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Market Comment

Gloomy economic data, amid lingering trade concerns

- **Chinese officials downplayed expectations of a comprehensive long-term trade deal** with the U.S. even as the two sides get close to signing a "phase one" agreement. U.S. President Trump said the two sides are looking for a place to the signing ceremony for a partial deal, after Chile canceled the APEC summit. Separately, the U.S. House of Representatives has approved to open a new phase in the **impeachment against U.S. President Trump**, increasing the political uncertainty and adding noise to the markets (see).

- **Today's economic data were negative in the U.S. and China, increasing cyclical concerns.** China's manufacturing activity shrank for the sixth month straight in October as reflected by manufacturing PMI (49.3, consensus 49.8, previous 49.8), while services PMI was also weaker than expected (52.8, consensus 53.6, previous 53.7). U.S. manufacturing confidences contracted further in Chicago, while personal spending rose less than expected in September, suggesting some exhaustion of the consumption, the main driver of U.S. growth so far. Investors will watch closely tomorrow's employment data.

- EZ data brought the positive note but it was not enough to curve today's negative market sentiment. **The Eurozone showed a resilient GDP growth in 3Q19** (0.2% q/q, consensus 0.1% q/q, previous quarter 0.2% q/q). Monthly indicators and national figures suggest that domestic demand has continued to underpin this steady growth, offsetting the deterioration of foreign demand. That said, worrying signs extended in early 4Q19. The EZ flash headline inflation declined by 0.1pp to 0.7% y/y in October (consensus 0.7% y/y, previous 0.8% y/y), although **core inflation inched up** by 0.1pp to 1.1% y/y (consensus 1% y/y, previous 1% y/y).

- **UST bond yields dropped significantly in a week** (10Y yield -6.6bps, 2Y yield -4bps), **despite the Fed signaled a pause in the interest rate easing cycle**, after cutting interest rates by 25bps for the third time in a row yesterday, and the better-than-expected U.S. 3Q19 GDP. In this context, markets suspect that the Fed may act again if needed. Investors trimmed their expectations of more easing this year, but an additional 25bps rate cut is priced in for next year. On the other hand, the yield on the 10Y German bund trimmed last week's increase, remaining steady (10Y Ger -0.2bps). **The strong demand for bonds was driven by the fragile global macro backdrop.** This week, Chinese data continued to disappoint (Oct. PMI), U.S.-China trade war uncertainty lingered and the BoJ stepped up its dovish commentary. Peripheral risk premia performance was uneven - narrowing slightly for Portugal and holding steady for Spain but widening slightly for Italy (to 133 +2bps) where regional elections results increased political concerns.

- **The U.S. dollar depreciated post FOMC** (DXY -0.3%), especially against its developed peers. **The GBP appreciated** (0.7%), while the implied volatility in the GBPUSD declined, as the EU concession of a Brexit extension and snap elections were perceived as a way to end the **Parliament gridlock**. The euro appreciated by 0.4%. EM markets were mixed but traded in a narrow range: the TRY appreciated (+0.8%), while **the CLP continued under pressure due to the protests in the country** (-2.3%).

- Equity markets remained supported. Implied volatility remained low (VIX 14) with the S&P hovering around maximum levels. Nonetheless, European equity markets declined (Euro Stoxx 50 -0.1%), led by **declines in the banking sector** (-2%) due to disappointing earnings.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,53	-6,4	-4,4	-1	-95
US	1,70	-7,2	-6,6	6	-80
GER (2-yr)	-0,66	-2,7	0,7	11	-5
Germany	-0,41	-5,2	-0,2	16	-65
France	-0,10	-4,0	0,7	17	-81
Spain	0,24	-4,6	-0,2	8	-118
Italy	0,93	-6,5	1,8	7	-182
Portugal	0,17	-4,8	-1,8	-1	-156
Greece	1,16	-3,5	-7,4	-20	-323
Japan (2-yr)	-0,23	-1,6	1,1	5	-9
Japan	-0,13	-2,4	0,6	2	-14
Emerging Markets	level	Daily	Week	Monthly	YTD
Brazil	6,45	-2,8	-16,8	-55	-279
Chile	3,00	0,0	17,6	45	-125
Colombia	6,08	-3,0	3,8	8	-67
Mexico	6,76	-3,9	-5,2	-15	-188
Peru	3,80	0,0	13,5	11	-156
Poland	1,97	-5,5	-1,3	-4	-86
Russia	6,59	2,8	-3,2	-57	-219
Turkey	12,45	-42,0	-64,0	-85	-335
India	6,45	-4,3	-5,0	-21	-92
Indonesia	7,01	-0,9	-7,6	-29	-102

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	1,2	0,9	1	-16
Italy	133	-1,3	2,0	-9	-117
Portugal	57	0,4	-1,6	-17	-91
Spain	64	0,6	0,0	-7	-53
2-yr sovereign spread vs Germany					
France	5	0,2	-0,1	-3	-11
Italy	45	-1,1	-1,0	-6	-64
Portugal	11	0,4	-1,8	-4	-15
Spain	23	0,2	-3,0	-3	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	119	1,9	-5	-17	-88
Chile	43	4,6	6	6	-20
Colombia	79	2,1	-4	-14	-79
Argentina	6392	33,5	244	930	5586
Mexico	90	1,9	-10	-26	-65
Peru	51	0,2	-3	-4	-43
Poland	67	0,2	0	0	-1
Russia	75	0,7	0	-11	-79
Turkey	332	1,1	-29	-20	-27
China	41	1,9	0	-7	-27
India	72	0,8	0	-2	-41
Indonesia	77	1,1	-3	-14	-61

