

Market Comment

Fed made inter-meeting 50bps interest cut

- The Fed made an emergency inter-meeting 50bps interest cut (see).** Moreover, despite today's interest rate cut, the odds of an additional 25bps cut at the March meeting are still high (100% probability). **The movement came after the G7 communiqué (see)** showed that G7 along with the IMF are monitoring the situation and seem ready to implement measures to cushion the negative impact on the economy, including implementing fiscal measures -where appropriate-, while central banks will continue to fulfil their mandate to support price stability, economic growth and a sound financial system.
- The ECB pivoted and seems likely to implement stimuli.** Yesterday afternoon's statement from Ms. Lagarde confirmed that the Covid-19 spillovers pose a risk to growth and to financial markets, which could have negative implications for medium-term inflation and the transmission of monetary policy, and announced that they are ready to take appropriate and targeted measures, as necessary (see). However, most members consider that further interest rate cuts are less appropriate in the current circumstances than implementing other support measures, such as some kind of TLTRO to help SME funding. Currently, OIS markets are pricing in a 70% probability of a 10bps ECB interest rate cut in March and 100% in June.
- February's preliminary Eurozone inflation data supported market expectations. Eurozone preliminary CPI Core YoY is increasing slowly from the previous results (1.2% YoY; previous: 1.1% YoY) driven by slumping energy prices, as a result from the weaker global demand for oil. In addition, EZ CPI Estimate YoY decreased slightly in February (1.2% YoY; Cons: 1.2% YoY; previous: 1.4% YoY) fulfilling market expectations.**
- Safe haven yields pared the increase, after the Fed cut rates,** with the US 10Y yield returning to levels below 1.1%, while the German 10Y yield ended flat close to its day-low (-0.61%). Furthermore, peripheral bond yields extended today's declines after the Fed's actions, ending the day falling significantly.
- In FX markets, the USD dollar depreciated against the main G10 currencies, while the euro extended its appreciation after the Fed interest rate cut, but trimmed gains. Despite the Fed's actions, concerns about the Covid-19 continued to boost the JPY. The lower U.S. yield and U.S. dollar depreciation helped EM to gain some ground, and appreciated across the board.
- In commodities, **Brent oil prices inched up after reaching its lowest values in a year,** breaking the downward trend caused by the global spread of the Covid-19 virus.
- Equity markets rebounded in Europe, but the Fed's actions failed to spur an additional upward move in U.S. equity markets, after yesterday's sharp rebound.** Moreover, the interest rate cut weighed on the banking sector. The S&P volatility index (VIX) inched down marginally but remained at a high level, suggesting investors' jitters remain.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	0,74	-16,6	-48,8	-58	-83
US	1,03	-13,5	-32	-48	-89
GER (2-yr)	-0,82	0,8	-12,5	-15	-21
Germany	-0,64	-0,9	-12,2	-20	-45
France	-0,33	-3,3	-8,6	-16	-45
Spain	0,18	-10,4	-3,1	-10	-29
Italy	0,98	-15,3	-0,5	5	-43
Portugal	0,25	-10,4	1,6	-1	-19
Greece	1,23	-21,7	16,5	6	-24
Japan (2-yr)	-0,25	0,8	-4,5	-9	-11
Japan	-0,11	1,1	-0,4	-4	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,53	-5,5	-7,9	-18	-26
Chile	2,98	-5,2	-10,4	4	30
Colombia	6,00	-2,0	24,0	6	-34
Mexico	6,39	-18,4	-8,4	-23	-50
Peru	3,26	-2,6	1,6	-4	-26
Poland	1,72	6,6	-18,2	-42	-40
Russia	6,28	-27,0	11,8	-8	-13
Turkey	11,83	-51,0	-21,0	185	-3
India	6,35	-0,2	1,6	-25	-21
Indonesia	6,80	-17,8	24,3	12	-27

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-2,4	3,6	4	0
Italy	162	-14,4	11,7	25	2
Portugal	89	-9,5	13,8	19	26
Spain	82	-9,5	9	10	16
2-yr sovereign spread vs Germany					
France	8	-1,7	3,5	2	5
Italy	72	-8,0	17,5	25	15
Portugal	40	-7,9	15,7	17	34
Spain	36	-2,6	12,3	11	14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	125	-9,1	24	24	25
Chile	67	-1,6	19	18	26
Colombia	101	-5,8	26	22	28
Argentina	7455	-505,5	1459	1412	2588
Mexico	102	-4,5	26	21	23
Peru	67	-0,6	23	21	26
Poland	51	1,1	2	2	-7
Russia	83	-5,7	17	18	26
Turkey	363	-14,3	62	122	87
China	49	-4,3	9	7	18
India	77	12,2	16	11	12
Indonesia	92	-9,5	27	24	30

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	35	1,9	7	16	22
VSTOXX	33	-2,7	6	16	19
EM EFT volatility Index	31	0,1	5	8	14
Dollar/euro volatility	7	-0,8	1	3	2
EM FX volatility index	8	0,2	1	2	2
Credit spread (BAA) (change in bps)	251	13,5	34	38	53
US bonds volatility index	105	-4,8	18	32	47
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,91	-	5	-9	-15
EZ Inflation expectations (5Y5Y)	1,15	-	-2	-11	-17
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	63	-1,4	18	22	22
EZ	64	4,2	20	22	18
UK	56	3,1	14	12	15
Large Spanish	46	1,5	12	13	13
Medium Spanish	72	3,0	6	0	-4
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	-0,7	35	1	39
EZ Non-financial	97	5,3	27	27	33
UK Non-financial	114	2,8	16	15	19

