

Market Comment

Trade deal remains uncertain

■ **Cautiousness** prevailed in financial markets amid conflicting trade headlines.

■ There were **mixed signals on the trade front**. Media reported that it is unlikely that a US-China trade deal will be reached this year due to the renewed frictions over Hong Kong. However, China's chief trade negotiator indicated he was **"cautiously optimistic"** about reaching a trade deal, inviting the top US trade negotiator to travel to China to continue talks this month. Regarding tariffs, the US President has threatened to impose 15% tariffs on some \$160bn in imports from China if both parties fail to reach a deal before December 15, but media sources reported that the new US tariffs planned for December 15 are likely to be at least postponed.

■ **The OECD expects world GDP to grow by 2.9% this year**, the slowest pace since the financial crisis. It trimmed its 2020 forecast by 0.1% to 2.9%, while estimating the global economy will grow by 3% in 2021. The OECD forecasts for the global economy are broadly in line with the IMF, with the latter expecting growth of 3% in 2019. By blocks, the OECD expects that the **U.S. economy will grow at 2.3% this year**, trimmed from 2.4% in September, whereas it still forecasts a slowdown to 2% in 2020 and 2021. However, **growth forecasts for the Eurozone were revised up** by 0.1% for 2019 and 2020 to 1.2% and 1.1% respectively.

■ Today's economic agenda was focused on the U.S. with mixed data. The Philadelphia Fed business outlook improved more than expected in November (10.4, cons. 6, previous 5.6), but last week's initial jobless claims and existing home sales disappointed.

■ **Minutes of the October FOMC meeting** suggested that the Fed board supports a monetary pause, after the 25bps cut at the last meeting, in line with recent remarks from Fed officials, even from dovish member. The Fed's future actions will depend on economic data.

■ **Sovereign yields increased marginally** (10Y US and Ger +2bps), while **stock markets inched down**, as investors await further trade developments. There was also little difference between core and peripheral bonds, although Italy's risk premium narrowed after the underperformance of previous days.

■ **FX markets were also quiet** with the euro depreciating modestly ahead of tomorrow's Market PMIs that are expected to improve. Meanwhile, **oil prices extended yesterday's gains** as OPEC and its allies are likely to extend output cuts when they meet with non-OPEC producer, Russia, next month.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	1,9	0,3	0	-89
US	1,77	2,2	-5,1	1	-92
GER (2-yr)	-0,62	1,6	1,7	3	-1
Germany	-0,33	2,2	2,6	4	-57
France	-0,01	2,2	0,7	5	-72
Spain	0,45	2,6	-0,6	19	-97
Italy	1,18	-2,4	-14,8	25	-157
Portugal	0,42	3,5	4,0	21	-130
Greece	1,40	0,1	-6,8	12	-300
Japan (2-yr)	-0,19	1,6	0,3	4	-5
Japan	-0,11	0,1	-3,8	2	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,93	12,0	22,1	32	-231
Chile	2,93	0,3	-56,4	1	-132
Colombia	6,31	-0,6	-1,1	18	-44
Mexico	7,06	1,9	9,7	19	-158
Peru	3,74	0,3	-19,4	9	-162
Poland	2,08	2,1	1,5	9	-75
Russia	6,54	0,5	-9,2	-5	-224
Turkey	12,01	10,0	-13,0	-180	-379
India	6,51	4,8	-0,9	-3	-86
Indonesia	7,09	3,2	1,7	-1	-94

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,0	-1,9	1	-16
Italy	150	-4,6	-17,4	21	-100
Portugal	75	1,3	1,4	17	-73
Spain	78	0,4	-3,2	15	-40
2-yr sovereign spread vs Germany					
France	5	0,4	1,1	0	-10
Italy	62	-4,9	-0,2	18	-47
Portugal	16	-1,0	-2,8	5	-10
Spain	26	-1,2	-0,9	1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	129	2,7	8	1	-79
Chile	56	3,3	8	18	-7
Colombia	91	3,0	8	5	-67
Argentina	6855	-991,3	-1319	1030	6049
Mexico	94	0,4	3	-9	-61
Peru	57	1,0	4	2	-38
Poland	65	0,0	-1	-2	-3
Russia	71	-1,1	-3	-5	-83
Turkey	305	1,6	-10	-76	-54
China	41	1,1	0	0	-27
India	71	0,5	2	-1	-42
Indonesia	75	2,1	1	-6	-62

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,7	0	-1	-12
VSTOXX	66	0,0	1	-13	-1
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,2	0	-1	-3
EM FX volatility index	18	0,5	-1	1	-7
Credit spread (BAA) (change in bps)	215	-2,2	2	-4	-30
US bonds volatility index	7	0,1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,04	-	2	2	-10
EZ Inflation expectations (5Y5Y)	1,22	-	-1	1	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	1,9	2	0	-33
EZ	54	0,7	0	2	-51
UK	47	0,2	1	2	-47
Large Spanish	39	0,3	1	-1	-48
Medium Spanish	90	-0,5	1	0	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	225	-11,2	-4	18	11
EZ Non-financial	71	0,8	1	-2	-26
UK Non-financial	101	0,8	0	-1	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,51	0	3	4	n.a.
Euribor 3m	-0,41	0	-1	0	-10
Euribor 12m	-0,28	-1	-1	0	-16
Libor 3m	-0,43	0	-1	1	-7
Libor 12m	1,90	0	-2	-4	-90

