

Market Comment

Markets wait for more clues on trade negotiations

- **Three-day risk-on rally halted** as investors await new developments on the U.S.-China trade negotiations in absence of relevant economic data.
- **The IMF cut its earlier estimates for this year's Eurozone growth** from 1.3% to 1.2% as the deterioration of the manufacturing sector could spill over into the services sector, while revising down the growth in 2020 and 2021 by 0.1% to 1.4% . Separately, Germany's Council of Economic Experts' downgraded Germany's growth forecast for this year from 0.8% to 0.5% and for next year from 1.7% to 0.9%.
- On the trade front, China is pressing the U.S. to eliminate more tariffs, but it is still unclear to what extent the U.S. is willing to compromise.
- Today's key economic indicator was **Germany's factory orders**, which rose more than expected in September (1.3% m/m, consensus 0.1% m/m, previous -0.4% m/m), but orders were still down by 5.4% y/y. Both domestic and foreign contracts increased by 1.6% and 1.1% respectively. Moreover, October's Eurozone Markit composite PMI was slightly revised up (50.6, consensus 50.2, previous 50.2), remaining near stagnation.
- The yield on the 10Y UST bond declined 3bps, trimming partially yesterday's jump. European sovereign bond yields also inched down (10Y Ger -2bps), except for Italy whose risk premium widened by 1.4bps. **The 10Y UK gilt yield led the losses in Europe** (-6bps) with the political campaign period starting officially. Regarding monetary policy, the Fed's Williams said the Fed will be data dependent, while the Fed's Evans said it would have to respond to a significant negative shock. In this context, market expectations of an additional Fed rate cut by June rose marginally to 53%.
- **G10 currencies showed minor changes.** The DXY index inched down (-0.1%), alongside the sterling ahead of tomorrow's BoE policy decision. The Japanese yen appreciated slightly (USDJPY +0.2%), while the euro remained unchanged, trimming early modest gains. Elsewhere, EM currencies depreciated in general (FXJPMECS index - 0.3%) with **the Brazilian real falling sharply (USDBRL -2%)** led by the absence of foreign firms in the auction of oil deposits, thwarting expectations of strong dollar inflows. The LatAm currencies index was also dragged down by the Colombian peso (USDCOP -0.6%). Moreover, the offshore yuan breached the 7 USD threshold.
- In commodities, **oil prices fell** (Brent -1.1%) after the U.S. crude oil inventories increased more than expected last week, also supported by the OPEC willingness to maintain their current output targets rather than cutting them.
- **Stock markets were mixed** with the S&P 500 consolidating levels near record highs, whereas the Euro Stoxx 50 edged higher (+0.2%), led by consumer staples.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,60	-2,6	0,1	14	-89
US	1,83	-3,2	5,5	27	-86
GER (2-yr)	-0,64	0,1	-0,2	14	-3
Germany	-0,33	-2,1	2,4	25	-57
France	-0,03	-2,2	2,3	24	-74
Spain	0,30	-3,1	1,5	16	-112
Italy	1,02	-0,7	3,1	17	-172
Portugal	0,22	-2,6	1,0	9	-150
Greece	1,20	-0,7	-0,1	-23	-320
Japan (2-yr)	-0,19	4,7	2,7	14	-5
Japan	-0,08	4,3	3,0	14	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,49	4,8	1,3	-54	-275
Chile	2,88	-5,8	-12,3	41	-138
Colombia	6,10	0,7	-1,0	11	-65
Mexico	6,78	-4,2	-1,9	0	-186
Peru	3,76	1,2	-4,3	16	-160
Poland	2,02	0,5	-0,3	13	-81
Russia	6,50	-0,9	-5,9	-47	-228
Turkey	12,54	24,0	-33,0	-84	-326
India	6,50	-2,3	0,0	-18	-87
Indonesia	6,99	3,3	-3,0	-26	-104

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0,1	-0,1	-1	-17
Italy	135	1,4	0,7	-8	-115
Portugal	55	-0,5	-1,4	-16	-93
Spain	63	-1,0	-0,9	-9	-55
2-yr sovereign spread vs Germany					
France	5	-0,7	0,3	-4	-11
Italy	45	-0,9	-1,1	-8	-64
Portugal	8	-0,4	-1,8	-7	-18
Spain	22	0,8	-0,7	-3	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	116	1,6	-1	-21	-91
Chile	42	3,1	4	6	-21
Colombia	77	1,0	0	-16	-82
Argentina	6513	98,8	154	985	5707
Mexico	86	0,5	-2	-28	-68
Peru	49	1,0	-2	-12	-45
Poland	66	0,0	0	-1	-2
Russia	73	-1,4	-2	-17	-81
Turkey	325	-1,4	-6	-32	-35
China	37	-1,0	-1	-11	-30
India	69	-3,0	-2	-4	-44
Indonesia	73	-1,1	-2	-20	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,2	1	-5	-13
VSTOXX	61	0,0	-2	-20	-5
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	-1	-3
EM FX volatility index	18	-0,1	2	-2	-7
Credit spread (BAA) (change in bps)	218	3,2	0	-10	-27
US bonds volatility index	7	0,1	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,01	-	4	9	-12
EZ Inflation expectations (5Y5Y)	1,25	-	3	13	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	-0,7	-2	-14	-36
EZ	51	-0,7	-1	-10	-53
UK	45	-0,9	-3	-18	-50
Large Spanish	37	-1,0	-2	-7	-51
Medium Spanish	77	-12,9	-13	-19	-35
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	227	1,4	8	10	13
EZ Non-financial	70	-1,3	-3	-11	-27
UK Non-financial	101	-0,5	0	-10	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	n.a.	n.a.
Euribor 3m	-0,41	0	-1	2	-10
Euribor 12m	-0,27	1	1	7	-15
Libor 3m	-0,46	0	1	2	-10
Libor 12m	1,89	0	-2	-12	-90

