

Market Comment

Markets start the week on a slightly positive note

- Financial markets began the week on a slightly positive tone, after softer U.S. payrolls in December halted the risk-on mood upward trend last Friday. That said, markets are trading in a narrow range ahead of this week's main events such as the signing of the U.S.-China phase I trade deal on Wednesday, and the 4Q19 earning season kick-off.
- On the macroeconomic front, today was a light day. China auto sales declined 8.2% YoY in 2019 and are expected to contract further in 2020, although the path of contraction has moderated since October. Italy's retail sales disappointed, growing below expectations (0.9% YoY, consensus 1.4% YoY, previous month -0.3% YoY). On the monetary policy front, the BoE's members that support an interest rate cut rose to three from two, after Gertjan Vlieghe suggested he would vote for an interest cut if the economy does not improve. Fed's Rosengren said that at current interest rates, he sees higher risk of above-target inflation and higher financial assets prices than downside risks. Nonetheless, implied probability for an additional Fed interest rate cut increased to 60% after the softer employment report, suggesting investor's considers the Fed could act to contain a broad slowdown.
- Geopolitical risk moderated, although the risk of tit-for-tat retaliations remains elevated. Iran confirmed it unintentionally shot down Ukrainian airline, while the U.S. confirmed economic sanctions against Iran, targeting industry metals (Steel, aluminum, copper and iron), and other sectors of the economy such as construction, manufacturing and textile but moving away from an escalation of a military conflict. Moreover, Turkey and Russia are hammering a trade truce in Libya.
- Sovereign yields recovered from Friday's falls, after softer U.S. labor report, underpinned by positive prospects that U.S.-China to sign the phase one trade deal that would ease trade concerns, paving the way for an improvement in global cyclical conditions. That said, bond supply factors and lack of escalation in Middle East conflicts also helped to recover sovereign yields. The Spanish and Portuguese yields increased in a lesser extent than core yields, but Italy's yield surged, underpinned by weak retail sales and cautions about regional elections in Emilia-Romagna late in the month
- In FX, G-10 currency barely moved today, except the GBP, which depreciated as expectations for a BoE interest rate cut increased. The Chinese currency reflected a positive prospect for a final deal, trading below the USDCNY 7 threshold, leading Asian FX to appreciate. On the other hand, LatAm currencies depreciated, dragged by the decline in oil prices and some worse than expected economic data Mexico. TRY slightly appreciated, ahead of this week's CBRT monetary policy meeting.
- Oil prices extended declines today (Brent below \$64.5/pb) as geopolitical risk premium declined.
- Equity markets were mixed. They inched up in the U.S. and Asia, while they declined in Europe, led by the automobile and banking sectors.

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1.58	1.2	3.8	-8	-95
<b>US</b>	1.84	2.5	4	-5	-86
GER (2-yr)	-0.59	1.2	3.7	4	1
<b>Germany</b>	-0.16	4.0	9.3	8	-39
France	0.09	4.6	7.1	5	-55
Spain	0.48	3.8	8.5	3	-94
Italy	1.38	5.5	1.5	14	-147
Portugal	0.43	3.6	6.1	3	-125
Greece	1.39	3.3	-1.4	4	-291
Japan (2-yr)	-0.14	0.0	1.2	-1	1
<b>Japan</b>	0.00	0.0	2.0	1	-2
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6.86	6.5	1.4	6	-225
Chile	3.09	4.7	35.4	7	-118
Colombia	6.12	-1.8	-21.8	-13	-88
Mexico	6.85	1.4	5.0	-3	-171
Peru	3.49	0.0	1.8	-12	-181
Poland	2.35	8.0	27.8	31	-39
Russia	6.18	-8.0	-24.1	-35	-231
Turkey	10.94	-22.0	-114.0	-121	-492
India	6.60	1.0	2.7	-18	-63
Indonesia	6.87	-5.8	-22.9	-35	-114

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YoY
<b>10-yr sovereign spread vs Germany</b>					
France	25	0.6	-2.2	-2	-16
Italy	154	1.5	-7.8	7	-108
Portugal	59	-0.4	-3.2	-5	-86
Spain	64	-0.2	-0.8	-5	-55
<b>2-yr sovereign spread vs Germany</b>					
France	4	0.5	0.6	0	-10
Italy	56	2.1	0.3	-1	-47
Portugal	12	0.4	3.7	3	-28
Spain	22	0.6	-1.3	-1	-16
Emerging Markets	level	Daily	Weekly	Monthly	YoY
<b>5-yr sovereign CDS *</b>					
Brazil	99	2.1	0	-10	-84
Chile	44	2.1	2	-2	-10
Colombia	70	2.5	-1	-5	-65
Argentina	4531	-152.3	-755	-2174	3846
Mexico	75	1.3	-3	-1	-63
Peru	42	1.9	1	-6	-42
Poland	56	-1.2	-2	-4	-10
Russia	60	2.0	0	0	-83
Turkey	269	-1.9	-15	-35	-101
China	33	1.3	0	-5	-30
India	66	-1.1	0	-5	-42
Indonesia	63	0.4	-1	-9	-64

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	13	0.2	-1	-1	-6
VSTOXX	53	0.0	-9	-8	-2
EMEFT volatility Index	2	0.0	0	0	-1
Dollar/euro volatility	4	0.2	-1	0	-3
EM FX volatility index	15	-0.3	-3	-2	-5
Credit spread (BAA) (change in bps)	204	-2.5	1	1	-43
US bonds volatility index	6	-0.1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2.09	-	2	1	-9
EZ Inflation expectations (5Y5Y)	1.34	-	2	7	-20
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	41	-0.4	-2	-1	-43
EZ	45	-0.7	-2	-2	-54
UK	40	-0.5	-3	-4	-52
Large Spanish	32	0.0	0	-2	-50
Medium Spanish	74	-0.8	-3	-5	-41
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	192	11.0	16	-2	2
EZ Non-financial	65	-0.3	0	-3	-27
UK Non-financial	97	-0.6	-2	-3	-16

