

Market Comment

Cautiousness amid concerns over U.S. consumption

- Investors were cautious, awaiting further progress in U.S.-China trade negotiations. **A weaker U.S. retail sales outlook spurred concerns about the resilience of the U.S. consumption and its economic outlook.**
- On the trade front, the U.S. issued a new 90-day extension yesterday allowing U.S. companies to continue doing business with **Huawei**. Investors remain sensitive to trade developments as doubts about the potential trade deal persist. Separately, the U.S. Senate is preparing a pro-democracy vote to support Hong Kong protesters, which may increase geopolitical tensions.
- Today's light economic agenda was focused on **U.S. housing starts**, which increased less than expected in October (1314k, cons. 1320k, previous 1266k), although previous figures were revised upward by 10k. The growth was underpinned by the recent pickup in new housing demand.
- Sovereign bonds were mixed.** The yield on the 10Y Treasury fell by 3bps amid disappointing retail sales and weaker-than-expected housing data in the U.S. In Europe, the 10Y German bond yield remained steady, whereas peripheral risk premia widened, underpinned by profit-taking into year-end (Italy +3.6bps to 158).
- With regard to **monetary policy**, the Fed's Williams comments at the annual SIFMA meeting had a mute impact on markets as he confirmed the Fed's stance from the previous FOMC. Market expectations of an addition Fed rate cut inched up marginally after yesterday's meeting between the U.S. President and the Fed Chair, with the former stating that the Fed's rates should be lower. Expectations of at least one additional Fed rate cut by June 2020 hover around 53%, while markets priced in a 73% of probability for December 2020.
- G10 currencies moved in a narrow range** amid a light economic agenda with commodity-linked currencies leading the gains. The Japanese yen appreciated slightly as the U.S. economic outlook glooms. Sterling slipped ahead of today's first election debate. Elsewhere, LatAm currencies continued to be under pressure as local social unrest lingers. The **Chilean peso** dropped sharply (USDCLP -1.8%) led by analysts' expectations of a contraction in Chile's economy in this quarter.
- In commodities, **oil prices extended yesterday's sharp drop** (Brent -1.7%) on the back of concerns over global oversupply as expectations of a further output reduction by the next month ease.
- U.S. and European stocks reversed early gains** due to the weakness of the U.S. retail sector.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,60	0,2	-6,2	3	-89
US	1,79	-2,8	-14,7	3	-90
GER (2-yr)	-0,63	-0,6	-0,9	3	-2
Germany	-0,34	-0,3	-8,7	4	-58
France	-0,03	0,2	-7,6	5	-74
Spain	0,43	1,4	-1,5	18	-99
Italy	1,24	3,3	2,4	32	-150
Portugal	0,37	2,3	0,8	17	-135
Greece	1,44	0,3	4,2	13	-296
Japan (2-yr)	-0,20	0,0	-4,1	3	-6
Japan	-0,08	-0,3	-6,0	5	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,80	6,8	3,3	25	-244
Chile	2,84	0,0	-10,3	13	-142
Colombia	6,34	0,0	1,4	28	-41
Mexico	6,93	3,2	-2,1	12	-171
Peru	3,79	-4,9	-1,9	27	-158
Poland	2,10	0,6	-5,0	7	-72
Russia	6,56	-5,5	-7,5	-13	-223
Turkey	11,87	-18,0	-33,0	-207	-393
India	6,48	-0,5	-8,8	-4	-89
Indonesia	7,03	1,0	-0,6	-11	-99

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,5	1,1	1	-16
Italy	158	3,6	11,1	27	-92
Portugal	71	2,6	9,5	13	-77
Spain	77	1,7	7,2	14	-41
2-yr sovereign spread vs Germany					
France	3	0,0	-1,4	-3	-12
Italy	68	1,8	15,5	27	-40
Portugal	16	1,8	2,6	6	-10
Spain	27	1,1	2,3	5	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	125	3,0	5	-4	-83
Chile	51	1,9	7	18	-13
Colombia	85	2,9	9	-1	-74
Argentina	8314	179,0	615	2976	7507
Mexico	94	2,5	8	-12	-61
Peru	55	2,0	6	0	-40
Poland	65	-0,3	-1	-2	-3
Russia	70	-1,5	-2	-6	-84
Turkey	300	-6,7	-13	-80	-60
China	38	-0,7	0	-4	-30
India	72	0,7	2	-1	-42
Indonesia	73	0,0	-1	-12	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,2	0	-2	-13
VSTOXX	64	0,0	-6	-14	-2
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	-1	-2
EM FX volatility index	18	-0,4	-1	2	-7
Credit spread (BAA) (change in bps)	216	2,8	8	-5	-29
US bonds volatility index	7	0,0	0	-1	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,06	-	1	8	-7
EZ Inflation expectations (5Y5Y)	1,23	-	-4	0	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	0,2	1	-3	-35
EZ	53	-0,4	1	0	-51
UK	47	-0,6	2	-3	-47
Large Spanish	39	0,0	1	-4	-49
Medium Spanish	89	3,2	-1	-5	-24
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	232	-7,6	-50	24	18
EZ Non-financial	70	-0,4	1	-5	-27
UK Non-financial	100	-0,9	-1	-3	-19

