

Market Comment

## Quiet markets ahead of an eventful week

- Markets were generally steady as investors awaited key economic events this week while the U.S. markets remained closed for Martin Luther King Day. In addition, the first central bank meetings of the year will be taking place in the Eurozone, and Japan and Canada are to issue monetary policies updates, although no significant changes are expected to be made. Moreover, the Davos World Economic Forum will start tomorrow, where the U.S. President Donald Trump will discuss trade disputes with the European Commission President (see). Finally, President Donald Trump's impeachment trial will also officially start tomorrow, Tuesday (see).
- The IMF, in the quarterly update to its World Economic Outlook, has slightly downgraded global growth (-0.1% in 2020 and -0.2% in 2021), for the most part because of some downward surprises in emerging economies, mainly India. However, they are still expecting a slight rebound [A1] in 2020 compared with last year.
- As regards Brexit developments, yesterday, the UK Chancellor Sajid Javid reinforced the government's view that the UK won't be in the single market or the customs union by the end of the year. His statement brought back fresh concerns regarding the weak ties between the UK and the EU after the transition period.
- On the data front, Germany PPI was -0.2% YoY in December, better than the previous month and the consensus (Cons: -0.3% YoY; Prev: -0.7% YoY) driven mainly by a decrease in energy prices.
- Sovereign bond yields remained largely stable, amid the lack of fresh news, with peripheral yields leading the declines. Elsewhere, today, the Eurogroup will present a draft for the economy policy of the euro area for 2020, ahead of the ECB meeting on Thursday. Nonetheless, the market expectations are that the ECB will keep the key interest rates unchanged (99.4% of probability).
- In FX markets, G5 currencies marginally depreciated across the board, with the GBP slightly weaker after the renewed 'hard Brexit' fears. Meanwhile, the low volatility in DMs and equity markets also weighed on emerging currencies, which were mostly unchanged.
- After two major production centers in Libya were closed in the midst of a military blockade, Brent crude was slightly up, having earlier reached \$66 a barrel, the highest since January 9.
- European equity markets were largely unchanged, whereas Wall street remained closed with the industrial and energy sectors underperforming the rest.

UPDATE 17:47 CET 20 JANUARY 2020

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,56	0,0	-2,5	-7	-105
<b>US</b>	1,82	0,0	-2	-10	-96
GER (2-yr)	-0,59	0,3	0,3	4	0
<b>Germany</b>	-0,22	-0,4	-6,0	-2	-47
France	0,04	-0,5	-5,1	-3	-62
Spain	0,45	-1,7	-3,3	0	-92
Italy	1,35	-2,3	-2,3	-3	-141
Portugal	0,49	-1,0	-4,9	-3	-126
Greece	1,42	-0,3	2,4	2	-274
Japan (2-yr)	-0,12	0,9	1,5	-2	5
<b>Japan</b>	0,01	0,7	1,0	1	0
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,83	4,4	-4,5	-27	-223
Chile	2,87	-0,4	-18,9	7	-146
Colombia	6,03	-1,5	-10,0	-21	-99
Mexico	6,83	-0,2	-1,2	-8	-185
Peru	3,48	-0,5	-1,0	-9	-180
Poland	2,34	0,9	-0,5	26	-51
Russia	6,25	0,0	6,9	-29	-212
Turkey	10,77	6,0	-17,0	-158	-459
India	6,65	2,0	4,8	-10	-67
Indonesia	6,81	-2,3	-5,5	-43	-129

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

Developed Markets	level	Daily	Weekly	Monthly	YoY
<b>10-yr sovereign spread vs Germany</b>					
France	26	-0,1	0,9	-1	-14
Italy	157	-1,9	3,7	-1	-93
Portugal	71	-0,6	1,1	-1	-79
Spain	67	-1,3	2,7	2	-45
<b>2-yr sovereign spread vs Germany</b>					
France	4	-0,7	0,2	1	-8
Italy	56	-1,3	0,9	-2	-36
Portugal	23	-1,1	10,5	15	-21
Spain	23	-1,6	0,2	-1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YoY
<b>5-yr sovereign CDS *</b>					
Brazil	98	0,8	-1	0	-73
Chile	46	0,3	1	5	-2
Colombia	73	1,0	3	2	-52
Argentina	4656	111,1	125	-823	4011
Mexico	79	0,7	3	2	-48
Peru	44	0,4	1	2	-32
Poland	51	-0,3	-5	-9	-16
Russia	60	-0,2	0	4	-74
Turkey	247	3,0	-22	-37	-84
China	30	-1,3	-3	-3	-29
India	61	-1,9	-5	-7	-46
Indonesia	60	0,1	-3	-4	-63

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	12	0,0	0	0	-6
VSTOXX	50	0,0	-4	-4	-4
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,1	0	0	-2
EM FX volatility index	14	0,0	-1	-1	-4
Credit spread (BAA) (change in bps)	199	0,0	-1	3	-40
US bonds volatility index	6	-0,2	0	-1	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,09	-	-1	-2	-7
EZ Inflation expectations (5Y5Y)	1,33	-	-1	2	-22
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	38	-0,6	-2	-3	-33
EZ	45	-0,4	0	0	-46
UK	42	0,1	2	0	-38
Large Spanish	33	-0,2	1	0	-39
Medium Spanish	69	-2,4	-5	-8	-39
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	209	5,8	17	24	22
EZ Non-financial	65	-0,6	0	1	-23
UK Non-financial	97	-0,4	0	1	-14

