

Market Comment**Markets consolidate recent gains**

- Market sentiment remained positive**, amid fresh U.S.-China trade developments and hopes that coronavirus-related economic issues will be short lived. According to China's Ministry of Finance, **China will halve tariffs on \$75bn worth of U.S. imports from 14 February**, as it moves to implement phase one of the deal. Moreover, he added that tariffs on American goods that were adopted in September will be drop to 5% from 10%, and the rest to 2.5% from 5% ([see](#)).
- The U.S. labor market continued showing signs of stabilization, while economic data was mixed in Germany**. U.S. initial jobless claims dropped more than expected (202k; Cons:215k; Prev:217k) as previous figures were marginally revised upward from 216k. In the Eurozone, Germany's factory orders in December widened their decline from the previous month (-2.1% MoM; Cons: 0.6%; Prev: -0.8% MoM revised from -1.3% MoM) driven by lower orders of capital goods and consumer goods, which were offset by increased production of intermediate products. On the contrary, Markit Germany construction PMI in January accelerated (54.9; Prev: 53.8).
- Sovereign bond yields consolidated yesterday's gains** after China's plans to cut tariffs on U.S. imports. Better-than-expected jobless claims in the U.S. supported the 10Y U.S. yields, which were previously dragged following some concern after the Fed's 14-D term repo auction was oversubscribed (submitted \$57.25bn; maximum offering of \$30bn). Elsewhere, the long-term yield in Germany moved sideways following the oversubscription rates for 10-year notes at Spanish and French auctions. Moreover, today's comments from the **ECB's President, Christine Lagarde**, suggesting that the growth in the Eurozone remained weak, **despite the timid signs of stabilization**, weighing somehow on European yields ([see](#)).
- FX market barely fluctuated**, as investors are awaiting the release of tomorrow's U.S. payrolls and Germany's industrial production. The USD slightly appreciated against its peers, while all G10 currencies depreciated. The GBP seemed to be under pressure ahead of potential UK-EU trade negotiations. On the other hand, the depreciation trend was also extended to emerging markets, where LatAm currencies underperformed.
- In commodities, oil prices erased early gains as OPEC+ could not reach an agreement on production cuts**. The agreement consisted of a provisional cut in oil output of 600,000 barrels per day to offset the slowdown in demand due to the coronavirus outbreak ([see](#)).
- Equity markets extended yesterday's rally**, with the S&P500 reaching new record highs on the back of upbeat earnings results and the ease on global concerns. Nevertheless, the U.S. rally was contained as investors were cautious following tomorrow's U.S labor market report.

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

Developed Markets	level	Daily	Weekly	Month	YTD
US (2-yr)	1,45	0.8	3.8	-9	-103
US	1,65	-0.2	6	-17	-101
GER (2-yr)	-0.63	0.7	2.2	-1	-6
Germany	-0.37	-0.7	4.0	-12	-48
France	-0.11	-1.0	3.5	-13	-66
Spain	0.30	-0.2	2.7	-10	-94
Italy	0.96	-0.2	2.0	-42	-199
Portugal	0.34	-0.2	5.8	-14	-132
Greece	1,14	-4.5	-2.5	-26	-286
Japan (2-yr)	-0.13	1.0	1.6	-1	3
Japan	-0.02	1.8	4.1	-1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,50	2.4	-19.0	-31	-249
Chile	2,89	1.0	-2.9	10	-133
Colombia	5,87	-2.6	-8.3	-45	-103
Mexico	6,64	-2.0	-0.4	-23	-170
Peru	3,15	-0.4	-22.4	-34	-199
Poland	2,15	-4.7	-2.7	-4	-59
Russia	6,30	1.7	-5.2	-13	-197
Turkey	10,25	12.0	40.0	-167	-387
India	6,45	-6.0	-11.0	-11	-87
Indonesia	6,58	-3.6	-7.1	-49	-124

