

Market Comment

Risk aversion leads the market

- U.S. stock exchanges reopened after President's Day holidays, in an environment where **markets traded in a risk-off mood fashion**. Apple announced forecasts for 1Q20 sales are not going to fulfill expectations amid coronavirus impact, while its share value dropped 2.13% (see). Furthermore, HSBC also warned about the impact of the coronavirus on its Asia business (see). In this context, investors sought shelter in safe-haven assets, while equities halted their rally trend.
- Nonetheless, **China reported a slowdown in coronavirus deaths and infections**. For the first time since end of January, the number of new infected dropped below 2,000 while the death toll fell for the first time since last Tuesday, below 100. However, the WHO suggested caution, as the virus is still breaking out locally and globally.
- U.S. manufacturing business activity grew sharply in February, while economic sentiment in Germany disappointed**. The assessment of the economic situation in Germany worsened in February (-15.7%; Cons: 10.0%; Prev: -9.5%) and the ZEW Indicator of Economic Sentiment for Germany decreased sharply (8.7%; Cons: 21.5%; Prev: 26.7%), due to the worldwide effects of the coronavirus. The financial market experts' expectations regarding the economic development in the Eurozone have experienced a slightly less pronounced drop than those for Germany (10.4%; Prev: 25.6%). On the other hand, U.S. Empire Manufacturing survey soared (12.9%; Cons: 5.0%; Prev: 4.8%) driven by the sharp increase both in orders and shipments, while it seems that COVID-19 has had a mute impact in the Empire Manufacturing survey.
- Sovereign bonds remained well demanded**. The decline in the 10Y UST yield was accentuated by solid manufacturing business activity survey data. Moreover, the Fed's 14-D term repo auction was oversubscribed (submitted \$39.9bn; maximum \$25bn), widening the spread between the collateral repo and the effective rate. In the Eurozone, bond yields remained steady as caution prevailed, except for Italy, whose risk premia widened. In this context, the odds of an ECB rate cut this year increased to 55%.
- Caution among investors weighed on FX markets, where **the USD was the top performer** amid strong U.S. manufacturing survey data. In G10 currencies, the publication of the ZEW for Germany floated the euro around EURUSD 1.08, hitting its lowest level since April 2017, while the GBP gained due to the ease on political uncertainty (see). Elsewhere, emerging currencies depreciated, and the CNY reverted yesterday's gains, although it remained below the 7 threshold.
- Regarding commodities, **Brent oil prices halted rally experienced over the last five days**, and slashed today (\$57.1 per barrel) on the back of renewed fears of a drop in oil demand. On the other hand, gold prices inched up.
- Global equities fell** as Apple's warning brought back fresh coronavirus concerns. The Chinese CSI 300 reversed yesterday's gains, and the implied volatility index in the S&P 500 (VIX) increased, hovering around 15.

UPDATE 17:30 CET 18 FEBRUARY 2020

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,40	-3,3	-2,8	-1,6	-10,9
<b>US</b>	1,54	-4,4	-6	-2,8	-10,9
GER (2-yr)	-0,65	0,3	-0,8	-6	-8
<b>Germany</b>	-0,41	-0,9	-1,8	-2,0	-5,2
France	-0,17	-0,5	-2,4	-2,1	-7,0
Spain	0,29	-0,3	-2,8	-1,8	-9,2
Italy	0,92	1,7	-4,7	-4,5	-18,7
Portugal	0,29	-0,6	-2,5	-2,1	-12,2
Greece	0,98	3,1	-4,8	-4,4	-28,0
Japan (2-yr)	-0,16	-1,6	0,1	-2	2
<b>Japan</b>	-0,07	-2,8	-0,6	-6	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,50	4,0	0,1	-2,8	-23,7
Chile	2,98	2,1	5,7	1,0	-11,5
Colombia	5,79	1,4	-0,5	-2,6	-10,9
Mexico	6,53	-2,5	-2,7	-3,0	-17,4
Peru	3,19	-0,1	-0,5	-3,0	-19,7
Poland	2,17	-4,2	5,3	-1,6	-5,1
Russia	6,12	0,8	-10,1	-1,3	-23,5
Turkey	11,10	7,0	17,0	3,9	-35,0
India	6,39	-0,3	-8,0	-2,4	-9,8
Indonesia	6,52	-5,8	-7,2	-3,2	-14,8

