

Market Comment

Virus contagion fears spook markets, amid absence of relevant drivers

- Financial markets slid back as coronavirus contagion fears increased**, ahead of the Chinese New Year (see). Equity fell sharply in Asia as China's CSI 300 index declined 3.1%, while Hong Kong's Hang Seng erased yesterday's gains and fell 1.52%, ahead of next week when China's markets will be closed the whole week for the holiday. There were other market drivers today, but none of them helped to improve the market mood. On the contrary, there was some friction between the U.S. and the EU on trade, while the data were mixed and the ECB meeting had a mute impact on the main variables.
- The European Central Bank left its benchmark interest rates unchanged, as was widely expected.** The statement notes a mild increase in underlying inflation and a slightly less negative balance of risks thanks to the U.S.-China trade agreement. As previously announced, the ECB launched its strategic review for 2020, which should be published before the end of the year. According with the ECB press release (see), the review will encompass quantitative formulation of price stability, monetary policy toolkit, economic and monetary analyses and communication practices. It will also address issues related to side effects of negative rates, the financial risk of climate change and communication (see).
- On the U.S.-EU trade front, the noise continued**, with the U.S. Commerce Secretary Wilbur Ross reporting that the U.S. was still considering imposing retaliatory tariffs on EU car imports, although France agreed on Wednesday to delay payments of its digital company tax until the end of 2020.
- Today's economic data was negative in the U.S. and in the Eurozone.** December's U.S. leading economic index slightly declined above expectations (-0.3% MoM; Cons: -0.2% MoM; Prev: 0.1% MoM revised from 0.0% MoM) driven by the negative impact of the less-than-expected rise in unemployment claims. Elsewhere, in the Eurozone, the flash consumer confidence indicator fell more than expected in January (-8.1; Cons: -7.8; Prev: -8.1) and it has remained at the same low level since February 2017.
- Sovereign bond yields plunged across the board**, amid growing coronavirus concerns and ahead of tomorrow's PMI data release. Meanwhile, Italy's risk premia reversed yesterday's increase, and narrowed after Di Maio confirmed his resignation as leader of the 5SM party. Nonetheless, Italy's political risk remains high ahead of Sunday's regional elections.
- In FX markets, the USD and the JPY were the top-performing currencies** as market participants sought a haven. Meanwhile, the GBP erased yesterday's gains although it still remained close to a two-week high, while the Euro also depreciated against the dollar, underperforming its G10 pairs after Ms Lagarde's speech. Elsewhere, emerging currencies depreciated across the board.
- Commodity futures prices fell sharply** (oil prices -5%, copper -4%) as investors assess the impact of the coronavirus on the economy.

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,49	-3,7	-7,5	-13	-107
US	1,72	-5,1	-9	-18	-100
GER (2-yr)	-0,60	-1,6	-1,1	2	-2
Germany	-0,31	-5,0	-9,1	-10	-49
France	-0,06	-5,5	-10,4	-12	-65
Spain	0,36	-5,5	-10,9	-8	-88
Italy	1,25	-9,5	-18,3	-18	-141
Portugal	0,40	-5,1	-11,4	-12	-125
Greece	1,34	-3,2	-7,4	-13	-281
Japan (2-yr)	-0,12	-0,6	-0,1	-3	4
Japan	-0,02	-1,9	-3,2	-3	-3
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,74	-0,8	-10,6	-23	-234
Chile	2,89	2,1	-3,9	5	-136
Colombia	5,98	-1,4	-8,1	-26	-106
Mexico	6,84	-1,5	0,1	-8	-162
Peru	3,46	-1,2	-3,1	-10	-185
Poland	2,26	-1,1	-0,5	18	-57
Russia	6,25	0,3	-3,6	-25	-210
Turkey	10,34	-11,0	-28,0	-176	-471
India	6,60	-3,8	-0,2	2	-71
Indonesia	6,68	-2,0	-17,1	-46	-144

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YoY
10-yr sovereign spread vs Germany					
France	25	-0,5	-1,3	-2	-16
Italy	156	-4,5	-9,2	-8	-92
Portugal	71	-0,1	-2,3	-2	-76
Spain *	67	-0,5	-1,8	3	-39
2-yr sovereign spread vs Germany					
France	4	-0,1	0,7	3	-8
Italy	55	-4,2	-5,8	-6	-31
Portugal	22	-0,9	-3,5	11	-18
Spain	23	0,7	-1,3	0	-10
Emerging Markets	level	Daily	Weekly	Monthly	YoY
5-yr sovereign CDS *					
Brazil	98	-0,6	-3	-5	-73
Chile	47	0,8	2	3	-2
Colombia	77	1,9	5	2	-52
Argentina	5467	270,8	813	-113	4830
Mexico	81	0,5	2	0	-50
Peru	45	0,8	2	3	-32
Poland	51	0,3	0	-8	-15
Russia	61	-0,1	-1	4	-69
Turkey	239	-7,2	-14	-42	-82
China	34	0,8	3	2	-27
India	63	0,7	0	-4	-45
Indonesia	63	0,6	2	0	-60

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	14	1,0	2	1	-5
VSTOXX	51	0,0	1	-7	-3
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	0	-2
EM FX volatility index	16	-0,6	2	0	-4
Credit spread (BAA) (change in bps)	202	5,1	2	5	-35
US bonds volatility index	6	-0,1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,03	-	-4	-5	-13
EZ Inflation expectations (5Y5Y)	1,29	-	-2	-2	-24
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	38	0,4	-2	-4	-35
EZ	45	0,2	0	1	-46
UK	42	0,0	1	1	-39
Large Spanish	34	0,0	0	2	-39
Medium Spanish	69	5,6	-2	-8	-44
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	209	-1,4	7	25	21
EZ Non-financial	66	0,8	0	2	-22
UK Non-financial	97	0,1	0	2	-15

