

Market Comment

Headlines do not wipe out market caution

- Stocks reversed yesterday's gains with the technological sector underperforming** as investors weighed the fall in coronavirus cases, after China changed once again its counting methodology to report infections. Additionally, both Iran and South Korea announced their first fatalities from the epidemic, while two more deaths were confirmed in Japan, raising investors' concerns. Nonetheless, **Asian equities remained resilient** following the **PBoC decision to reduce its benchmark prime lending rate** to boost its economy ([see](#)).
- Regarding **policy meetings**, the latest **FOMC minutes** did not bring any more material to the table, as Fed officials reiterated that interest rates are unlikely to be moved this year and that the U.S. economy is in a good place despite increasing global risks ([see](#)). Later today, the ECB released the outcome from January's meeting, trumpeting optimism across the market in order to assess the environment now that the virus epidemic is showing a downward growth trend.
- Mixed data in the U.S. and the Eurozone, while positive in China.** Philadelphia Fed Business Outlook rose unexpectedly in February (36.7% MoM; Cons: 11.0% MoM; Prev: 17.0% MoM) highlighting the strength in the U.S. manufacturing sector, whereas continuing claims showed a marginal increase above market expectations. In the Eurozone, advanced consumer confidence rose to -6.6 in February (Cons: -8.2; Prev: -8.1). Germany consumer confidence index slightly decreased in March, in line with consensus (9.8; Prev:9.9), while annual producer price index soared in January (0.2% YoY; Cons: -0.4% YoY; Prev: -0.2% YoY), the first annual increase since August last year. Separately, **China's new money supply soared** in January (3340.0b; Cons: 3100.0b; Prev: 1140.0b) underpinned by the implementation of recent fiscal policy measures to boost the economy, while M2 money supply rose to 8.4%YoY in January slightly below an 8.7% YoY rise in December (8.6% MoM).
- Sovereign bond yields dipped across the board** due to investors' remaining concerns about the potential scope of the coronavirus outbreak. The 10Y UST yield outperformed its core peers thanks to its safe-haven nature, rather than solid U.S. business outlook data. In Europe, core bonds trailed the periphery, where both Italian and Spanish bonds led the way over peers following the oversubscription rate at the 10Y Spanish debt auction. In this context, expectations of a further ECB rate cut by the end of 2020 hovered around 60%.
- In FX markets, weak U.S. labor data weighed on the USD, although it benefited from the downward trend of the JPY. More safe haven flow was sent to both the USD and CHF, while the JPY was losing confidence as a shelter. On the other hand, emerging currencies extended their depreciation trend and the CNY traded above the psychological 7 threshold as virus jitters returned. The TRY gradual depreciation continued after the CBRT lowered its policy rate by 50bp to 10.75%.
- In commodities, Brent recovered some ground, although prices are still moving below \$60 per barrel. Elsewhere, the price of gold continued its increasing path, achieving seven-year highs amid coronavirus concerns.
- European and U.S. equities fell, although Asian equities rallied underpinned by fresh government stimulus** with the Chinese CSI300 equity index rebounding 2.30%. Separately, the implied volatility in the S&P500 (VIX) rose to 17.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,38	-3,9	-6,1	-15	-115
<b>US</b>	1,51	-5,9	-11	-27	-118
GER (2-yr)	-0,65	-0,3	-0,1	-6	-9
<b>Germany</b>	-0,45	-2,7	-6,0	-20	-57
France	-0,22	-3,3	-7,2	-23	-76
Spain	0,23	-4,4	-7,2	-20	-98
Italy	0,91	-4,0	0,6	-46	-192
Portugal	0,24	-3,8	-6,0	-23	-128
Greece	0,98	0,8	3,2	-41	-282
Japan (2-yr)	-0,16	0,3	0,0	-3	3
<b>Japan</b>	-0,04	0,8	-0,5	-4	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,58	8,9	5,5	-24	-241
Chile	3,24	13,1	31,4	37	-89
Colombia	5,84	2,7	4,4	-23	-105
Mexico	6,54	2,2	-3,1	-33	-171
Peru	3,20	0,3	-0,7	-28	-196
Poland	2,12	-1,8	-10,9	-17	-67
Russia	6,03	-3,8	-11,9	-23	-242
Turkey	11,60	35,0	58,0	98	-322
India	6,43	3,9	0,0	-21	-92
Indonesia	6,52	-0,1	-5,6	-24	-144