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	25	-0.3	-0.5	-1	-18
Italy	133	0.6	-1.9	-30	-151
Portugal	70	0.5	1.8	-2	-84
Spain *	66	0.5	-1.3	2	-46
2-yr sovereign spread vs Germany					
France	4	-0.6	-1.5	1	-9
Italy	43	-0.4	-2.3	-13	-75
Portugal	24	-0.6	2.8	14	-14
Spain	22	-0.2	-1.6	-2	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	96	-2.8	0	-2	-69
Chile	47	-1.4	1	5	0
Colombia	73	-3.3	-2	3	-43
Argentina	5297	-72.0	-449	85	4692
Mexico	78	-1.8	0	0	-55
Peru	44	-1.4	0	3	-29
Poland	49	0.0	0	-9	-16
Russia	61	-1.9	-4	1	-74
Turkey	238	0.1	1	-47	-63
China	34	-2.9	-7	-1	-20
India	67	-0.2	2	1	-35
Indonesia	62	-1.4	-4	-4	-49

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.3	-1	1	-1
VSTOXX	13	-0.6	-3	-1	-3
EM EFT volatility Index	19	-0.3	-2	3	-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)	208	0.2	2	4	-22
US bonds volatility index	64	-4.1	-7	1	15
Inflation expectations (%), change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,01	-	0	-3	-21
EZ Inflation expectations (5Y5Y)	1,28	-	2	-3	-19
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	38	-2.1	-3	-6	-25
EZ	37	-2.2	-6	-11	-51
UK	41	-1.1	-2	-1	-35
Large Spanish	31	-0.7	-1	-3	-37
Medium Spanish	66	4.7	-2	-9	-41
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	175	-2.9	-27	-5	-3
EZ Non-financial	67	-1.4	-2	0	-12
UK Non-financial	97	-0.9	-1	-3	-7

INTERBANK MARKETS (%), CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0.54	0	0	0	n.a.
Euribor 3m	-0.40	0	0	-1	-9
Euribor 12m	-0.27	1	1	-2	-16
Liber 3m	1,74	0	-4	-13	-100
Liber 12m	1,83	0	-4	-15	-113

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3345	0.3	1.9	3.3	24
Dow Jones	29340	0.2	1.7	2.6	17
Nikkei	23874	2.4	3.9	1.3	15
FTSE 100	7510	0.4	1.7	-0.8	6
EuroStoxx 50	3804	0.7	3.1	1.2	21
IBEX	9812	1.0	3.5	2.4	10
DAX	13571	0.7	3.1	2.6	23
CAC	6037	0.9	2.8	0.4	21
MIB	24483	1.0	2.9	3.2	26
ASE Athens	921	0.0	0.0	-0.4	43
MSCI Latam *	100720	0.1	0.3	-1.0	9
Ibovespa (Brazil)	116226	0.2	0.6	-0.4	23
Mexbol (Mexico)	44570	-0.5	-0.7	0.9	2
Merval (Argentina)	40672	-0.2	0.7	-1.1	13
MSCI EM Europe *	6377	0.5	-0.4	-0.7	11
Poland	2112	-0.5	1.5	-1.6	-11
Micex 10 (Russia)	5414	-0.1	0.4	0.1	21
Ise 100 (Turkey)	122284	0.0	2.0	8.6	19
MSCI EM Asia *	900	0.4	-0.7	-1.5	6
Shanghai Com (China)	2867	1.7	-3.7	-7.7	9
Jakarta (Indonesia)	5987	1.1	-2.1	-4.3	-9
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	165,1	-0.2	1.6	2.0	28
JPM	137,6	0.0	1.3	1.3	34
Citi	78,6	-0.4	1.5	-0.2	25
BoA	34,7	0.0	3.7	0.3	23
MS	54,7	-0.6	1.6	7.4	32
GS	242,8	-0.6	-0.5	3.1	26
EZ banks	level	Daily	Weekly	Monthly	YTD
BNP	86,6	2.8	6.6	1.5	22
Credit Agricole	13,3	2.1	8.5	2.9	35
Deutsche Bank	9,3	12.5	11.9	25.0	26
ING	10,5	2.0	4.8		