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,39	0	1	1	-8
Euribor 12m	-0,25	-1	0	0	-13
Libor 3m	-0,45	0	0	1	-8
Libor 12m	1,80	0	-3	-14	-97

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
S&P500	3307	-0,4	-0,3	2,6	25
Dow Jones	28999	-0,6	-1,0	1,7	18
Nikkei	23795	-1,0	-0,6	-0,1	16
FTSE 100	7505	-0,9	-1,4	-1,7	10
EuroStoxx 50	3736	-0,9	-1,0	-1,0	20
IBEX	9516	-0,6	-0,6	-1,5	4
DAX	13389	-0,9	-0,3	0,7	20
CAC	5968	-0,7	-1,2	-1,0	23
MIB	23711	0,0	-1,0	-0,8	21
ASE Athens	939	-0,4	0,8	2,9	49
MSCI Latam *	102413	0,7	1,3	1,5	10
Ibovespa (Brazil)	117773	-0,5	0,9	1,6	21
Mexbol (Mexico)	45195	-0,9	-0,2	2,3	4
Merval (Argentina)	41556	-1,1	-1,9	4,1	19
MSCI EM Europe *	6552	-0,9	0,7	3,2	16
Poland	2148	0,1	-1,2	0,3	-11
Micex 10 (Russia)	5494	-1,3	-0,9	2,6	22
Ise 100 (Turkey)	122540	-0,2	1,3	8,3	20
MSCI EM Asia *	933	0,6	-0,5	2,2	15
Shanghai Com (China)	2977	-2,8	-3,2	-0,2	15
Jakarta (Indonesia)	6249	0,2	-0,5	-0,9	-3
Banking sector	level	Daily	Weekly	Monthly	YoY
US banks					
JPM	163,9	-1,2	-2,1	1,0	26
Citi	135,2	-1,1	-1,5	-1,8	32
BoA	79,1	-1,2	-2,3	0,7	26
MS	33,8	-1,7	-2,7	-4,1	16
GS	55,3	-1,0	-2,0	9,1	31
GS	244,5	-1,0	-2,1	6,4	24
EZ banks					
BNP	81,8	-0,7	-2,3	-4,1	12
Crédit Agricole	49,9	-0,3	-1,3	-5,8	21
Deutsche Bank	12,5	-1,3	-2,5	-4,3	23
ING	7,7	1,4	0,6	11,1	-2
Intesa	10,2	-1,4	-3,5	-5,2	-1
SG	2,3	-0,5	-2,3	-5,5	12
SG	30,1	-0,6	-1,6	-3,3	9
Unicredito	12,6	-0,1	-4,3	-5,9	18
UK banks					
HSBC	73,9	-1,5	-2,2	-6,9	-4
RBS	572,3	-1,5	-3,1	-4,5	-10
RBS	219,6	-1,4	-1,1	-9,5	-9
Barclays	171,2	-2,0	-3,2	-4,9	5
Lloyds	57,5	-1,1	-0,8	-9,4	0
Large Spanish banks					
Santander	55,7	-0,4	-2,2	-6,5	-14
Santander	3,6	-0,1	-1,7	-4,9	-18
BBVA					
BBVA	4,7	-0,7	-2,5	-7,8	-10
Medium Spanish banks					
Caixabank	48,9	-0,2	-2,7	-7,2	-17
Caixabank	2,7	-1,1	-2,6	-5,5	-19
Sabadell	1,0	0,2	-3,3	-7,2	-5
Bankinter	6,1	0,4	-2,0	-7,4	-16
Bankia	1,7	-0,9	-4,5	-11,5	-33

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,104	-0,5	-0,9	-0,4	-2
GBPUSD	1,310	-0,3	0,1	1,2	0
USDJPY	109,360	0,4	0,7	0,0	0
DXY	97,775	0,3	0,5	0,1	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,09	0,0	-0,2	-0,6	-38
USDBRL (Brazil)	4,17	0,2	0,3	-2,1	-10
USDCLP (Chile)	776,45	-0,6	-0,1	-3,2	-14
USDCOP (Colombia)	3369	-1,1	-1,4	-2,06	-6
USDMXN (Mexico)	18,85	-0,8	-0,3	0,7	1
USDPEN (Peru)	3,32	-0,2	0,0	-0,2	1
LACI	50,50	-0,5	-0,2	-1,2	-9
USDPLN (Poland)	3,85	-0,7	-1,2	-0,2	-1
USDRUB (Russia)	62,06	-0,3	-0,7	-0,2	6
USDTRY (Turkey)	5,94	-0,3	-1,4	0,1	-11
USDCNY (China)	6,94	-0,6	-0,9	0,0	-2
USDINR (India)	71,27	-0,1	-0,5	0,9	0
USDIDR (Indonesia)	13639	0,1	0,0	2,5	4
ADXY	104,92	-0,4	-0,7	0,4	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
Brent	62,0	-2,0	-4,1	-8	1
WTx	56	-2,1	-5,1	-9	5
Copper	273	-1,2	-4,1	-4	2
Gold	1565	0,4	0,8	4	22
S&P Spot commodity *	419	-1,6	-1,7	-4	3
S&P Brent Spot *	531	-2,2	-2,1	-6	2
S&P Metals Spot *	324	-0,8	-1,5	-1	-1
S&P Agricultural *	304	0,1	1,6	2	4

Source: Bloomberg, Datastream and Haver

* With one day delay

* Risk premium affected by the German rollover