

Market Comment

Hopes of a partial trade deal boost risk appetite

- Financial markets veered back toward a risk-on mood last Friday, after the U.S. employment report suggested that the slowdown in US labor markets may not have been as pronounced in the 3Q19 as previously thought, while optimism about a potential agreement on phase one of the U.S.-China trade agreement also helps moderate risk aversion.
- The U.S. and China signaled progress toward an initial trade deal with China reviewing locations in the U.S. where Chinese President Xi would be willing to meet with U.S. President Trump. Consensus has been achieved in core areas by phone talks last Friday. Moreover, U.S. Commerce Secretary Ross said the talks held with car companies in Europe and Japan have been positive and may mean tariffs can be avoided on autos being imported into America.
- Last Friday's data-set showed that the U.S. labor market remains resilient as non-farm payrolls for the past three months surprised to the upside by more than 100k, while the ISM manufacturing index increased less than expected, remaining in contraction levels. Nonetheless, today U.S. economic data were negative. U.S. factory orders declined more than estimated in September (-0.6%, consensus -0.5%, previous -0.1%), while durable goods were downwardly revised from -1.1% to -1.2%. Elsewhere, October's EMU manufacturing PMI were surprisingly revised up (50.7, consensus 50.5, previous 50.5), while China's manufacturing PMI (Caixin) rose unexpectedly, in contrast to the official figures (51.7, consensus 51, previous 51.4).
- Sovereign bond yields extended their rise from last Friday on trade hopes, especially in the U.S. (10Y UST +7.4 bps, 10Y Ger +3 bps). Investors will assess this week's Fed officials' speeches to obtain clues on how likely the Fed is to pause the easing cycle in the upcoming meetings. Markets expect an additional Fed rate cut by June 2020. In Europe, the yield on 10Y bonds inched up with the Italian risk premium narrowing by 3 bps.
- FX markets showed minor changes with the USD outperforming its G10 peers (DXY index +0.2%), while EM currencies were mixed. The sterling depreciated (GBPUSD -0.3%) with political campaigns taking place in the UK, alongside the euro (EURUSD -0.2%) ahead of ECB President Lagarde's first speech tonight in Berlin.
- In commodities, oil prices rose (Brent +1.7%) to a six-week high as concerns over global demand eased on hopes of a partial trade deal.
- European stock markets climbed (Euro Stoxx 1.1%) with cyclical sectors leading the gains, while the S&P 500 edged higher to a fresh record high (S&P 500 +0.5%).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	3,6	-5,5	20	-90
US	1,78	7,4	-5,8	25	-90
GER (2-yr)	-0,65	0,7	-0,4	13	-4
Germany	-0,35	3,1	-1,9	24	-59
France	-0,04	2,6	-1,4	25	-75
Spain	0,31	3,3	0,0	18	-111
Italy	1,00	0,2	-0,9	17	-175
Portugal	0,23	2,8	-2,1	9	-149
Greece	1,19	0,2	-3,8	-16	-321
Japan (2-yr)	-0,26	0,0	-5,6	6	-12
Japan	-0,18	0,0	-5,4	2	-18
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,37	-2,9	-13,6	-62	-287
Chile	3,01	1,4	16,8	55	-124
Colombia	6,04	0,0	-0,5	7	-72
Mexico	6,81	3,8	-6,6	9	-183
Peru	3,69	-10,8	-8,3	1	-167
Poland	1,97	0,1	-5,1	3	-86
Russia	6,51	0,0	1,0	-64	-227
Turkey	12,25	-12,0	-50,0	-111	-355
India	6,48	2,8	-2,4	-14	-89
Indonesia	6,98	-3,5	-5,2	-28	-104

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0,5	0,5	1	-16
Italy	135	-2,9	1,0	-7	-115
Portugal	58	-0,3	-0,2	-15	-90
Spain	66	0,2	1,9	-6	-52
2-yr sovereign spread vs Germany					
France	5	1,2	0,8	-2	-10
Italy	46	-1,7	-2,0	-6	-62
Portugal	10	-1,2	-5,4	-7	-16
Spain	23	0,5	-3,1	-4	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	118	-3,6	-1	-23	-89
Chile	42	-2,0	4	4	-21
Colombia	79	-3,0	0	-16	-79
Argentina	6411	-187,1	297	849	5605
Mexico	90	-3,3	-3	-28	-65
Peru	51	-1,9	-1	-9	-44
Poland	66	0,0	-1	-1	-2
Russia	75	-1,1	1	-15	-79
Turkey	332	-3,4	-5	-34	-28
China	41	-0,5	2	-9	-27
India	73	1,3	1	-1	-41
Indonesia	77	-0,4	-1	-17	-61

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,6	0	-6	-12
VSTOXX	57	0,0	-10	-31	-9
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,2	0	-1	-3
EM FX volatility index	17	-0,7	0	-4	-8
Credit spread (BAA) (change in bps)	211	-7,4	-6	-19	-35
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	-	-2	11	-14
EZ Inflation expectations (5Y5Y)	1,22	-	-1	11	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-1,6	-2	-13	-35
EZ	53	-1,7	1	-7	-52
UK	47	-1,6	0	-14	-47
Large Spanish	39	-1,2	1	-4	-48
Medium Spanish	90	-0,1	-2	-6	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	233	-1,0	26	-23	20
EZ Non-financial	73	-0,6	0	-5	-24
UK Non-financial	103	-0,5	1	-4	-16

