

Market Comment

Equity markets rallied, boosting market risk sentiment

- Market risk appetite improved, although risks remain tilted to the downside. The Chinese CSI300 equity index rebounded 2.6% after a sharp sell-off yesterday, despite the fact that the outbreak continued spreading, with more than 20,600 cases officially reported, and Hong Kong having reported its first coronavirus death. In response, the UK government is asking its citizens to leave China, while many Chinese businesses were shut down, such as the casino located in Macau (see).
- According to Chinese policymakers, China is likely to undertake additional measures to support its economy against the virus outbreak. Apparently, PBOC is willing to lower its key lending rate in the following days, and cut banks' reserve requirement ratios. Furthermore, the sources also reported that the Chinese government could reduce the planned 2020 economic growth target of around 6% (see).
- Today, the economic release calendar was very light in the U.S. and the EMU. U.S. factory orders surprised positively in December (1.8%; Cons: 1.2%; Prev: -1.2%) as previous figures were revised downwardly (from -0.7%). Separately, the Eurozone's producer prices fell in December, in line with expectations (-0.7 YoY; Cons: -0.7% YoY; Prev: -1.4% YoY), while its monthly figures were unchanged in December as was expected. This result was mainly driven by an increase in prices of non-durable consumer goods and capital goods that were offset by a decrease in durable consumer goods and energy costs.
- Sovereign yields bonds soared, as bond investors weighed the latest measures issued by China to ease the economic impact of the coronavirus epidemic. The 10Y U.S. yield increased, breaching the 1.59% level, while the 10Y German yield rebounded yesterday's falls and hit -0.4%. Meanwhile, the peripheral risk premium narrowed as investors seek yields, especially in Italy and Spain. Elsewhere, the Fed 14-D term repo auction was oversubscribed (submitted \$32.15bn; maximum \$30bn), suggesting that strains persist in the U.S. money markets.
- The rebound in market sentiment was also reflected in the safe havens (JPY, CHF), which continued to extend yesterday's depreciations. The dollar marginally appreciated, supported by strong factory orders data, while the GBP recovered some ground amid positive construction PMI data. Moreover, emerging currencies appreciated across the board and the CNY was back below the psychological 7 threshold.
- In commodities, oil prices recovered some ground (Brent \$55 per barrel) on the back of increasing signals of additional production cuts to offset the drop in demand. During the Joint Technical Committee (JTC) meeting today in Vienna, the OPEC+ discussed with a Chinese ambassador the impact of the coronavirus in oil demand, and the potential measures the group could undertake in response (see).
- Equity markets surged and traded near session highs, underpinned by the ease in global fears and better-than-expected company earnings. The improvement in market sentiment also weighed on risk measures such as implied volatility in the S&P500, reversing yesterday's increases (VIX around 16).

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,41	6,0	-4,9	-11	-111
US	1,60	7,2	-6	-19	-110
GER (2-yr)	-0,65	1,8	-2,9	-4	-9
Germany	-0,40	4,3	-5,8	-16	-57
France	-0,14	4,0	-5,5	-17	-72
Spain	0,27	2,5	-4,8	-12	-99
Italy	0,95	0,2	-7,9	-39	-184
Portugal	0,31	3,2	-3,3	-16	-136
Greece	1,19	-1,1	-0,3	-22	-271
Japan (2-yr)	-0,15	-1,2	-2,1	-2	2
Japan	-0,05	1,0	-0,8	-4	-4
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,57	-5,8	-7,4	-26	-223
Chile	2,89	-3,1	-0,2	19	-129
Colombia	5,87	1,3	-10,5	-47	-101
Mexico	6,63	2,1	-10,6	-16	-173
Peru	3,24	-0,8	-14,8	-23	-190
Poland	2,19	2,8	-6,7	12	-56
Russia	6,31	-6,3	-1,7	-12	-190
Turkey	10,03	1,0	6,0	-197	-380
India	6,51	0,1	-7,4	-1	-88
Indonesia	6,63	-6,3	-11,3	-40	-123

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YoY
10-yr sovereign spread vs Germany					
France	26	-0,3	0,3	-1	-15
Italy	135	-4,1	-2,1	-24	-127
Portugal	71	-1,1	2,5	-1	-79
Spain *	67	-1,8	1,0	4	-42
2-yr sovereign spread vs Germany					
France	5	-0,3	-0,5	2	-8
Italy	45	-2,4	-2,0	-8	-55
Portugal	24	0,2	3,1	16	-12
Spain	22	-1,4	0,3	-1	-9
Emerging Markets	level	Daily	Weekly	Monthly	YoY
5-yr sovereign CDS *					
Brazil	102	-2,2	-4	5	-62
Chile	51	-0,2	-2	10	5
Colombia	81	-0,8	-5	11	-38
Argentina	5885	-326,6	-1209	1045	5280
Mexico	82	-1,5	-7	5	-51
Peru	47	-0,8	-3	7	-28
Poland	49	0,3	-2	-10	-16
Russia	65	0,4	-2	9	-72
Turkey	241	1,6	-3	-31	-65
China	40	-2,7	-3	10	-14
India	67	1,6	3	3	-36
Indonesia	66	-2,2	-3	4	-46

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	16	-2,1	0	2	0
VSTOXX	14	-1,8	-1	1	1
EM EFT volatility Index	19	-2,3	-1	1	1
Dollar/euro volatility	4	-0,2	0	-1	-2
EM FX volatility index	7	-0,1	0	0	-2
Credit spread (BAA) (change in bps)	204	-7,2	1	4	-24
US bonds volatility index	73	-0,2	7	13	24
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,01	-	-1	-11	-24
EZ Inflation expectations (5Y5Y)	1,27	-	0	-5	-24
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	42	0,1	-2	1	-21
EZ	41	0,0	-3	-4	-51
UK	45	1,1	0	3	-35
Large Spanish	33	0,7	-1	1	-38
Medium Spanish	62	-3,9	-7	-16	-48
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	194	-10,0	-19	20	9
EZ Non-financial	70	-0,7	1	6	-13
UK Non-financial	99	-0,3	0	1	-8

