

Market Comment

Equities rallied amid encouraging fresh news

- Market risk sentiment recovered** thanks to encouraging words from the Fed that virus spread is being supervised, and to positive earning releases. Equities rose amid the **slowdown in the rate of coronavirus infection in China**, while Fed's Chairman, Powell, mentioned that the U.S. Central Bank was monitoring the virus, although it was still too early to consider whether the 2019-nCoV will have an effect on the U.S. economy. Additionally, Moody's also reported that the spread of the virus will have a reduced impact in the Americas and Europe due to modest trade and tourism links with China.
- Regarding monetary policy speeches**, ECB's President, Christine Lagarde, said "monetary policy cannot, and should not, be the only game in town", adding that as long as the monetary policy remains accommodative, the risk of side effects will increase. She also remarked that fiscal policy could be highly effective in a low interest environment. Furthermore, she required support from governments to stimulate the economy. On the other hand, Fed's Powell considered **that the U.S. economy was "in a very good place"** and suggested reducing the current federal budget deficit (expected to top \$1 trillion) for this year ([see](#)).
- On the data front**, U.S. small business optimism rose in January (104.3; Cons: 103.5; Prev: 102.7) as sales expectations and earnings trends improved significantly, offsetting the slight decline in business conditions expectations.
- Sovereign yields recovered some ground on the back of Powell's optimistic comments regarding the U.S. economy and the coronavirus**. Moreover, even the third Fed 14-D term repo auction oversubscription (submitted \$53.65bn; maximum \$30bn) could not offset the rise in 10Y UST yields. European core yields trimmed early losses that were triggered by the increase in market expectations of an ECB cut this year (50.3%).
- There were no major changes in FX markets**. The JPY and the CHF underperformed their G10 pairs amid improving market risk sentiment, while the USD remained unchanged. Elsewhere, emerging currencies marginally appreciated across the board with the USDCOP outperforming and the CNY extending its appreciation path.
- Equities rallied, reaching fresh record highs** underpinned by slowing coronavirus rate reports. Furthermore, today's better-than-expected company's earnings also contributed to boosting equity markets.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,41	1,8	0,2	-16	-109
<b>US</b>	1,58	1,0	-2	-24	-111
GER (2-yr)	-0,64	0,3	1,7	-4	-7
<b>Germany</b>	-0,39	2,0	0,8	-19	-52
France	-0,14	2,1	-0,5	-19	-71
Spain	0,27	0,9	-0,1	-17	-97
Italy	0,97	1,7	1,8	-35	-188
Portugal	0,31	1,5	0,0	-19	-133
Greece	1,03	0,4	-16,0	-33	-291
Japan (2-yr)	-0,15	0,0	-0,4	-2	1
<b>Japan</b>	-0,06	0,0	-0,8	-6	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,50	-3,5	-10,4	-30	-246
Chile	2,91	0,5	1,1	-13	-120
Colombia	5,81	-0,7	-12,3	-34	-112
Mexico	6,57	-2,2	-8,9	-26	-184
Peru	3,15	0,5	-6,8	-34	-205
Poland	2,12	4,8	-7,3	-15	-61
Russia	6,22	-2,6	-8,4	-4	-209
Turkey	10,93	14,0	90,0	-23	-326
India	6,47	2,6	-3,6	-12	-89
Indonesia	6,59	-1,0	-4,7	-34	-134

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	25	0,1	-1,3	0	-19
Italy	136	-0,3	1,0	-16	-135
Portugal	70	-0,5	-0,8	0	-81
Spain	66	-1,1	-0,9	2	-45
<b>2-yr sovereign spread vs Germany</b>					
France	4	-0,4	-0,9	1	-8
Italy	43	-0,6	-2,8	-11	-67
Portugal	23	-1,3	-1,6	11	-12
Spain	21	-1,2	-1,8	-1	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	100	-0,8	-2	3	-73
Chile	50	0,6	-2	7	0
Colombia	75	0,0	-6	7	-48
Argentina	5330	160,7	-555	646	4689
Mexico	79	-0,3	-4	5	-63
Peru	46	0,1	-1	5	-31
Poland	49	0,0	0	-8	-16
Russia	65	1,4	0	7	-74
Turkey	276	20,5	35	6	-43
China	37	0,0	-3	6	-20
India	64	-0,2	-3	-3	-38
Indonesia	64	-1,2	-2	2	-52

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0,2	-1	2	-1
VSTOXX	13	-0,8	-2	1	-1
EM EFT volatility Index	18	-0,4	-2	3	0
Dollar/euro volatility	4	0,0	0	0	-2
EM FX volatility index	7	0,0	0	0	-2
Credit spread (BAA) (change in bps)	204	-1,0	-6	4	-25
US bonds volatility index	68	2,5	0	15	19
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,06	-	5	-1	-13
EZ Inflation expectations (5Y5Y)	1,22	-	-5	-11	-23
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	37	-0,2	-5	-4	-31
EZ	37	0,6	-4	-8	-52
UK	41	0,9	-4	1	-39
Large Spanish	32	1,3	-1	0	-38
Medium Spanish	60	-2,4	-1	-14	-48
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	180	5,1	-14	-1	-2
EZ Non-financial	65	0,5	-5	0	-19
UK Non-financial	97	-0,1	-2	-1	-9

