

Market Comment

Thin volume ahead of the Christmas Break

- Financial markets were broadly steady, although some caution still lingers amid thin liquidity as the year-end approaches.
- On trade talks, **China will cut tariffs on more than 850 US products starting January 1, 2020.** China has also lowered tariffs on goods imported from other nations with whom it has a renegotiated trade agreement - New Zealand, Peru, Costa Rica, Switzerland, Iceland, Australia, South Korea and Pakistan. In total, China imported \$389 billion of the products whose tariffs are being lowered. The US President said the US and China would "very shortly" sign the phase-one trade deal, which is expected to be in January.
- Further signs of a general slowdown in US investment: US durable goods orders dropped unexpectedly in November** (-2.0%; Cons: 1.5%; Prev: 0.2%), dragged down by weaker demand in the defense sector. At the same time, last month's figures were revised down from 0.5% to 0.2%. On the other hand, new home sales increased unexpectedly as previous figures were downwardly revised from 733k to 710k.
- Sovereign bond yields were unchanged, except for Italy**, whose risk premium widened as concerns over early elections persist. The 10-2Y US yield curve flattened slightly, driven by disappointing US economic data. As regards US money markets, today's 15-day operation was undersubscribed as primary dealers submitted \$28.8bn in bids, below the \$35bn on offer, **suggesting that year-end funding pressures have eased.**
- There were **minor changes in FX markets.** G10 currencies appreciated marginally in general, but the **DXY index trimmed early gains** driven by the negative surprise in US durable goods. Meanwhile, the pound extended its recent decline on the back of renewed hard-Brexit fears with an accelerated schedule for signing a trade deal with the EU. Elsewhere, **EM currencies gained modestly** (FXJPEMCS index +0.1%) as trade frictions ease with the Brazilian real leading the gains.
- US stock markets inched up on trade optimism, continuing to reach all-time highs. **The S&P 500 rose by 28.7% year-to-date**, supported by the monetary stimulus. Meanwhile, European equities were tilted to the downside, dragged down by financials.
- Season's Greetings and Happy New Year. **We will be back on January 2, 2020.**

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,65	1,7	2,0	4	-84
US	1,92	0,5	5,1	15	-76
GER (2-yr)	-0,62	1,4	0,9	1	-1
Germany	-0,24	1,0	3,5	8	-48
France	0,06	0,9	4,4	8	-65
Spain	0,43	-1,2	1,1	-2	-99
Italy	1,43	2,3	13,5	25	-131
Portugal	0,41	-1,0	2,4	-2	-132
Greece	1,47	0,9	11,9	6	-293
Japan (2-yr)	-0,09	0,5	3,3	10	5
Japan	0,02	0,2	2,7	12	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,97	-7,7	9,7	13	-226
Chile	2,84	0,2	2,3	-9	-141
Colombia	6,24	0,0	0,0	-5	-51
Mexico	6,90	-3,2	10,1	-13	-174
Peru	3,56	-1,6	-1,1	-14	-180
Poland	2,08	0,0	6,9	1	-74
Russia	6,54	1,0	2,3	1	-224
Turkey	12,10	-6,0	-5,0	9	-370
India	6,57	-2,9	-22,7	6	-80
Indonesia	7,14	-3,0	-14,0	5	-89

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0,1	0,9	-1	-17
Italy	167	1,3	10,0	17	-83
Portugal	65	-2,0	-1,1	-10	-83
Spain	67	-2,2	-2,4	-10	-50
2-yr sovereign spread vs Germany					
France	1	-0,8	-0,4	-4	-14
Italy	62	1,6	5,4	0	-47
Portugal	10	0,9	1,3	-6	-17
Spain	23	-1,6	-1,0	-3	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	103	0,6	3	-25	-104
Chile	44	0,2	1	-12	-19
Colombia	75	-0,7	2	-16	-83
Argentina	5814	36,6	-309	-1041	5008
Mexico	81	-0,9	3	-13	-74
Peru	43	-0,4	-3	-14	-52
Poland	59	-0,2	0	-6	-9
Russia	57	-1,0	2	-14	-97
Turkey	281	-2,2	-10	-24	-79
China	32	-0,5	-3	-8	-36
India	68	-0,6	-3	-4	-46
Indonesia	64	-0,1	-5	-11	-73

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,2	1	0	-13
VSTOXX	54	0,0	-2	-8	-12
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,1	0	-1	-3
EM FX volatility index	15	-0,4	0	-2	-10
Credit spread (BAA) (change in bps)	196	-0,5	-6	-19	-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)	2,10	-	1	6	-3
EZ Inflation expectations (5Y5Y)	1,30	-	1	8	-31
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	42	0,3	2	-8	-41
EZ	45	0,1	1	-9	-60
UK	41	-0,6	0	-6	-53
Large Spanish	32	-0,6	0	-7	-56
Medium Spanish	77	0,2	-1	-13	-35
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	183	2,5	-2	-42	-30
EZ Non-financial	65	-0,1	-2	-6	-32
UK Non-financial	96	-0,4	-1	-5	-23

