14
Sabadell	2,5	0,0	-4,0	7,4	-20
1,0	-0,3	-4,6	15,6	1	
Bankinter	6,3	0,5	-2,1	11,7	-10
Bankia	1,8	-1,5	-6,4	3,9	-32

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,110	0,1	-0,5	1,6	-3
GBPUSD	1,286	0,2	-0,8	4,3	1
USDJPY	108,970	-0,3	-0,3	-1,0	1
DXY	97,756	-0,1	0,4	-1,4	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,39	1,0	-1,5	-3,7	-37
USDBRL (Brazil)	3,99	0,5	3,6	4,6	-3
USDCOP (Chile)	723,85	0,6	0,3	0,5	-4
USDCOL (Colombia)	3382	0,4	1,95	1,94	-4
USDMXN (Mexico)	19,05	0,1	0,4	3,3	3
USDPEN (Peru)	3,33	0,1	0,1	1,5	1
LACI	51,59	1,0	1,4	2,5	-5
USDPLN (Poland)	3,85	0,3	-0,3	4,3	-3
USD RUB (Russia)	63,79	0,1	0,0	0,7	9
USDTRY (Turkey)	5,72	1,0	2,4	-0,9	-8
USDCNY (China)	7,07	0,0	0,1	0,9	-3
USDINR (India)	70,89	0,0	0,4	0,0	-2
USDIDR (Indonesia)	14028	0,1	0,4	1,0	3
ADXY	103,89	0,1	0,1	0,7	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,4	-1,0	4,2	-2	14
WTx	56	-1,5	4,7	-1	23
Copper	267	0,2	1,4	4	2
Gold	1492	-0,8	0,5	-1	16
S&P Spot commodity *	416	0,4	3,0	1	11
S&P Brent Spot *	525	0,6	5,2	0	15
S&P Metals Spot *	327	0,4	1,3	3	2
S&P Agricultural *	286	0,0	-0,4	4	1

Source: Bloomberg, Datastream and Haver

* With one day delay