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	24	0,4	-0,6	-2	-1,9
Italy	133	2,6	-2,9	-2,6	-13,5
Portugal	70	0,3	-0,7	-2	-7,1
Spain	70	0,6	-1	-3	-4,1
<b>2-yr sovereign spread vs Germany</b>					
France	5	0,0	-0,2	-1	-7
Italy	44	-0,5	0,3	-1,5	-5,5
Portugal	22	-0,4	-1,5	-3	-1,2
Spain	20	-0,4	-1,5	-5	-1,1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	94	-0,1	-6	-3	-6,7
Chile	46	0,0	-3	1	-2
Colombia	71	0,2	-4	-1	-4,7
Argentina	6002	0,0	67,2	145,7	535,7
Mexico	75	0,3	-4	-4	-6,0
Peru	43	0,1	-2	0	-3,1
Poland	48	0,0	-1	-3	-1,7
Russia	59	0,0	-6	-1	-8,4
Turkey	265	0,0	-11	21	-4,8
China	34	-0,2	-3	3	-2,0
India	59	-0,3	-4	-3	-3,7
Indonesia	60	-0,3	-4	0	-5,1

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	1,7	0	3	0
VSTOXX	14	0,9	1	3	-1
EMEFT volatility Index	18	0,6	0	4	0
Dollar/euro volatility	5	0,2	0	1	-2
EMFX volatility index	6	-0,2	0	0	-2
Credit spread (BAA) (change in bps)	209	4,3	5	9	-2,1
US bonds volatility index	62	0,0	-3	1,3	1,7
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,98	-	-5	-1,2	-2,1
EZ Inflation expectations (5Y5Y)	1,22	-	0	-1,2	-2,3
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	36	0,0	-1	-3	-2,8
EZ	37	0,0	-1	-8	-4,5
UK	38	-1,2	-3	-4	-3,7
Large Spanish	31	-0,4	-1	-2	-3,5
Medium Spanish	59	-1,4	-1	-1,2	-4,7
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	161	-0,8	-1,9	-4,2	-7,6
EZ Non-financial	62	-0,4	-4	-4	-1,8
UK Non-financial	94	-0,5	-3	-3	-1,0

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,40	1	1	-1	-1,0
<b>Euribor 12m</b>	-0,29	0	-2	-5	-1,8
Libor 3m	1,69	0	-2	-1,3	-9,5
Libor 12m	1,79	0	0	-1,3	-11,1

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3359	-0,6	0,0	0,9	2,1
Dow Jones	29121	-0,9	-0,5	-0,8	1,2
Nikkei	23194	-1,4	-2,1	-3,5	9
FTSE 100	7370	-0,8	-1,7	-4,0	3
<b>EuroStoxx 50</b>	3834	-0,5	0,2	0,7	1,8
IBEX	9997	-0,3	1,2	3,3	9
DAX	13666	-0,9	0,3	1,0	2,1
CAC	6056	-0,5	0,0	-0,7	1,7
MIB	25200	0,3	2,1	4,4	2,5
ASE Athens	912	-0,9	-0,6	-2,4	3,7
<b>MSCI Latam *</b>	100394	0,4	1,8	-1,3	8
Ibovespa (Brazil)	113801	-1,3	-1,4	-3,9	1,7
Mexbol (Mexico)	44976	-0,1	-0,1	-1,8	5
Merval (Argentina)	38305	-2,3	-3,8	-9,5	6
<b>MSCI EM Europe *</b>	6352	0,6	1,9	-3,0	1,4
Poland	2113	-0,4	0,3	-2,9	-9
Micex 10 (Russia)	5330	-1,7	-1,6	-5,3	2,2
Ise 100 (Turkey)	119574	-1,0	-0,2	-1,6	1,8
<b>MSCI EM Asia *</b>	928	0,2	1,9	-1,7	1,0
Shanghai Com (China)	2985	0,0	2,9	-2,9	8
Jakarta (Indonesia)	5887	0,3	-1,1	-6,3	-9