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	3	-9
Euribor 12m	-0,28	1	1	5	-16
Libor 3m	-0,46	0	1	1	-11
Libor 12m	1,89	0	-3	-15	-91

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3081	0,5	1,4	5,9	23
Dow Jones	27465	0,4	1,4	4,8	18
Nikkei	22851	0,0	-0,1	7,1	14
FTSE 100	7365	0,9	0,5	4,1	9
EuroStoxx 50	3663	1,1	1,0	7,2	22
IBEX	9407	0,8	-0,3	5,7	10
DAX	13127	1,3	1,4	10,1	24
CAC	5822	1,0	1,6	7,0	23
MIB	23307	1,6	2,7	9,4	27
ASE Athens	879	-0,1	0,8	6,9	43
MSCI Latam *	96397	0,9	0,4	5,0	12
Ibovespa (Brazil)	108680	0,4	0,5	7,1	24
Mexbol (Mexico)	44125	0,7	0,8	4,0	6
Merval (Argentina)	37133	3,9	11,9	22,3	23
MSCI EM Europe *	6195	0,9	1,4	7,0	17
Poland	2264	3,2	2,4	7,8	-1
Mcex 10 (Russia)	5062	0,0	2,6	7,3	21
Ise 100 (Turkey)	100088	1,7	0,2	-2,6	10
MSCI EM Asia *	860	0,5	1,4	4,7	10
Shanghai Comex (China)	2975	0,6	-0,2	2,4	19
Jakarta (Indonesia)	6180	-0,8	-1,2	2,1	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	152,7	1,4	1,9	15,1	32
JPM	129,0	0,9	2,0	15,0	32
Citi	74,7	1,1	1,5	11,9	43
BoA	32,4	1,8	1,6	16,4	31
MS	48,5	2,4	3,4	20,4	22
GS	220,1	1,3	1,1	11,6	32
EZ banks	78,7	2,1	0,2	12,9	14
BNP	48,4	2,6	0,8	14,9	23
Crédit Agricole	12,0	1,7	-0,3	13,7	27
Deutsche Bank	6,8	3,3	-0,7	3,8	-2
ING	10,4	1,8	0,4	14,3	10
Intesa	2,3	1,3	1,1	10,1	19
SG	26,5	2,6	0,7	13,7	-5
Unicredit	11,8	2,2	1,7	15,5	19
UK banks	74,6	0,9	-1,3	8,6	2
HSBC	596,3	1,3	0,3	-1,1	-8
RBS	216,5	0,8	-3,2	11,9	0
Barclays	168,1	0,6	-1,4	18,3	12
Lloyds	57,9	1,0	-1,8	12,1	12
Large Spanish banks	58,0	3,0	-3,3	7,0	-1
Santander	3,7	3,0	-6,5	6,0	-6
BBVA	4,9	2,9	-0,2	7,8	5
Medium Spanish banks	50,7	2,3	2,9	14,1	-12
Caixabank	2,7	1,4	5,7	16,9	-15
Sabadell	1,0	2,0	0,4	15,0	1
Bankinter	6,5	2,5	2,5	16,1	-8
Bankia	1,8	4,4	3,2	7,5	-30

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,115	-0,2	0,4	1,6	-3
GBPUSD	1,291	-0,3	0,4	4,7	1
USDJPY	108,560	-0,3	0,4	-1,5	1
DXY	97,441	0,2	-0,3	-1,4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,71	0,0	-0,4	-3,3	-37
USDBRL (Brazil)	4,00	-0,2	-0,1	2,1	-3
USDCOP (Chile)	739,97	0,1	-2,2	-3,0	-6
USDCOP (Colombia)	3322	0,1	1,83	3,89	-2
USDMXN (Mexico)	19,14	-0,1	-0,1	2,7	3
USDPEN (Peru)	3,33	0,3	-0,1	1,2	1
LACI	51,33	-0,3	-0,3	1,2	-5
USDPLN (Poland)	3,83	-0,5	0,6	3,2	-2
USD RUB (Russia)	63,36	0,2	0,6	2,8	9
USDTRY (Turkey)	5,73	-0,3	0,0	-0,7	-8
USDCNY (China)	7,03	0,1	0,5	1,7	-2
USDINR (India)	70,77	0,1	0,2	0,2	-1
USDIDR (Indonesia)	14014	0,2	0,1	1,1	3
ADXY	104,25	0,1	0,4	1,1	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,7	1,7	1,9	9	17
WTx	57	2,1	2,8	9	26
Copper	266	0,4	-0,4	5	1
Gold	1507	-0,5	1,0	0	18
S&P Spot commodity *	417	2,3	0,7	5	11
S&P Brent Spot *	525	3,5	0,7	7	15
S&P Metals Spot *	329	1,3	0,3	3	3
S&P Agricultural *	287	0,5	0,8	2	1

Source: Bloomberg, Datastream and Haver

* With one day delay