

Market Comment

Renewed coronavirus fears weigh on financial markets

- Markets were cautious as fears over coronavirus returned, and investors awaited or Fed Chairman's semi-annual monetary policy testimony. According to Chinese authorities the death toll has climbed to 910 (overtaking that declared during the outbreak of the SARS virus) while the number of cases has risen (reaching more than 41,600) and the WHO is becoming increasingly concerned over the extent of the transmission. Nevertheless, Asian shares fell everywhere except for China, as caution remains due to confusing news ahead of companies re-opening today in China after a shutdown caused by the spread of the virus. Moreover, investors also await the Chairman of the Fed's semi-annual testimony on monetary policy before Congress on Tuesday to shed some light about how concerned the Fed is about the impact of 2019 n-CoVI.
- Elsewhere, President Donald Trump will present his budget plan for 2021 later on Monday, where he is expected to reduce spending on social security and foreign aids programs (see).
- Today's economic calendar was very light, focused mainly on the Eurozone and China. The eurozone's sentix investor confidence was down, as it fell more than expected in February (5.2; Cons: 5.9; Prev: 7.6) amid disappointing figures for Germany's industrial activity and renewed coronavirus concerns. On the other hand, China's CPI rose more than expected (5.4% YoY; Cons: 4.9% YoY; Prev: 4.5% YoY), while producer prices also increased slightly above consensus forecast (0.1% YoY; Cons: 0.0% YoY; Prev: -0.5%).
- Sovereign bond yields dropped across the board ahead of President Trump's budget proposal and renewed investor concerns regarding the virus. Downside risks weighed on Germany's bond yield, underpinned by increasing political uncertainty regarding Angela Merkel succession (see), whereas Italy's risk premium widened led by weak industrial production data.
- Cautiousness weighed on FX markets, where safe-haven currencies (JPY and CHF) recovered some ground after last week's depreciation. The USD was little changed, while the GBP outperformed its G10 peers ahead of tomorrow's 4Q19 GDP and industrial production data releases. Furthermore, the Euro depreciated amid Germany's political uncertainty. Elsewhere, regarding emerging currencies, the TRY was mainly steady after the latest measures, although implied volatility increased slightly due to idiosyncratic factors.
- In commodities, Brent oil prices continued its downward trend amid the impact of coronavirus on oil demand and the lack of agreement in production cuts from major producers.
- Equities were mixed today. European and Asian stocks generally fell, while US equities increased modestly with the consumer discretionary sector outperforming and the energy sector leading the losses. Additionally, implied volatility in equity markets (VIX) remained to 15.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,38	-2,0	2,8	-20	-110
<b>US</b>	1,56	-2,6	3	-30	-110
GER (2-yr)	-0,64	0,3	3,2	-5	-7
<b>Germany</b>	-0,41	-2,5	3,1	-23	-53
France	-0,17	-2,9	1,5	-23	-73
Spain	0,26	-2,5	1,6	-19	-98
Italy	0,95	0,5	-0,3	-43	-195
Portugal	0,29	-2,6	1,8	-22	-136
Greece	1,02	-3,0	-17,3	-36	-298
Japan (2-yr)	-0,15	-0,8	-1,6	-3	1
<b>Japan</b>	-0,06	-1,7	0,2	-7	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,54	-10,4	-8,7	-22	-250
Chile	2,91	-2,6	-1,5	10	-119
Colombia	5,85	-1,5	-1,0	-47	-109
Mexico	6,60	-3,6	-1,3	-29	-182
Peru	3,14	0,1	-11,2	-36	-199
Poland	2,07	-1,9	-9,3	-21	-67
Russia	6,25	-0,6	-12,1	-17	-204
Turkey	10,79	39,0	77,0	-74	-343
India	6,44	0,3	-6,1	-9	-91
Indonesia	6,60	1,3	-10,0	-42	-136

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	25	-0,4	-1,6	0	-20
Italy	136	3,0	-3,4	-20	-142
Portugal	70	-0,1	-1,3	1	-83
Spain	67	0,1	-1,4	4	-45
<b>2-yr sovereign spread vs Germany</b>					
France	4	0,5	-0,7	1	-8
Italy	43	-0,1	-4,7	-12	-73
Portugal	23	-2,7	-0,4	12	-14
Spain	22	-1,0	-2,0	0	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	101	4,1	-3	4	-71
Chile	49	1,3	-3	7	0
Colombia	75	1,9	-7	7	-46
Argentina	5169	-290,6	-1042	169	4537
Mexico	79	1,8	-5	3	-61
Peru	46	1,4	-2	5	-30
Poland	49	0,0	0	-9	-16
Russia	64	3,7	-1	6	-74
Turkey	256	16,5	17	-21	-59
China	37	2,4	-6	5	-21
India	64	-0,7	-1	-2	-39
Indonesia	65	2,5	-3	1	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0,2	-3	3	-1
VSTOXX	14	0,4	-3	1	-2
EM EFT volatility Index	19	-0,5	-2	4	0
Dollar/euro volatility	4	0,2	0	0	-2
EM FX volatility index	7	0,4	0	0	-2
Credit spread (BAA) (change in bps)	208	2,6	-3	6	-21
US bonds volatility index	66	4,4	-7	8	17
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,02	-	3	-6	-16
EZ Inflation expectations (5Y5Y)	1,24	-	-2	-8	-21
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	37	0,0	-5	-6	-31
EZ	37	1,3	-5	-10	-54
UK	40	0,7	-3	-1	-40
Large Spanish	31	0,9	-2	-2	-40
Medium Spanish	63	-4,0	-3	-13	-47
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	175	0,9	-29	-8	-7
EZ Non-financial	65	-0,1	-6	-1	-20
UK Non-financial	97	0,7	-2	-1	-9