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3101	-0,2	0,1	3,5	24
Dow Jones	27750	-0,3	-0,1	3,6	19
Nikkei	23039	-0,5	-0,4	2,2	15
FTSE 100	7239	-0,3	-0,7	0,4	8
EuroStoxx 50	3680	-0,1	-0,2	2,1	23
IBEX	9214	-0,1	0,4	-1,8	8
DAX	13138	-0,2	-0,3	3,0	24
CAC	5881	-0,2	-0,3	4,0	24
MB	23280	-0,3	-0,9	3,5	27
ASE Athens	883	-0,8	-0,7	1,1	44
MSCI Latam *	95030	0,0	0,6	-0,2	10
Ibovespa (Brazil)	106184	0,3	-0,3	-1,1	21
Mexbol (Mexico)	43136	-1,1	-0,1	-0,5	4
Merval (Argentina)	33306	-0,3	7,4	0,1	10
MSCI EM Europe *	6202	-0,3	-0,3	4,5	17
Poland	2180	-0,7	-2,1	-1,5	-4
Mcex 10 (Russia)	5120	0,3	0,1	4,8	22
Ise 100 (Turkey)	106805	0,0	2,9	9,1	17
MSCI EM Asia *	870	-0,7	0,7	2,8	11
Shanghai Comex (China)	2904	-0,3	-0,2	-1,7	16
Jakarta (Indonesia)	6117	-0,6	-0,4	-1,3	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	153,4	0,2	0,5	4,7	33
Citi	130,1	0,3	1,1	4,2	33
BoA	74,2	0,4	0,5	2,9	42
MS	32,9	0,6	0,6	5,4	33
GS	48,9	-0,4	0,6	7,7	23
GS	217,3	-0,3	-1,0	3,7	30
EZ banks					
BNP	81,6	0,2	0,6	4,3	18
Crédit Agricole	51,5	0,8	2,3	7,7	30
Deutsche Bank	12,6	-0,2	0,2	6,3	33
ING	6,4	0,5	1,3	-7,7	-5
Intesa	10,4	-0,4	-0,9	0,3	10
SG	2,4	0,4	1,2	3,5	21
Unicredito	28,2	-0,3	0,0	6,7	1
Unicredito	12,5	0,9	0,8	6,7	26
UK banks					
HSBC	74,0	-0,8	-0,3	-4,1	2
HSBC	569,7	-1,2	-0,1	-6,7	-12
RBS	220,8	-0,8	-0,2	-8,3	2
Barclays	168,2	-0,6	-1,1	1,7	12
Lloyds	58,7	-0,7	0,0	-2,8	13
Large Spanish banks					
Santander	56,2	0,8	0,5	-6,1	-4
BBVA	3,6	0,9	0,6	-10,0	-10
BBVA	4,8	0,7	0,4	-2,6	3
Medium Spanish banks					
Caixabank	49,4	0,9	2,8	-1,9	-14
Sabadell	2,7	0,8	2,9	4,0	-16
Sabadell	1,0	2,2	4,7	-1,7	2
Bankinter	6,2	0,3	1,7	-4,1	-12
Bankia	1,7	0,9	3,7	-6,5	-33

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,107	-0,1	0,4	-0,5	-4
GBPUSD	1,291	-0,1	0,2	0,3	1
USDJPY	108,550	0,1	-0,1	-0,1	1
DXY	97,919	0,0	-0,2	0,4	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,75	0,0	-0,1	-1,8	-37
USDBRL (Brazil)	4,22	-0,5	-0,7	-3,2	-8
USDCOP (Chile)	795,28	0,0	0,9	-9,0	-13
USDCOL (Colombia)	3438	0,1	0,47	-0,19	-5
USDMXN (Mexico)	19,42	0,2	-0,5	-1,4	1
USDPEN (Peru)	3,38	0,2	0,3	-0,8	0
LACI	49,63	0,0	-0,3	-2,8	-9
USDPLN (Poland)	3,89	-0,2	0,0	-1,2	-4
USD RUB (Russia)	63,74	0,1	0,4	0,0	9
USDTRY (Turkey)	5,70	0,0	0,8	1,9	-7
USDCNY (China)	7,03	0,1	-0,2	0,6	-2
USDINR (India)	71,77	0,1	0,3	-1,1	-3
USDIDR (Indonesia)	14092	0,0	0,0	-0,4	2
ADXY	103,97	-0,1	-0,1	0,2	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,5	1,7	1,9	6	18
WTx	58	1,6	2,2	7	28
Copper	263	-0,8	0,3	0	0
Gold	1468	-0,2	-0,2	-1	14
S&P Spot commodity *	415	1,4	-0,4	2	11
S&P Brent Spot *	523	2,4	0,1	3	14
S&P Metals Spot *	316	-0,1	-0,5	-2	-1
S&P Agricultural *	285	-0,2	-0,8	-1	0

Source: Bloomberg, Datastream and Haver

* With one day delay