

Market Comment

Concerns over a trade war escalation weigh on market risk sentiment

- Yesterday's speech at the New York Economic Club by the U.S. President provided little new insight into the progress of U.S.-China trade talks. Trump said that a deal could happen soon, but **threatened with more tariffs** if there is no deal with China, which weighed on market sentiment.
- October's U.S. inflation data** supported the Fed's monetary pause. The U.S. CPI unexpectedly rose to 1.8% y/y (cons. 1.7% y/y, previous 1.7% y/y), but core CPI inched down unexpectedly (2.3% y/y, cons. 2.4% y/y, previous 2.4% y/y). In Europe, the **UK CPIH** index declined more than expected in October to 1.5% y/y (cons. 1.6% y/y, previous 1.7% y/y) dragged down by electricity and gas as a result of changes to the energy price cap, while core CPI remained unchanged at 1.7% y/y.
- Sovereign bond yields** dropped broadly, trimming their recent increase, as the risk-off mood inched up after uncertainty over a U.S.-China trade deal re-emerged (10Y US -5bps, 10Y Ger -5bps) with the 10-2Y yield curve flattening across the board. Ahead of today's Q&A session at the Joint Economic Committee of Congress, Mr. Powell's prepared remarks and mixed CPI data had a mute impact on bonds. The Fed Chair, **Powell, reiterated its current monetary stance** delivered in the last FOMC. In Europe, the yield on the 10Y UK gilt led the losses also supported by a lower than expected inflation, while the peripheral risk premia widened significantly with Italy leading the way.
- In general, **G10 currencies continued to move in a narrow range** with safe-haven currencies gaining (USDJPY +0.2%). The DXY index appreciated marginally, while the euro slipped slightly ahead of today's U.S. decision regarding tariffs on European cars. The pound also inched down with UK macroeconomic data having a mute impact on the currency as investors await new Brexit developments. In addition, **emerging markets currencies depreciated broadly** (FXJPEMCS index -0.4%), especially in Latin America underpinned by mounting local risks (LACI index -0.6%). The Chilean peso continued to depreciate sharply (USDCLP -1.4%), hitting new record lows to 798 per USD, supported by Chile's central bank comments on intervening in the peso in case of drastic volatility. The only exception was the Turkish lira, which appreciated by 0.5% against the USD.
- In **commodities**, gold prices inched up (+0.3%) due to the commodity's haven appeal, alongside the oil prices (Brent +0.7%) as OPEC sees the potential for a cut in the projected oil supply from countries outside the group next year.
- Global stock markets tilted to the downside** with investors moving away from cyclicals. European indexes inched down with the banking sector falling sharply (EZ banks -2%). Moreover, Asian equities also declined, especially the Hang Seng index (-1.8%), while U.S. equities were steady.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,64	-2,0	3,4	5	-85
US	1,88	-5,2	5,4	15	-80
GER (2-yr)	-0,62	0,0	1,4	8	-1
Germany	-0,30	-4,8	3,3	16	-54
France	0,01	-3,5	5,0	16	-70
Spain	0,45	0,7	15,9	24	-97
Italy	1,25	2,8	24,2	33	-150
Portugal	0,37	0,3	14,6	19	-136
Greece	1,41	0,9	21,2	-2	-299
Japan (2-yr)	-0,19	-2,6	0,1	11	-5
Japan	-0,04	-2,2	3,7	14	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,71	-6,0	19,4	5	-253
Chile	3,09	14,8	23,5	55	-117
Colombia	6,36	2,7	25,8	33	-40
Mexico	6,98	3,2	21,0	24	-166
Peru	3,98	17,6	21,1	49	-138
Poland	2,09	-6,3	7,1	11	-74
Russia	6,70	6,6	19,4	-8	-208
Turkey	12,10	-10,0	-44,0	-303	-370
India	6,53	-3,5	4,0	5	-84
Indonesia	7,07	2,8	7,9	-16	-96

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	1,3	1,7	0	-15
Italy	155	7,6	20,9	18	-96
Portugal	67	5,1	11,3	3	-82
Spain	75	5,5	12,6	8	-42
2-yr sovereign spread vs Germany					
France	4	-0,9	-1,1	-4	-12
Italy	56	3,0	12,0	10	-53
Portugal	16	2,2	6,9	4	-10
Spain	25	0,4	2,2	1	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	121	1,3	4	-12	-87
Chile	48	4,8	6	13	-15
Colombia	79	3,3	2	-10	-79
Argentina	8247	548,5	1734	3583	7441
Mexico	89	3,5	3	-21	-66
Peru	52	2,5	3	-7	-43
Poland	66	0,6	0	-1	-2
Russia	72	-0,5	-1	-14	-82
Turkey	311	-1,7	-14	-78	-49
China	37	-0,5	0	-8	-31
India	69	-0,9	-1	-5	-45
Indonesia	72	-1,3	-1	-15	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,5	1	-1	-12
VSTOXX	70	0,0	8	-10	3
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	-1	-3
EM FX volatility index	19	-0,1	1	2	-6
Credit spread (BAA) (change in bps)	214	5,2	2	-11	-32
US bonds volatility index	7	0,0	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,07	-	0	12	-7
EZ Inflation expectations (5Y5Y)	1,25	-	-1	7	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	0,0	0	-9	-36
EZ	61	-1,3	0	-5	-68
UK	52	-3,4	-1	-16	-57
Large Spanish	38	-0,2	1	-4	-49
Medium Spanish	88	-2,1	11	-9	-24
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	214	-67,7	-13	1	1
EZ Non-financial	69	0,3	-1	-7	-28
UK Non-financial	100	-0,6	-1	-6	-19

