

Market Comment

Cautiousness on renewed trade deal uncertainty

- Markets were cautious amid lower prospects of a limited trade deal and thin volume due to Veterans Days in the U.S.
- Trade developments remain in the spotlight. There was some **trade pessimism** after the U.S. President, Trump, said he had not yet agreed to roll back existing tariffs on Chinese goods. Separately, escalating violence in **Hong Kong** added noise in financial markets.
- On the data front, the **UK GDP** advanced 0.3% q/q in the third quarter, broadly in line with the consensus (consensus 0.4% q/q, previous -0.2% q/q) with exports increasing significantly. Nonetheless, the year-on-year figures were the weakest in almost a decade. Moreover, **China's CPI** rose more than expected to a seven-year high in October led by rising pork prices (3.8% y/y, consensus 3.4% y/y, previous 3% y/y).
- The Treasury market remained closed today for the **Veteran's Day holiday**. In the eurozone, sovereign bond yields inched up (10Y Ger +2bps), especially in the periphery. The Italian risk premium widened by 5bps, more than the **Spanish risk premium** despite the fact that the latter's election results deepened political deadlock.
- The pound outperformed** its G10 (GBPUSD +0.7%) and emerging peers after the leader of the Brexit party, **Farage**, pledged not to fight the ruling party, suggesting the market will price in Conservatives winning with a majority. The Conservatives only need nine more seats to achieve a working majority government and leave by the end of January with a deal. The Japanese yen and the Swiss franc appreciated due to its haven appeal, while the USD weakened (DXY index -0.2%). Moreover, the euro gained marginally (EURUSD +0.2%) ahead of this week's U.S. decision regarding tariffs on EU car imports. Elsewhere, **EM currencies depreciated in general** (FXJPMECS index -0.2%) with the Chilean peso heading towards new lows (USDCLP -1.7%) amid a new constitution under study. The only exception was the Brazilian real, which appreciated 0.5% against the USD after the former president Lula's release from prison.
- The **Hang Seng index dropped sharply** (-2.6%) driven by fresh unrest in Hong Kong. In addition, U.S. equities also edged lower as trade optimism dampened, with cyclical sectors leading the losses, while European stocks were mixed.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,67	0,0	9,2	13	-81
US	1,94	0,0	16,5	27	-74
GER (2-yr)	-0,61	0,5	3,8	10	0
Germany	-0,24	1,9	10,7	23	-49
France	0,05	3,0	9,6	19	-66
Spain	0,43	4,1	12,0	20	-99
Italy	1,26	6,8	26,6	30	-148
Portugal	0,35	2,7	11,7	15	-137
Greece	1,37	3,6	17,5	-8	-303
Japan (2-yr)	-0,19	-2,4	7,3	11	-5
Japan	-0,06	-1,3	11,3	14	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,65	-4,2	23,2	-19	-259
Chile	2,77	-0,3	-24,1	32	-148
Colombia	6,20	0,0	16,0	18	-56
Mexico	6,88	0,9	7,1	13	-177
Peru	3,84	4,9	14,9	38	-153
Poland	2,18	0,0	20,5	24	-65
Russia	6,62	6,2	10,6	-23	-216
Turkey	12,24	-15,0	-1,0	-189	-356
India	6,57	1,2	9,4	11	-80
Indonesia	7,02	4,6	3,7	-25	-100

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	1,1	-1,1	-3	-17
Italy	151	4,9	15,9	8	-100
Portugal	60	0,8	1,0	-8	-89
Spain	67	2,2	1,3	-2	-50
2-yr sovereign spread vs Germany					
France	4	-0,2	-1,4	-3	-11
Italy	54	4,1	7,9	4	-55
Portugal	12	2,1	0,9	-1	-14
Spain	23	0,1	0,0	0	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	118	3,3	0	-21	-89
Chile	43	0,8	1	6	-21
Colombia	76	1,1	-3	-18	-83
Argentina	7698	572,7	1288	2650	6892
Mexico	85	0,9	-4	-30	-70
Peru	49	1,5	-2	-12	-46
Poland	65	-0,5	-1	-2	-3
Russia	72	0,9	-4	-19	-82
Turkey	314	2,1	-18	-72	-46
China	37	0,4	-4	-12	-31
India	70	0,8	-3	-4	-43
Indonesia	72	-0,3	-4	-20	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,9	0	-5	-12
VSTOXX	64	0,0	4	-16	-2
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	-1	-3
EM FX volatility index	18	0,4	0	-1	-7
Credit spread (BAA) (change in bps)	211	0,0	-6	-16	-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)	2,05	-	6	13	-8
EZ Inflation expectations (5Y5Y)	1,27	-	3	11	-34
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	0,2	-1	-14	-36
EZ	52	0,8	-1	-9	-53
UK	46	0,5	-2	-17	-49
Large Spanish	37	0,5	-2	-7	-50
Medium Spanish	86	-4,9	-4	-11	-27
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	282	37,8	49	56	69
EZ Non-financial	69	-0,5	-4	-12	-28
UK Non-financial	100	0,0	-3	-10	-19

