

Market Comment

Cautiousness amid renewed threat of US tariffs on European products

- Investors remained cautious amid the latest Brexit concerns and the renewed threat of US tariffs being imposed on the European Union (see).** On the trade front, US trade representative, Lighthizer warned that the US will focus again on Europe -after closing agreements with China and the USMCA- on the dispute over aircraft subsidies and auto tariffs. Separately, China will ease tariff policies for buyers of US agricultural products to meet the commitments required as part of a phase-one of the trade accord.
- German companies move into the new year with more optimism** (96.3; Cons: 95.5; Prev: 95.1): both, expectations and current conditions rose more than expected in December. IFO expectations increased from 92.3 to 96.3 (Cons: 93.0) while the current situation also improved from 98.0 to 98.8 (Cons: 98.1). By sector, manufacturing recovered and services was at its highest level since the spring, while both the trade and construction sectors declined.
- Sovereign bond yields rose, especially in Italy, with their yield curves steepening.** Regarding monetary policy, ECB's Coeure suggested changes to the ECB's framework in a farewell speech as he called for a **2% inflation goal with a tolerance band** and a regular reassessment of the official measure of inflation. Meanwhile, the Fed's Williams reiterated that US monetary policy is in a good place, but downside risks linger.
- Despite the positive business outlook in Germany, **the euro slipped** on the back of risks of a no-deal Brexit and US tariffs on European products, **while sterling continued to underperform its G10 peers.** Elsewhere, the DXY index slightly increased, whereas EM currencies were mixed with LatAm currencies appreciating in general and the TRY leading the losses.
- Oil prices gained, despite the fact that **US crude oil inventories fell less than expected** by 1.085 million barrels (Cons: -2.12 million barrels).
- US stock markets were steady with the energy sector leading the gains, **while European equities were tilted to the downside** on renewed trade concerns.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,64	1,7	2,6	4	-85
US	1,92	4,4	13,3	11	-76
GER (2-yr)	-0,63	0,8	1,0	-1	-2
Germany	-0,25	4,5	7,1	9	-49
France	0,05	4,8	6,0	8	-66
Spain	0,43	3,6	1,6	2	-99
Italy	1,34	6,8	13,7	13	-140
Portugal	0,39	3,3	3,0	4	-134
Greece	1,29	-5,8	-8,1	-15	-311
Japan (2-yr)	-0,12	-0,3	-0,2	8	2
Japan	-0,01	-0,8	-1,5	7	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,90	-6,2	14,7	17	-233
Chile	2,73	-2,3	-34,1	-10	-152
Colombia	6,24	0,0	-4,1	-10	-51
Mexico	6,80	-2,7	-7,5	-10	-184
Peru	3,57	-0,1	-6,6	-27	-180
Poland	2,04	2,5	5,3	-6	-79
Russia	6,52	1,1	-5,6	-9	-226
Turkey	12,32	24,0	19,0	27	-348
India	6,71	-3,9	-5,0	23	-66
Indonesia	7,30	-4,6	13,5	28	-72

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,3	-1,1	-1	-17
Italy	159	2,3	6,6	5	-91
Portugal	64	-1,2	-4,1	-5	-84
Spain	68	-0,9	-5,5	-7	-50
2-yr sovereign spread vs Germany					
France	2	0,1	-1,4	-1	-13
Italy	57	1,2	-2,2	-10	-52
Portugal	9	-1,4	-0,4	-6	-18
Spain	24	-1,0	-0,9	-1	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	97	-0,5	-17	-25	-111
Chile	40	-2,6	-9	-8	-23
Colombia	71	-1,2	-7	-11	-88
Argentina	5848	-464,5	-1187	-2287	5042
Mexico	77	-0,8	-4	-14	-78
Peru	43	-1,3	-8	-10	-52
Poland	59	0,2	-2	-6	-9
Russia	53	-0,5	-9	-18	-101
Turkey	282	-3,9	-21	-25	-78
China	33	-1,2	-5	-5	-35
India	69	0,0	-1	-2	-45
Indonesia	66	-1,1	-7	-7	-72

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	0,1	-3	0	-13
VSTOXX	55	0,0	-6	-9	-11
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,2	0	-1	-3
EM FX volatility index	15	0,0	-2	-2	-9
Credit spread (BAA) (change in bps)	196	-4,4	-8	-18	-50
US bonds volatility index	6	0,0	0	-1	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,12	-	10	12	-1
EZ Inflation expectations (5Y5Y)	1,31	-	5	11	-30
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	41	0,7	-3	-7	-42
EZ	44	0,4	-3	-10	-60
UK	41	0,4	-2	-7	-54
Large Spanish	32	0,5	-2	-7	-55
Medium Spanish	78	0,4	-11	-8	-35
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	187	1,6	-4	-52	-26
EZ Non-financial	65	-0,8	-3	-5	-32
UK Non-financial	96	-0,2	-3	-5	-22

