

Market Comment

Skepticism toward the latest trade developments

- As per Chinese officials, in a phone call early today between Liu He, Mnuchin and Lighthizer, the two sides discussed **resolving core issues and agreed to stay in contact** over remaining issues for a phase-one agreement. Nonetheless, markets were skeptic about the latest trade developments as some uncertainties prevail due to lack of material details: the additional tariffs on \$160bn of Chinese goods planned for December 15 and the U.S. President's decision on the Hong Kong bill.
- German consumer confidence is surprisingly set to improve slightly in December** (9.7; cons: 9.6; previous: 9.6), supported by better economic and income expectations amid signs of the US-China trade war easing, resilient labor market and modest inflation. Meanwhile, the propensity to buy sub-index remains strong despite some losses.
- Today's US data disappointed, showing further signs that US consumption is slowing.** Consumer confidence fell unexpectedly in November for the fourth month straight amid worries about current business conditions and employment prospects (125.5; cons: 127; previous: 126.1). **US new home sales** also declined in October as the previous figures was revised up (-0.7% MoM; cons: 0.6% MoM; previous: 4.5% MoM). Moreover, the November's **Richmond Fed manufacturing** index fell to negative levels (-1; cons: 5; previous: 8).
- Sovereign bond yields inched down** (10Y UST -2bps; 10Y Ger -2.5bps) driven by cautiousness underpinned by the lack of conviction in the recent progress in trade talks and weak US data. The yield on the **UK 10Y gilt underperformed** (-5bps) after new polls showed an erosion of the Conservatives' election lead. Meanwhile, peripheral risk premia were mixed: the Italian and Portuguese risk premia widened, while Spain's risk premium remained steady. With regard to monetary policy, **Powell's speech** had a mute impact as he continued to signal that interest rates would probably remain on hold, stating that the US economy is growing at a solid pace, but the Fed would adjust its position if there were any material change in its outlook.
- Yesterday's sterling gains were erased** as the gap between the Conservatives and the Labour party appears to be narrowing slightly. Safe-haven currencies (JPY and CHF) slipped marginally, while the euro remained unchanged despite stronger consumer confidence in Germany. Furthermore, EM currencies continued to depreciate (FXJPEMCS index -0.3%), especially in Latin America. **The Brazilian real hit a new record low**, hovering around 4.26 per USD, while the Colombian peso remains close to its all-time low.
- Equities inched up modestly with **US indices hitting new record highs** amid today's better-than-expected retail earnings. By sector, energy and financials limited the marginal gains.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	-3,4	-1,6	-4	-91
US	1,74	-1,9	-4,6	-6	-95
GER (2-yr)	-0,64	-1,1	-0,7	2	-3
Germany	-0,37	-2,5	-3,5	-1	-62
France	-0,06	-2,3	-3,5	0	-77
Spain	0,39	-2,4	-4,2	12	-103
Italy	1,17	0,7	-7,6	22	-157
Portugal	0,37	-0,7	-0,1	15	-135
Greece	1,38	1,5	-5,7	17	-302
Japan (2-yr)	-0,18	0,0	1,7	5	-4
Japan	-0,09	-1,1	-0,8	5	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,99	5,3	18,7	45	-224
Chile	2,81	-3,8	-2,3	2	-144
Colombia	6,51	0,0	17,2	48	-24
Mexico	7,10	3,5	13,6	25	-154
Peru	3,65	-0,6	-12,1	-8	-171
Poland	1,99	-6,3	-11,0	1	-83
Russia	6,56	1,8	0,6	3	-222
Turkey	12,16	4,0	29,0	-63	-364
India	6,49	1,3	0,7	-2	-88
Indonesia	7,07	0,7	4,0	-1	-95

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,2	0,0	1	-15
Italy	154	3,2	-4,1	23	-96
Portugal	75	1,8	3,4	16	-73
Spain	76	0,1	-0,7	13	-41
2-yr sovereign spread vs Germany					
France	5	1,3	1,8	1	-10
Italy	62	2,7	-6,4	17	-46
Portugal	11	-4,5	-6,6	-3	-15
Spain	26	0,5	-1,1	0	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	124	0,1	0	4	-83
Chile	56	-0,1	5	18	-7
Colombia	88	0,5	3	7	-71
Argentina	7388	482,3	-926	1617	6581
Mexico	93	0,9	-1	-3	-62
Peru	57	0,1	2	4	-38
Poland	63	-1,0	-2	-4	-5
Russia	71	0,9	0	-4	-83
Turkey	308	7,2	8	-46	-52
China	40	-0,8	2	0	-28
India	71	-0,9	-1	-1	-43
Indonesia	75	-0,4	2	-4	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0,1	-1	-1	-14
VSTOXX	62	0,0	-1	-6	-5
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,2	-1	0	-3
EM FX volatility index	16	-0,3	-1	1	-8
Credit spread (BAA) (change in bps)	215	1,9	2	-1	-30
US bonds volatility index	7	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,02	-	-2	0	-12
EZ Inflation expectations (5Y5Y)	1,18	-	-5	-3	-43
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	-1,3	0	-2	-35
EZ	52	-2,2	-1	-1	-53
UK	45	-1,5	-3	-3	-50
Large Spanish	38	-1,2	-1	-1	-50
Medium Spanish	90	0,3	1	-1	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	200	-2,0	-31	-9	-13
EZ Non-financial	70	-0,6	0	-4	-27
UK Non-financial	100	-1,3	0	-2	-19

