

## Market Comment

## All eyes on Powell's speech

- The date of the Trump-Xi meeting remains uncertain, after Chile canceled the APEC summit** that was scheduled to be held next month in Santiago, given the current social turmoil. U.S. President Trump had said he expected to sign the phase one trade deal with China in Chile, and now the cancellation of the Summit introduced a note of caution in the markets about when the two countries would seal the deal.
- The UK will hold elections aiming to end the parliamentary gridlock.** British Prime Minister Boris Johnson won the parliamentary approval to hold a general election on December 12. The House of Commons approved the legislation by 438 votes to 20. The UK Parliament will be dissolved next Wednesday and a political campaign will take place for five weeks with the conservatives leading the polls. Separately, EU's Barnier said the risk of a no-deal Brexit still exists.
- Positive economic reports in the U.S. and Europe. The U.S. growth rate eased less than expected to 1.9% in the third quarter** (consensus 1.6% q/q annualized, previous 2% q/q annualized), but expanding at the weakest pace of 2019 as business investment declined. Nonetheless, consumer spending and exports remained resilient. Moreover, the U.S. private sector employment increased more than expected by 125k jobs from September to October as last month's figures were downwardly revised (consensus 110k, previous 93k). In Europe, France's GDP growth remained stable in 3Q19, somewhat better than expected, supported by domestic demand (0.3% q/q, consensus 0.2% q/q, previous 0.3% q/q). The EU harmonized German inflation remained low in October, rising slightly above to 0.9% from a year earlier (consensus 0.8% y/y, previous 0.9% y/y).
- Ahead of FOMC statement and Mr. Powell press conference this afternoon, the yield on the 10Y UST bond whipsawed, but ended up declining** (-3.5 bps) after the cancellation of the APEC summit in Chile. All eyes will be on **Powell's speech** as investors await more clues concerning the trajectory of policy heading into 2020. In this context, market expectations of an additional rate cut in March next year hovered around 54%. Elsewhere, European bonds yields showed minor changes with the 10Y German bund yield remaining flat (-0.4bps). Italy's risk premium widened by 1 bps after the Italian media reported that the Italian President said he would call immediate elections if current tensions within the ruling coalition led the government to collapse.
- G10 currencies showed minor changes in general.** The DXY index remained unchanged ahead of today's FOMC policy decision, while the pound gained marginally with the GBPUSD 3M implied volatility increasing by 1.3%. On the other hand, **EM currencies depreciated** (FXJPMECS index -0.3%) amid expectations of a less dovish tone from the Fed and idiosyncratic factors. LatAm currencies edged lower with the Chilean peso depreciating sharply (USDCLP -1.6%) amid the ongoing protests, which led to the cancellation of the APEC summit.
- In commodities, oil prices extended yesterday's losses** (Brent -1%) as the U.S. crude oil inventories rose unexpectedly last week, whereas gold prices inched up (+0.4%).
- European stocks fell with the IBEX 35 index leading the losses** (Euro Stoxx 50 -0.1%, IBEX 35 -1.3%) as **disappointing earnings weighed on Euro Stoxx banks** (-2.6%).

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

| Developed Markets | level | Daily | Week   | Month   | YTD  |
|-------------------|-------|-------|--------|---------|------|
| US (2-yr)         | 1,62  | -2,6  | 3,4    | -1      | -87  |
| <b>US</b>         | 1,80  | -3,5  | 3,9    | 14      | -88  |
| GER (2-yr)        | -0,63 | -0,2  | 2,2    | 13      | -2   |
| <b>Germany</b>    | -0,36 | -0,4  | 3,9    | 22      | -60  |
| France            | -0,06 | -0,6  | 3,5    | 22      | -77  |
| Spain             | 0,28  | -0,6  | 3,2    | 14      | -113 |
| Italy             | 0,99  | 0,7   | 5,8    | 17      | -175 |
| Portugal          | 0,21  | -1,6  | 1,6    | 5       | -151 |
| Greece            | 1,20  | -3,8  | -7,7   | -15     | -320 |
| Japan (2-yr)      | -0,21 | -1,4  | 3,0    | 10      | -7   |
| <b>Japan</b>      | -0,11 | -0,7  | 2,6    | 10      | -11  |
| Emerging Markets  | level | Daily | Weekly | Monthly | YTD  |
| Brazil            | 6,55  | 4,2   | -1,0   | -50     | -268 |
| Chile             | 3,02  | 8,6   | 14,8   | 53      | -124 |
| Colombia          | 6,11  | 2,1   | 0,7    | 12      | -64  |
| Mexico            | 6,82  | -2,6  | -3,7   | -5      | -182 |
| Peru              | 3,78  | 1,3   | 11,7   | 7       | -158 |
| Poland            | 2,02  | 0,4   | 5,3    | 2       | -81  |
| Russia            | 6,56  | 3,5   | -1,9   | -59     | -222 |
| Turkey            | 12,87 | 12,0  | -26,0  | -28     | -293 |
| India             | 6,50  | -2,3  | -1,4   | -21     | -87  |
| Indonesia         | 7,02  | -2,0  | -5,9   | -27     | -101 |