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,39	0	0	2	-9
Euribor 12m	-0,26	0	1	6	-15
Libor 3m	-0,46	0	1	2	-10
Libor 12m	1,90	0	1	-8	-90

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3082	-0,3	0,1	4,9	23
Dow Jones	27575	-0,4	0,4	4,1	18
Nikkei	23332	-0,3	2,1	8,3	17
FTSE 100	7324	-0,5	-0,6	1,9	9
EuroStoxx 50	3699	0,0	0,9	5,9	23
IBEX	9400	0,1	-0,2	3,2	10
DAX	13209	-0,1	0,6	8,6	25
CAC	5899	0,2	1,3	5,9	25
MB	23489	-0,2	0,8	8,0	28
ASE Athens	856	-1,0	-2,7	2,0	40
MSCI Latam *	96015	-1,4	-0,4	4,1	11
Ibovespa (Brazil)	107626	0,0	-1,1	5,7	22
Mexbol (Mexico)	43661	-0,1	-0,4	1,7	5
Merval (Argentina)	33963	-0,5	-8,9	7,0	12
MSCI EM Europe *	6299	-1,2	1,7	9,0	19
Poland	2255	0,0	-0,4	6,2	-1
Micex 10 (Russia)	5167	0,0	2,1	9,8	23
Ise 100 (Turkey)	103118	0,0	3,0	4,4	13
MSCI EM Asia *	878	-0,5	2,1	6,8	12
Shanghai Com (China)	2910	-1,8	-2,2	-1,3	17
Jakarta (Indonesia)	6149	-0,3	-0,9	2,0	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	154,5	-0,5	1,0	14,1	34
Citi	129,7	-0,5	0,7	13,6	33
Citi	75,8	-0,5	0,8	10,4	46
BoA	33,1	-0,5	2,2	16,4	34
MS	49,1	-0,1	0,5	19,6	24
GS	220,2	-1,2	0,1	10,2	32
EZ banks					
BNP	82,1	0,4	4,2	14,5	19
BNP	50,5	-0,5	4,2	15,5	28
Crédit Agricole	12,4	1,3	3,8	15,9	32
Deutsche Bank	6,9	-0,2	0,6	6,5	-1
ING	10,8	0,2	3,7	13,7	14
Intesa	2,3	0,2	1,8	9,2	21
SG	28,8	1,4	8,4	20,0	4
Unicredito	12,5	-0,8	6,3	18,4	26
UK banks					
HSBC	75,0	1,9	0,7	7,7	3
HSBC	585,8	-1,6	-1,7	-2,0	-9
RBS	221,9	4,2	2,4	13,3	2
Barclays	171,3	2,9	1,9	14,8	14
Lloyds	58,6	4,1	1,4	11,3	13
Large Spanish banks					
Santander	58,7	-0,3	1,0	5,1	1
BBVA	3,7	-0,5	0,4	2,9	-6
BBVA	5,0	-0,1	1,5	7,0	7
Medium Spanish banks					
Caixabank	51,3	0,1	1,0	11,6	-11
Sabadell	2,8	-0,6	2,7	15,1	-13
Sabadell	1,0	0,5	2,7	15,8	4
Bankinter	6,4	0,3	-0,3	10,6	-8
Bankia	1,8	-0,1	0,0	6,1	-29

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,104	0,2	-0,8	0,3	-4
GBPUSD	1,286	0,7	-0,2	3,3	1
USDJPY	109,060	0,2	-0,4	-1,0	1
DXY	98,179	-0,2	0,7	-0,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,81	-0,5	-0,2	-3,1	-37
USDBRL (Brazil)	4,15	0,5	-3,1	-0,9	-6
USDCLP (Chile)	760,43	-1,7	-2,7	-5,6	-9
USDCOP (Colombia)	3339	0,0	-0,48	3,61	-3
USDMXN (Mexico)	19,10	0,0	0,4	1,8	3
USDPEN (Peru)	3,36	-0,1	-0,9	0,1	0
LACI	50,58	0,0	-1,2	-0,4	-7
USDPLN (Poland)	3,87	0,0	-0,9	1,2	-3
USD RUB (Russia)	63,88	-0,1	-0,5	0,9	9
USDTRY (Turkey)	5,78	-0,2	-0,7	1,0	-8
USDCNY (China)	7,01	-0,2	0,3	1,5	-2
USDINR (India)	71,47	-0,3	-1,0	-0,6	-2
USDIDR (Indonesia)	14067	-0,4	-0,4	0,6	2
ADXY	104,21	-0,3	0,0	0,7	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,4	-0,2	0,4	6	16
WTx	57	-0,4	0,8	6	26
Copper	266	-0,7	-0,3	2	1
Gold	1456	-0,2	-3,6	-3	14
S&P Spot commodity *	419	0,1	0,0	4	12
S&P Brent Spot *	529	0,1	0,0	6	16
S&P Metals Spot *	329	-0,6	-0,6	1	3
S&P Agricultural *	286	0,4	0,3	2	1

Source: Bloomberg, Datastream and Haver

* With one day delay