

Market Comment

Vigilant optimism ahead of tomorrow's Thanksgiving

- Market risk sentiment improved modestly amid positive trade headlines and strong US activity data, ahead of today's release of the Fed's Beige Book.
- US President, Trump, said China and the US are in the "final throes of a very important deal" and that the talks are going very well. Meanwhile, Senate finance committee chairman Grassley believes that the initial deal with China could be done before year end.
- Today's US activity data were positive: the **US economy grew faster than initially expected in the third quarter by 2.1% QoQ** (Cons: 1.9% QoQ; Previous: 1.9% QoQ) underpinned by upward revisions in private inventory investment, non-residential fixed investment, and personal consumption expenditure. Moreover, durable and capital goods orders grew unexpectedly in October, while last week's initial jobless claims declined more than expected. Nonetheless, the MNI Chicago PMI rose less than expected in November (46.3; Cons: 47; Previous: 43.2).
- The publication of industrial profits from Chinese firms confirmed the biggest drop on record in October and also helped to contain trade optimism (-9.9% YoY; Previous: -5.3% YoY). Elsewhere, European data were mixed: November's consumer confidence improved slightly in France, while both Italian consumer and manufacturing confidence fell unexpectedly.
- The yield on the **10Y US Treasury jumped (+2bps)** on the back of the upward revision of US 3Q19 GDP, although the US 10-2Y yield curve flattened. As a result of the positive data, market expectations of an additional Fed rate cut eased modestly. Meanwhile, **European sovereign yields were broadly steady, except for Italy**, whose risk premium widened significantly.
- The pound outperformed its **G10 peers**, but fluctuated in a narrow range on mixed political catalysts. The USD appreciated amid strong activity data, while other safe-haven currencies slipped as the market risk sentiment improved. Meanwhile, **emerging currencies depreciated** (FXJPEMCS index -0.3%) as the USD strengthened with LatAm currencies still leading the losses amid mounting social unrest. **The Chilean and Colombian peso hit fresh record lows**, while the Brazilian real extended yesterday's drop after the intervention of Brazil's central bank, which sold USD on spot through two separate auctions.
- In commodities, **oil prices fell** after US crude oil inventories rose unexpectedly to 1.6 million barrels, whereas gold prices inched down.
- Stock markets crept up in general** driven by investors' risk appetite on hopes of a phase-one trade deal. In this context, the S&P 500 index continued to reach new highs.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	3,6	4,2	-3	-87
US	1,76	1,9	1,5	-8	-92
GER (2-yr)	-0,64	0,0	0,3	1	-3
Germany	-0,37	0,1	-2,4	-4	-61
France	-0,06	0,0	-2,3	-3	-77
Spain	0,40	0,6	-3,0	9	-102
Italy	1,20	3,0	-0,2	20	-154
Portugal	0,38	0,8	-0,6	13	-134
Greece	1,42	3,9	1,8	19	-298
Japan (2-yr)	-0,19	-1,0	1,3	1	-5
Japan	-0,11	-2,0	-0,2	1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,07	8,6	26,5	57	-217
Chile	2,82	3,5	-10,8	-2	-143
Colombia	6,62	-0,4	30,7	58	-13
Mexico	7,12	0,2	7,7	25	-152
Peru	3,70	-0,1	-3,8	-8	-166
Poland	1,97	-2,9	-9,0	-5	-86
Russia	6,56	-0,2	2,9	6	-222
Turkey	12,24	8,0	33,0	-51	-356
India	6,47	-1,1	1,0	-3	-90
Indonesia	7,08	0,7	2,1	4	-95

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0,1	0,1	1	-16
Italy	157	2,9	2,2	23	-93
Portugal	75	0,7	1,8	17	-73
Spain	77	0,5	-0,6	13	-41
2-yr sovereign spread vs Germany					
France	5	-1,1	0,0	0	-11
Italy	62	0,1	-4,0	14	-46
Portugal	12	2,4	-4,6	-3	-14
Spain	26	0,1	-1,4	-1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	124	-0,8	-2	5	-84
Chile	56	-0,4	3	18	-8
Colombia	89	1,3	1	10	-69
Argentina	7269	-118,7	-577	1156	6463
Mexico	91	-1,9	-3	-2	-64
Peru	56	-0,4	0	5	-38
Poland	63	-0,5	-2	-4	-5
Russia	70	-0,1	-2	-4	-84
Turkey	312	3,4	8	-26	-48
China	40	-0,4	0	1	-28
India	71	0,1	0	-2	-43
Indonesia	74	-0,5	1	-3	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	0,0	-1	-2	-14
VSTOXX	60	0,0	-5	-7	-6
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	-1	0	-3
EM FX volatility index	16	0,0	-1	0	-8
Credit spread (BAA) (change in bps)	209	-1,9	-9	-8	-37
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	-	0	0	-11
EZ Inflation expectations (5Y5Y)	1,19	-	-3	-4	-41
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	-0,9	0	-2	-36
EZ	50	-1,7	-3	-2	-54
UK	44	-0,6	-3	-3	-50
Large Spanish	36	-1,5	-3	-2	-51
Medium Spanish	90	-0,3	-1	-2	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	188	-12,8	-48	-20	-26
EZ Non-financial	69	-0,8	-1	-4	-28
UK Non-financial	100	-0,2	0	-2	-19

