

Market Comment

Regaining some lost ground as virus concerns lessen

- Market sentiment improved somehow although caution prevails, ahead of further measures from the Chinese government to support its economy and FOMC meeting minutes. Equities erased yesterday's losses, while safe-haven currencies depreciated although investors remained sheltering on bonds.
- China is considering further measures to shield its economy from the coronavirus, as injecting billions of dollars into the airline industry and allow mergers between companies. Moreover, the International Monetary Fund (IMF) remarked today, that there will still be a rebound in global growth this year (3.3%). Nonetheless, Hong Kong announced a second fatality from the epidemia, while remarkable companies such as Adidas and Puma reported that their business in China is being pummeled by the virus outbreak.
- On the data front, US producer price index for final demand rose unexpectedly in January (0.5% MoM; Cons:0.1% MoM; Prev:0.2%MoM) as previous figures were revised upwardly from 0.1% MoM, and boosted by an acceleration in cost of services (such as healthcare and accommodation). Additionally, the so-called core PPI also increased 0.4%, beating consensus estimations of 0.1%. Elsewhere, US housing data were mixed today. Housing starts slightly fell in January (1567k; Cons:1428k; Prev:1626k revised from 1608k), although building permits accelerated (1551k; Cons:1450k; Prev:1420k revised from 1416k)
- Sovereign bond yields were broadly steady. The 10Y UST yield partially gained with solid US home building permits data, although investors remained cautious ahead of the FOMC meeting minutes and its impact on policy rate. In Europe, peripheral bonds outperformed the core, underpinned by easing global risk concerns.
- In FX markets, most currencies depreciated with the strengthening of the dollar amid strong US PPI data. Commodity-linked currencies outperformed its G10 pairs, while improving market sentiment weighted on the JPY, which led the losses. Additionally, the GBP erased early gains derived from the increase in Consumer Price index (see). Elsewhere, emerging markets slightly depreciated across the board, and the CNY was almost mute.
- In commodities, Brent oil prices climbed and recovered from yesterday's losses as yesterday, the US imposed sanctions to the largest Russian oil producer (see). On the other hand, prudence among investors keeps gold prices stable
- Equities markets rallied, with the Eurostoxx 50 achieving fresh record highs. Information technology sector erased yesterday losses following Apple's revenue warning, while today's better-than-expected company earnings also boosted equities.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.42	0.8	-2.4	-14	-108
<b>US</b>	1.56	0.2	-7	-26	-108
GER (2-yr)	-0.65	0.5	-0.5	-5	-7
<b>Germany</b>	-0.42	-1.1	-4.1	-20	-52
France	-0.18	-1.6	-4.3	-22	-71
Spain	0.27	-1.7	-8.5	-17	-93
Italy	0.95	2.3	4.0	-40	-191
Portugal	0.27	-1.3	-2.8	-22	-125
Greece	0.97	-0.9	-0.5	-45	-281
Japan (2-yr)	-0.16	-0.1	-0.5	-3	2
<b>Japan</b>	-0.05	1.4	-1.2	-5	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6.54	4.6	4.9	-28	-242
Chile	3.06	5.7	13.3	19	-108
Colombia	5.80	0.9	2.9	-26	-109
Mexico	6.53	-1.0	-5.5	-30	-175
Peru	3.19	-0.4	-2.1	-29	-197
Poland	2.14	-3.1	-2.3	-20	-51
Russia	6.07	-4.9	-10.8	-18	-239
Turkey	11.25	15.0	37.0	48	-356
India	6.39	0.0	-8.9	-26	-95
Indonesia	6.52	0.5	-4.6	-29	-138

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	24	-0.5	-0.2	-2	-19
Italy	137	3.4	8.1	-20	-139
Portugal	69	-0.2	1.3	-2	-73
Spain	69	-0.6	-4	-2	-41
<b>2-yr sovereign spread vs Germany</b>					
France	4	-0.4	-0.5	-1	-8
Italy	46	1.4	4.8	-12	-59
Portugal	20	-1.5	-1.4	-3	-14
Spain	20	-0.3	0.3	-4	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	92	-1.4	-6	-5	-70
Chile	46	0.0	-2	1	-2
Colombia	70	-0.4	-3	-3	-46
Argentina	6120	118.7	266	1464	5462
Mexico	74	-0.9	-4	-5	-59
Peru	43	-0.5	-2	-1	-31
Poland	48	0.0	-1	-3	-17
Russia	60	1.0	-2	0	-81
Turkey	259	-5.6	-12	12	-53
China	35	1.0	0	5	-18
India	59	-0.2	-2	-2	-34
Indonesia	60	0.0	-2	0	-50

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.3	1	2	1
VSTOXX	13	-1.0	0	2	-1
EM EFT volatility Index	17	-0.6	0	3	0
Dollar/euro volatility	5	0.2	0	1	-1
EM FX volatility index	7	0.1	0	1	-2
Credit spread (BAA) (change in bps)	204	-0.2	-1	4	-20
US bonds volatility index	68	5.3	4	18	23
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1.99	-	-6	-9	-23
EZ Inflation expectations (5Y5Y)	1.20	-	-3	-13	-25
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	37	0.4	0	-2	-28
EZ	37	0.5	0	-7	-43
UK	38	0.2	-2	-4	-35
Large Spanish	31	0.1	-1	-2	-34
Medium Spanish	57	-1.8	-4	-12	-52
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	161	0.1	-15	-48	-67
EZ Non-financial	62	0.5	-1	-3	-17
UK Non-financial	94	0.1	-1	-3	-9