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	1,4	0	-5	-12
VSTOXX	63	0,0	-6	-22	-3
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,0	0	-1	-3
EM FX volatility index	16	-0,5	0	-4	-9
Credit spread (BAA) (change in bps)	225	7,2	8	2	-21
US bonds volatility index	7	0,0	0	-1	-3
Inflation expectations (%, change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,95	-	-8	4	-19
EZ Inflation expectations (5Y5Y)	1,21	-	1	5	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	0,3	-2	-9	-35
EZ	54	1,5	2	-6	-50
UK	48	0,4	2	-10	-46
Large Spanish	39	0,7	0	-2	-48
Medium Spanish	91	0,5	-1	-5	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	225	6,3	19	-21	12
EZ Non-financial	73	0,4	0	-3	-23
UK Non-financial	102	0,7	0	-4	-17

INTERBANK MARKETS (%, CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,39	1	1	3	-9
Euribor 12m	-0,27	0	2	6	-16
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,91	0	-1	-16	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3029	-0,6	0,6	3,0	21
Dow Jones	26934	-0,9	0,5	1,4	15
Nikkei	22927	0,4	0,8	4,8	15
FTSE 100	7268	-0,9	-0,8	-1,3	8
EuroStoxx 50	3617	-0,1	-0,1	2,8	20
IBEX	9285	0,0	-1,1	1,3	9
DAX	12900	-0,1	0,2	5,2	22
CAC	5752	-0,2	1,2	2,8	22
MIB	22757	0,5	1,0	3,8	24
ASE Athens	883	0,8	1,0	2,4	44
MSCI Latam *	96402	0,2	0,3	2,0	12
Ibovespa (Brazil)	106748	-1,5	-0,2	2,6	21
Mexbol (Mexico)	43424	-0,7	-0,8	1,1	4
Merval (Argentina)	34510	1,8	3,1	14,8	14
MSCI EM Europe *	6189	0,6	2,2	5,0	17
Poland	2194	-1,5	-0,6	1,9	-4
Micex 10 (Russia)	4998	-0,8	0,6	4,3	19
Ise 100 (Turkey)	98469	-0,2	-1,9	-5,2	8
MSCI EM Asia *	854	-0,1	1,2	3,3	9
Shanghai Com (China)	2929	-0,3	-0,4	0,8	17
Jakarta (Indonesia)	6228	-0,8	-0,5	1,0	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	146,4	-1,5	-0,5	7,6	27
JPM	124,5	-1,0	-0,4	7,7	28
Citi	71,7	-1,8	-0,9	5,2	38
BoA	31,0	-1,9	-1,1	9,1	26
MS	45,7	-1,2	-0,1	10,5	15
GS	212,5	-1,6	0,7	4,8	27
EZ banks	76,4	-0,3	-2,0	5,3	11
BNP	46,9	-0,1	-2,0	6,4	19
Crédit Agricole	11,7	0,0	-1,0	6,5	24
Deutsche Bank	6,5	-2,1	-7,9	-2,6	-17
ING	10,2	0,1	-1,8	7,4	8
Intesa	2,2	0,0	-1,0	4,4	16
SG	25,5	-0,7	-2,7	3,5	-8
Unicredito	11,4	-0,9	-2,0	6,4	15
UK banks	73,5	-0,6	-3,9	3,3	1
HSBC	584,0	-0,7	-5,4	-5,8	-10
RBS	213,8	0,0	-5,4	6,1	-1
Barclays	168,2	-0,1	1,1	12,4	12
Lloyds	56,8	-1,4	-5,1	6,4	10
Large Spanish banks	56,4	-1,3	-5,8	-0,5	-3
Santander	3,6	-2,9	-8,8	-2,0	-9
BBVA	4,7	0,2	-2,9	0,9	2
Medium Spanish banks	48,7	-0,1	-1,3	7,3	-15
Caixabank	2,6	2,8	1,1	8,2	-19
Sabadell	1,0	-1,9	-2,8	11,1	-2
Bankinter	6,2	-1,5	-1,6	8,6	-12
Bankia	1,7	1,1	-2,7	-0,3	-33

CURRENCIES (%, RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,115	0,0	0,4	2,0	-3
GBPUSD	1,294	0,3	0,7	5,2	1
USDJPY	108,030	0,8	0,5	-0,3	2
DXY	97,328	-0,3	-0,3	-1,8	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,68	0,0	-0,1	-3,4	-37
USDBRL (Brazil)	4,03	-0,9	0,4	3,3	-4
USDCLP (Chile)	741,36	-0,4	-2,3	-1,7	-6
USDCOP (Colombia)	3381	0,2	0,75	3,44	-4
USDMXN (Mexico)	19,20	-0,6	-0,3	3,3	2
USDPEN (Peru)	3,35	0,0	0,1	1,3	-1
LACI	51,10	-0,5	-0,3	1,9	-6
USDPLN (Poland)	3,82	-0,1	0,8	4,8	-2
USDRUB (Russia)	64,12	-0,5	-0,1	1,7	8
USDTRY (Turkey)	5,72	-0,3	0,8	0,1	-7
USDCNY (China)	7,04	0,2	0,4	1,6	-2
USDINR (India)	70,93	0,0	0,1	0,2	-2
USDIDR (Indonesia)	14043	-0,1	0,1	1,2	2
ADXY	103,97	0,0	0,3	1,0	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60,2	-0,7	-2,4	2	12
WTx	54	-1,7	-3,8	1	19
Copper	263	-1,8	-1,1	3	0
Gold	1511	1,1	0,5	2	18
S&P Spot commodity *	412	-0,5	-0,7	2	10
S&P Brent Spot *	513	-1,6	-1,9	2	12
S&P Metals Spot *	329	-0,4	0,9	3	3
S&P Agricultural *	286	0,3	0,0	1	1

Source: Bloomberg, Datastream and Havel
* With one day delay