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	1	1	n.a.
Euribor 3m	-0,40	0	-1	0	-9
Euribor 12m	-0,27	-1	0	0	-15
Libor 3m	-0,45	0	0	0	-10
Libor 12m	1,90	0	1	0	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3197	0,1	1,8	2,4	28
Dow Jones	28270	0,0	1,3	0,8	21
Nikkei	23934	-0,5	2,3	2,2	20
FTSE 100	7553	0,4	4,7	3,4	12
EuroStoxx 50	3743	-0,1	1,5	1,0	25
IBEX	9624	0,1	2,5	3,9	13
DAX	13230	-0,4	0,6	0,2	25
CAC	5967	0,0	1,8	0,6	26
MIB	23655	0,1	2,2	0,8	29
ASE Athens	906	1,2	2,5	2,0	48
MSCI Latam *	99098	0,4	2,2	3,8	15
Ibovespa (Brazil)	113055	0,4	1,9	6,4	29
Mexbol (Mexico)	44737	0,8	3,6	3,1	7
Merval (Argentina)	37687	2,1	7,6	18,3	24
MSCI EM Europe *	6298	0,3	3,0	1,1	19
Poland	2132	0,0	4,1	-4,4	-6
Micex 10 (Russia)	5282	0,2	2,1	4,1	26
Ise 100 (Turkey)	110575	-0,4	2,5	3,5	21
MSCI EM Asia *	909	1,4	4,5	5,0	16
Shanghai Com (China)	3017	-0,2	3,2	3,7	21
Jakarta (Indonesia)	6287	1,2	1,7	2,6	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	162,6	0,3	3,8	5,6	41
Citi	138,9	0,5	3,5	6,3	42
BoA	78,0	0,3	3,2	4,8	50
MS	35,2	0,5	4,6	6,8	43
GS	51,0	0,1	3,0	3,9	29
230,5	-0,3	4,2	4,9	38	
EZ banks					
BNP	85,6	0,5	4,6	5,2	24
Crédit Agricole	53,4	0,5	5,9	5,5	35
Deutsche Bank	13,1	0,2	3,8	4,7	39
ING	7,0	0,6	5,1	6,0	1
Intesa	11,0	0,6	5,1	4,5	16
SG	2,4	0,3	2,6	0,9	22
Unicredito	31,0	0,8	6,0	9,7	11
13,3	0,6	3,5	7,9	35	
UK banks					
HSBC	80,4	-0,2	7,5	7,1	10
RBS	599,8	1,0	6,8	4,3	-7
Barclays	249,2	-1,6	9,3	10,8	15
Lloyds	185,5	-1,0	9,9	8,9	23
63,5	0,2	5,0	6,2	22	
Large Spanish banks					
Santander	60,0	0,9	6,8	7,5	3
BBVA	3,8	0,9	6,7	7,3	-4
5,1	1,0	7,0	7,6	10	
Medium Spanish banks					
Caixabank	52,9	0,5	4,3	8,2	-8
Sabadell	2,8	1,5	6,2	6,6	-11
1,1	0,5	4,5	9,9	8	
Bankinter	6,7	0,1	2,9	8,7	-5
Bankia	1,9	0,1	5,3	9,3	-27

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,112	-0,3	-0,1	0,4	-3
GBPUSD	1,308	-0,4	-0,9	0,9	3
USDJPY	109,600	-0,1	-0,9	-0,8	0
DXY	97,395	0,2	0,3	-0,4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,82	0,0	0,0	-0,6	-37
USDBRL (Brazil)	4,06	0,2	1,4	3,6	-4
USDCOP (Chile)	752,36	0,5	2,3	2,7	-8
USDCOL (Colombia)	3326	0,5	1,52	3,52	-2
USDMXN (Mexico)	18,97	-0,2	0,8	1,8	4
USDPEN (Peru)	3,33	0,2	1,8	1,2	1
LACI	51,11	0,1	1,2	2,4	-6
USDPLN (Poland)	3,84	-0,6	0,1	0,9	-3
USD RUB (Russia)	62,63	-0,4	1,1	2,0	11
USDTRY (Turkey)	5,92	-0,6	-2,0	-3,2	-11
USDCNY (China)	7,00	-0,1	0,5	0,3	-2
USDINR (India)	70,97	0,0	-0,2	1,2	-2
USDIDR (Indonesia)	13988	0,1	0,4	0,7	3
ADXY	104,48	0,0	0,5	0,3	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	66,2	0,1	3,8	6	23
WTx	61	0,0	3,7	7	34
Copper	282	-0,1	1,3	8	7
Gold	1475	-0,1	0,0	0	15
S&P Spot commodity *	434	0,6	3,2	4	16
S&P Brent Spot *	554	1,1	3,4	6	21
S&P Metals Spot *	322	-0,4	0,6	2	1
S&P Agricultural *	300	0,3	4,0	5	6

Source: Bloomberg, Datastream and Haver

* With one day delay