

Market Comment

Trade deal prospects underpin positive market sentiment

- The mood of financial markets remained positive this week** on the back of brighter prospects of a trade deal, which could avert December's tariff increase. Although the ratification of the Hong Kong pro-democracy bill in the US slightly dented market's risk-on mood towards the end of the week, both positive economic data and a patient policy approach by most central bank have helped to support markets. On the flipside, **political unrest spread from Chile and Bolivia to Colombia**, increasing depreciation pressure on their currencies and weighing on regional equity indices.
- This week's activity data were tilted to the positive side. US 3Q19 GDP was unexpectedly revised up to 2.1% from 1.9% q/q ann.** (Cons: 1.9% q/q; Previous quarter: 2.0% q/q ann.), driven by a positive contribution from inventories, whereas the **Fed's Beige Book** signaled that the economy is growing modestly across most US districts. Moreover, durable and capital goods orders grew unexpectedly in October, although regional PMIs showed mixed results. On the other hand, consumer confidence fell unexpectedly in November for the fourth straight month amid worries about current business conditions and employment prospects (125.5 from 126.1; Cons: 127).
- Meanwhile, **the Eurozone showed steady confidence and slightly higher inflation in November.** The EC economic sentiment improved slightly in November (101.3 from 100.8; Cons: 101) driven by a widespread moderate increase across components, which contrast with worsening Services PMI last week. Across countries, German figures point to weaker manufacturing and further moderation in services, more than offset by higher consumers' sentiment. The unemployment rate stabilized in October at 7.5%. **Eurozone inflation rose more than forecast in Nov to 1% y/y from 0.7% y/y** (Cons: 0.9% y/y), alongside the core CPI (1.3% from 1.1% y/y), driven by a sharp increase in service prices. German inflation also accelerated more than expected in November to 1.2% y/y from 0.9% y/y (Cons: 1.1% y/y), driven by higher food and services prices.
- Safe-haven yields remained steady** (10Y yield 1.8% in the US and -0.34% in Germany). With regard to peripheral bonds, risk premia were also steady in Spain (76 bps) and Portugal (75bps), **but widened in Italy** (+4bps to 158bps) after its 10Y bond auction registered weak demand once again (bid-to-cover 1.21x, previous 1.29, the lowest since end-2012).
- Risk on mood weighed on the JPY (-0.8%), while positive US data supported the USD.** The GBP appreciated as recent elections polls showed that the UK's Conservative party can win by an ample majority. Meanwhile, concerns about the political unrest in some LatAm countries dented investors' sentiment towards the region, differentiation among countries remains. Intense protests in Chile and Colombia weighed heavily on their currencies (CLP -1.1%, COP -2.8%), forcing the former to intervene in the market. **The Central Bank of Chile announced it will sell USD20bn** (USD10bn through FX spot and USD10bn over FX hedging instruments) over the next six months (starting next Monday, December 2nd). The Central Bank of Brazil was also forced to make FX interventions following the sharp depreciation of the BRL.
- Stock indices gained in most countries, S&P+1.3%, Ibex +1.3%, Euro Stoxx +0.7%,** except in Latam, where political insatiability weighed. Implied volatility in equities eased in Europe, while it remained unchanged in the US (VIX 12).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	-0,2	-0,4	3	-86
US	1,79	2,6	2,1	2	-89
GER (2-yr)	-0,62	1,0	1,3	1	-1
Germany	-0,34	1,9	1,7	1	-58
France	-0,04	1,4	0,7	2	-75
Spain	0,42	1,0	1,1	14	-100
Italy	1,24	0,2	5,6	25	-151
Portugal	0,41	0,6	0,7	19	-132
Greece	1,45	1,9	5,6	25	-295
Japan (2-yr)	-0,17	0,9	1,2	5	-3
Japan	-0,07	0,9	0,1	4	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,91	-0,9	5,6	43	-233
Chile	2,89	3,8	-2,3	-11	-137
Colombia	6,62	0,0	33,1	51	-13
Mexico	7,09	-0,5	5,0	28	-155
Peru	3,75	0,0	7,4	-5	-162
Poland	2,01	1,8	-4,1	-1	-82
Russia	6,58	0,2	5,7	2	-220
Turkey	12,08	-4,0	4,0	-79	-372
India	6,47	0,9	-3,3	-3	-90
Indonesia	7,11	5,4	3,9	9	-92

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0,5	-1,0	1	-16
Italy	158	-1,7	3,9	24	-92
Portugal	75	-1,3	-1,0	18	-73
Spain	76	-0,9	-0,6	13	-41
2-yr sovereign spread vs Germany					
France	4	-0,7	-0,2	-1	-12
Italy	65	-0,3	1,9	19	-44
Portugal	8	-1,2	-7,1	-2	-18
Spain	24	-1,3	-2,0	1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	126	1,5	0	9	-81
Chile	58	0,7	2	19	-5
Colombia	91	0,4	1	13	-68
Argentina	7293	0,0	641	934	6487
Mexico	92	0,4	0	4	-63
Peru	58	0,2	1	7	-37
Poland	62	-0,3	-2	-4	-5
Russia	70	-0,4	0	-5	-84
Turkey	321	0,9	17	-11	-39
China	39	-0,2	-2	1	-28
India	71	0,2	-2	-1	-43
Indonesia	74	0,6	-1	-1	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	0,7	0	0	-13
VSTOXX	58	0,0	-5	-6	-9
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,1	0	0	-3
EM FX volatility index	16	0,0	0	0	-9
Credit spread (BAA) (change in bps)	206	-2,6	-8	-12	-40
US bonds volatility index	7	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,07	-	3	10	-6
EZ Inflation expectations (5Y5Y)	1,22	-	0	0	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	-0,5	-4	-2	-37
EZ	50	0,3	-4	-3	-55
UK	44	0,0	-2	-4	-50
Large Spanish	36	-0,1	-3	-3	-52
Medium Spanish	89	0,1	-1	-1	-23
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	-0,6	-23	-28	-22
EZ Non-financial	69	0,3	-2	-4	-28
UK Non-financial	101	-0,1	-1	-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	0	0	-9
Euribor 12m	-0,27	1	0	0	-16
Libor 3m	-0,45	0	1	1	-9
Libor 12m	1,91	0	0	-1	-88

