

## Market Comment

## Risk aversion leads market trend

- Although markets tried to find some ground during the morning -after the yesterday's huge sell-off in equities-, **the risk-off mood resumed in the afternoon, as COVID spread outside of China**. The number of cases outside China continues to grow in Iran, Italy and South Korea ([see](#)), and Spain ([see](#)).
- German 4Q annualized GDP rose 0.4% YoY, while U.S. manufacturing data disappointed**. Richmond manufacturing index dropped sharply (-2; Cons: 10; Prev: 20) dragged by the decline in new orders (from 13 to -10). The U.S. consumer confidence rose marginally in February (130.7; Cons: 132.2; Prev: 130.4) as previous figures were revised downwardly from 131.6. The FHFA House Price Index MoM also rose in December (0.6% MoM; Cons: 0.4% MoM; Prev: 0.3% MoM), the previous figures having been revised upwardly from 0.2% MoM.
- Sovereign bond yields extended declines after yesterday's sharp fall with core bonds (especially the US) remaining well-demanded at the expense of peripheral. The long-term German yield broke below -0.5% level, whereas the **10Y UST yield decreased further -beating minimum levels reached during Brexit-** on the back increasing concerns about the COVID-19 spillover, while disappointing US economic data also played a role. Concerns about the impact of the virus on the economy led the US yield curve to show a negative slope between the 2Y and the 5Y tenors. Meanwhile markets increase its expectations of additional interest cuts. Currently, the market expects a 25bps Fed interest cut by summer (100% probability by June), and 100% probability of a cut of around 50 bps by year-end. Risk-off mood weighed on peripheral bonds, with their risk premia widening.
- The **risk off mood weighed on FX markets**, where the JPY and the CHF outperformed their G10 pairs. Despite the risk-off mood, weak economic data in the US and the increasing expectations of a Fed interest cut weighed on the US dollar. Elsewhere, emerging markets recovered some ground after yesterday's sharp decline, as the US dollar lost some ground.
- In commodities, **Brent prices extended their downward trend amid coronavirus imbalances** on oil supply and demand, therefore remaining below \$56 per barrel.
- Equities dropped amid increasing worries of coronavirus spread. In this context, the implied volatility in the S&P 500 inched up to 26, reaching December 2018 levels.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,21	-4,1	-20,5	-29	-128
<b>US</b>	1,34	-3,5	-23	-35	-130
GER (2-yr)	-0,70	-1,6	-4,5	-8	-16
<b>Germany</b>	-0,51	-3,1	-10,5	-18	-63
France	-0,25	-1,3	-7,9	-17	-77
Spain	0,21	0,2	-7,7	-14	-93
Italy	0,99	2,1	5,8	-24	-172
Portugal	0,24	1,1	-5,1	-14	-120
Greece	1,07	5,7	8,8	-24	-267
Japan (2-yr)	-0,20	-3,3	-4,1	-7	-3
<b>Japan</b>	-0,11	-4,9	-4,3	-8	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,61	0,0	11,3	-12	-238
Chile	3,08	-1,4	7,9	18	-105
Colombia	5,77	0,0	-3,0	-20	-109
Mexico	6,49	-1,8	-5,2	-33	-161
Peru	3,20	-0,8	0,8	-26	-196
Poland	1,90	-6,9	-26,8	-35	-97
Russia	6,16	8,2	4,3	-10	-227
Turkey	12,04	-2,0	94,0	199	-252
India	6,33	0,3	-5,6	-25	-109
Indonesia	6,55	0,0	3,8	-7	-126

## COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	27	1,8	2,6	1	-14
Italy	150	5,2	16,3	-7	-108
Portugal	75	4,3	5,5	4	-56
Spain	73	3,3	3	0	-30
<b>2-yr sovereign spread vs Germany</b>					
France	4	-0,4	-0,9	-3	-5
Italy	54	1,8	9,4	-2	-34
Portugal	24	1,5	2,1	3	-5
Spain	24	1,3	3,9	0	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	100	7,8	7	1	-58
Chile	48	2,3	1	-1	2
Colombia	75	6,1	4	-5	-34
Argentina	5996	229,0	-5	309	5353
Mexico	76	5,9	2	-6	-54
Peru	44	3,1	1	-2	-26
Poland	49	0,3	0	-2	-16
Russia	66	4,7	7	2	-65
Turkey	301	15,2	37	62	-8
China	40	4,1	6	4	-9
India	61	1,9	1	-2	-30
Indonesia	65	4,6	5	1	-40

## RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	26	0,5	11	11	10
VSTOXX	27	4,8	14	15	14
EM EFT volatility Index	26	0,7	8	7	8
Dollar/euro volatility	5	0,0	1	1	0
EM FX volatility index	7	0,3	1	1	-1
Credit spread (BAA) (change in bps)	217	3,5	14	18	-7
US bonds volatility index	87	12,4	19	27	41
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,89	-	-19	-19	-37
EZ Inflation expectations (5Y5Y)	1,17	-	-7	-13	-29
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	45	6,6	9	6	-19
EZ	43	5,1	7	-2	-32
UK	42	3,6	4	-1	-28
Large Spanish	34	2,2	3	0	-26
Medium Spanish	66	2,3	7	-2	-41
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	172	15,1	11	-39	17
EZ Non-financial	69	6,2	8	3	-6
UK Non-financial	98	3,3	4	1	-2

## INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,42	0	-1	-3	-11
<b>Euribor 12m</b>	-0,30	-1	0	-4	-19
Libor 3m	1,65	0	-1	-11	-99
Libor 12m	1,63	0	-6	-17	-125

## STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3193	-1,0	-5,3	-3,1	14
Dow Jones	27700	-0,9	-5,2	-4,5	6
Nikkei	22605	-3,3	-2,5	-5,1	5
FTSE 100	7018	-1,9	-4,9	-7,5	-2
<b>EuroStoxx 50</b>	3573	-2,1	-6,9	-5,5	9
IBEX	9264	-2,3	-7,4	-3,1	0
DAX	12790	-1,9	-6,5	-5,8	11
CAC	5680	-1,9	-6,2	-5,7	8
MB	23090	-1,4	-8,5	-3,7	13
ASE Athens	834	1,9	-8,6	-12,1	20
<b>MSCI Latam *</b>	97966	-0,9	-2,4	-4,8	4
Ibovespa (Brazil)	113681	0,0	-1,1	-4,0	16
Mexbol (Mexico)	43508	-0,7	-3,3	-3,6	0
Merval (Argentina)	38602	0,0	1,2	-3,3	7
<b>MSCI EM Europe *</b>	6202	-1,7	-2,4	-4,6	9
Poland	1946	-2,8	-7,9	-9,7	-18
Micex 10 (Russia)	5200	-3,6	-2,4	-5,3	17
Ise 100 (Turkey)	114365	-0,4	-4,4	-6,4	9
<b>MSCI EM Asia *</b>	888	-2,4	-3,9	-3,8	2
Shanghai Com (China)	3013	-0,6	0,9	1,2	2
Jakarta (Indonesia)	5787	-1,6	-1,4	-7,4	-11
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	152,4	-1,3	-6,5	-6,0	15
JPM	130,0	-1,6	-4,2	-2,4	23
Citi	71,8	-1,0	-7,4	-8,4	12
BoA	32,1	-2,0	-6,4	-4,3	10
MS	49,6	-0,2	-10,7	-9,1	17
GS	221,9	-1,2	-4,9	-8,3	12
<b>EZ banks</b>	80,2	-3,3	-10,1	-2,2	6
BNP	48,7	-4,9	-9,3	-2,4	13
Crédit Agricole	12,2	-3,6	-8,3	-2,7	13
Deutsche Bank	8,8	-1,9	-12,1	12,0	12
ING	9,2	-3,5	-12,0	-10,2	-19
Intesa	2,3	-2,0	-10,4	2,3	12
SG	28,9	-3,6	-9,2	-4,4	12
Unicredito	12,4	-1,8	-11,7	-0,3	8
<b>UK banks</b>	68,7	-2,0	-4,8	-8,3	-12
HSBC	539,7	-2,0	-2,2	-6,9	-13
RBS	195,1	-1,3	-5,7	-12,7	-25
Barclays	165,9	-2,4	-5,3	-4,4	1
Lloyds	52,0	-2,1	-6,9	10,5	-16
<b>Large Spanish banks</b>	55,8	-3,2	-8,9	-1,3	-13
Santander	3,5	-3,1	-9,9	-0,9	-16
<b>BBVA</b>	4,8	-3,2	-8,0	3,2	-9
<b>Medium Spanish banks</b>	45,3	-2,7	-6,6	-5,9	-20
Caixabank	2,5	-3,4	-7,4	-4,7	-17
Sabadell	0,8	-4,5	-8,0	-16,5	-14
Bankinter	5,9	-1,6	-5,6	-1,5	-16
Currency	1,6	-2,9	-7,5	-6,1	-39

## CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,087	0,2	0,7	-1,4	-5
GBPUSD	1,300	0,6	0,0	-0,6	-2
USDJPY	110,190	0,5	-0,3	-0,8	0
DXY	98,991	-0,4	-0,5	1,2	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61,84	0,0	-0,3	-2,8	-37
USDBRL (Brazil)	4,39	0,0	-0,6	-4,7	-15
USDCLP (Chile)	811,26	-0,4	-1,8	-4,2	-20
USDCOP (Colombia)	3439	-0,3	-1,1	-2,12	-10
USDMXN (Mexico)	19,06	0,0	-2,5	-1,5	1
USDPEN (Peru)	3,41	0,0	-0,7	-2,4	-3
LACI	48,97	-0,1	-1,4	-3,1	-12
USDPLN (Poland)	3,96	0,2	0,0	-2,4	-4
USDPLN (Russia)	65,27	0,0	-2,2	-4,8	1
USDTRY (Turkey)	6,14	-0,3	-1,2	-3,2	-14
USDCNY (China)	7,01	0,2	-0,2	-1,5	-4
USDINR (India)	71,89	0,2	-0,5	-0,8	-1
USDIDR (Indonesia)	13887	-0,1	-1,4	-2,2	1
ADXY	103,21	0,2	-0,7	-2,0	-3

## COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	55,5	-1,3	-3,8	-8	-15
WTx	51	-1,7	-2,9	-7	-9
Copper	259	0,1	-0,6	-3	-12
Gold	1645	-0,9	2,7	5	24
S&P Spot commodity *	389	-2,8	-2,3	-4	-8
S&P Brent Spot *	475	-3,7	-3,0	-7	-15
S&P Metals Spot *	300	-1,3	-1,9	-5	-13
S&P Agricultural *	291	-2,2	-3,2	-3	4

Source: Bloomberg, Datastream and Haver

\* With one day delay