

Market Comment

The trade rollercoaster continues amid mixed news

- Trade developments swing from pessimistic to optimistic.** Market risk sentiment improved amid speculation that China and the US might be closer to a trade deal, but it didn't fully recover from the recent flood of negative trade news.
- According to Bloomberg, **China and the US might be closer to agreeing** on how many tariffs would be removed in phase one and how to ensure China purchases more US farm goods, despite the US President suggesting that a deal may have to wait until after the 2020 US elections. Separately, geopolitical tensions between China and the US keep mounting after the US House of Representatives approved legislation that would impose sanctions on Chinese officials over human rights abuses against Muslim minorities, which may complicate any trade talks.
- Today's US economic data were worse-than-expected: US employment is losing steam, while the services sector slows down.** The ADP employment change suggested that the US non-farm private sector added fewer jobs than expected in November, while previous figures were revised down slightly (67k; Cons: 135k; Previous: 121k). The job gains were all in the service-providing sector as the goods-producing sector reported job losses. All eyes will be on Friday's payroll and unemployment rate from the US Labor Department. On the other hand, the ISM survey indicated that US non-manufacturing slowed more than estimated in November (53.9; Cons: 54.5; Previous 54.7), despite stronger new orders and employment. Elsewhere, **Caixin services PMI** surprised positively in November driven by a pick-up in new businesses (53.5; Cons: 51.2; Previous 51.1).
- The yield on the 10Y UST bond recovered partially (+7bps)** from yesterday's sharp drop driven by fresh hopes for a US-China trade deal. European sovereign bonds rose to a lesser extent (10Y German bund yield +3bps), except for the **UK gilt** which underperformed its peers as polls favor Tories. Peripheral risk premia narrowed, especially in Italy. **Market expectations of a Fed rate cut eased slightly**, postponing an additional cut to July 2020 (57%) rather than in June 2020.
- Sterling outperformed its G10 peers** as investors raised their expectations that the Conservative party will win an outright majority. Meanwhile, the **USD continues to be under pressure** as US employment figures were worse-than-expected, although the ISM figures had a mute impact on the DXY index. Other safe-haven currencies also depreciated amid new trade optimism. A weakening USD somewhat alleviated the pressure on emerging market currencies (FXJPEMCS index +0.4), especially LatAm currencies. The **Chilean peso led the gains** (USDCLP +1.5%) supported by the announcement of a large fiscal stimulus ahead of today's meeting of Central Bank of Chile, where a 25bps rate cut is expected.
- In commodities, **oil prices jumped sharply** (Brent +4%) as OPEC+ members are reportedly supporting deeper production cuts, alongside a sharper than expected drop in U.S crude oil inventories. On the other hand, gold remains steady as investors seek clarity on trade deal.
- European and US equities rose** with cyclicals leading the path, while the **VIX index fell back to 14**.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	4,4	-4,4	0	-91
US	1,79	7,2	2,2	1	-90
GER (2-yr)	-0,63	0,6	0,6	2	-2
Germany	-0,32	3,2	5,6	4	-56
France	-0,01	3,6	5,1	4	-72
Spain	0,44	3,0	4,6	13	-98
Italy	1,29	0,3	8,2	29	-145
Portugal	0,38	1,3	-0,3	14	-134
Greece	1,54	-2,0	12,6	35	-285
Japan (2-yr)	-0,16	-0,4	3,9	11	-1
Japan	-0,04	-1,6	7,0	14	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,78	-6,8	-24,3	37	-245
Chile	3,08	3,4	25,7	6	-118
Colombia	6,49	0,0	-13,0	46	-26
Mexico	7,10	-4,3	1,0	30	-154
Peru	3,73	-2,9	2,6	5	-163
Poland	2,02	2,9	4,8	5	-81
Russia	6,55	-2,7	-0,5	4	-223
Turkey	11,96	0,0	-28,0	-29	-384
India	6,47	-0,2	-0,6	-1	-90
Indonesia	7,17	0,1	8,6	18	-86

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0,4	-0,5	0	-16
Italy	161	-2,9	2,6	26	-90
Portugal	69	-1,9	-5,9	11	-79
Spain	76	-0,2	-1,0	10	-42
2-yr sovereign spread vs Germany					
France	4	-0,8	-0,9	-2	-12
Italy	67	-1,6	4,0	21	-42
Portugal	5	-2,7	-5,2	-6	-21
Spain	24	-1,1	-1,4	0	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	125	0,4	2	8	-82
Chile	56	0,3	1	15	-7
Colombia	91	1,5	2	12	-67
Argentina	8552	439,9	1283	2141	7746
Mexico	92	0,5	1	2	-63
Peru	57	0,1	0	6	-38
Poland	62	0,0	0	-4	-5
Russia	69	-0,5	-1	-6	-85
Turkey	319	6,2	8	-12	-40
China	40	1,1	1	0	-27
India	70	0,1	-1	-3	-43
Indonesia	76	1,3	2	-1	-62

