

Market Comment

Quiet session ahead of trade developments

- **Financial markets were broadly steady, although some caution lingers** as investors await U.S.-China trade agreement progress. **The Chinese delegation arrived in the U.S. to sign phase one of their trade deal on Wednesday.** Furthermore, the U.S. Treasury department said on Monday China is no longer considered as a currency manipulator, adding that China has made “enforceable commitments” not to devalue its currency and agreed to publish relevant exchange rate information as part of the trade deal.
- **On the data front: U.S. inflation increased less than expected in December** (2.3% YoY; Cons: 2.4% YoY; Prev: 2.1% YoY), while core inflation remained steady at 2.3%YoY in December and in line with expectations. The negative surprise was driven by a decline in shelter costs and used car prices. On the other hand, **China’s trade balance unexpectedly rose in December** (\$46.79b; Cons: \$45.70b; Prior: \$37.62b revised from \$38.73b) with a surprising increase in both exports and imports (where crude played a large role). **Nonetheless, trade figures largely reflect base and price effects rather than underlying strength** as the U.S.-China trade war eases.
- **Sovereign yields inched down across the board**, as U.S. inflation increased below expectations. Nonetheless, bond markets showed minor changes, awaiting the U.S. and China to strike the trade agreement tomorrow. Moreover, markets are also waiting for the release of the new repo schedule, following today’s oversubscribed 14-D term repo auction (submitted \$43.15b; maximum \$35bn). The European yields also edged down marginally. Spain bond yields declined in line with German yields, although Spain’s Tesoro 10Y syndicated bond registered a record demand.
- In FX markets, the CNY extended its appreciation below the CNYUSD 7 threshold, as the U.S. removed China from the list of countries considered currency manipulators. Meanwhile, emerging currencies showed minor changes.
- In commodities, **oil prices increased trimming some of the recent losses** bolstered by higher-than-expected Chinese foreign trade in December ([see](#)).
- Equity markets remained broadly unchanged, despite today’s U.S. bank earnings publications exceeded expectations, except WFC.

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,58	-0,8	3,6	-3	-96
<b>US</b>	1,82	-2,8	0	0	-89
GER (2-yr)	-0,58	0,7	4,3	4	4
<b>Germany</b>	-0,17	-1,3	7,8	8	-38
France	0,08	-0,8	6,5	8	-54
Spain	0,48	-0,2	8,0	6	-91
Italy	1,39	1,4	1,3	13	-148
Portugal	0,42	-0,6	5,9	5	-124
Greece	1,40	0,8	0,2	4	-287
Japan (2-yr)	-0,12	1,4	-0,5	1	3
<b>Japan</b>	0,02	1,6	2,1	3	0
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,79	-7,6	-1,6	1	-245
Chile	3,02	-4,5	22,9	10	-125
Colombia	6,15	1,4	-17,8	-10	-86
Mexico	6,87	2,8	-0,7	4	-173
Peru	3,52	2,9	3,1	-6	-177
Poland	2,28	-6,6	9,3	26	-47
Russia	6,26	7,2	-17,0	-29	-216
Turkey	10,85	-9,0	-107,0	-115	-489
India	6,67	6,9	11,3	-12	-59
Indonesia	6,87	-0,3	-19,8	-37	-117

**COUNTRY RISK (BP, CHANGE IN BPS)**

Developed Markets	level	Daily	Weekly	Monthly	YoY
<b>10-yr sovereign spread vs Germany</b>					
France	25	0,5	-1,3	-1	-16
Italy	156	2,7	-6,5	5	-111
Portugal	60	0,7	-1,9	-3	-86
Spain	65	1,1	0,2	-2	-54
<b>2-yr sovereign spread vs Germany</b>					
France	3	-0,7	-0,3	0	-10
Italy	55	-0,2	-1,5	3	-48
Portugal	10	-1,7	-0,2	3	-32
Spain	22	0,0	-1,3	-1	-17
Emerging Markets	level	Daily	Weekly	Monthly	YoY
<b>5-yr sovereign CDS *</b>					
Brazil	100	1,1	2	-1	-82
Chile	45	0,6	2	1	-9
Colombia	71	0,8	0	-2	-64
Argentina	4717	186,0	-494	-1329	4044
Mexico	77	1,6	-1	2	-60
Peru	43	0,4	1	-4	-41
Poland	55	-1,5	-3	-5	-11
Russia	59	-0,8	0	4	-83
Turkey	263	-5,6	-22	-31	-114
China	31	-1,6	-3	-6	-33
India	65	-0,3	-1	-5	-42
Indonesia	62	-1,4	-4	-9	-68

**RISK INDICATORS**

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	12	0,0	-1	0	-6
VSTOXX	53	0,0	-9	-3	0
EMEFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,1	0	0	-3
EMFX volatility index	15	-0,2	-1	-1	-5
Credit spread (BAA) (change in bps)	202	2,8	-2	0	-45
US bonds volatility index	6	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,09	-	4	4	-14
EZ Inflation expectations (5Y5Y)	1,35	-	4	7	-19
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	41	0,2	-3	0	-43
EZ	45	0,4	-3	0	-55
UK	41	0,9	-2	-2	-49
Large Spanish	33	0,2	-1	0	-48
Medium Spanish	75	0,9	0	-4	-42
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	198	5,8	18	9	5
EZ Non-financial	65	0,2	-2	-3	-27
UK Non-financial	97	0,3	-2	-2	-17

