

Market Comment

Muted markets amid U.S-China trade deal relief

- Muted market reaction after China and the U.S signed phase one of the trade agreement** yesterday. Equity markets slightly rose after the deal was sealed, although bond yields and FX market remained broadly steady. The U.S.-China deal sealed included several measures, among others, related to industrial property protection, technology transfer and elimination of some U.S tariffs on Chinese goods in exchange for additional \$200bn purchase of U.S farm, energy and manufactured goods ([see](#)). Meanwhile, the Fed's Beige Book released on Wednesday showed that the uncertainty surrounding tariffs and trade continued to weigh on activity. However, the Fed document was also largely ignored in markets.
- U.S manufacturing activity increased in January** according to the results from the Philadelphia Fed Business Outlook, which increased much more than expected (17.0; Cons: 3.8; Prev: 2.4 revised from 0.3) as its survey's indicators (shipments, new orders, current activity and employment) were higher than in December. Elsewhere, **U.S retail sales also gained in December** as it was expected (0.3% MoM; Cons: 0.3% MoM; Prev: 0.3% MoM revised from 0.2%MoM), while the control group inched up above expectations (0.5% MoM; Cons: 0.4% MoM; Prev: -0.1% MoM from 0.1% MoM). Excluding autos, retail sales soared beating expectations (0.7% MoM; Cons: 0.5% MoM; Prev: 0.0% MoM) as previous reading was revised down. Meanwhile, China's aggregate financing data increased, exceeding expectations in December (2100.0b; Cons: 1650.0b; Prev:1754.7).
- Sovereign yields were mixed after U.S market opening.** The 10Y UST accentuated its increase, driven by the publication of the U.S retail sales data. On the other side of the Atlantic, core bonds, especially German bonds, remained well demanded at the expense of peripheries. Finally, the ECB account of the December monetary policy meeting confirms a slightly more positive tone from the ECB board regarding the economic growth: "...business surveys since mid-September suggested a stabilization in output growth at moderate rates". They also see that the downside risks remained, but have become less pronounced. Some members were concerned about the impact of negative interest rates on household and banks' net interest income, but at the end the board stated that the broad effect of negative interest rate on banks had remained positive.
- In FX markets, the CNY continued its appreciation below the CNYUSD 7 threshold. Meanwhile, G10 currencies generally depreciated, with the USD reversing yesterday's depreciation on the back of robust retail sales data. In emerging markets, the **TRY gained after Turkey's central bank cut interest rates in line with market expectations** (-75 points to 11.25%).
- Equity markets soared, with the U.S market hitting new record** highs amid strong consumer demand and U.S-China trade deal relief.

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,57	2,0	-0,5	-5	-99
US	1,81	3,1	-4	-7	-94
GER (2-yr)	-0,59	0,0	0,6	5	0
Germany	-0,22	-1,7	-3,8	4	-46
France	0,04	-1,0	-2,1	4	-60
Spain	0,47	1,4	1,7	8	-90
Italy	1,44	3,7	5,9	16	-133
Portugal	0,52	1,3	0,4	6	-124
Greece	1,41	1,4	2,3	6	-281
Japan (2-yr)	-0,12	-0,2	0,3	-1	4
Japan	0,02	0,5	0,5	2	1
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,84	4,3	8,0	-13	-233
Chile	2,93	-1,9	12,0	17	-136
Colombia	6,08	-4,9	-23,5	-16	-96
Mexico	6,82	-0,1	-6,6	0	-184
Peru	3,50	0,0	0,5	-7	-178
Poland	2,27	2,4	-1,1	25	-56
Russia	6,29	-1,0	-12,9	-22	-213
Turkey	10,62	-18,0	-91,0	-146	-471
India	6,61	-2,1	7,5	-15	-67
Indonesia	6,85	-2,9	-16,5	-50	-125

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YoY
10-yr sovereign spread vs Germany					
France	26	0,7	1,7	0	-14
Italy	165	5,4	9,7	12	-87
Portugal	73	3,0	4,2	1	-78
Spain	69	3,1	5,5	3	-44
2-yr sovereign spread vs Germany					
France	3	-0,1	0,6	1	-9
Italy	61	4,2	6,0	5	-32
Portugal	25	-0,1	13,1	15	-20
Spain	24	1,0	2,7	-1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YoY
5-yr sovereign CDS *					
Brazil	101	-0,8	3	4	-80
Chile	45	0,3	3	2	-6
Colombia	72	0,2	4	0	-60
Argentina	4590	-99,1	-410	-1722	3924
Mexico	79	0,5	3	1	-55
Peru	43	0,0	3	-1	-38
Poland	51	0,0	-6	-7	-15
Russia	62	1,0	4	8	-75
Turkey	250	-10,7	-27	-36	-105
China	31	-0,6	-2	-3	-29
India	62	-4,2	-4	-7	-44
Indonesia	61	-1,0	-3	-6	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	12	-0,2	0	0	-6
VSTOXX	51	0,0	-7	-5	-3
EMEFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,2	0	0	-2
EMFX volatility index	15	0,0	0	-1	-5
Credit spread (BAA) (change in bps)	199	-3,1	-4	-1	-44
US bonds volatility index	6	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,05	-	-3	-6	-15
EZ Inflation expectations (5Y5Y)	1,32	-	0	3	-22
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	41	0,3	-2	1	-35
EZ	46	0,8	-1	2	-49
UK	41	0,8	0	1	-41
Large Spanish	33	0,7	1	2	-42
Medium Spanish	72	1,5	-4	-5	-44
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	202	-2,7	19	17	12
EZ Non-financial	66	0,6	0	0	-23
UK Non-financial	98	-0,1	-1	1	-15

