

Market Comment

Trade talks swing from optimistic to pessimistic

■ **U.S.-China trade developments remain the main driver in markets amid a light economic calendar.** U.S. and Chinese trade negotiators held “constructive discussions” in a phone call on Saturday to address each side’s core concerns of phase one of the trade deal. Nonetheless, **early risk appetite eased** after reports that Chinese officials are pessimistic about the prospect of a trade deal.

■ Last Friday U.S. industrial production, retail sales and Empire manufacturing were weaker than expected, leading **Fed’s GDPNowcast models to be revised downward for 4Q 2019 GDP** growth estimated to around 0.3-0.4% SA QoQ Ann from around 0.7-1%.

■ **The yield on the 10Y UST erased early gains (-2bps)** on the back of negative trade headlines. In Europe, peripheral bonds outperformed core and semi-core bonds with their risk premia narrowing. Regarding **monetary policy**, ECB’s members remain split. German officials, Jens Weidmann and Madis Muller, warned that the ECB has reached its lower zero bound, while ECB’s Philips Leane said that the European monetary authority has not reached the limit yet.

■ **Sterling outperformed** today against its G10 peers (GBPUSD +0.5%) as the Conservatives still lead the latest opinion polls. The Japanese yen gained marginally, as did the Swiss Franc, due to its safe-haven appeal. **The USD depreciated slightly** (DXY index -0.3%) after Friday’s US weak data, while today’s meeting between President Trump and Jerome Powell also increased downward pressure on the USD, despite the fact that the Fed Chairman’s comments were consistent with his remarks at his congressional hearings last week ([see](#)). Elsewhere, **LatAm currencies were mixed** with the Colombian peso leading the losses (USDCOP -0.7%). Nonetheless, the Chilean peso extended its Friday’s gains on hopes over a new constitution.

■ In commodities, **oil prices fell** significantly (Brent -2%) as the uncertainty on a trade deal has increased concern over global demand, while Aramco’s IPO failed to attract foreign investors’ interest. On the other hand, gold prices inched up modestly.

■ **European stock markets edged lower** with investors moving away from cyclical as market risk sentiment soured. The Euro Stoxx 50 fell by 0.3%, dragged down by automobiles as the industry slows down. Meanwhile, U.S. stock indices remained close to all-time highs.

UPDATE 17:30 CET 18 NOVEMBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	-1,8	-8,2	-1	-90
US	1,81	-2,4	-13,5	5	-88
GER (2-yr)	-0,63	0,8	-1,3	4	-2
Germany	-0,34	-0,1	-9,0	7	-58
France	-0,03	-0,7	-7,8	9	-74
Spain	0,41	-2,7	-1,7	19	-100
Italy	1,21	-2,7	-5,5	32	-154
Portugal	0,35	-2,4	-0,7	17	-137
Greece	1,44	-3,2	7,6	5	-296
Japan (2-yr)	-0,20	-0,7	-1,1	5	-6
Japan	-0,08	-0,9	-1,4	7	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,67	-3,0	1,4	11	-256
Chile	2,86	-3,8	9,4	17	-139
Colombia	6,34	2,9	14,2	28	-41
Mexico	6,90	0,0	2,8	4	-174
Peru	3,84	-0,6	3,5	35	-152
Poland	2,10	-0,7	-8,0	9	-73
Russia	6,61	0,7	-0,6	-16	-217
Turkey	12,05	0,0	-19,0	-284	-375
India	6,48	-4,1	-8,4	-1	-89
Indonesia	7,02	-0,7	0,1	-13	-100