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,53	0	-2	2	n.a.
Euribor 3m	-0,40	0	1	1	-9
Euribor 12m	-0,28	0	-1	0	-16
Libor 3m	-0,45	0	1	2	-9
Libor 12m	1,91	0	2	-1	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3146	0,2	1,2	3,5	26
Dow Jones	28128	0,0	1,1	3,8	21
Nikkei	23438	0,3	1,2	2,5	17
FTSE 100	7426	0,3	2,2	1,3	10
EuroStoxx 50	3711	0,2	0,7	2,4	24
IBEX	9363	0,4	1,5	-0,7	10
DAX	13282	0,3	0,9	2,6	26
CAC	5924	-0,1	0,5	3,4	25
MIB	23484	-0,3	0,6	3,5	28
ASE Athens	895	0,4	0,5	2,6	46
MSCI Latam *	94835	-1,4	-0,2	-1,2	10
Ibovespa (Brazil)	106541	-0,5	0,6	-1,5	21
Mexbol (Mexico)	42935	0,2	-1,5	-1,9	3
Merval (Argentina)	32978	2,7	-1,3	-0,6	9
MSCI EM Europe *	6163	-0,8	-0,9	0,9	17
Poland	2181	-0,4	-0,6	-1,4	-4
Mcex 10 (Russia)	5089	-0,3	-0,3	3,1	22
Ise 100 (Turkey)	105844	-0,1	-0,9	6,0	16
MSCI EM Asia *	872	0,0	-0,4	2,8	12
Shanghai Com (China)	2903	-0,1	-0,3	-2,6	16
Jakarta (Indonesia)	6023	-0,8	-2,1	-3,7	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	155,9	0,1	1,8	4,0	35
JPM	131,8	0,1	1,7	4,2	35
Citi	75,6	0,2	2,3	2,8	45
BoA	33,4	0,1	2,2	4,9	36
MS	49,6	0,4	1,0	5,9	25
GS	222,1	-0,2	1,9	2,0	33
EZ banks	82,0	0,4	0,6	4,4	19
BNP	51,3	0,6	0,5	6,9	30
Crédit Agricole	12,7	0,6	0,7	5,6	34
Deutsche Bank	16,7	1,2	1,2	-7,6	-4
ING	10,5	1,1	0,7	1,5	11
Intesa	2,3	-0,3	-0,4	2,5	20
SG	28,5	0,1	0,7	8,2	2
Unicredito	12,6	-0,7	2,3	9,2	28
UK banks	76,9	0,7	3,0	1,8	6
HSBC	584,5	0,3	1,4	-1,7	-10
RBS	231,1	0,1	3,8	3,4	7
Barclays	174,5	1,6	3,1	2,3	16
Lloyds	61,7	0,8	4,4	4,7	19
Large Spanish banks	56,8	0,4	1,8	-5,3	-3
Santander	3,6	0,3	1,9	-9,4	-9
BBVA	4,8	0,4	1,8	-1,5	4
Medium Spanish banks	50,8	0,9	3,7	3,2	-12
Caixabank	2,7	1,5	2,5	6,8	-14
Sabadell	1,0	1,0	2,5	1,6	2
Bankinter	6,4	0,3	4,2	1,5	-9
Bankia	1,8	0,6	7,3	4,8	-29

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,100	-0,2	-0,7	-0,9	-4
GBPUSD	1,289	0,1	-0,3	0,2	1
USDJPY	109,380	-0,3	-0,7	-0,4	0
DXY	98,419	0,2	0,5	0,7	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,91	0,0	-0,3	-0,7	-37
USDBRL (Brazil)	4,26	-0,5	-1,5	-6,3	-9
USDCPL (Chile)	818,80	-2,4	-2,9	-11,6	-15
USDCOP (Colombia)	3521	-1,3	-2,22	-3,94	-8
USDMXN (Mexico)	19,55	-0,2	-0,5	-2,2	0
USDPEN (Peru)	3,40	-0,3	-0,4	-1,9	-1
LACI	49,06	-0,7	-1,2	-4,7	-10
USDPLN (Poland)	3,92	-0,3	-1,0	-1,8	-5
USD RUB (Russia)	64,07	-0,1	-0,4	-0,5	8
USDTRY (Turkey)	5,78	-0,3	-1,4	-0,8	-8
USDCNY (China)	7,03	0,1	0,1	0,6	-2
USDINR (India)	71,36	0,2	0,6	-0,7	-2
USDIDR (Indonesia)	14095	0,0	0,0	-0,5	2
ADXY	103,98	0,0	-0,1	0,1	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,6	-1,0	2,0	3	18
WTx	58	-1,3	0,9	3	27
Copper	267	0,0	1,1	0	2
Gold	1454	-0,5	-1,2	-3	13
S&P Spot commodity *	422	0,5	1,6	2	13
S&P Brent Spot *	538	0,9	2,8	3	17
S&P Metals Spot *	317	0,9	0,5	-3	-1
S&P Agricultural *	287	-0,5	0,7	1	1

Source: Bloomberg, Datastream and Haver

* With one day delay