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,41	-1	-1	-1	-10
<b>Euribor 12m</b>	-0,28	-1	1	-2	-17
Libor 3m	1,71	0	-1	-12	-97
Libor 12m	1,80	0	7	-13	-112

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3362	0,3	2,0	3,0	22
Dow Jones	29296	0,1	1,7	1,6	15
Nikkei	23686	0,0	2,6	-0,7	14
FTSE 100	7499	0,7	0,8	-1,2	5
<b>EuroStoxx 50</b>	3826	0,9	2,5	1,0	20
IBEX	9883	0,7	3,3	3,2	10
DAX	13628	1,0	2,6	1,1	22
CAC	6055	0,6	2,0	0,3	20
MB	24689	0,7	3,5	2,8	25
ASE Athens	917	1,6	0,0	-0,7	40
<b>MSCI Latam *</b>	98598	-0,7	-0,7	-2,4	7
Ibovespa (Brazil)	114939	2,1	-0,5	-0,5	20
Mexbol (Mexico)	45017	1,6	-0,1	0,8	4
Merval (Argentina)	40185	-2,1	-2,1	-6,0	7
<b>MSCI EM Europe *</b>	6236	-1,0	-0,6	-4,1	10
Poland	2107	0,7	0,0	-2,8	-11
Mcex 10 (Russia)	5416	1,1	0,5	-1,6	19
Ise 100 (Turkey)	119798	1,2	-1,9	1,0	15
<b>MSCI EM Asia *</b>	907	-0,3	3,6	-2,3	8
Shanghai Com (China)	2902	0,4	4,3	-6,2	9
Jakarta (Indonesia)	5954	-0,8	1,2	-5,1	-8
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	165,4	0,3	2,1	1,1	28
JPM	137,9	0,1	1,9	1,3	34
Citi	78,7	0,3	2,9	-0,7	26
BoA	34,8	0,4	3,6	0,3	21
MS	55,8	0,8	3,3	6,9	36
GS	237,7	0,2	-1,7	-1,8	22
<b>EZ banks</b>	88,1	1,4	7,2	3,2	23
BNP	52,7	2,1	7,0	1,1	29
Crédit Agricole	13,5	0,7	7,4	4,8	38
Deutsche Bank	9,7	2,8	18,4	25,7	28
ING	10,7	1,5	5,8	-1,5	-2
Intesa	2,5	1,0	5,6	5,3	24
SG	30,4	0,8	2,6	-3,3	24
Unicredito	14,2	1,5	12,7	5,8	33
<b>UK banks</b>	75,5	1,0	2,2	-2,5	-3
HSBC	591,4	2,3	4,9	1,2	-10
RBS	222,5	0,5	0,2	-5,4	-7
Barclays	179,0	1,2	4,1	-1,1	13
Lloyds	56,7	-0,3	-1,3	-6,0	-2
<b>Large Spanish banks</b>	61,4	0,3	7,2	4,4	-1
Santander	3,9	0,9	4,8	4,1	-3
<b>BBVA</b>	5,2	-0,2	9,4	4,7	1
<b>Medium Spanish banks</b>	48,0	-1,6	2,3	-6,3	-12
Caixabank	2,8	-5,1	3,5	-0,5	-7
Sabadell	0,8	-1,0	0,5	-17,7	-3
Bankinter	6,2	0,2	3,7	-4,0	-9
Bankia	1,7	-0,9	-0,4	-7,5	-34

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,092	0,0	-1,2	-1,9	-4
GBPUSD	1,294	0,2	-0,7	-0,9	0
USDJPY	109,810	0,0	-0,3	-0,3	1
DXY	98,793	0,0	0,8	1,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61,11	-0,2	-0,9	-5,1	-38
USDBRL (Brazil)	4,33	-0,1	-1,8	-2,4	-14
USDCLP (Chile)	792,65	0,4	-1,4	-2,6	-17
USDCOP (Colombia)	3428	0,8	-1,9	-4,54	-9
USDMXN (Mexico)	18,69	0,0	-0,1	0,6	3
USDPEN (Peru)	3,39	0,1	-0,8	-1,7	-2
LACI	49,72	0,0	-1,0	-2,5	-11
USDPOL (Poland)	3,90	0,2	-0,8	-2,3	-2
USDRUB (Russia)	63,39	1,1	-0,6	-3,7	4
USDTRY (Turkey)	6,03	-0,2	-0,7	-2,4	-13
USDCNY (China)	6,97	0,3	0,5	-0,7	-3
USDINR (India)	71,29	0,0	0,0	-0,5	-1
USDIDR (Indonesia)	13675	0,3	0,3	0,7	3
ADXY	104,37	0,2	0,0	-0,9	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	54,1	1,6	0,3	-1,7	-13
WTx	50	1,0	0,9	-1,5	-6
Copper	259	1,2	1,6	-8	-7
Gold	1566	-0,4	0,9	0	19
S&P Spot commodity *	382	-1,0	0,5	-1,1	-7
S&P Brent Spot *	454	-2,1	-1,1	-1,7	-14
S&P Metals Spot *	301	-0,5	0,5	-8	-8
S&P Agricultural *	296	0,0	0,8	-2	2

Source: Bloomberg, Datastream and Haver

\* With one day delay