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3076	0,0	1,0	4,7	23
Dow Jones	27437	-0,2	0,9	3,6	18
Nikkei	23304	0,2	2,0	9,0	16
FTSE 100	7387	0,0	0,8	2,6	10
EuroStoxx 50	3685	0,2	1,8	6,2	23
IBEX	9390	-0,2	1,1	3,8	10
DAX	13173	0,2	2,0	8,9	25
CAC	5860	0,2	1,6	6,1	24
MB	23344	-0,1	3,1	7,8	27
ASE Athens	860	-1,5	-1,8	3,7	40
MSCI Latam *	96752	-0,1	0,6	3,6	12
Ibovespa (Brazil)	108645	-0,1	0,2	8,0	24
Mexbol (Mexico)	43687	0,2	-0,1	1,7	5
Merval (Argentina)	35523	-3,7	4,8	14,8	17
MSCI EM Europe *	6270	0,4	1,9	8,9	19
Poland	2255	-0,8	1,3	6,3	-1
Micex 10 (Russia)	5148	0,8	2,2	9,4	23
Ise 100 (Turkey)	101144	0,6	2,5	-1,8	11
MSCI EM Asia *	880	0,7	2,9	7,1	12
Shanghai Com (China)	2979	-0,4	1,3	2,5	19
Jakarta (Indonesia)	6218	0,6	-1,0	2,6	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	153,4	0,0	3,2	13,6	33
JPM	129,6	0,4	3,1	13,3	33
Citi	74,5	-0,5	2,0	9,3	43
BoA	33,0	0,5	4,3	16,5	34
MS	48,6	-0,4	5,0	19,4	22
GS	218,0	-0,3	1,0	8,8	31
EZ banks	80,4	0,8	4,9	14,4	17
BNP	49,7	1,3	6,0	16,7	26
Crédit Agricole	12,1	0,6	3,8	14,0	29
Deutsche Bank	6,9	-0,1	4,3	6,9	-1
ING	10,6	0,1	4,1	14,8	12
Intesa	2,3	-0,6	3,4	10,3	20
SG	27,8	3,1	8,3	18,3	0
Unicredito	12,1	1,0	5,2	17,5	22
UK banks	74,3	-0,6	0,5	7,7	2
HSBC	597,8	0,0	1,7	-1,1	-8
RBS	214,9	-0,7	0,6	10,2	-1
Barclays	168,2	-0,6	-0,1	16,5	12
Lloyds	57,3	-1,3	-0,5	10,9	11
Large Spanish banks	58,5	-0,9	2,5	6,3	0
Santander	3,8	-0,8	1,2	5,5	-6
BBVA	4,9	-1,0	3,6	6,9	6
Medium Spanish banks	50,7	-1,9	3,9	13,5	-12
Caixabank	2,7	-1,9	8,9	16,9	-14
Sabadell	1,0	-1,3	2,4	16,2	3
Bankinter	6,4	-2,2	1,2	13,7	-9
Bankia	1,8	-2,6	6,0	7,8	-30

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,107	0,0	-0,7	0,9	-3
GBPUSD	1,287	-0,1	-0,2	4,7	1
USDJPY	108,960	0,2	-0,1	-1,6	1
DXY	97,934	-0,1	0,3	-1,0	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,65	0,0	0,1	-3,1	-37
USDBRL (Brazil)	4,07	-1,9	-1,9	1,0	-5
USDCOP (Chile)	741,00	1,0	-0,3	-3,1	-6
USDCOP (Colombia)	3331	-0,6	1,73	3,62	-2
USDMXN (Mexico)	19,20	-0,1	-0,6	1,9	2
USDPEN (Peru)	3,34	-0,1	0,1	1,3	1
LACI	50,98	-0,6	-0,8	0,5	-6
USDPLN (Poland)	3,85	0,0	-0,8	2,4	-3
USD RUB (Russia)	63,90	-0,7	-0,2	1,7	9
USDTRY (Turkey)	5,76	-0,2	-1,1	1,2	-8
USDCNY (China)	7,00	0,2	0,8	2,1	-2
USDINR (India)	70,99	-0,4	-0,1	0,1	-2
USDIDR (Indonesia)	14023	-0,4	0,1	1,0	3
ADXY	104,38	-0,1	0,4	1,2	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,3	-1,1	2,8	7	16
WTx	57	-0,7	3,2	8	25
Copper	270	0,0	0,5	5	3
Gold	1491	0,5	-0,3	0	16
S&P Spot commodity *	422	0,7	2,5	6	13
S&P Brent Spot *	536	1,3	4,5	8	17
S&P Metals Spot *	331	0,0	0,6	3	4
S&P Agricultural *	286	0,4	0,1	2	1

Source: Bloomberg, Datastream and Haver

* With one day delay