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,39	0	0	1	-9
Euribor 12m	-0,25	0	1	1	-13
Libor 3m	-0,45	0	0	1	-8
Libor 12m	1,84	0	1	-6	-94

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
S&P500	3306	0,5	1,0	3,6	25
Dow Jones	29204	0,6	0,9	3,3	20
Nikkei	23933	0,1	0,8	-0,6	17
FTSE 100	7610	-0,4	0,2	1,1	11
EuroStoxx 50	3774	0,1	-0,6	0,8	23
IBEX	9564	0,5	-0,2	-0,5	7
DAX	13429	0,0	-0,5	1,1	23
CAC	6039	0,1	-0,1	1,2	26
MIB	23940	0,7	-0,3	1,3	23
ASE Athens	932	0,4	0,7	4,2	51
MSCI Latam *	101070	-0,9	-0,1	2,4	10
Ibovespa (Brazil)	116839	0,4	0,8	3,8	23
Mexbol (Mexico)	44956	1,1	0,9	1,3	2
Merval (Argentina)	42257	2,5	0,5	14,5	23
MSCI EM Europe *	6506	-0,1	0,8	3,6	18
Poland	2174	0,4	0,7	1,9	-8
Micex 10 (Russia)	5544	0,7	1,2	5,2	25
Ise 100 (Turkey)	121001	0,1	2,6	8,9	25
MSCI EM Asia *	938	-0,5	2,7	4,6	16
Shanghai Com (China)	3074	-0,5	-0,7	1,7	20
Jakarta (Indonesia)	6286	-0,6	1,0	1,2	-2
Banking sector	level	Daily	Weekly	Monthly	YoY
US banks					
JPM	167,7	1,6	1,9	3,4	28
Citi	137,6	0,7	0,1	-0,4	34
BofA	81,2	-0,1	1,3	4,4	30
BoA	34,7	0,1	-0,9	-0,9	20
MS	56,8	7,3	9,1	11,6	34
GS	248,4	1,3	2,4	7,5	25
EZ banks					
BNP	83,7	-0,1	-2,8	-1,8	15
BNP	50,6	-0,7	-3,5	-4,7	22
Crédit Agricole	12,8	0,1	-1,8	-2,7	26
Deutsche Bank	7,6	0,8	-1,1	9,2	-2
ING	10,6	0,4	-3,5	-2,5	5
Intesa	2,3	0,1	-2,2	-1,7	15
SG	30,6	-1,1	-3,7	-0,5	7
Unicredit	13,1	0,5	-3,0	-0,9	24
UK banks					
HSBC	75,6	-0,4	-3,7	-6,2	-1
HSBC	590,9	0,2	0,5	-0,5	-8
RBS	222,0	-1,3	-7,0	-12,4	-6
Barclays	176,8	-1,0	-3,3	-5,6	10
Lloyds	57,9	0,2	-6,4	-8,5	3
Large Spanish banks					
Santander	56,9	0,8	-4,8	-4,4	-10
Santander	3,6	1,4	-3,6	-3,5	-15
BBVA	4,8	0,2	-5,8	-5,2	-5
Medium Spanish banks					
Caixabank	50,3	0,7	-3,8	-4,5	-14
Caixabank	2,7	1,0	-3,9	-1,2	-17
Sabadell	1,0	1,3	-3,5	-5,3	-1
Bankinter	6,2	0,5	-4,7	-6,4	-11
Bankia	1,8	-0,2	-2,7	-4,6	-30

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,113	-0,2	0,2	-0,2	-2
GBPUSD	1,308	0,3	0,1	-0,4	1
USDJPY	110,170	-0,2	-0,6	-0,6	-1
DXY	97,327	0,1	-0,1	0,1	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,00	-0,1	-0,3	-0,3	-37
USDBRL (Brazil)	4,19	-0,2	-2,4	-2,9	-11
USDCLP (Chile)	775,84	-0,1	-1,1	-2,5	-14
USDCOP (Colombia)	3325	-0,8	-2,07	0,51	-6
USDMXN (Mexico)	18,79	0,0	0,2	0,7	1
USDPEN (Peru)	3,32	0,0	-0,1	0,5	0
LACI	50,55	-0,1	-1,0	-1,0	-10
USDPLN (Poland)	3,80	-0,3	0,5	0,4	-1
USDRUB (Russia)	61,66	-0,4	-0,6	1,2	8
USDTRY (Turkey)	5,86	0,2	0,2	0,4	-9
USDCNY (China)	6,88	0,2	0,7	1,7	-2
USDINR (India)	70,94	-0,2	0,4	0,1	0
USDIDR (Indonesia)	13643	0,4	1,5	2,6	4
ADXY	105,65	0,0	0,4	1,1	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
Brent	64,8	1,3	-0,8	-2	6
WTx	59	1,6	-1,4	-4	13
Copper	287	0,0	2,1	2	6
Gold	1550	-0,4	-0,1	5	20
S&P Spot commodity *	425	-0,5	-1,2	-2	5
S&P Brent Spot *	538	-0,8	-2,9	-3	3
S&P Metals Spot *	329	0,2	1,2	2	2
S&P Agricultural *	304	-0,2	1,0	1	5

Source: Bloomberg, Datastream and Haver

* With one day delay