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,46	-3	-5	-7	-8
Euribor 12m	-0,36	-4	-7	-8	-11
Libor 3m	1,25	0	-18	-30	-66
Libor 12m	1,15	0	-25	-44	-85

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3045	-1,5	-2,7	-5,6	-6
Dow Jones	26284	-1,6	-2,9	-7,0	-8
Nikkei	21083	-1,2	-6,7	-9,1	-11
FTSE 100	6707	0,8	-4,4	-7,9	-11
EuroStoxx 50	3355	0,5	-6,1	-7,9	-10
IBEX	8779	0,4	-5,1	-6,3	-8
DAX	11912	0,5	-6,9	-8,2	-10
CAC	5374	0,8	-5,4	-7,5	-10
MB	21668	0,1	-6,2	-6,8	-8
ASE Athens	766	6,4	-8,1	-15,9	-16
MSCI Latam *	93011	2,4	-5,1	-7,3	-7
Ibovespa (Brazil)	107207	0,5	-5,7	-5,8	-7
Mexbol (Mexico)	42666	1,2	-0,9	-3,3	-2
Merval (Argentina)	37100	2,3	-3,9	-7,5	-11
MSCI EM Europe *	5560	-0,1	-10,3	-12,5	-13
Poland	1890	4,5	-2,9	-8,5	-12
Micex 10 (Russia)	4845	1,6	-6,8	-9,2	-9
Ise 100 (Turkey)	111207	3,6	-2,8	-6,7	-3
MSCI EM Asia *	866	0,8	-2,5	-2,1	-6
Shanghai Com (China)	2993	0,7	-0,7	0,5	-2
Jakarta (Indonesia)	5519	1,2	-5,0	-8,9	-12
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	137,3	-3,4	-7,2	-13,1	-16
JPM	117,2	-3,6	-7,2	-11,5	-16
Citi	65,7	-2,7	-5,3	-11,7	-18
BoA	28,0	-4,6	-9,8	-14,6	-20
MS	44,9	-3,3	-6,5	-14,0	-12
GS	204,6	-2,3	-6,0	-13,9	-11
EZ banks	69,4	-2,5	-13,5	-13,4	-18
BNP	42,5	-2,1	-12,6	-11,4	-19
Crédit Agricole	10,2	-2,7	-16,8	-16,7	-21
Deutsche Bank	7,3	-3,5	-16,8	-11,9	6
ING	8,3	-1,9	-9,9	-15,8	-23
Intesa	2,1	-1,2	-9,4	-6,0	-10
SG	24,2	-3,5	-16,3	-17,3	-22
Unicredito	10,5	-4,6	-15,2	-12,9	-19
UK banks	62,0	-2,2	-9,8	-14,5	-21
HSBC	509,0	-2,1	-5,7	-7,8	-14
RBS	169,7	-1,7	-13,0	-22,3	-29
Barclays	139,4	-2,7	-16,0	-17,0	-22
Lloyds	48,5	-2,0	-6,7	-14,5	-22
Large Spanish banks	50,3	-1,2	-9,7	-9,4	-14
Santander	3,2	-1,1	-8,2	-9,4	-14
BBVA	4,2	-1,3	-11,0	-9,4	-15
Medium Spanish banks	41,8	0,6	-7,8	-9,4	-20
Caixabank	2,4	3,4	-4,8	-8,8	-14
Sabadell	0,8	-1,1	-4,3	-5,3	-26
Bankinter	5,2	-0,3	-10,3	-10,4	-20
Bankia	1,4	0,4	-12,6	-15,6	-27

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,117	0,4	2,7	0,7	0
GBPUSD	1,282	0,5	-1,5	-3,0	-3
USDJPY	107,270	1,0	2,7	1,0	1
DXY	97,141	-0,2	-1,8	-0,3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	62,31	-0,1	-0,8	-3,1	-4
USDBRL (Brazil)	4,49	-0,3	-2,3	-4,6	-10
USDCLP (Chile)	807,19	0,7	0,5	-0,8	-7
USDCOP (Colombia)	3451	0,3	-0,4	-0,89	-5
USDMXN (Mexico)	19,36	0,2	y tie	-2,7	-2
USDPEN (Peru)	3,41	0,8	-0,1	-0,9	-3
LACI	48,32	0,1	-1,2	-2,9	-6
USDPNL (Poland)	3,85	0,6	2,7	0,6	-1
USDRUB (Russia)	65,94	0,5	-0,9	-3,0	-2
USDTRY (Turkey)	6,09	1,5	0,9	-1,7	-6
USDCNY (China)	6,96	0,0	0,8	-0,7	0
USDINR (India)	73,30	-0,8	-1,9	-2,7	-3
USDIDR (Indonesia)	14283	-0,1	-2,8	-4,4	-3
ADXY	104,07	0,1	0,9	-0,5	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	52,3	0,8	-4,8	-10	-21
WTx	47	1,2	-5,2	-8	-23
Copper	256	-1,5	-1,3	2	-8
Gold	1641	3,2	0,3	3	8
S&P Spot commodity *	369	2,9	-3,7	-5	-15
S&P Brent Spot *	442	4,5	-4,3	-8	-21
S&P Metals Spot *	302	1,2	0,5	0	-7
S&P Agricultural *	289	0,9	-1,2	-2	-4

Source: Bloomberg, Datastream and Haver

* With one day delay