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,53	0	1	2	n.a.
Euribor 3m	-0,40	1	1	1	-9
Euribor 12m	-0,28	0	-1	1	-16
Libor 3m	-0,45	0	1	1	-9
Libor 12m	1,92	0	2	-2	-88

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3138	0,1	0,6	3,8	25
Dow Jones	28099	0,1	0,6	4,2	20
Nikkei	23373	0,3	0,3	2,5	17
FTSE 100	7410	0,2	1,2	1,2	10
EuroStoxx 50	3709	0,0	0,3	2,3	24
IBEX	9326	0,1	0,7	-1,1	9
DAX	13245	0,0	0,2	2,7	25
CAC	5937	0,2	1,0	3,8	25
MB	23558	0,4	0,5	4,2	29
ASE Athens	892	-0,7	-0,2	2,2	45
MSCI Latam *	96149	-0,4	1,0	0,1	11
Ibovespa (Brazil)	106730	-1,6	0,8	-0,6	21
Mexbol (Mexico)	43135	-0,9	-1,1	-0,6	4
Merval (Argentina)	32371	-3,4	0,4	-6,2	7
MSCI EM Europe *	6214	0,1	0,2	1,2	18
Poland	2191	-0,3	-0,8	0,7	-4
Micex 10 (Russia)	5103	-0,6	0,1	2,8	22
Ise 100 (Turkey)	105983	0,6	-1,4	5,8	16
MSCI EM Asia *	873	0,9	0,3	2,8	12
Shanghai Comex (China)	2907	0,0	-0,9	-1,6	17
Jakarta (Indonesia)	6026	-1,2	-1,6	-4,9	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	155,0	-0,8	0,4	4,2	34
JPM	130,7	-0,6	0,1	3,7	34
Citi	75,0	-0,8	0,3	2,6	44
BoA	33,3	-0,7	0,9	4,8	35
MS	49,3	-1,4	-0,2	6,2	24
GS	222,0	-0,3	0,9	3,6	33
EZ banks	81,8	-0,5	0,3	4,5	19
BNP	51,2	-0,5	0,9	7,3	30
Crédit Agricole	12,6	0,0	0,6	5,5	34
Deutsche Bank	16,4	-0,7	0,5	-7,7	-5
ING	10,4	-1,0	-1,2	0,3	11
Intesa	2,3	-0,5	-0,3	3,0	21
SG	28,5	-0,5	0,4	8,7	2
Unicredito	12,8	-0,4	0,3	10,6	29
UK banks	76,4	0,3	1,8	-0,7	5
HSBC	582,7	0,0	0,3	-5,6	-10
RBS	230,9	0,6	3,7	2,3	7
Barclays	172,0	0,0	0,9	0,9	14
Lloyds	61,3	0,7	3,0	2,1	18
Large Spanish banks	56,6	-0,9	0,8	-5,8	-3
Santander	3,6	-1,1	1,2	-9,7	-9
BBVA	4,8	-0,7	0,4	-2,1	3
Medium Spanish banks	50,4	0,1	2,5	1,8	-12
Caixabank	2,7	-0,2	0,2	4,8	-16
Sabadell	1,0	0,9	3,3	0,7	2
Bankinter	6,3	-0,3	2,8	0,6	-10
Bankia	1,8	0,7	5,3	2,0	-29

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,101	0,0	-0,6	-0,6	-4
GBPUSD	1,285	-0,4	-0,6	0,2	1
USDJPY	109,090	-0,1	-0,5	-0,4	1
DXY	98,324	0,0	0,5	0,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,69	0,0	0,0	0,5	-37
USDBRL (Brazil)	4,26	-0,8	-1,4	-6,0	-9
USDCPL (Chile)	799,26	-0,5	-1,5	-8,9	-13
USDCOP (Colombia)	3470	-1,0	-0,89	-2,12	-6
USDMXN (Mexico)	19,51	-0,3	-0,9	-2,3	1
USDPEN (Peru)	3,39	0,0	-0,3	-1,5	0
LACI	49,34	-0,5	-0,9	-3,4	-9
USDPLN (Poland)	3,91	-0,2	-1,0	-1,2	-4
USD RUB (Russia)	64,01	-0,1	-0,2	-0,2	8
USDTRY (Turkey)	5,77	-0,4	-1,2	0,1	-8
USDCNY (China)	7,03	0,0	-0,1	0,5	-2
USDINR (India)	71,50	0,3	0,3	-0,8	-2
USDIDR (Indonesia)	14088	0,0	0,0	-0,4	2
ADXY	104,00	0,1	-0,1	0,2	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,8	0,2	4,7	3	19
WTx	58	0,1	5,2	2	28
Copper	266	0,5	0,2	0	1
Gold	1459	0,2	-0,9	-3	14
S&P Spot commodity *	420	0,3	2,5	1	12
S&P Brent Spot *	533	0,4	4,3	1	16
S&P Metals Spot *	314	-0,3	-0,5	-4	-2
S&P Agricultural *	288	1,0	1,1	1	2

Source: Bloomberg, Datastream and Haver

* With one day delay