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,40	0	0	1	-9
Euribor 12m	-0,26	-1	1	4	-14
Libor 3m	-0,45	0	0	1	-10
Libor 12m	1,91	0	1	-10	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3095	0,1	0,6	4,3	23
Dow Jones	27730	0,1	0,9	3,5	19
Nikkei	23320	-0,9	0,1	7,0	17
FTSE 100	7351	-0,2	-0,6	1,9	9
EuroStoxx 50	3700	-0,3	0,3	4,0	23
IBEX	9195	-1,2	-2,2	-0,6	8
DAX	13230	-0,4	0,4	6,0	25
CAC	5907	-0,2	0,7	4,7	25
MB	23578	-0,9	0,9	6,7	29
ASE Athens	871	0,5	1,3	1,8	42
MSCI Latam *	95077	-1,3	-1,7	0,8	10
Ibovespa (Brazil)	105950	-0,8	-2,2	1,6	21
Mexbol (Mexico)	43133	0,1	-1,6	-0,4	4
Merval (Argentina)	32837	-1,8	-7,5	3,3	8
MSCI EM Europe *	6251	-0,3	-0,3	6,9	18
Poland	2236	-0,6	-0,9	4,0	-2
Micex 10 (Russia)	5123	-0,6	-0,5	9,2	22
Ise 100 (Turkey)	104828	0,8	3,6	11,5	15
MSCI EM Asia *	872	0,6	-0,8	4,6	12
Shanghai Com (China)	2905	-0,3	-2,5	-3,4	16
Jakarta (Indonesia)	6143	-0,1	-1,9	0,6	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	152,8	-0,8	-0,2	10,1	32
JPM	128,3	-0,6	-0,8	10,2	31
Citi	74,6	-0,7	0,2	6,2	43
BoA	32,8	-1,0	-0,1	12,5	33
MS	48,5	-1,1	-0,2	14,7	22
GS	218,9	-0,7	0,2	6,4	31
EZ banks	81,3	-2,0	0,8	9,3	18
BNP	50,2	-1,4	0,6	10,5	27
Crédit Agricole	12,5	-1,9	2,7	11,0	32
Deutsche Bank	6,7	-4,4	-4,1	-2,9	-5
ING	10,6	-2,3	-0,3	7,4	12
Intesa	2,3	-1,4	0,3	7,6	21
SG	28,2	-2,1	1,0	11,7	1
Unicredito	12,5	-2,2	3,2	14,8	26
UK banks	74,9	-1,0	0,5	1,4	3
HSBC	574,2	-2,5	-4,0	-5,5	-11
RBS	222,3	0,0	2,9	3,3	3
Barclays	170,9	-1,1	1,5	8,4	14
Lloyds	59,6	0,0	3,8	3,1	15
Large Spanish banks	56,2	-3,4	-4,0	-1,0	-4
Santander	3,6	-3,5	-3,0	-4,9	-10
BBVA	4,8	-3,3	-5,2	2,6	3
Medium Spanish banks	48,5	-3,0	-4,6	1,5	-16
Caixabank	2,6	-2,1	-5,1	2,8	-18
Sabadell	1,0	-3,0	-3,7	2,6	-1
Bankinter	6,1	-3,7	-4,3	2,6	-13
Bankia	1,7	-3,4	-6,9	-4,3	-35

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,100	-0,1	-0,6	-0,3	-4
GBPUSD	1,283	-0,1	-0,2	1,8	1
USDJPY	108,830	0,2	0,1	-0,4	1
DXY	98,372	0,1	0,4	-0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,72	0,0	-0,1	-2,8	-37
USDBRL (Brazil)	4,18	-0,3	-2,4	-1,2	-7
USDCOP (Chile)	794,97	-1,4	-6,8	-10,4	-13
USDCOLP (Colombia)	3437	-0,8	-2,89	-0,14	-5
USDMXN (Mexico)	19,43	-0,6	-1,5	-0,8	1
USDPEN (Peru)	3,39	-0,3	-1,6	-0,8	-1
LACI	49,75	-0,6	-2,5	-2,3	-8
USDPLN (Poland)	3,90	-0,3	-1,2	-0,1	-4
USD RUB (Russia)	64,32	-0,1	-0,7	-0,1	8
USDTRY (Turkey)	5,75	0,5	0,1	3,1	-8
USDCNY (China)	7,02	-0,2	-0,4	0,2	-2
USDINR (India)	72,09	-0,9	-1,5	-1,2	-3
USDIDR (Indonesia)	14079	-0,2	-0,4	0,4	2
ADXY	103,98	-0,1	-0,3	0,5	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,5	0,7	1,2	5	16
WTx	57	0,8	1,6	7	26
Copper	264	-0,2	-1,0	0	0
Gold	1461	0,3	-2,0	-2	14
S&P Spot commodity *	417	0,2	0,1	3	11
S&P Brent Spot *	523	-0,4	-0,5	4	14
S&P Metals Spot *	323	-0,3	-1,8	1	1
S&P Agricultural *	288	1,4	1,1	0	1

Source: Bloomberg, Datastream and Haver

* With one day delay