Banking sector

	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	162,3	-1,8	-1,9	-3,6	2,3
JPM	135,2	-1,7	-2,1	-2,2	2,9
Citi	77,6	-1,5	-1,9	-4,4	2,1
BoA	34,1	-2,2	-2,0	-1,8	1,7
MS	55,1	-1,4	-1,3	-4,2	3,1
GS	232,0	-2,1	-1,9	-7,0	1,7
<b>EZ banks</b>	89,1	-1,1	1,1	6,1	2,0
BNP	53,6	-1,0	1,7	5,7	2,7
Crédit Agricole	13,4	-2,0	-1,0	3,8	2,8
Deutsche Bank	9,9	-2,7	2,7	30,9	3,1
ING	10,4	-1,9	-2,7	-2,1	-6
Intesa	2,6	1,9	4,2	10,8	2,6
SG	31,8	-0,4	4,6	3,8	2,7
Unicredito	14,0	-0,7	-0,9	6,8	2,3
<b>UK banks</b>	72,2	-3,1	-4,4	-4,9	-7
HSBC	551,9	-6,6	-6,7	-7,1	-1,3
RBS	207,2	-0,9	-6,9	-7,8	-1,9
Barclays	174,9	-1,6	-2,3	-0,2	1,0
Lloyds	55,9	-1,7	-1,5	-4,4	-4
<b>Large Spanish banks</b>	61,2	-1,4	-0,4	6,7	-2
Santander	3,9	-1,5	0,6	5,9	-5
<b>BBVA</b>	5,2	-1,3	-1,4	7,4	-1
<b>Medium Spanish banks</b>	48,5	-1,3	0,8	-4,3	-1,4
Caixabank	2,7	-2,8	-1,1	-1,3	-1,0
Sabadell	0,9	1,3	4,0	-13,0	-7
Bankinter	6,2	-2,1	0,4	-1,6	-1,1
Bankia	1,7	-0,2	2,0	-5,1	-3,4

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,081	-0,2	-0,9	-2,5	-5
GBPUSD	1,302	0,1	0,5	0,0	0
USDJPY	109,800	0,1	0,0	0,3	1
DXY	99,298	0,3	0,6	1,7	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61,66	-0,1	-0,9	-2,7	-3,6
USDBRL (Brazil)	4,35	-0,5	-0,5	-4,4	-1,4
USDCLP (Chile)	797,05	-0,5	-0,6	-3,1	-1,8
USDCOP (Colombia)	3408	-0,3	0,3	-2,22	-9
USDMXN (Mexico)	18,60	-0,2	0,3	-0,2	3
USDPEN (Peru)	3,39	-0,2	0,1	-1,9	-2
LACI	49,68	-0,3	-0,2	-2,2	-1,1
USDRPL (Poland)	3,95	-0,5	-1,3	-3,2	-3
USDRUB (Russia)	63,96	-0,7	-0,9	-3,7	3
USDTRY (Turkey)	6,06	-0,2	-0,7	-2,8	-1,3
USDCNY (China)	7,00	-0,2	-0,4	-2,0	-3
USDINR (India)	71,56	-0,4	-0,4	-0,7	0
USDIDR (Indonesia)	13694	-0,2	-0,1	-0,4	3
ADXY	104,00	-0,2	-0,3	-1,6	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	57,1	-1,0	5,7	-1,2	-1,4
WTx	52	-1,0	3,2	-1,2	-8
Copper	261	0,1	0,7	-8	-1,0
Gold	1605	1,5	2,3	3	2,0
S&P Spot commodity *	396	0,0	3,0	-7	-7
S&P Brent Spot *	487	0,0	5,7	-1,1	-1,4
S&P Metals Spot *	305	0,0	-0,1	-7	-9
S&P Agricultural *	296	0,0	0,0	-3	4

Source: Bloomberg, Datastream and Haver

\* With one day delay