

Market Comment

## The strong U.S. consumer confidence led a market relief rally

- **Global equity markets stabilized and rebounded slightly after yesterday's dramatic correction**, as investors assess the economic impact of the coronavirus. Positive economic data in the U.S. has also underpinned the relief rally in equity markets.
- **The U.S. consumer confidence remained very resilient in January**, increasing to the higher level in five months (131.6, consensus 128, previous 128.2), led by both current and expectation indices. On the other hand, Richmond manufacturing index increased more than expected in January (20, consensus -3, previous -5). However, durable orders excluding transport moderated in December.
- **Sovereign bond yields inched up**, but remain close to the low levels reached before the partial U.S.-China trade agreement was reached in December. However, the uncertainty about the impact of the virus on China's growth has increased the odds of the Fed to cut the interest rate by 25bps this year (75.5% probability of at least 25 by December). Nonetheless, it is expected the Fed will maintain the interest rate unchanged in tomorrow's monetary policy meeting. Peripheral risk premium slightly narrow, led by Italy's (137bps vs 142bps) as political tension slightly eased.
- **In FX markets, the USD appreciated against most G-10 currencies (DXY +0.1%)**, underpinned by the strong increase in U.S. consumer confidence and the rebound in January's Richmond Manufacturing index. On the other hand, the JPY and the CHF depreciated as the risk-off mood abated slightly today. The GBP depreciated ahead of Thursday's BoE monetary policy meeting. EM FX were mixed today, with Latam currencies appreciated, while Asian currencies are still weighed by the uncertainty related to the coronavirus. That said, off-shore renminbi slightly appreciated today, but ended up steady.
- In commodities, **Brent oil prices rebounded after five days of falling**, since OPEC willingness to extend oil output cuts until at least June, with the possibility of further reductions if China's oil demand is affected by the virus spread ([see](#)).
- **Market-based risk measures such as implied volatility in the S&P500 slid back slightly but still remain well above December levels (VIX 16)**, suggesting investors' anxiety remains. Equity markets rebounded across the board, trimming yesterday's declines. On the other hand, today's company earnings were positive in general, although all eyes will be on relevant earnings, including Apple, which will be known after market closing.

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,45	1,4	-7,6	-13	-112
<b>US</b>	1,64	3,3	-13	-23	-107
GER (2-yr)	-0,62	0,4	-4,3	1	-5
<b>Germany</b>	-0,35	4,0	-9,7	-12	-55
France	-0,09	3,6	-9,9	-14	-70
Spain	0,31	3,1	-11,1	-10	-93
Italy	1,03	-0,9	-34,3	-35	-161
Portugal	0,34	2,9	-13,0	-16	-133
Greece	1,19	1,4	-19,0	-27	-279
Japan (2-yr)	-0,13	0,8	-0,4	0	3
<b>Japan</b>	-0,04	0,5	-4,4	-4	-5
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,71	-3,7	-10,7	-17	-231
Chile	2,89	-0,6	1,9	5	-132
Colombia	5,98	-0,7	-10,0	-36	-105
Mexico	6,74	-0,3	-12,7	-12	-160
Peru	3,40	-4,9	-7,6	-12	-191
Poland	2,26	4,0	-3,1	18	-53
Russia	6,32	-2,8	5,8	-15	-208
Turkey	9,97	-14,0	-65,0	-198	-468
India	6,58	2,3	-5,8	7	-74
Indonesia	6,75	3,4	-0,9	-36	-141

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

Developed Markets	level	Daily	Weekly	Monthly	YoY
<b>10-yr sovereign spread vs Germany</b>					
France	26	-0,4	-0,2	-2	-16
Italy	137	-4,9	-24,6	-22	-106
Portugal	68	-1,1	-3,3	-3	-79
Spain *	66	-0,9	-1,4	3	-38
<b>2-yr sovereign spread vs Germany</b>					
France	5	0,7	1,1	2	-6
Italy	47	-1,2	-12,0	-9	-38
Portugal	21	1,6	-1,1	12	-20
Spain	22	-1,3	0,2	-1	-10
Emerging Markets	level	Daily	Weekly	Monthly	YoY
<b>5-yr sovereign CDS *</b>					
Brazil	106	4,2	8	4	-65
Chile	53	2,5	7	10	4
Colombia	86	3,9	13	13	-45
Argentina	7094	703,6	2438	1831	6452
Mexico	89	4,2	10	9	-44
Peru	50	2,3	6	7	-27
Poland	50	0,0	-1	-8	-15
Russia	67	3,3	7	10	-65
Turkey	244	7,9	-4	-35	-82
China	44	6,0	14	12	-16
India	63	0,2	2	-4	-42
Indonesia	69	5,2	8	6	-50

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	16	-2,5	3	2	-3
VSTOXX	15	-2,0	3	3	-1
EM EFT volatility Index	20	-1,7	4	4	0
Dollar/euro volatility	4	0,0	0	0	-2
EM FX volatility index	7	0,5	1	0	-2
Credit spread (BAA) (change in bps)	201	-3,3	3	4	-36
US bonds volatility index	67	6,8	13	11	17
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	1,98	-	-11	-7	-18
EZ Inflation expectations (5Y5Y)	1,27	-	-4	-4	-24
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	44	3,3	5	2	-27
EZ	45	-0,5	0	0	-45
UK	44	1,1	3	3	-34
Large Spanish	34	0,6	1	2	-37
Medium Spanish	69	1,8	2	-8	-41
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	213	8,1	0	29	23
EZ Non-financial	69	2,8	4	5	-17
UK Non-financial	99	1,3	2	2	-11

### INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,40	0	-1	-1	-10
<b>Euribor 12m</b>	-0,27	-1	-3	-2	-16
Libor 3m	1,77	0	-1	-17	-98
Libor 12m	1,84	0	-4	-13	-119

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
<b>S&amp;P500</b>	3279	1,1	-1,3	1,2	24
Dow Jones	28738	0,7	-1,6	0,3	17
Nikkei	23216	-0,5	-2,7	-2,6	12
FTSE 100	7482	1,0	-1,7	-2,1	9
<b>EuroStoxx 50</b>	3718	1,1	-1,9	-1,7	18
IBEX	9486	1,3	-1,3	-2,2	4
DAX	13315	0,8	-1,8	-0,2	19
CAC	5927	1,1	-2,0	-1,8	20
MB	23998	2,5	0,6	1,0	22
ASE Athens	933	-0,3	-0,9	1,4	47
<b>MSCI Latam *</b>	99257	-2,8	-3,8	-2,4	7
Ibovespa (Brazil)	115702	1,1	-1,1	-0,7	21
Mexbol (Mexico)	44521	0,9	-2,4	0,6	2
Merval (Argentina)	40473	2,2	-2,4	-2,9	14
<b>MSCI EM Europe *</b>	6356	-2,3	-4,2	0,1	13
Poland	2098	0,7	-2,8	-2,5	-12
Micex 10 (Russia)	5420	0,9	-3,8	1,0	21
Ise 100 (Turkey)	119802	-0,3	-3,0	5,4	15
<b>MSCI EM Asia *</b>	915	-0,7	-2,9	0,3	10
Shanghai Com (China)	2977	0,0	-2,5	-0,9	15
Jakarta (Indonesia)	6111	-2,1	-2,1	-3,3	-5
Banking sector	level	Daily	Weekly	Monthly	YoY
<b>US banks</b>					
JPM	162,0	1,8	-2,2	-0,9	23
Citi	134,7	2,0	-1,5	-3,2	29
BoA	77,7	1,3	-2,7	-2,5	23
MS	33,4	1,7	-2,5	-5,5	14
GS	54,2	2,0	-3,1	6,1	28
242,1	1,7	-1,5	-5,0	-21	
<b>EZ banks</b>					
BNP	81,7	1,3	-1,6	-3,7	10
Crédit Agricole	49,4	1,0	-1,7	-6,8	16
Deutsche Bank	12,4	1,0	-2,5	-4,4	23
ING	7,9	1,5	4,8	13,8	-3
Intesa	10,1	1,4	-3,4	-6,4	-4
Intesa	2,3	2,4	0,2	-2,0	13
SG	29,8	0,0	-2,2	-4,2	6
Unicredito	12,7	2,6	-2,6	-3,5	20
<b>UK banks</b>					
HSBC	73,8	0,8	-2,3	-7,1	-4
HSBC	567,4	1,5	-3,1	-5,1	-12
RBS	217,0	-0,5	-3,4	-10,6	-9
Barclays	172,1	0,8	-1,3	-5,2	7
Lloyds	57,7	1,0	-1,4	-8,7	2
<b>Large Spanish banks</b>					
Santander	55,1	1,9	-2,4	-7,1	-15
Santander	3,6	2,2	-1,8	-5,4	-18
<b>BBVA</b>	4,6	1,6	-3,0	-8,6	-12
<b>Medium Spanish banks</b>					
Caixabank	47,9	0,6	-2,8	-8,9	-18
Caixabank	2,6	0,3	-3,4	-7,2	-21
Sabadell	0,9	-0,8	-2,7	-10,4	-8
Bankinter	6,0	1,5	-2,9	-9,1	-15
Bankinter	1,7	0,8	-2,5	-10,9	-34

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YoY
<b>EURUSD</b>	1,101	-0,1	-0,6	-1,5	-4
GBPUSD	1,299	-0,5	-0,4	-0,6	-1
USDJPY	109,140	-0,2	0,7	0,3	0
DXY	98,080	0,1	0,6	1,2	2
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,18	0,0	0,0	-0,6	-37
USDBRL (Brazil)	4,21	0,0	0,0	-3,9	-12
USDCLP (Chile)	788,41	0,4	-1,9	-5,2	-15
USDCOP (Colombia)	3393	0,2	-1,1	-2,70	-7
USDMXN (Mexico)	18,80	0,6	-0,1	0,3	1
USDPEN (Peru)	3,34	-0,1	-0,5	-0,6	1
LACI	50,28	0,2	-0,3	-2,1	-10
USDPLN (Poland)	3,88	0,0	-1,6	-1,7	-3
USDRLB (Russia)	62,46	0,8	-1,0	-0,5	6
USDTRY (Turkey)	5,94	0,0	-0,1	0,1	-11
USDCNY (China)	6,91	0,0	-0,2	1,2	-3
USDINR (India)	71,34	0,1	-0,2	0,0	0
USDIDR (Indonesia)	13644	-0,2	0,2	2,3	3
ADXY	105,01	0,3	-0,3	0,4	-1

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
<b>Brent</b>	59,9	1,0	-7,2	-12	-2
WTx	54	1,0	-8,0	-13	1
Copper	259	-0,2	-7,4	-9	-5
Gold	1569	-0,8	0,7	4	20
S&P Spot commodity *	398	-2,0	-6,3	-10	-2
S&P Brent Spot *	499	-2,2	-8,2	-12	-4
S&P Metals Spot *	309	-2,4	-5,7	-6	-7
S&P Agricultural *	298	-0,9	-1,9	-1	3

Source: Bloomberg, Datastream and Haver

\* With one day delay

\* Risk premium affected by the German rollover