

Market Comment

US not in a hurry to reach a trade deal with China

- Investors were risk-averse as US trade frictions with the rest of the world continue to mount. Prospects of an imminent phase-one deal with China waned after US President said a deal may have to wait until after the **2020 US elections**. Meanwhile, the US Commerce Secretary said that planned tariffs on Chinese imports will be imposed on December 15 if a deal is not reached. Moreover, Chinese state media said the government will soon release its own **blacklist** with unreliable entities that could lead to sanctions against US companies.
- With regard to Europe, the US threatened to impose tariffs on roughly USD 2.4bn of **French goods**, in early 2020, in response to a tax on digital revenues. The French Finance Minister said the EU would retaliate if the US follows through on its tariff threat ([see](#)). Furthermore, the US also threatened a **raft of new tariff hikes on other EU products** due to the Airbus subsidy case at the WTO ([see](#)).
- Sovereign bond yields plunged amid rising trade tensions, while market expectations of further rate cuts by the Fed increased.** The yield on the 10Y UST bond fell sharply by 12bps, reversing yesterday's increase as hopes of a China-US trade deal dampened. In Europe, the 10Y German bund yield declined by 7bps, while its 10-2Y yield curve flattened. The 10Y Portuguese bond yield dropped by 10bps, leading the losses in the EU, with its risk premium narrowing. Regarding **monetary policy**, investors' expectations of an additional Fed rate cut by June 2020 increased to 58%, while expectations for December 2020 hover around 80%.
- The USD extended yesterday's losses (DXY index -0.2%), while other **safe-haven currencies gained, led by investors' risk-off mood, alongside gold (+1.2%)**. Sterling gained as new polls showed the ruling Conservative Party widening its lead ahead of the December 12 election. Elsewhere, LatAm currencies inched up with the **Brazilian real** leading the gains as Brazil's economy grew more than expected in 3Q19 by 1.2% y/y (Cons: 0.9% y/y; Previous quarter: 1.1% y/y).
- US stock markets and the Euro Stoxx 50 index dropped, dragged down by cyclical sectors, with the banking sector falling significantly. In this context, the **VIX index rose to 17** from 15.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,53	-7,2	-5,4	-2	-96
US	1,70	-12,0	-4,3	-1	-99
GER (2-yr)	-0,63	-2,0	0,4	2	-2
Germany	-0,35	-6,8	2,3	3	-59
France	-0,04	-7,4	1,5	3	-75
Spain	0,41	-8,0	2,1	14	-101
Italy	1,28	-6,8	11,4	29	-146
Portugal	0,36	-9,9	-0,9	16	-136
Greece	1,57	4,8	19,0	38	-283
Japan (2-yr)	-0,15	0,7	3,3	11	-1
Japan	-0,02	2,3	6,6	15	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,86	-6,6	-12,4	46	-238
Chile	3,04	3,9	24,8	4	-122
Colombia	6,49	-13,0	-13,4	46	-26
Mexico	7,13	0,1	1,2	36	-151
Peru	3,78	-4,6	7,5	-3	-159
Poland	1,99	-5,4	-0,5	2	-83
Russia	6,58	-2,3	2,0	7	-220
Turkey	11,96	-8,0	-20,0	-41	-384
India	6,47	-2,0	-1,5	2	-90
Indonesia	7,16	2,1	9,2	15	-86

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0,6	-0,8	-1	-16
Italy	163	0,0	9,1	26	-87
Portugal	71	-3,0	-3,1	13	-77
Spain	76	-1,2	-0,2	10	-42
2-yr sovereign spread vs Germany					
France	4	-0,6	-1,9	0	-12
Italy	68	-3,2	5,5	20	-41
Portugal	7	-0,4	-2,8	-4	-19
Spain	25	0,1	-0,6	2	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	125	0,1	1	4	-82
Chile	56	-0,8	0	12	-7
Colombia	90	-0,8	2	8	-69
Argentina	8112	895,1	724	1514	7306
Mexico	91	-0,2	-1	-1	-63
Peru	56	-1,4	0	4	-38
Poland	62	0,0	-1	-4	-5
Russia	69	-0,3	-1	-7	-85
Turkey	313	-3,2	5	-22	-46
China	39	0,6	-1	-2	-28
India	70	0,1	-1	-1	-43
Indonesia	75	1,1	0	-2	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	1,9	5	5	-9
VSTOXX	59	0,0	-1	2	-7
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	0	-3
EM FX volatility index	18	-0,2	1	1	-7
Credit spread (BAA) (change in bps)	224	12,0	13	6	-21
US bonds volatility index	7	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,03	-	0	8	-11
EZ Inflation expectations (5Y5Y)	1,21	-	3	0	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	-0,7	-2	-3	-37
EZ	49	-0,4	-3	-6	-56
UK	44	0,3	0	-5	-50
Large Spanish	36	-0,4	-2	-5	-52
Medium Spanish	79	-9,3	-11	-11	-33
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	-1,5	-10	-44	-23
EZ Non-financial	69	-0,1	-1	-4	-28
UK Non-financial	101	-0,2	1	-3	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	-1	1	n.a.
Euribor 3m	-0,40	0	0	0	-9
Euribor 12m	-0,26	1	2	2	-15
Libor 3m	-0,46	0	0	1	-10
Libor 12m	1,90	0	-1	0	-90