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3149	-0,1	1,3	3,4	26
Dow Jones	28100	-0,2	0,8	3,4	20
Nikkei	23294	-0,5	0,8	2,0	16
FTSE 100	7376	-0,5	0,7	0,6	10
EuroStoxx 50	3713	0,2	0,7	2,5	24
IBEX	9375	0,2	1,3	1,0	10
DAX	13266	0,2	0,8	2,8	26
CAC	5920	0,1	0,5	2,7	25
MB	23340	0,0	0,3	3,1	27
ASE Athens	902	0,2	1,2	3,0	47
MSCI Latam *	95627	0,2	-0,1	-0,6	11
Ibovespa (Brazil)	108125	-0,2	-0,5	-0,3	23
Mexbol (Mexico)	43069	-0,1	-1,0	-1,5	3
Merval (Argentina)	34147	-0,2	1,7	0,8	13
MSCI EM Europe *	6164	0,1	-0,5	0,2	17
Poland	2157	-0,5	-1,4	-3,1	-5
Micex 10 (Russia)	5076	-0,2	-1,2	0,8	21
Ise 100 (Turkey)	106904	-0,2	0,3	8,3	17
MSCI EM Asia *	875	-0,2	1,5	2,4	12
Shanghai (China)	2872	-0,6	-0,5	-2,3	15
Jakarta (Indonesia)	6012	-0,2	-1,7	-4,3	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	156,1	-0,1	0,9	5,0	35
JPM	132,3	0,2	1,1	5,2	35
Citi	75,7	-0,1	1,1	3,7	45
BoA	33,5	0,2	0,9	5,9	36
MS	49,5	-0,5	0,6	7,1	25
GS	221,6	-0,6	0,6	2,7	33
EZ banks	81,3	0,0	-0,9	6,1	18
BNP	51,0	-0,1	-1,0	8,7	29
Crédit Agricole	12,4	-0,3	-1,7	6,4	32
Deutsche Bank	6,6	-0,8	-1,8	-1,2	-6
ING	10,5	-0,2	-0,7	3,0	11
Intesa	2,3	-0,2	-1,6	2,6	19
SG	28,6	0,8	-0,2	11,3	3
Unicredito	12,6	0,7	1,4	9,9	28
UK banks	76,0	-1,5	1,1	2,7	4
HSBC	578,0	-0,5	-0,3	-1,7	-11
RBS	227,1	-2,2	1,0	6,3	5
Barclays	171,9	-1,3	1,6	2,1	14
Lloyds	61,2	-2,4	2,4	6,3	18
Large Spanish banks	56,3	-0,4	-0,8	-1,4	-4
Santander	3,5	-0,6	-1,8	-4,4	-11
BBVA	4,8	-0,2	0,0	1,3	3
Medium Spanish banks	50,1	-0,5	0,0	2,8	-13
Caixabank	2,7	-0,3	-0,4	7,2	-15
Sabadell	1,0	-0,9	-1,9	0,6	1
Bankinter	6,4	-0,2	1,1	1,0	-9
Bankia	1,8	-1,3	0,5	4,0	-31

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,101	0,0	-0,1	-1,3	-4
GBPUSD	1,292	0,1	0,7	0,2	1
USDJPY	109,500	0,0	-0,8	-0,6	0
DXY	98,347	0,0	0,1	0,7	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,88	-0,2	-0,2	-0,3	-37
USDBRL (Brazil)	4,24	-0,6	-1,0	-5,8	-8
USDCOP (Chile)	807,95	2,5	-1,1	-8,6	-14
USDCOLP (Colombia)	3523	-0,3	-2,78	-3,80	-8
USDMXN (Mexico)	19,52	-0,3	-0,8	-2,3	1
USDPEN (Peru)	3,39	0,0	-0,2	-1,5	-1
LACI	49,26	0,2	-0,9	-4,1	-9
USDPLN (Poland)	3,92	0,1	-0,6	-2,6	-5
USD RUB (Russia)	64,32	-0,4	-0,7	-0,9	8
USDTRY (Turkey)	5,74	0,3	-0,5	-0,7	-8
USDCNY (China)	7,03	0,0	0,1	0,3	-2
USDINR (India)	71,74	-0,2	0,0	-1,2	-3
USDIDR (Indonesia)	14108	-0,1	-0,1	-0,5	2
ADXY	103,81	0,0	0,0	-0,2	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,7	-1,9	-1,1	3	17
WTx	56	-3,1	-2,5	2	24
Copper	264	-1,3	-0,3	-2	0
Gold	1461	0,3	-0,1	-2	14
S&P Spot commodity *	420	0,0	0,3	2	12
S&P Brent Spot *	536	0,0	1,0	5	17
S&P Metals Spot *	318	0,0	0,8	-3	0
S&P Agricultural *	285	0,0	-0,2	0	0

Source: Bloomberg, Datastream and Haver

* With one day delay