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	-9
Euribor 12m	-0,29	0	-2	-5	-18
Libor 3m	1,74	0	-2	-15	-99
Libor 12m	1,77	0	-3	-19	-121

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
S&P500	3304	1,7	0,8	2,1	21
Dow Jones	28886	1,7	0,6	0,9	14
Nikkei	23085	0,5	-0,6	-2,4	11
FTSE 100	7438	1,5	-0,6	-2,4	4
EuroStoxx 50	3730	1,9	0,3	-1,2	16
IBEX	9559	1,6	0,8	-0,9	5
DAX	13275	1,8	-0,4	0,4	17
CAC	5932	1,7	0,1	-1,9	17
MB	23858	1,7	-0,7	0,7	20
ASE Athens	917	1,5	-1,8	-0,4	40
MSCI Latam *	99335	0,5	0,1	-3,1	5
Ibovespa (Brazil)	115933	1,1	-0,5	-1,5	18
Mexbol (Mexico)	45008	2,0	0,6	0,9	2
Merval (Argentina)	41272	-0,7	1,1	1,9	10
MSCI EM Europe *	6274	-0,1	-1,3	-2,2	10
Poland	2107	1,6	0,4	-3,1	-13
Micex 10 (Russia)	5391	1,7	-0,5	-0,2	18
Ise 100 (Turkey)	122136	2,4	1,9	7,4	19
MSCI EM Asia *	875	-0,3	-4,3	-5,4	4
Shanghai Com (China)	2783	1,3	-6,5	-9,7	6
Jakarta (Indonesia)	5922	-0,3	-3,4	-5,7	-9
Banking sector	level	Daily	Weekly	Monthly	YoY
US banks	162,9	2,4	0,8	-0,1	24
JPM	136,3	2,2	1,4	-1,5	31
Citi	76,9	2,4	-0,4	-3,5	21
BoA	33,8	2,5	1,6	-3,2	17
MS	54,4	3,3	0,6	6,2	28
GS	243,5	1,9	0,4	5,1	23
EZ banks	82,2	2,0	0,6	-4,0	15
BNP	49,2	1,8	-0,4	-7,1	20
Crédit Agricole	12,6	1,9	0,9	-4,0	26
Deutsche Bank	8,1	0,2	3,5	12,3	4
ING	10,1	2,5	0,2	-7,8	-3
Intesa	2,4	3,0	2,1	0,1	18
SG	29,6	1,2	-0,6	-5,4	14
Unicredito	12,6	3,1	-0,5	-5,6	27
UK banks	73,9	1,7	0,1	-6,7	-5
HSBC	564,0	1,5	-0,7	-5,1	-14
RBS	221,8	2,2	1,8	-6,9	-10
Barclays	172,1	1,4	0,0	-6,1	7
Lloyds	57,5	1,7	-0,2	-8,8	-1
Large Spanish banks	57,2	3,0	3,9	-4,3	-9
Santander	3,7	3,3	3,7	-3,3	-10
BBVA	4,8	2,7	4,1	-5,2	-8
Medium Spanish banks	47,0	1,0	-2,0	-11,8	-13
Caixabank	2,7	0,1	1,7	-7,2	-9
Sabadell	0,8	1,9	-11,0	-20,9	-2
Bankinter	5,9	1,3	-0,6	-10,6	-10
Currencies	1,7	0,9	0,2	-12,9	-33

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,104	-0,2	0,1	-1,1	-3
GBPUSD	1,302	0,2	0,0	-0,5	1
USDJPY	109,430	-0,7	-0,3	-1,2	0
DXY	97,992	0,2	0,0	1,2	2
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,58	-0,2	-0,7	-1,3	-39
USDBRL (Brazil)	4,24	0,3	-1,1	-4,2	-13
USDCLP (Chile)	781,50	0,9	0,9	-3,2	-17
USDCOP (Colombia)	3369	0,8	0,5	-3,42	-8
USDMXN (Mexico)	18,67	0,8	0,3	1,3	2
USDPEN (Peru)	3,36	0,4	-0,6	-1,3	-1
LACI	50,31	0,5	-0,3	-1,7	-11
USDPLN (Poland)	3,87	0,3	0,0	-1,8	-3
USDRLB (Russia)	62,92	1,2	-1,1	-1,4	4
USDTRY (Turkey)	5,97	0,2	-0,5	0,0	-13
USDCNY (China)	7,00	0,3	-1,3	-0,5	-4
USDINR (India)	11,27	0,1	0,1	0,8	0
USDIDR (Indonesia)	73715	0,2	-0,5	1,6	2
ADXY	104,31	0,3	-0,7	-0,4	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
Brent	54,9	0,8	-7,8	-20	-11
WTx	50	0,7	-5,6	-20	-6
Copper	254	1,3	-1,4	-9	-10
Gold	1552	-1,5	-0,9	0	18
S&P Spot commodity *	381	-1,9	-4,8	-14	-7
S&P Brent Spot *	463	-3,8	-7,4	-21	-12
S&P Metals Spot *	297	-1,6	-3,2	-8	-13
S&P Agricultural *	293	-0,1	-2,1	-2	0

Source: Bloomberg, Datastream and Haver
* With one day delay
* Risk premium affected by the German rollover