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3077	-1,2	-2,0	0,3	23
Dow Jones	27393	-1,4	-2,6	0,2	17
Nikkei	23380	-0,6	0,0	2,3	17
FTSE 100	7168	-1,6	-3,2	-1,8	7
EuroStoxx 50	3612	-0,4	-2,5	-0,3	20
IBEX	9145	-0,1	-1,9	-2,0	7
DAX	12992	0,2	-1,8	0,2	23
CAC	5727	-1,0	-3,4	-0,6	21
MIB	22732	0,0	-3,5	-0,9	24
ASE Athens	881	-1,3	-1,2	0,1	44
MSCI Latam *	95645	0,1	-0,5	0,1	11
Ibovespa (Brazil)	108472	-0,4	1,3	0,3	23
Mexbol (Mexico)	42429	-0,3	-1,0	-3,2	2
Merval (Argentina)	32733	-2,1	1,9	-8,4	8
MSCI EM Europe *	6129	-0,5	-1,4	-0,2	16
Poland	2090	-1,5	-4,6	-4,7	-8
Micex 10 (Russia)	4999	-1,2	-2,0	-1,2	19
Ise 100 (Turkey)	106790	-1,1	0,8	8,5	17
MSCI EM Asia *	865	0,1	-0,9	1,0	11
Shanghai Com (China)	2885	0,3	-0,8	-2,5	16
Jakarta (Indonesia)	6134	2,0	1,0	-1,5	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	150,8	-2,5	-3,2	0,2	30
Citi	128,7	-2,1	-2,2	0,7	32
Citi	72,7	-2,5	-3,7	-1,6	40
BoA	32,6	-2,5	-2,3	2,5	32
MS	47,6	-3,0	-3,6	0,6	20
GS	211,1	-3,0	-5,1	-2,9	26
EZ banks					
BNP	79,1	-1,5	-3,1	2,7	15
BNP	49,5	-1,8	-3,1	4,8	25
Crédit Agricole	12,1	-1,6	-3,6	3,2	29
Deutsche Bank	6,3	-1,9	-3,9	-3,9	-7
ING	10,1	-2,0	-2,6	-0,8	7
Intesa	2,2	-0,9	-3,9	-1,0	16
SG	28,0	-1,4	-1,6	8,3	1
Unicredito	12,3	-0,5	-3,3	6,8	24
UK banks					
HSBC	73,4	-1,7	-4,0	-0,7	1
HSBC	557,7	-2,0	-4,3	-5,3	-14
RBS	218,2	-1,7	-5,5	1,6	1
Barclays	166,0	-1,9	-3,4	-0,7	10
Lloyds	59,4	-1,0	-3,0	3,6	14
Large Spanish banks					
Santander	54,8	-0,8	-3,3	-2,9	-6
BBVA	3,5	-0,6	-3,7	-4,2	-13
BBVA	4,7	-0,9	-2,9	-1,7	0
Medium Spanish banks					
Caixabank	49,6	-0,4	-1,6	0,1	-14
Sabadell	2,6	-0,6	-1,0	-0,1	-16
Sabadell	1,0	0,4	-1,8	1,0	0
Bankinter	6,3	-0,3	-0,7	0,3	-11
Bankia	1,7	-1,5	-4,9	0,2	-32

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,109	0,1	0,6	-0,7	-3
GBPUSD	1,300	0,5	1,0	0,4	2
USDJPY	108,530	0,4	0,5	-0,3	1
DXY	97,681	-0,2	-0,6	0,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,92	0,1	0,0	-0,3	-37
USDBRL (Brazil)	4,19	0,7	1,2	-4,7	-7
USDCPL (Chile)	802,92	0,1	-0,5	-7,7	-14
USDCOP (Colombia)	3499	0,3	-0,63	-5,01	-7
USDMXN (Mexico)	19,56	0,1	-0,2	-2,2	0
USDPEN (Peru)	3,38	0,2	0,0	-1,2	0
LACI	49,47	0,3	0,2	-4,0	-9
USDPLN (Poland)	3,86	0,2	1,1	-1,4	-3
USD RUB (Russia)	64,22	0,0	-0,4	-1,1	8
USDTRY (Turkey)	5,75	-0,2	0,1	-0,7	-8
USDCNY (China)	7,06	-0,3	-0,4	-0,4	-3
USDINR (India)	71,69	0,0	-0,3	-1,2	-3
USDIDR (Indonesia)	14115	0,1	-0,2	-0,5	2
ADXY	103,67	-0,1	-0,3	-0,5	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60,9	0,0	-5,2	-1	13
WTx	56	0,0	-4,2	0	23
Copper	261	-0,9	-2,5	-2	-1
Gold	1480	1,2	1,3	-2	15
S&P Spot commodity *	411	0,4	-2,7	-1	10
S&P Brent Spot *	518	0,7	-3,6	-1	13
S&P Metals Spot *	316	0,3	-0,5	-4	-1
S&P Agricultural *	287	-0,6	0,1	0	1

Source: Bloomberg, Datastream and Haver

* With one day delay