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	23	-0,6	-1,2	-3	-19
Italy	136	-1,3	6,6	-26	-135
Portugal	68	-1,1	0,0	-3	-70
Spain	67	-1,7	-1	-5	-40
<b>2-yr sovereign spread vs Germany</b>					
France	3	-1,3	-1,6	-2	-9
Italy	44	-2,8	1,2	-16	-60
Portugal	20	-1,0	-2,2	-2	-13
Spain	20	0,2	-0,2	-3	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	92	-0,5	-5	-6	-72
Chile	46	-0,2	-1	0	-2
Colombia	69	-1,1	-4	-4	-46
Argentina	6274	153,8	510	1618	5597
Mexico	72	-2,1	-5	-8	-63
Peru	42	-0,6	-1	-2	-32
Poland	48	0,0	0	-3	-17
Russia	59	-0,8	-1	-1	-80
Turkey	267	7,6	-2	19	-50
China	35	-0,7	1	5	-18
India	60	1,2	0	0	-32
Indonesia	59	-1,6	-2	-2	-50

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	2,5	3	4	2
VSTOXX	14	1,2	1	2	0
EMEFT volatility Index	19	1,6	1	2	2
Dollar/euro volatility	5	0,2	0	1	-1
EMFX volatility index	6	-0,1	0	0	-2
Credit spread (BAA) (change in bps)	210	5,8	6	13	-13
US bonds volatility index	68	0,4	5	15	21
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,93	-	-12	-15	-31
EZ Inflation expectations (5Y5Y)	1,24	-	2	-6	-20
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	36	-0,1	1	-2	-28
EZ	37	-0,2	1	-8	-41
UK	38	-0,3	-1	-4	-33
Large Spanish	31	-0,1	0	-2	-31
Medium Spanish	66	8,3	1	-2	-41
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	158	-2,6	-17	-56	-70
EZ Non-financial	62	0,0	0	-3	-17
UK Non-financial	94	0,3	0	-3	-8

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,41	-1	0	-2	-10
<b>Euribor 12m</b>	-0,29	-1	-1	-5	-19
Libor 3m	1,70	0	-1	-11	-97
Libor 12m	1,77	0	-4	-15	-111