### 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	-8
<b>Euribor 12m</b>	-0,24	0	0	2	-13
Libor 3m	-0,45	0	0	0	-8
Libor 12m	1,82	0	-1	-8	-94

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
<b>S&amp;P500</b>	3330	0,0	1,3	3,9	25
Dow Jones	29348	0,0	1,5	3,4	19
Nikkei	24084	0,2	1,0	0,9	16
FTSE 100	7650	-0,3	0,4	1,0	10
<b>EuroStoxx 50</b>	3798	-0,3	0,5	1,6	22
IBEX	9657	-0,2	1,2	0,4	7
DAX	13547	0,2	0,7	2,5	22
CAC	6075	-0,4	0,6	1,7	25
MB	24012	-0,5	0,5	1,3	22
ASE Athens	940	0,6	2,3	4,1	52
<b>MSCI Latam *</b>	103036	1,3	2,1	2,6	10
Ibovespa (Brazil)	118483	0,0	1,0	2,9	23
Mexbol (Mexico)	45784	-0,1	2,1	2,5	4
Merval (Argentina)	42956	1,5	2,2	12,8	22
<b>MSCI EM Europe *</b>	6599	0,8	1,4	4,3	18
Poland	2178	0,1	-0,7	2,1	-8
Micex 10 (Russia)	5642	0,3	1,6	6,8	25
Ise 100 (Turkey)	122620	0,9	2,0	10,9	25
<b>MSCI EM Asia *</b>	944	0,5	1,3	3,5	15
Shanghai Com (China)	3096	-0,7	-0,6	2,6	19
Jakarta (Indonesia)	6245	-0,7	-0,5	-0,7	-3
Banking sector	level	Daily	Weekly	Monthly	YoY
<b>US banks</b>	168,3	0,0	1,8	4,0	27
JPM	138,2	0,0	0,7	0,6	32
Citi	81,1	0,0	0,6	3,7	29
BoA	34,7	0,0	-1,0	-0,7	18
MS	57,5	0,0	9,0	13,1	32
GS	249,5	0,0	1,7	8,5	23
<b>EZ banks</b>	83,3	-0,8	-1,8	-2,9	13
BNP	50,4	-0,6	-2,9	-5,7	19
Crédit Agricole	12,8	-0,5	-0,4	-2,6	25
Deutsche Bank	7,5	-1,7	-1,6	4,7	-7
ING	10,5	-1,0	-2,0	-3,5	1
Intesa	2,3	-0,7	-0,9	-2,6	14
SG	30,6	-0,3	-2,8	-1,6	8
Unicredito	12,9	-1,7	-2,7	-4,2	22
<b>UK banks</b>	75,5	-0,5	-1,9	-5,9	-3
HSBC	592,5	-0,3	0,3	-1,3	-9
RBS	222,7	-0,9	-4,0	-10,0	-8
Barclays	174,9	-0,2	-3,7	-4,6	6
Lloyds	57,9	-0,9	-1,4	-9,4	0
<b>Large Spanish banks</b>	56,8	-1,0	-2,4	-6,0	-12
Santander	3,6	-1,1	-1,5	-4,2	-16
<b>BBVA</b>	4,8	-0,8	-3,1	-7,5	-8
<b>Medium Spanish banks</b>	50,2	-0,8	-2,0	-6,3	-14
Caixabank	2,8	0,9	0,5	-2,4	-15
Sabadell	1,0	-1,8	-3,9	-9,3	-4
Bankinter	6,2	-1,1	-2,5	-6,9	-12
Bankia	1,8	-1,6	-2,5	-8,4	-31

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

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,109	-0,1	-0,4	-0,3	-2
GBPUSD	1,300	-0,1	0,1	-0,1	1
USDJPY	110,160	0,0	-0,2	-0,7	0
DXY	97,673	0,1	0,3	0,3	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,00	0,0	-0,1	-0,3	-37
USDBRL (Brazil)	4,18	-0,5	-1,0	-2,8	-10
USDCOP (Chile)	769,51	0,4	0,7	-2,1	-13
USDCOP (Colombia)	3331	0,0	-1,8	-0,51	-6
USDMXN (Mexico)	18,67	-0,1	0,7	1,3	3
USDPEN (Peru)	3,32	0,1	0,4	0,4	0
LACI	50,73	-0,1	-0,1	-0,8	-9
USDPLN (Poland)	3,83	-0,1	-0,7	0,1	-1
USD RUB (Russia)	61,60	0,0	-0,7	1,3	8
USDTRY (Turkey)	5,92	-0,5	-0,8	0,4	-10
USDCNY (China)	6,87	-0,1	0,4	2,1	-1
USDINR (India)	71,11	0,0	-0,4	-0,1	0
USDIDR (Indonesia)	13639	0,0	0,2	2,5	4
ADXY	105,74	0,0	0,0	1,2	0

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
<b>Brent</b>	65,2	0,5	1,5	-2	4
WTx	59	0,2	1,0	-4	9
Copper	285	0,0	-0,4	1	4
Gold	1561	0,3	0,9	6	22
S&P Spot commodity *	427	0,3	0,2	-2	3
S&P Brent Spot *	545	0,3	0,6	-2	2
S&P Metals Spot *	329	-0,1	0,4	1	1
S&P Agricultural *	304	1,7	0,3	2	4

Source: Bloomberg, Datastream and Haver

\* With one day delay