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0.54	1	1	0	n.a.
Euribor 3m	-0.40	0	1	-1	-9
<b>Libor 12m</b>	-0.29	0	0	-4	-18
Libor 3m	1.69	0	-1	-13	-95
Libor 12m	1.77	0	-1	-13	-112

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3390	0.6	0.3	1.8	22
Dow Jones	29372	0.5	-0.6	0.1	13
Nikkei	23401	0.9	-1.9	-2.8	9
FTSE 100	7456	1.0	-1.0	-2.6	3
<b>EuroStoxx 50</b>	3863	0.7	0.2	1.7	19
IBEX	10080	0.7	1.4	4.4	10
DAX	13786	0.8	0.3	1.7	21
CAC	6106	0.8	0.0	0.5	18
MB	25478	1.0	2.5	6.1	25
ASE Athens	917	0.5	-0.1	-2.5	37
<b>MSCI Latam *</b>	99987	-0.4	-0.5	-3.0	7
Ibovespa (Brazil)	116229	1.1	-0.4	-2.2	20
Mexbol (Mexico)	44904	-0.2	-1.0	-2.2	4
Merval (Argentina)	38993	2.2	-2.4	-9.4	7
<b>MSCI EM Europe *</b>	6288	-1.0	-0.4	-4.7	13
Poland	2115	0.1	-0.5	-2.9	-11
Micex 10 (Russia)	5404	1.4	-1.0	-4.2	22
Ise 100 (Turkey)	119196	-0.3	-0.7	-2.8	17
<b>MSCI EM Asia *</b>	915	-1.0	0.0	-3.1	9
Shanghai Com (China)	2975	-0.3	1.7	-3.9	8
Jakarta (Indonesia)	5929	1.0	-0.4	-5.8	-9
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	165.2	1.3	-0.5	-1.9	24
JPM	137.7	1.5	-0.2	-0.4	30
Citi	78.2	0.8	-1.4	-3.6	21
BoA	34.8	1.4	-0.5	0.1	18
MS	56.3	1.4	0.2	-2.1	33
GS	236.5	1.4	-0.9	-5.2	19
<b>EZ banks</b>	88.8	-0.6	-0.8	6.5	19
BNP	53.7	0.0	0.2	6.3	26
Crédit Agricole	13.3	-0.1	-1.5	4.1	26
Deutsche Bank	9.9	-0.6	-0.7	33.6	29
ING	10.0	-4.0	-7.7	-4.9	-10
Intesa	2.6	0.3	4.0	12.5	27
SG	31.8	0.2	0.9	4.1	26
Unicredito	14.1	0.5	0.0	9.3	24
<b>UK banks</b>	72.6	0.6	-4.7	-3.8	-9
HSBC	560.9	1.6	-5.8	-5.3	-13
RBS	205.7	-0.6	-9.8	-7.6	-20
Barclays	176.9	1.0	-1.4	1.1	10
Lloyds	55.8	-0.1	-2.9	-3.6	-9
<b>Large Spanish banks</b>	61.3	0.2	-2.1	8.1	-3
Santander	3.9	0.5	-1.0	7.7	-5
<b>BBVA</b>	5.2	-0.1	-3.1	8.4	-1
<b>Medium Spanish banks</b>	48.9	0.8	-0.8	-2.7	-13
Caixabank	2.8	0.8	-4.6	-1.6	-9
Sabadell	0.9	1.3	3.6	-9.9	-6
Bankinter	6.2	0.6	-0.5	0.3	-10
Bankia	1.7	0.5	0.0	-2.8	-33

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.080	0.0	-0.7	-2.7	-5
GBPUSD	1.293	-0.5	-0.2	-0.6	-1
USDJPY	111.150	-1.2	-1.0	-0.9	0
DXY	99.679	0.2	0.6	2.1	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61.73	-0.1	-0.8	-2.8	-36
USDBRL (Brazil)	4.37	-0.2	-0.5	-4.3	-15
USDCLP (Chile)	799.04	-0.2	-1.1	-3.7	-18
USDCOP (Colombia)	3393	0.3	-0.1	-1.74	-8
USDMXN (Mexico)	18.58	0.0	0.2	2.0	2
USDPEN (Peru)	3.38	0.0	-0.2	-0.4	-3
LACI	49.61	-0.1	-0.3	-2.2	-11
USDRPL (Poland)	3.95	0.0	-1.1	-3.3	-3
USDRUB (Russia)	63.58	0.4	-0.5	-3.1	3
USDTRY (Turkey)	6.08	-0.2	-0.6	-2.7	-12
USDCNY (China)	7.00	0.0	-0.4	-1.9	-4
USDINR (India)	11.56	0.0	-0.3	-0.6	-1
USDIDR (Indonesia)	73695	0.0	-0.2	-0.4	3
ADXY	103.94	0.0	-0.4	-1.7	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	59.2	2.5	6.1	-9	-12
WTx	53	2.3	4.1	-9	-6
Copper	260	-0.5	-0.3	-9	-11
Gold	1607	0.3	2.6	3	20
S&P Spot commodity *	398	0.5	1.6	-7	-7
S&P Brent Spot *	489	0.5	2.9	-10	-14
S&P Metals Spot *	305	0.0	-0.3	-7	-10
S&P Agricultural *	301	1.7	0.9	-1	6

Source: Bloomberg, Datastream and Haver

\* With one day delay