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,41	0	-1	0	-10
Euribor 12m	-0,27	0	-2	3	-15
Libor 3m	-0,46	0	0	1	-10
Libor 12m	1,90	0	0	-6	-90

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3120	-0,1	0,9	4,5	24
Dow Jones	27910	-0,4	0,8	4,3	20
Nikkei	23293	-0,5	-1,0	3,6	16
FTSE 100	7317	0,1	-0,7	2,3	9
EuroStoxx 50	3696	-0,2	-0,4	3,2	23
IBEX	9254	0,0	-0,6	-0,8	8
DAX	13220	0,1	-0,5	4,6	25
CAC	5907	-0,4	-0,2	4,8	25
MIB	23351	-0,5	-1,8	4,6	27
ASE Athens	893	0,6	3,1	3,6	46
MSCI Latam *	95190	-0,3	-1,2	0,0	10
Ibovespa (Brazil)	105559	-0,7	-1,1	0,8	20
Mexbol (Mexico)	43484	0,2	0,9	0,7	4
Merval (Argentina)	31402	-1,4	-6,1	-1,8	4
MSCI EM Europe *	6199	-0,5	-1,2	5,1	17
Poland	2207	-1,0	-1,8	2,0	-3
Micex 10 (Russia)	5099	0,5	-1,1	5,7	22
Ise 100 (Turkey)	107529	0,6	3,4	9,3	18
MSCI EM Asia *	870	0,5	0,3	2,4	11
Shanghai Com (China)	2934	0,9	0,7	-0,1	18
Jakarta (Indonesia)	6152	0,4	0,1	-0,5	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	153,9	-0,1	-0,1	8,4	33
JPM	130,3	-0,2	0,9	8,1	34
Citi	74,6	0,2	-0,7	6,9	43
BoA	32,9	-0,3	-0,7	8,3	33
MS	49,3	0,5	0,6	12,9	24
GS	218,8	-0,4	-0,7	5,9	31
EZ banks	81,6	0,2	-1,6	6,2	18
BNP	50,8	0,4	-0,2	8,1	29
Crédit Agricole	12,6	0,1	-1,3	8,9	33
Deutsche Bank	16,5	-0,4	-5,3	-7,1	-5
ING	10,5	0,4	-2,5	3,7	12
Intesa	2,3	0,0	-1,2	5,1	21
SG	28,4	0,4	-1,3	9,0	2
Unicredito	12,4	0,4	-2,9	7,7	25
UK banks	75,0	-0,1	-0,9	-2,2	3
HSBC	579,4	0,8	-1,6	-3,7	-10
RBS	222,0	-1,3	-0,1	-6,8	2
Barclays	170,1	-0,2	-1,6	3,1	13
Lloyds	59,5	-0,4	-0,1	-1,1	15
Large Spanish banks	56,1	0,4	-3,6	-4,2	-4
Santander	3,6	0,3	-4,1	-8,3	-11
BBVA	4,8	0,5	-3,2	-0,4	3
Medium Spanish banks	49,1	0,5	-1,8	-0,6	-15
Caixabank	2,7	0,9	0,7	3,9	-16
Sabadell	1,0	0,5	-3,1	-3,1	-1
Bankinter	6,1	0,3	-3,3	-0,5	-12
Bankia	1,7	0,3	-0,6	-5,0	-33

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,108	0,1	0,7	-0,8	-3
GBPUSD	1,293	-0,2	0,7	-0,4	1
USDJPY	108,530	0,1	0,4	-0,1	1
DXY	97,790	0,0	-0,5	0,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,69	-0,4	0,0	-2,3	-37
USDBRL (Brazil)	4,21	0,1	-1,0	-2,2	-8
USDCOP (Chile)	787,14	-1,8	-0,4	-9,6	-12
USDCOLP (Colombia)	3436	0,2	-0,78	-2,8	-5
USDMXN (Mexico)	19,37	-0,3	-0,3	-1,4	1
USDPEN (Peru)	3,38	-0,2	0,1	-1,2	0
LACI	49,78	-0,3	-0,6	-2,6	-8
USDPLN (Poland)	3,87	0,3	0,5	-1,0	-3
USD RUB (Russia)	63,80	0,1	0,7	-0,2	9
USDTRY (Turkey)	5,70	0,6	1,3	1,5	-7
USDCNY (China)	7,03	0,0	-0,3	0,8	-2
USDINR (India)	71,72	0,2	-0,3	-0,8	-3
USDIDR (Indonesia)	14091	-0,1	-0,3	0,4	2
ADXY	104,16	0,0	0,0	0,5	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,4	-1,7	-1,1	3	14
WTx	56	-2,2	-1,8	4	23
Copper	264	1,0	0,0	1	1
Gold	1473	0,1	1,1	-1	15
S&P Spot commodity *	416	-1,2	-0,4	2	11
S&P Brent Spot *	524	-1,4	0,2	4	14
S&P Metals Spot *	315	-0,9	-2,5	-2	-1
S&P Agricultural *	284	-0,3	-1,2	-2	0

Source: Bloomberg, Datastream and Haver

* With one day delay