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3345	-1,2	-0,9	0,7	21
Dow Jones	29027	-1,1	-1,3	-0,6	12
Nikkei	23479	0,3	-1,5	-1,6	9
FTSE 100	7437	-0,3	-0,2	-2,3	4
<b>EuroStoxx 50</b>	3825	-1,0	-0,6	1,0	17
IBEX	9956	-1,3	0,5	3,6	8
DAX	13664	-0,9	-0,6	0,8	20
CAC	6063	-0,8	-0,5	0,3	17
MIB	25178	-1,2	1,1	5,6	25
ASE Athens	913	-0,4	-0,8	-3,1	35
<b>MSCI Latam *</b>	100814	0,8	-0,7	-2,2	8
Ibovespa (Brazil)	114690	-1,6	-0,8	-2,0	18
Mexbol (Mexico)	44757	-0,3	-0,6	-1,9	3
Merval (Argentina)	39124	1,9	1,2	-5,7	9
<b>MSCI EM Europe *</b>	6366	1,2	0,1	-4,0	13
Poland	2100	-0,7	-1,0	-2,7	-10
Micex 10 (Russia)	5433	0,5	0,1	-3,6	24
Ise 100 (Turkey)	115642	-3,0	-4,1	-6,4	13
<b>MSCI EM Asia *</b>	922	0,7	-0,2	-2,2	8
Shanghai Com (China)	3020	1,8	4,3	-0,7	10
Jakarta (Indonesia)	5942	0,9	0,5	-4,8	-9
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	162,9	-1,3	-1,7	-1,7	23
JPM	136,7	-0,6	-0,9	-0,1	30
Citi	77,5	-0,7	-1,9	-3,0	20
BoA	34,6	-0,4	-0,9	1,0	18
MS	54,4	-3,4	-2,8	-2,7	30
GS	231,8	-2,3	-2,7	-5,6	18
<b>EZ banks</b>	87,7	-1,2	-2,2	5,6	19
BNP	53,3	-0,9	-0,6	6,1	28
Crédit Agricole	13,2	-1,3	-3,6	3,1	25
Deutsche Bank	9,9	-0,5	-3,2	31,5	29
ING	10,1	0,3	-6,7	-3,6	-8
Intesa	2,6	-1,7	2,0	11,1	26
SG	31,2	-1,8	-1,4	2,6	25
Unicredito	13,7	-3,0	-2,3	5,5	23
<b>UK banks</b>	73,4	1,2	-3,4	-2,7	-6
HSBC	559,7	0,1	-5,1	-4,4	-10
RBS	207,7	0,8	-9,2	-7,6	-19
Barclays	181,3	2,6	2,8	4,0	13
Lloyds	56,6	1,4	-2,6	-3,0	-6
<b>Large Spanish banks</b>	60,5	-1,5	-3,0	7,0	-5
Santander	3,8	-1,7	-2,3	6,4	-7
<b>BBVA</b>	5,1	-1,4	-3,7	7,5	-2
<b>Medium Spanish banks</b>	48,1	-1,8	-2,4	-2,4	-14
Caixabank	2,7	-1,9	-5,9	-0,4	-10
Sabadell	0,9	-2,6	0,9	-10,2	-8
Bankinter	6,1	-1,7	-2,5	-0,5	-12
Bankia	1,7	-1,2	-0,6	-1,0	-34

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,079	-0,1	-0,4	-2,6	-5
GBPUSD	1,287	-0,4	-1,3	-1,3	-1
USDJPY	111,820	-0,4	-1,8	-1,7	-1
DXY	99,851	0,1	0,8	2,4	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61,79	-0,1	-0,7	-2,7	-36
USDBRL (Brazil)	4,39	-0,5	-0,8	-4,0	-14
USDCLP (Chile)	806,74	-1,0	-1,4	-4,1	-19
USDCOP (Colombia)	3398	-0,3	-0,6	-1,28	-8
USDMXN (Mexico)	18,83	-1,4	-1,2	-2,3	2
USDPEN (Peru)	3,39	-0,3	-0,2	-2,2	-2
LACI	49,26	-0,8	-1,0	-2,4	-11
USDPLN (Poland)	3,97	-0,4	-1,3	-3,8	-4
USDRUB (Russia)	64,27	-1,2	-0,9	-3,7	2
USDTRY (Turkey)	6,11	-0,4	-1,1	-2,7	-13
USDCNY (China)	7,02	-0,4	-0,7	-1,8	-4
USDINR (India)	71,66	-0,1	-0,5	-0,6	-1
USDIDR (Indonesia)	13750	-0,4	-0,4	-0,6	2
ADXY	103,29	-0,6	-0,9	-1,9	-3

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	59,6	0,8	5,8	-8	-11
WTx	54	1,2	4,9	-8	-5
Copper	259	-0,7	-1,0	-7	-11
Gold	1623	0,7	3,0	4	23
S&P Spot commodity *	404	1,3	2,4	-5	-6
S&P Brent Spot *	500	2,1	4,2	-8	-13
S&P Metals Spot *	305	-0,1	-1,2	-7	-10
S&P Agricultural *	301	-0,1	1,2	-1	5

Source: Bloomberg, Datastream and Haver

\* With one day delay