**INTERBANK MARKETS (% , CHANGE IN BPS)**

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,39	0	0	1	-8
<b>Euribor 12m</b>	-0,24	0	1	2	-13
Libor 3m	-0,45	0	0	1	-9
Libor 12m	1,83	0	-3	-6	-95

**STOCK MARKETS (%)**

Main indices	level	Daily	Weekly	Monthly	YoY
<b>S&amp;P500</b>	3286	-0,1	1,5	3,7	26
Dow Jones	29009	0,4	1,5	3,1	21
Nikkei	24025	0,7	1,9	0,0	17
FTSE 100	7628	0,1	0,7	3,7	11
<b>EuroStoxx 50</b>	3773	-0,2	0,4	1,1	23
IBEX	9520	-0,2	-0,6	-0,5	8
DAX	13449	0,0	1,7	1,3	23
CAC	6039	0,0	0,4	2,0	26
MIB	23913	0,1	0,8	2,5	25
ASE Athens	924	0,5	-0,1	3,7	48
<b>MSCI Latam *</b>	101995	1,0	0,3	3,8	11
Ibovespa (Brazil)	117018	-0,3	0,3	4,0	24
Mexbol (Mexico)	44509	-0,8	0,8	0,6	2
Merval (Argentina)	41270	-1,8	0,4	12,2	23
<b>MSCI EM Europe *</b>	6561	0,8	2,2	5,2	20
Poland	2183	-0,5	1,8	3,6	-7
Micex 10 (Russia)	5501	-0,9	1,7	5,0	25
Ise 100 (Turkey)	121423	1,0	7,8	9,9	30
<b>MSCI EM Asia *</b>	943	1,1	3,1	6,6	19
Shanghai Com (China)	3107	-0,3	0,1	4,7	21
Jakarta (Indonesia)	6325	0,8	1,1	3,0	0

**Banking sector**

	level	Daily	Weekly	Monthly	YoY
<b>US banks</b>					
JPM	140,1	2,1	3,1	2,4	38
Citi	82,6	2,4	4,9	8,2	35
BoA	35,5	1,3	2,5	3,1	34
MS	53,0	0,4	4,0	5,4	24
GS	246,7	0,6	4,8	9,6	37
<b>EZ banks</b>					
BNP	52,1	0,4	-1,0	0,1	25
Crédit Agricole	12,9	0,3	-0,4	-1,2	30
Deutsche Bank	7,7	2,0	4,0	15,0	3
ING	10,8	0,4	-1,4	0,7	8
Intesa	2,3	0,2	0,0	0,7	20
SG	31,4	-0,2	-0,2	3,6	8
Unicredit	13,4	0,6	1,6	2,2	33
<b>UK banks</b>					
HSBC	591,8	0,2	1,4	3,0	-8
RBS	230,8	-0,5	-4,1	-8,3	0
Barclays	181,3	-0,2	-1,0	-0,6	14
Lloyds	58,8	0,0	-6,9	-8,7	6
<b>Large Spanish banks</b>					
Santander	3,6	-2,0	-3,6	-2,5	-15
BBVA	4,9	-1,1	-2,9	-1,7	-2
<b>Medium Spanish banks</b>					
Caixabank	2,7	-1,2	-4,9	-0,3	-17
Sabadell	1,0	-0,4	-3,3	-4,3	2
Bankinter	6,3	-0,6	-3,7	-4,8	-8
Bankia	1,8	-0,6	-5,5	-2,7	-30

**CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)**

Developed	level	Daily	Weekly	Monthly	YoY
<b>EURUSD</b>	1,113	0,0	-0,2	0,1	-2
GBPUSD	1,301	0,2	-0,9	-2,4	1
USDJPY	110,060	-0,1	-1,5	-0,6	-1
DXY	97,414	0,1	0,4	0,2	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,03	-0,1	-0,4	-0,3	-38
USDBRL (Brazil)	4,14	0,0	-1,8	-0,8	-10
USDCLP (Chile)	771,29	0,5	-0,3	-1,0	-13
USDCOP (Colombia)	3281	-0,3	-0,23	3,22	-4
USDMXN (Mexico)	18,80	0,0	0,5	1,3	1
USDPEN (Peru)	3,33	0,2	-0,2	1,2	0
LACI	50,83	0,1	-0,5	0,3	-9
USDPLN (Poland)	3,79	0,3	0,4	1,3	-1
USDRUB (Russia)	61,44	-0,4	0,9	2,3	9
USDTRY (Turkey)	5,88	-0,2	1,5	-1,3	-7
USDCNY (China)	6,88	0,1	0,9	1,5	-2
USDCINR (India)	70,88	0,0	1,3	-0,1	0
USDIDR (Indonesia)	13680	-0,1	1,4	2,3	3
ADXY	105,68	0,0	0,8	1,2	0

**COMMODITIES (%)**

	level	Daily	Weekly	Monthly	YoY
<b>Brent</b>	64,7	0,8	-5,2	-1	7
WTx	58	0,4	-7,0	-3	12
Copper	286	0,1	2,1	3	8
Gold	1543	-0,3	-2,0	5	20
S&P Spot commodity *	426	-0,9	-3,6	0	5
S&P Brent Spot *	541	-1,4	-6,8	-1	5
S&P Metals Spot *	327	0,4	1,0	2	2
S&P Agricultural *	303	0,0	1,4	3	6

Source: Bloomberg, Datastream and Haver

\* With one day delay