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0.54	0	0	1	n.a.
Euribor 3m	-0.39	1	0	1	-8
<b>Euribor 12m</b>	-0.25	1	0	2	-13
Libor 3m	-0.45	0	0	1	-9
Libor 12m	1.84	0	-3	-4	-95

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
<b>S&amp;P500</b>	3280	0.5	1.0	3.5	27
Dow Jones	28894	0.2	0.7	2.7	21
Nikkei	23851	0.0	2.8	1.8	17
FTSE 100	7618	0.4	0.6	4.7	11
<b>EuroStoxx 50</b>	3780	-0.3	0.7	2.0	24
IBEX	9544	-0.3	-0.6	0.8	8
DAX	13452	-0.2	2.5	1.7	24
CAC	6036	0.0	0.4	2.6	27
MIB	23897	-0.5	1.3	2.2	25
ASE Athens	919	-0.5	-0.1	3.9	46
<b>MSCI Latam *</b>	100965	-0.1	-1.3	3.6	10
Ibovespa (Brazil)	117089	1.4	0.2	4.4	24
Mexbol (Mexico)	44623	-0.1	0.3	3.3	3
Merval (Argentina)	42727	0.0	3.0	20.3	27
<b>MSCI EM Europe *</b>	6506	0.0	1.1	5.8	19
Poland	2194	1.2	0.9	4.4	-6
Micex 10 (Russia)	5553	0.9	2.6	6.6	27
Ise 100 (Turkey)	120249	1.3	7.9	9.2	31
<b>MSCI EM Asia *</b>	932	0.4	1.0	6.4	16
Shanghai Com (China)	3116	0.8	1.0	6.9	23
Jakarta (Indonesia)	6297	0.4	-0.4	1.9	-1
Banking sector	level	Daily	Weekly	Monthly	YoY
<b>US banks</b>					
JPM	135.9	-0.1	-1.7	-1.6	35
Citi	79.8	0.7	0.5	3.6	35
BoA	34.9	0.3	0.0	0.5	32
MS	52.7	0.9	3.2	3.9	24
GS	245.3	1.3	4.9	8.5	37
<b>EZ banks</b>					
BNP	84.9	-0.5	0.0	1.3	18
BNP	51.9	-0.4	-1.4	0.5	25
Crédit Agricole	12.9	-0.2	-0.9	-0.5	-29
Deutsche Bank	7.6	-1.5	5.5	11.8	2
ING	10.7	-1.0	-1.2	0.8	9
Intesa	2.3	-0.7	0.0	-0.5	18
SG	31.4	0.0	1.1	4.4	8
Unicredito	13.3	-0.8	1.6	0.2	28
<b>UK banks</b>					
HSBC	77.0	-0.5	-2.2	1.0	2
HSBC	590.8	1.1	1.0	2.5	-8
RBS	232.0	-1.4	-3.3	-0.1	0
Barclays	181.7	0.4	0.4	5.7	14
Lloyds	58.7	-2.6	-7.1	-3.9	6
<b>Large Spanish banks</b>					
Santander	58.2	-1.1	-2.2	0.1	-7
BBVA	3.7	-0.7	-2.2	0.1	-13
Mediana	4.9	-1.5	-2.2	0.0	-1
<b>Medium Spanish banks</b>					
Caixabank	51.2	-0.1	-3.8	-2.8	-11
Sabadell	2.8	0.0	-2.9	0.2	-15
Sabadell	1.0	0.4	-2.8	-4.0	2
Bankinter	6.4	-0.6	-4.6	-4.5	-6
Bankia	1.8	0.2	-5.2	-2.1	-30

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1.114	0.2	-0.5	0.1	-3
GBPUSD	1.298	-0.6	-1.4	-1.4	1
USDJPY	109.930	-0.4	-1.4	-0.6	-2
DXY	97.359	0.0	0.7	0.0	2
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	59.95	-0.2	-0.2	-0.2	-38
USDBRL (Brazil)	4.14	-0.9	-1.7	-1.1	-11
USDCLP (Chile)	775.25	-0.4	-0.4	-0.7	-13
USDCOP (Colombia)	3281	-0.3	-1.05	2.82	-4
USDMXN (Mexico)	18.82	-0.1	0.1	1.3	1
USDPEN (Peru)	3.33	0.0	-0.2	1.3	0
LACI	50.80	-0.4	-0.6	0.2	-10
USDPLN (Poland)	3.80	0.1	0.6	1.2	2
USDRUB (Russia)	61.35	-0.5	0.7	2.3	9
USDTRY (Turkey)	5.87	0.3	1.8	-1.3	-7
USDCNY (China)	6.89	0.4	1.2	1.6	-2
USDINR (India)	70.86	0.1	1.5	0.0	0
USDIDR (Indonesia)	13673	0.7	2.0	2.6	3
ADXY	105.69	0.3	0.9	0.9	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
<b>Brent</b>	64.3	-1.1	-6.7	0	9
WTx	58	-1.2	-7.8	-1	15
Copper	286	1.3	2.0	2	8
Gold	1550	-0.8	-1.0	5	20
S&P Spot commodity *	430	-0.1	-3.3	2	8
S&P Brent Spot *	549	-0.8	-6.3	2	9
S&P Metals Spot *	326	0.3	0.5	1	3
S&P Agricultural *	303	0.8	1.2	4	5

Source: Bloomberg, Datastream and Haver  
\* With one day delay