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0,7	1,1	1	-16
Italy	154	-2,6	3,5	24	-96
Portugal	68	-2,3	8,3	10	-80
Spain	75	-2,6	7,3	11	-43
2-yr sovereign spread vs Germany					
France	3	-0,9	-0,9	-2	-12
Italy	66	-2,8	12,1	25	-42
Portugal	14	-3,6	1,2	3	-12
Spain	25	-1,2	2,2	3	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	122	-1,6	3	-10	-86
Chile	49	-3,5	6	15	-15
Colombia	82	-1,1	7	-5	-76
Argentina	8135	381,0	436	2893	7328
Mexico	91	-1,3	6	-17	-64
Peru	53	-1,3	4	-4	-42
Poland	65	-0,7	0	-2	-3
Russia	72	0,1	0	-9	-82
Turkey	306	-2,4	-7	-92	-53
China	39	-1,8	2	-5	-29
India	71	-1,4	1	-3	-43
Indonesia	73	-1,8	1	-13	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,6	0	-1	-13
VSTOXX	62	0,0	-3	-16	-5
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,1	1	-1	-2
EM FX volatility index	18	-0,3	-1	2	-7
Credit spread (BAA) (change in bps)	216	2,2	5	-6	-29
US bonds volatility index	7	-0,1	0	-1	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,05	-	0	10	-8
EZ Inflation expectations (5Y5Y)	1,24	-	-3	2	-37
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-0,3	1	-4	-35
EZ	54	-0,7	2	1	-51
UK	48	0,4	2	-2	-46
Large Spanish	39	-0,4	2	-2	-49
Medium Spanish	86	-2,6	0	-10	-27
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	239	5,1	-43	30	26
EZ Non-financial	70	-0,5	1	-5	-27
UK Non-financial	101	-0,2	1	-3	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,40	0	-1	1	-9
Euribor 12m	-0,27	0	0	3	-15
Libor 3m	-0,46	0	0	1	-10
Libor 12m	1,90	0	0	-10	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3120	0,0	1,1	4,1	24
Dow Jones	28018	0,0	1,2	3,7	20
Nikkei	23417	0,5	0,4	4,3	17
FTSE 100	7305	0,0	-0,3	1,7	9
EuroStoxx 50	3700	-0,3	0,1	3,1	23
IBEX	9242	-0,2	-1,6	-1,1	8
DAX	13194	-0,4	0,0	4,3	25
CAC	5919	-0,3	0,4	4,3	25
MB	23422	-0,7	0,3	4,7	28
ASE Athens	888	0,3	3,8	3,4	45
MSCI Latam *	95482	0,7	-0,6	0,1	11
Ibovespa (Brazil)	107187	0,6	-1,1	2,1	22
Mexbol (Mexico)	43392	0,0	-0,5	-0,2	4
Merval (Argentina)	31852	0,0	-5,4	-0,4	5
MSCI EM Europe *	6228	0,4	-1,1	6,0	18
Poland	2230	-0,2	-1,1	2,6	-2
Micex 10 (Russia)	5073	-1,2	-1,8	5,6	21
Ise 100 (Turkey)	106846	1,4	3,6	12,6	17
MSCI EM Asia *	866	0,4	-1,4	2,0	11
Shanghai Com (China)	2909	0,6	0,0	-2,3	17
Jakarta (Indonesia)	6123	0,4	-0,9	-0,8	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	153,3	-0,2	-0,7	8,2	33
JPM	129,6	0,1	-0,2	7,7	33
Citi	74,0	-0,5	-2,1	6,4	42
BoA	32,9	0,0	-0,8	8,8	34
MS	48,9	-0,3	-0,5	12,5	23
GS	218,5	-0,8	-0,3	5,8	31
EZ banks	81,3	-0,4	-0,9	5,8	18
BNP	50,5	-0,3	-0,1	7,4	28
Crédit Agricole	12,5	-0,6	0,9	8,5	33
Deutsche Bank	6,6	0,7	-3,6	-7,2	-5
ING	10,5	-0,7	-2,4	3,3	11
Intesa	2,3	0,3	-0,6	5,0	21
SG	28,3	-0,8	-1,8	8,5	2
Unicredito	12,3	-1,2	-1,7	7,5	24
UK banks	75,0	0,2	-0,1	-2,0	3
HSBC	575,2	0,3	-1,9	-5,1	-11
RBS	224,7	0,0	1,4	-3,2	4
Barclays	170,7	0,0	-0,5	4,1	13
Lloyds	59,5	0,6	1,7	-2,3	15
Large Spanish banks	55,7	-1,1	-5,0	-4,1	-5
Santander	3,5	-1,2	-5,6	-8,5	-11
BBVA	4,7	-0,9	-4,4	-0,1	2
Medium Spanish banks	48,8	0,1	-5,0	-1,3	-15
Caixabank	2,6	0,3	-4,4	2,3	-17
Sabadell	1,0	-0,3	-5,7	-3,0	-1
Bankinter	6,1	0,0	-5,2	-0,9	-13
Bankia	1,7	0,4	-5,6	-6,3	-33

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,108	0,3	0,5	-0,4	-3
GBPUSD	1,297	0,5	0,9	0,6	2
USDJPY	108,620	0,2	0,4	0,0	1
DXY	97,733	-0,3	-0,5	0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,49	0,3	0,6	-2,0	-37
USDBRL (Brazil)	4,19	-0,1	-1,0	-0,6	-7
USDCPL (Chile)	772,66	0,6	-1,6	-7,8	-10
USDCOP (Colombia)	3450	-0,7	-3,30	0,02	-6
USDMXN (Mexico)	19,26	-0,4	-0,8	-0,3	2
USDPEN (Peru)	3,37	-0,2	-0,2	-0,6	0
LACI	50,04	-0,1	-1,0	-1,4	-8
USDPLN (Poland)	3,87	-0,1	0,0	-0,6	-4
USD RUB (Russia)	63,78	0,0	0,2	0,5	9
USDTRY (Turkey)	5,73	0,4	0,8	1,8	-8
USDCNY (China)	7,03	-0,2	-0,2	0,7	-2
USDINR (India)	71,84	-0,1	-0,5	-0,9	-3
USDIDR (Indonesia)	14079	0,0	-0,1	0,5	2
ADXY	104,18	-0,1	-0,1	0,6	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,1	-1,8	-0,1	4	15
WTx	57	-1,7	-0,2	5	25
Copper	263	-0,2	-1,2	2	0
Gold	1471	0,2	1,0	-1	15
S&P Spot commodity *	420	0,8	1,0	3	12
S&P Brent Spot *	531	1,6	1,2	5	16
S&P Metals Spot *	318	0,3	-1,9	-1	0
S&P Agricultural *	285	-0,6	0,6	-1	1

Source: Bloomberg, Datastream and Haver

* With one day delay