

Market Comment

Hong Kong jeopardizes trade negotiations

- Today's session was quiet as US stock and bond markets remained closed due to the Thanksgiving holiday. Nonetheless, market risk sentiment worsened after the US President signed into law the Hong Kong Human Rights and Democracy Act and a second bill, which bans the export to China of tear gas, rubber bullets and handcuffs. The move may jeopardize trade negotiations as China threatened to retaliate.
- On the data front, economic sentiment improved slightly in the Eurozone in November (101.3; Cons: 101; Previous: 100.8), driven by a moderate increase in confidence among consumers and retail trade managers. Although, the gains were limited by a sharp decline in confidence in construction. Moreover, German inflation accelerated more than estimated in November to 1.2% y/y (Cons: 1.1% y/y; Previous: 0.9% y/y), driven by higher food and services costs.
- OECD data indicated that trade remained weak across all G20 regions in the 3Q19. The slowdown was particularly pronounced in the EU, with exports contracting by 1.8% and imports by 0.4% amid US-China trade tensions, uncertainty over Brexit and the deterioration of Germany's industrial sector.
- Sovereign bond markets were broadly steady amid thin volume as the US market remained closed. Nonetheless, peripheral bond yields inched up with their risk premia widening, especially in Italy as its auction saw the lowest demand for 10Y bonds since 2012 with a bid to cover ratio of around 1.22. Regarding monetary policy, expectations of an additional Fed rate cut by the end of 2020 decreased slightly after the Fed's Beige Book signaled that the US economy is growing modestly across most Fed districts (see).
- G10 currencies showed minor changes with sterling erasing yesterday's gains, despite the fact that Tories continue to lead the polls. The euro appreciated marginally amid positive macroeconomic data. Meanwhile, EM currencies remain under pressure (FXJPEMCS index -0.2%) with the Chilean and Colombian peso continuing to hit new record lows as protests in Latin America persist.
- European stock markets edged lower as US President's ratification of Hong Kong bills threatens to further complicate trade negotiations.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,63	0,0	2,1	-2	-86
<b>US</b>	1,77	0,0	-0,7	-7	-92
GER (2-yr)	-0,64	-0,3	-1,2	-1	-3
<b>Germany</b>	-0,36	0,8	-3,9	-1	-61
France	-0,05	0,6	-3,8	0	-76
Spain	0,41	1,3	-4,3	12	-101
Italy	1,23	2,5	5,5	25	-151
Portugal	0,40	1,8	-2,3	17	-132
Greece	1,43	1,2	2,9	19	-297
Japan (2-yr)	-0,18	1,6	1,3	2	-4
<b>Japan</b>	-0,08	2,6	2,3	2	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,03	0,2	18,3	52	-221
Chile	2,82	0,0	-10,8	-11	-143
Colombia	6,62	0,0	33,1	53	-13
Mexico	7,09	-0,1	5,9	24	-155
Peru	3,74	3,7	3,7	-3	-162
Poland	1,99	1,8	-8,8	-2	-84
Russia	6,58	2,1	4,4	5	-220
Turkey	12,12	-12,0	11,0	-63	-368
India	6,46	-1,4	-5,1	-6	-91
Indonesia	7,06	-2,3	-3,4	2	-97

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	31	-0,2	0,1	1	-16
Italy	160	1,7	9,4	26	-90
Portugal	76	1,0	1,6	18	-72
Spain	77	0,5	-0,4	13	-40
<b>2-yr sovereign spread vs Germany</b>					
France	5	0,7	0,1	1	-10
Italy	65	2,9	3,9	20	-43
Portugal	10	-1,0	-6,3	-1	-16
Spain	25	0,3	-0,3	2	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	125	0,9	-4	7	-83
Chile	57	1,5	1	19	-6
Colombia	90	1,1	-1	13	-68
Argentina	7293	24,0	438	493	6487
Mexico	92	1,1	-2	3	-63
Peru	58	1,0	0	6	-37
Poland	63	0,1	-2	-4	-5
Russia	71	0,2	0	-3	-83
Turkey	320	8,4	14	-4	-40
China	39	-0,3	-1	1	-28
India	71	-0,4	-1	-2	-43
Indonesia	74	-0,7	-2	-2	-64

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	0,0	-1	-1	-14
VSTOXX	58	0,0	-4	-10	-9
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,2	-1	-1	-3
EM FX volatility index	16	-0,1	-1	0	-9
Credit spread (BAA) (change in bps)	208	0,0	-6	-7	-37
US bonds volatility index	7	-0,2	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,02	-	-2	4	-11
EZ Inflation expectations (5Y5Y)	1,20	-	-2	-3	-41
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	-0,8	-3	-1	-36
EZ	50	-0,6	-4	-2	-55
UK	44	-0,1	-4	-3	-50
Large Spanish	36	-0,5	-3	-2	-52
Medium Spanish	89	-0,5	-1	-2	-23
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	192	4,5	-33	-16	-21
EZ Non-financial	69	-0,3	-2	-4	-28
UK Non-financial	101	1,1	0	-1	-18