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,40	-1	0	1	-9
Euribor 12m	-0,25	0	1	3	-13
Libor 3m	-0,46	0	0	-3	-10
Libor 12m	1,93	0	3	3	-86

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3227	0,2	1,1	4,0	29
Dow Jones	28572	0,4	1,2	2,9	22
Nikkei	23821	0,0	-0,5	3,4	19
FTSE 100	7625	0,6	1,4	5,3	13
EuroStoxx 50	3778	0,0	0,1	2,7	26
IBEX	9654	-0,2	-0,3	4,8	13
DAX	13303	-0,1	-0,8	1,3	26
CAC	6034	0,2	0,7	2,6	28
MB	23930	-0,3	1,7	2,8	31
ASE Athens	913	2,3	3,6	3,3	49
MSCI Latam *	100540	-0,2	1,4	5,8	16
Ibovespa (Brazil)	115150	0,0	2,9	7,1	31
Mexbol (Mexico)	44226	-0,6	-0,3	2,2	6
Merval (Argentina)	39868	3,2	6,0	19,9	32
MSCI EM Europe *	6304	0,0	0,5	1,6	19
Poland	2143	0,7	1,4	-1,7	-6
Micex 10 (Russia)	5365	0,9	2,1	4,8	28
Ise 100 (Turkey)	112175	0,9	0,9	5,0	23
MSCI EM Asia *	911	0,1	1,5	4,7	16
Shanghai Com (China)	2963	-1,4	-0,7	2,0	19
Jakarta (Indonesia)	6306	0,9	1,8	2,5	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
US banks	162,1	0,2	0,8	5,8	40
JPM	137,3	0,1	0,0	5,7	41
Citi	78,7	0,3	2,4	6,5	51
BoA	35,0	0,2	0,9	6,7	42
MS	50,8	0,3	0,2	4,1	28
GS	229,9	0,4	0,8	5,3	38
EZ banks					
EZ banks	85,4	-0,7	0,3	4,6	24
BNP	53,2	-0,7	0,0	3,3	35
Crédit Agricole	13,0	-0,4	-1,1	3,5	38
Deutsche Bank	6,9	-2,3	-0,8	4,1	-1
ING	10,8	-1,0	-0,4	4,2	15
Intesa	2,4	-0,1	2,4	2,1	24
SG	31,2	-0,7	1,3	10,4	12
Unicredito	13,4	-0,8	0,2	7,1	35
UK banks					
UK banks	78,9	-0,1	-4,4	6,6	8
HSBC	599,6	-0,1	2,4	5,2	-7
RBS	241,5	-0,7	-7,5	9,4	11
Barclays	179,5	0,6	-6,7	6,7	19
Lloyds	62,2	-0,2	-7,5	6,0	20
Large Spanish banks					
Large Spanish banks	59,7	-1,3	-0,2	6,2	2
Santander	3,8	-1,8	-1,2	5,2	-6
BBVA	5,1	-0,9	0,6	7,0	10
Medium Spanish banks					
Medium Spanish banks	52,6	-2,4	-0,8	6,3	-9
Caixabank	2,8	-1,2	1,6	6,3	-10
Sabadell	1,0	-3,1	-2,2	4,2	6
Bankinter	6,5	-3,5	-2,5	6,3	-7
Bankia	1,9	-1,2	1,1	11,1	-25

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,109	0,1	-0,5	0,3	-3
GBPUSD	1,292	-0,6	-3,1	0,1	1
USDJPY	109,380	0,1	0,2	-0,7	0
DXY	97,678	0,0	0,7	-0,3	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,85	-0,1	-0,1	-0,1	-37
USDBRL (Brazil)	4,06	0,8	-0,1	3,3	-4
USDCOP (Chile)	754,33	-0,2	1,0	5,4	-8
USDCOP (Colombia)	3311	0,6	1,29	3,28	-2
USDMXN (Mexico)	18,93	0,0	0,0	2,4	4
USDPEN (Peru)	3,32	-0,1	1,0	1,6	1
LACI	51,16	0,3	0,2	2,8	-6
USDPLN (Poland)	3,85	-0,1	-0,7	1,0	-3
USD RUB (Russia)	62,20	0,1	0,4	2,4	11
USDTRY (Turkey)	5,95	-0,2	-1,7	-4,2	-11
USDCNY (China)	7,01	-0,1	-0,3	0,3	-2
USDINR (India)	71,19	-0,1	-0,3	0,8	-2
USDIDR (Indonesia)	13979	0,0	0,2	0,8	3
ADXY	104,46	-0,1	-0,1	0,5	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	66,3	0,3	1,5	4	23
WTx	61	0,2	0,6	3	33
Copper	281	0,0	-0,4	7	7
Gold	1483	0,3	0,5	1	16
S&P Spot commodity *	433	-0,4	0,5	3	16
S&P Brent Spot *	555	-0,6	1,2	4	21
S&P Metals Spot *	326	0,1	0,9	4	2
S&P Agricultural *	298	0,2	-0,4	5	5

Source: Bloomberg, Datastream and Haver

* With one day delay