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	0	-9
<b>Euribor 12m</b>	-0,27	0	2	-1	-16
Libor 3m	1,73	0	-2	-10	-97
Libor 12m	1,83	0	4	-11	-110

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3339	0,4	2,8	2,0	23
Dow Jones	29201	0,3	2,8	0,8	17
Nikkei	23686	-0,6	3,1	-0,2	16
FTSE 100	7448	-0,3	1,7	-2,0	4
<b>EuroStoxx 50</b>	3792	-0,2	3,6	-0,1	20
IBEX	9810	0,0	4,3	2,4	10
DAX	13490	-0,2	3,4	0,0	22
CAC	6016	-0,2	3,2	-0,4	20
MB	24508	0,1	4,5	2,0	25
ASE Athens	903	-0,9	-0,1	-2,5	38
<b>MSCI Latam *</b>	99310	-0,8	0,5	-1,9	7
Ibovespa (Brazil)	113045	-0,6	-1,4	-2,5	20
Mexbol (Mexico)	44063	-0,8	-0,1	-1,1	2
Merval (Argentina)	40888	-0,8	-1,7	-2,7	10
<b>MSCI EM Europe *</b>	6302	-0,6	0,3	-2,3	12
Poland	2093	-0,8	1,0	-3,0	-11
Micex 10 (Russia)	5355	-0,9	1,0	-2,2	19
Ise 100 (Turkey)	118342	-2,2	-0,8	0,3	13
<b>MSCI EM Asia *</b>	909	-0,6	3,6	-0,4	8
Shanghai Com (China)	2890	0,5	5,2	-6,6	9
Jakarta (Indonesia)	5952	-0,6	0,2	-4,4	-9
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	164,1	-0,3	3,2	-0,3	29
JPM	137,3	0,1	2,9	-0,1	36
Citi	78,2	-0,6	4,1	-2,3	27
BoA	34,5	-0,4	4,5	-1,6	21
MS	55,0	0,0	4,6	5,7	37
GS	236,6	-0,6	-1,0	-2,5	24
<b>EZ banks</b>	86,9	-0,6	7,9	0,9	23
BNP	51,7	-0,3	6,9	-1,4	28
Crédit Agricole	13,4	-0,3	8,5	2,9	39
Deutsche Bank	9,4	-1,3	15,6	21,9	28
ING	10,5	-0,6	6,7	-4,5	-3
Intesa	2,5	-0,6	7,7	3,6	23
SG	30,2	-1,3	3,0	-5,1	25
Unicredito	14,0	0,6	14,6	3,5	34
<b>UK banks</b>	74,8	-0,2	3,0	-4,7	-3
HSBC	578,4	-0,5	4,1	-1,6	-11
RBS	221,8	-0,5	2,2	-7,1	-7
Barclays	177,2	0,0	4,4	-3,1	13
Lloyds	57,0	0,1	0,8	-7,9	-1
<b>Large Spanish banks</b>	61,2	-0,2	10,1	2,5	-1
Santander	3,8	-0,9	7,4	1,5	-5
<b>BBVA</b>	5,3	0,5	12,6	3,4	3
<b>Medium Spanish banks</b>	48,8	-0,1	9,6	-6,5	-9
Caixabank	2,9	0,3	5,0	2,3	-1
Sabadell	0,8	0,1	3,1	-18,8	-1
Bankinter	6,1	-0,1	4,6	-5,9	-8
Bankia	1,7	-1,3	1,4	-7,7	-32

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,091	-0,3	-1,3	-1,7	-3
GBPUSD	1,292	0,2	-0,6	-1,1	0
USDJPY	109,780	0,0	-1,0	-0,2	1
DXY	98,866	0,2	1,1	1,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	60,98	-0,3	-0,8	-1,9	-38
USDBRL (Brazil)	4,31	0,1	-1,6	-5,2	-13
USDCLP (Chile)	795,77	-0,6	-0,9	-3,6	-17
USDCOP (Colombia)	3446	-0,9	-1,4	-5,50	-9
USDMXN (Mexico)	18,76	0,0	-0,3	0,4	3
USDPEN (Peru)	3,40	-0,2	-0,7	-2,3	-2
LACI	49,70	-0,1	-0,7	-2,7	-11
USDRPL (Poland)	3,91	-0,2	-0,7	-2,3	-2
USDRLB (Russia)	64,16	-0,2	-0,8	-4,5	-3
USDTRY (Turkey)	6,02	0,0	-0,5	-2,3	-12
USDCNY (China)	6,98	0,3	0,5	-0,7	-3
USDINR (India)	71,30	0,1	0,1	-0,1	0
USDIDR (Indonesia)	13712	-0,3	0,2	1,0	2
ADXY	104,13	0,2	0,1	-1,0	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	53,6	-1,6	-1,6	-1,8	-13
WTx	50	-0,9	-0,5	-1,6	-5
Copper	255	-0,3	1,5	-9	-9
Gold	1574	0,2	-0,2	1	20
S&P Spot commodity *	386	-0,3	1,3	-10	-5
S&P Brent Spot *	464	-0,7	0,2	-1,6	-11
S&P Metals Spot *	302	-1,3	1,8	-7	-9
S&P Agricultural *	296	0,8	1,1	-1	3

Source: Bloomberg, Datastream and Haver

\* With one day delay