## COUNTRY RISK (BP, CHANGE IN BPS)

| Developed Markets                        | level | Daily  | Weekly | Monthly | YTD  |
|--|-------|--------|--------|---------|------|
| <b>10-yr sovereign spread vs Germany</b> |       |        |        |         |      |
| France                                   | 30    | -0,2   | -0,4   | 0       | -17  |
| Italy                                    | 135   | 1,1    | 1,9    | -4      | -115 |
| Portugal                                 | 57    | -1,2   | -2,3   | -16     | -91  |
| Spain                                    | 64    | -0,2   | -0,7   | -8      | -54  |
| <b>2-yr sovereign spread vs Germany</b>  |       |        |        |         |      |
| France                                   | 4     | 0,1    | 0,0    | -3      | -11  |
| Italy                                    | 46    | 0,3    | 1,6    | -5      | -63  |
| Portugal                                 | 10    | -0,7   | -0,9   | -7      | -16  |
| Spain                                    | 23    | -0,7   | -1,8   | -3      | -14  |
| Emerging Markets                         | level | Daily  | Weekly | Monthly | YTD  |
| <b>5-yr sovereign CDS *</b>              |       |        |        |         |      |
| Brazil                                   | 117   | -0,4   | -10    | -21     | -90  |
| Chile                                    | 39    | 0,2    | 0      | 1       | -25  |
| Colombia                                 | 77    | -0,5   | -7     | -18     | -81  |
| Argentina                                | 6359  | -441,8 | 195    | 659     | 5552 |
| Mexico                                   | 88    | -1,1   | -14    | -29     | -67  |
| Peru                                     | 51    | 0,1    | -4     | -5      | -44  |
| Poland                                   | 66    | -0,7   | -1     | -1      | -1   |
| Russia                                   | 75    | 1,2    | -1     | -9      | -79  |
| Turkey                                   | 331   | 7,1    | -46    | -24     | -28  |
| China                                    | 39    | -0,1   | -1     | -11     | -29  |
| India                                    | 71    | -0,9   | -1     | -3      | -42  |
| Indonesia                                | 75    | -0,5   | -4     | -15     | -62  |

## RISK INDICATORS

| Volatility indicators (change in pp)    | level | Daily | Weekly | Monthly | YTD |
|---|-------|-------|--------|---------|-----|
| VIX                                     | 13    | -0,1  | -1     | -3      | -12 |
| VSTOXX                                  | 68    | 0,0   | -5     | -10     | 1   |
| EM EFTT volatility Index                | 2     | 0,0   | 0      | 0       | -1  |
| Dollar/euro volatility                  | 5     | 0,0   | -1     | -1      | -3  |
| EM FX volatility index                  | 17    | 0,0   | 1      | -3      | -8  |
| Credit spread (BAA) (change in bps)     | 219   | 3,5   | 0      | -3      | -27 |
| US bonds volatility index               | 7     | 0,0   | 0      | -1      | -3  |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y)        | 1,99  | -     | -3     | 4       | -15 |
| EZ Inflation expectations (5Y5Y)        | 1,22  | -     | 2      | 5       | -39 |
| Banking 5y CDS (bps) *                  | level | Daily | Weekly | Monthly | YTD |
| US                                      | 47    | 0,6   | -1     | -11     | -35 |
| EZ                                      | 53    | 0,6   | 1      | -8      | -52 |
| UK                                      | 47    | 0,4   | 2      | -11     | -47 |
| Large Spanish                           | 39    | 0,8   | -1     | -4      | -49 |
| Medium Spanish                          | 90    | -0,7  | -2     | -6      | -22 |
| Corporate 5y CDS (bps) *                | level | Daily | Weekly | Monthly | YTD |
| US Non-financial                        | 219   | 11,3  | 13     | -25     | 5   |
| EZ Non-financial                        | 73    | 0,0   | -1     | -4      | -24 |
| UK Non-financial                        | 101   | -0,4  | -1     | -5      | -18 |