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	-1,8	2	1	-11
VSTOXX	65	0,0	7	4	-2
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	0	-3
EM FX volatility index	19	0,8	2	1	-6
Credit spread (BAA) (change in bps)	204	-7,2	-5	-13	-41
US bonds volatility index	7	0,1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,10	-	7	10	-4
EZ Inflation expectations (5Y5Y)	1,22	-	3	-2	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	0,6	0	-1	-36
EZ	49	0,6	-1	-4	-55
UK	45	0,5	1	-3	-50
Large Spanish	36	0,2	0	-3	-52
Medium Spanish	90	11,1	0	0	-22
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	198	7,6	11	-35	-15
EZ Non-financial	69	0,4	0	-3	-28
UK Non-financial	101	0,2	1	-2	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	-1	0	n.a.
Euribor 3m	-0,39	0	1	1	-8
Euribor 12m	-0,27	0	1	1	-15
Libor 3m	-0,45	0	-1	1	-10
Libor 12m	1,89	0	-1	1	-91

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3117	0,8	-1,2	1,3	24
Dow Jones	27712	0,8	-1,6	0,9	19
Nikkei	23135	-1,0	-1,3	1,2	16
FTSE 100	7189	0,4	-3,2	-2,5	7
EuroStoxx 50	3660	1,4	-1,4	-0,1	22
IBEX	9271	1,5	-1,0	-1,5	9
DAX	13141	1,2	-1,1	0,0	24
CAC	5800	1,3	-2,1	-0,4	23
MIB	23034	1,3	-1,9	-1,2	26
ASE Athens	889	0,8	-0,7	1,1	45
MSCI Latam *	95344	-0,3	0,5	-1,1	10
Ibovespa (Brazil)	109949	0,9	2,1	1,1	25
Mexbol (Mexico)	42378	0,2	-1,5	-3,3	2
Merval (Argentina)	33812	3,2	-0,3	-9,3	12
MSCI EM Europe *	6047	-1,4	-1,9	-2,4	14
Poland	2082	-0,4	-4,6	-8,0	-9
Mcex 10 (Russia)	5035	0,7	-1,1	-0,5	20
Ise 100 (Turkey)	107701	0,9	1,8	7,6	18
MSCI EM Asia *	863	-0,2	-1,1	0,3	10
Shanghai Comex (China)	2878	-0,2	-0,9	-3,3	15
Jakarta (Indonesia)	6113	-0,3	1,4	-1,5	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	154,3	1,5	-1,2	0,8	33
JPM	131,7	1,4	-0,3	2,2	35
Citi	74,4	1,5	-1,7	-1,0	43
BoA	33,2	1,1	-0,7	2,4	35
MS	49,1	2,0	-1,4	0,5	24
GS	216,2	1,9	-3,0	-1,7	29
EZ banks	80,7	2,1	-1,5	2,5	17
BNP	50,3	1,6	-2,1	3,8	27
Crédit Agricole	12,4	1,9	-2,3	3,1	31
Deutsche Bank	6,5	2,2	-3,0	-5,4	-7
ING	10,3	2,1	-1,7	-0,6	10
Intesa	2,3	2,0	-1,6	-0,7	18
SG	28,9	3,1	1,1	8,6	4
Unicredito	12,5	1,9	-0,9	6,6	27
UK banks	74,2	1,3	-3,6	-0,5	2
HSBC	558,8	0,5	-4,5	-6,2	-14
RBS	222,5	2,1	-3,8	2,7	3
Barclays	167,2	0,5	-2,2	-0,6	11
Lloyds	60,6	2,4	-1,8	4,8	17
Large Spanish banks	55,9	2,2	-1,8	-3,8	-4
Santander	3,6	2,9	-1,4	-4,7	-11
BBVA	4,7	1,5	-2,1	-3,1	2
Medium Spanish banks	50,9	2,7	0,1	0,2	-11
Caixabank	2,7	2,9	0,3	1,2	-14
Sabadell	1,0	3,2	0,9	1,5	3
Bankinter	6,4	2,3	0,7	-0,3	-8
Bankia	1,8	3,3	-2,7	-1,8	-31

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,108	-0,1	0,7	-0,5	-3
GBPUSD	1,309	0,8	1,3	1,6	3
USDJPY	108,890	-0,2	0,6	-0,3	1
DXY	97,632	-0,1	-0,8	0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,89	0,0	-0,2	-0,3	-37
USDBRL (Brazil)	4,19	0,4	1,7	-4,1	-7
USDCOP (Chile)	791,14	1,5	3,5	-6,5	-12
USDCOLP (Colombia)	3479	0,7	0,87	-4,48	-6
USDMXN (Mexico)	19,48	0,4	0,2	-1,6	1
USDPEN (Peru)	3,39	0,1	0,0	-1,5	0
LACI	49,66	0,5	1,1	-3,0	-9
USDPLN (Poland)	3,86	0,0	1,4	-0,8	-3
USD RUB (Russia)	63,94	0,3	0,0	-0,6	8
USDTRY (Turkey)	5,76	-0,2	0,3	-0,3	-8
USDCNY (China)	7,05	0,2	-0,3	-0,3	-2
USDINR (India)	71,53	0,2	-0,2	-1,1	-2
USDIDR (Indonesia)	14105	0,1	-0,1	-0,6	2
ADXY	103,66	0,0	-0,3	-0,5	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,2	3,9	-1,3	2	18
WTx	58	4,1	0,5	3	29
Copper	265	1,6	-0,9	-1	1
Gold	1473	-0,3	1,3	-2	15
S&P Spot commodity *	411	0,0	-2,3	-2	10
S&P Brent Spot *	518	-0,2	-3,5	-2	13
S&P Metals Spot *	311	-1,4	-2,1	-6	-3
S&P Agricultural *	286	-0,4	0,4	0	1

Source: Bloomberg, Datastream and Haver

* With one day delay