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,53	0	1	1	n.a.
Euribor 3m	-0,40	0	1	1	-9
<b>Euribor 12m</b>	-0,28	0	0	0	-17
Libor 3m	-0,45	0	-2	2	-9
Libor 12m	1,91	0	1	-3	-88

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3154	0,0	1,6	3,8	26
Dow Jones	28164	0,0	1,4	4,0	21
Nikkei	23409	-0,1	1,6	1,9	17
FTSE 100	7413	-0,2	2,4	1,5	10
<b>EuroStoxx 50</b>	3704	-0,3	0,6	2,2	23
IBEX	9355	-0,1	1,5	-0,5	10
DAX	13241	-0,3	0,8	2,3	25
CAC	5910	-0,3	0,5	3,0	25
MIB	23335	-0,6	0,2	2,9	27
ASE Athens	900	0,5	1,9	3,0	47
<b>MSCI Latam *</b>	95403	0,6	0,4	-1,2	11
Ibovespa (Brazil)	107705	0,0	0,2	0,1	23
Mexbol (Mexico)	42929	-0,2	-0,8	2,1	3
Merval (Argentina)	33976	0,1	2,2	4,4	12
<b>MSCI EM Europe *</b>	6156	-0,1	-0,7	1,1	16
Poland	2169	-0,6	-0,5	-2,6	-5
Micex 10 (Russia)	5085	-0,1	-0,7	2,0	21
Ise 100 (Turkey)	107126	1,2	0,3	7,3	17
<b>MSCI EM Asia *</b>	877	0,6	0,9	2,7	12
Shanghai Com (China)	2890	-0,5	-0,5	-2,2	16
Jakarta (Indonesia)	5953	-1,2	-3,3	-5,0	-4
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	156,2	0,0	1,9	4,2	35
JPM	132,1	0,0	1,6	4,5	35
Citi	75,7	0,0	2,5	3,6	45
BoA	33,4	0,0	1,8	4,2	36
MS	49,8	0,0	1,9	6,3	26
GS	223,0	0,0	2,2	2,4	33
<b>EZ banks</b>	81,2	-0,9	-0,5	3,6	18
BNP	51,1	-0,5	-0,8	6,4	29
Crédit Agricole	12,5	-1,5	-0,9	4,3	32
Deutsche Bank	6,5	-0,8	-0,2	-8,3	-5
ING	10,5	-0,2	0,9	1,4	11
Intesa	2,3	-1,0	-2,1	1,5	19
SG	28,2	-1,1	0,1	7,3	2
Unicredito	12,5	-1,1	0,4	7,0	27
<b>UK banks</b>	77,0	0,1	4,1	2,9	6
HSBC	579,4	-1,0	1,7	-1,5	-10
RBS	231,7	0,2	4,9	5,7	7
Barclays	174,3	0,0	3,7	1,5	16
Lloyds	62,6	1,5	6,7	7,5	21
<b>Large Spanish banks</b>	56,5	-0,7	0,5	-5,4	-3
Santander	3,6	-1,1	-0,1	-10,1	-10
<b>BBVA</b>	4,8	-0,4	1,1	-0,9	4
<b>Medium Spanish banks</b>	50,3	-1,0	1,8	2,1	-12
Caixabank	2,7	-1,3	0,6	5,9	-15
Sabadell	1,0	-0,7	-0,4	0,0	2
Bankinter	6,3	-0,6	3,2	-0,1	-10
Bankia	1,8	-2,2	3,8	5,1	-30

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,101	0,1	-0,5	-0,9	-4
GBPUSD	1,291	-0,1	0,0	0,4	1
USDJPY	109,520	0,0	-0,8	-0,6	0
DXY	98,363	0,0	0,4	0,7	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,79	0,0	0,0	-0,6	-37
USDBRL (Brazil)	4,25	0,2	-1,3	-5,9	-9
USDCOP (Chile)	828,36	-1,2	-4,0	-12,2	-16
USDCOP (Colombia)	3517	-0,2	-2,76	-3,97	-7
USDMXN (Mexico)	19,61	-0,4	-1,2	-2,5	0
USDPEN (Peru)	3,39	-0,1	-0,4	-1,5	-1
LACI	49,01	-0,2	-1,5	-4,7	-10
USDPLN (Poland)	3,93	-0,2	-1,0	-2,1	-5
USD RUB (Russia)	64,13	-0,3	-0,7	-0,3	8
USDTRY (Turkey)	5,76	0,2	-1,1	-0,4	-8
USDCNY (China)	7,04	-0,1	0,0	0,4	-2
USDINR (India)	71,60	-0,3	0,2	-1,1	-3
USDIDR (Indonesia)	14092	0,0	0,0	-0,4	2
ADXY	103,83	-0,2	-0,1	0,0	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	63,4	-1,1	-0,9	3	18
WTx	58	-0,5	-1,3	4	27
Copper	265	-0,7	1,3	-1	1
Gold	1456	0,1	-0,6	-2	13
S&P Spot commodity *	420	-0,4	-0,1	2	12
S&P Brent Spot *	536	-0,3	0,1	3	17
S&P Metals Spot *	318	0,2	1,3	-4	0
S&P Agricultural *	285	-0,7	0,2	0	0

Source: Bloomberg, Datastream and Haver

\* With one day delay