## 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     | 0      | 2       | -9   |
| <b>Euribor 12m</b> | -0,28 | 0     | 1      | 5       | -16  |
| Libor 3m           | -0,46 | 0     | 0      | -1      | -11  |
| Libor 12m          | 1,93  | 0     | 0      | -16     | -87  |

## STOCK MARKETS (%)

| Main indices                | level  | Daily | Weekly | Monthly | YTD |
|-----------------------------|--------|-------|--------|---------|-----|
| <b>S&amp;P500</b>           | 3037   | 0,0   | 1,1    | 2,0     | 21  |
| Dow Jones                   | 27100  | 0,1   | 1,0    | 0,7     | 16  |
| Nikkei                      | 22843  | -0,6  | 1,0    | 5,0     | 14  |
| FTSE 100                    | 7334   | 0,4   | 1,0    | -1,0    | 9   |
| <b>EuroStoxx 50</b>         | 3618   | -0,1  | 0,3    | 1,4     | 21  |
| IBEX                        | 9279   | -1,3  | -1,1   | 0,4     | 9   |
| DAX                         | 12910  | -0,2  | 0,9    | 3,9     | 22  |
| CAC                         | 5758   | 0,3   | 1,2    | 1,4     | 22  |
| MB                          | 22612  | -0,3  | 1,8    | 2,3     | 23  |
| ASE Athens                  | 876    | 0,3   | 0,3    | 0,8     | 43  |
| <b>MSCI Latam *</b>         | 96165  | -0,5  | 0,2    | 1,4     | 11  |
| Ibovespa (Brazil)           | 107198 | -0,3  | -0,3   | 2,3     | 22  |
| Mexbol (Mexico)             | 43734  | -0,3  | 0,4    | 1,7     | 5   |
| Merval (Argentina)          | 32333  | -0,6  | -1,3   | 11,2    | 7   |
| <b>MSCI EM Europe *</b>     | 6153   | 1,0   | 2,2    | 3,9     | 16  |
| Poland                      | 2227   | 0,0   | 0,9    | 2,5     | -2  |
| Micex 10 (Russia)           | 5038   | 1,1   | 2,6    | 5,3     | 20  |
| Ise 100 (Turkey)            | 98692  | -1,1  | -1,1   | -6,0    | 8   |
| <b>MSCI EM Asia *</b>       | 855    | 0,1   | 0,9    | 3,6     | 9   |
| Shanghai Com (China)        | 2939   | -0,5  | -0,1   | 1,2     | 18  |
| Jakarta (Indonesia)         | 6296   | 0,5   | 1,1    | 1,6     | 2   |
| Banking sector              | level  | Daily | Weekly | Monthly | YTD |
| <b>US banks</b>             | 148,0  | -1,2  | 0,5    | 6,4     | 28  |
| JPM                         | 125,4  | -0,8  | 0,2    | 6,6     | 28  |
| Citi                        | 72,4   | -0,9  | 0,0    | 4,8     | 39  |
| BoA                         | 31,6   | -1,4  | 0,7    | 8,4     | 28  |
| MS                          | 46,0   | -1,8  | 0,2    | 7,8     | 16  |
| GS                          | 214,4  | -1,5  | 1,5    | 3,5     | 28  |
| <b>EZ banks</b>             | 76,4   | -2,6  | -2,4   | 3,7     | 11  |
| BNP                         | 46,8   | -2,5  | -2,4   | 4,8     | 19  |
| Crédit Agricole             | 11,7   | -2,5  | -1,4   | 4,6     | 24  |
| Deutsche Bank               | 6,7    | -7,7  | -7,3   | -3,1    | -7  |
| ING                         | 10,1   | -2,1  | -2,1   | 5,3     | 7   |
| Intesa                      | 2,2    | -1,6  | -1,5   | 2,8     | 15  |
| SG                          | 25,7   | -2,5  | -3,1   | 2,1     | -8  |
| Unicredito                  | 11,4   | -2,6  | -2,2   | 5,4     | 15  |
| <b>UK banks</b>             | 73,9   | -1,3  | -3,7   | 2,5     | 1   |
| HSBC                        | 588,5  | 0,1   | -3,6   | -5,8    | -9  |
| RBS                         | 213,0  | -2,8  | -8,9   | 2,6     | -2  |
| Barclays                    | 168,0  | -2,2  | 1,4    | 11,7    | 12  |
| Lloyds                      | 57,6   | -1,1  | -4,4   | 6,5     | 11  |
| <b>Large Spanish banks</b>  | 56,9   | -4,7  | -5,5   | -1,2    | -3  |
| Santander                   | 3,7    | -6,9  | -7,4   | -1,2    | -7  |
| <b>BBVA</b>                 | 4,7    | -2,7  | -3,7   | -1,1    | -2  |
| <b>Medium Spanish banks</b> | 48,8   | -1,0  | -3,2   | 6,2     | -15 |
| Caixabank                   | 2,5    | -1,5  | -3,5   | 3,6     | -21 |
| Sabadell                    | 1,0    | -1,5  | -4,0   | 12,4    | 0   |
| Bankinter                   | 6,3    | -0,9  | -0,9   | 8,6     | -10 |
| Bankia                      | 1,7    | -0,3  | -7,9   | -2,1    | -34 |

## CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

| Developed          | level   | Daily | Weekly | Monthly | YTD |
|--------------------|---------|-------|--------|---------|-----|
| EURUSD             | 1,112   | 0,1   | -0,1   | 2,1     | -3  |
| GBPUSD             | 1,288   | 0,1   | -0,3   | 4,8     | 1   |
| USDJPY             | 108,880 | 0,0   | -0,2   | -0,7    | 1   |
| DXY                | 97,673  | 0,0   | 0,2    | -1,7    | 2   |
| Emerging           | level   | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina) | 59,76   | -0,5  | -1,3   | -3,6    | -37 |
| USDBRL (Brazil)    | 4,02    | -0,5  | 0,4    | 3,4     | -3  |
| USDCLP (Chile)     | 738,65  | -1,6  | -1,7   | -1,4    | -6  |
| USDCOP (Colombia)  | 3391    | -0,4  | 0,08   | 2,58    | -4  |
| USDMXN (Mexico)    | 19,16   | -0,2  | -0,2   | 3,0     | 3   |
| USDPEN (Peru)      | 3,34    | -0,2  | 0,0    | 0,8     | 1   |
| LACI               | 51,18   | -0,5  | -0,1   | 1,7     | -6  |
| USDPLN (Poland)    | 3,83    | 0,4   | 0,3    | 4,7     | -2  |
| USDRUB (Russia)    | 64,05   | -0,1  | -0,2   | 1,2     | 8   |
| USDTRY (Turkey)    | 5,71    | 0,6   | 0,5    | -1,0    | -7  |
| USDCNY (China)     | 7,06    | 0,1   | 0,1    | 1,3     | -3  |
| USDINR (India)     | 70,90   | -0,1  | 0,0    | 0,0     | -2  |
| USDIDR (Indonesia) | 14031   | 0,0   | 0,0    | 1,2     | 3   |
| ADX                | 103,91  | 0,1   | 0,1    | 0,8     | -1  |

## COMMODITIES (%)

|                      | level | Daily | Weekly | Monthly | YTD |
|----------------------|-------|-------|--------|---------|-----|
| <b>Brent</b>         | 61,0  | -1,0  | -0,4   | 0       | 13  |
| WTx                  | 55    | -1,7  | -2,5   | 1       | 20  |
| Copper               | 268   | 0,0   | 0,7    | 5       | 2   |
| Gold                 | 1494  | 0,4   | 0,1    | 1       | 16  |
| S&P Spot commodity * | 414   | 0,0   | 0,3    | 3       | 11  |
| S&P Brent Spot *     | 521   | 0,0   | 0,6    | 3       | 14  |
| S&P Metals Spot *    | 330   | 0,7   | 1,4    | 3       | 3   |
| S&P Agricultural *   | 285   | -0,1  | -0,7   | 1       | 0   |

Source: Bloomberg, Datastream and Haver

\* With one day delay