

Market Comment

Equity stabilized but bonds remain well demanded

- Actions to curtail the Covid-19 impact have continued today.** Both Hong Kong and Taiwan's central banks have cut interest rates today, while S. Korea, one of the most affected countries by Covid-19, announced USD 9.8bn of additional stimulus, and said it would consider outright purchases of treasury bonds if market volatility continues. The BoJ also said they are ready to act if the epidemic is prolonged. In Europe, the Eurogroup said the finance ministers are prepared to implement country-specific fiscal measures to support growth.
- The Fed fund futures price an additional 25bps interest cut at its March meeting,** while the odds of a 50bps interest rate cut are also high. For the ECB, the OIS futures prices in an 85% probability of a 10bps ECB interest rate cut next week. While expectations of an ECB liquidity stimulus aimed at helping SMEs are also high.
- Meanwhile, the U.S. service confidence showed a strong reading in February,** in light of the impact of Covid-19. The ISM Non-Manufacturing PMI index (57.3, consensus 54.8, previous 55.5) extended further into the expansion territory, also increasing above market expectations and reaching a one-year high.
- Sovereign bond markets remained well demanded, while this time search for yield benefited peripheral.** The UST yields continue its downward trend, led by the short-term tenors, which are more linked to the monetary policy. The US 10Y breaking down 1% level reached historical lows, amid an epidemic threatening both supply and demand worldwide. Furthermore, overnight Repo was fully oversubscribed, showing that money-markets are keeping cash into Treasury bills. The long-term German yield remains below the -0.6% level, while peripheral bonds –except the Italian- attracted search for yield demand, with their risk premium narrowing slightly. In addition, the corporate debt spread inched up again today.
- In FX markets, the USD dollar appreciated against the main G10 currencies, while the euro lost the ground gained yesterday. EM FX slightly depreciated in Latam, but slightly appreciated in Asia and Turkey.
- In commodities, **Brent oil prices failed to maintain yesterday's gains,** moving around levels of \$51 per barrel.
- Equities worldwide recovered slightly come around, after a sharp decline, while the S&P 500 implied volatility edged down but remained relatively high. The downward trend in yields continued to weigh on the banking sector across the board.

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

| Developed Markets | level | Daily | Week | Month | YTD |
|-------------------|-------|-------|--------|---------|-----|
| US (2-yr) | 0,62 | -7,8 | -54,3 | -73 | -95 |
| US | 0,96 | -4,2 | -38 | -57 | -96 |
| GER (2-yr) | -0,85 | -3,1 | -14,6 | -17 | -24 |
| Germany | -0,64 | -1,4 | -13,4 | -20 | -45 |
| France | -0,32 | 0,2 | -9,1 | -14 | -44 |
| Spain | 0,18 | -1,2 | -7,4 | -12 | -29 |
| Italy | 1,01 | 2,5 | 2,0 | 6 | -40 |
| Portugal | 0,24 | -1,7 | -3,2 | -3 | -20 |
| Greece | 1,21 | -1,8 | 4,7 | 1 | -26 |
| Japan (2-yr) | -0,27 | -2,5 | -6,9 | -12 | -14 |
| Japan | -0,13 | -1,9 | -4,0 | -7 | -11 |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD |
| Brazil | 6,52 | -11,0 | -27,6 | -11 | -27 |
| Chile | 2,72 | -15,0 | -36,6 | -21 | 3 |
| Colombia | 5,77 | -16,0 | -2,6 | -8 | -57 |
| Mexico | 6,26 | -16,6 | -25,4 | -35 | -63 |
| Peru | 3,12 | -6,7 | -13,2 | -13 | -41 |
| Poland | 1,72 | -0,4 | -15,7 | -45 | -40 |
| Russia | 6,11 | -17,2 | -5,7 | -26 | -30 |
| Turkey | 11,24 | -59,0 | -86,0 | 122 | -62 |
| India | 6,23 | -11,7 | -12,0 | -28 | -33 |
| Indonesia | 6,54 | -25,2 | -9,3 | -15 | -52 |

COUNTRY RISK (BP, CHANGE IN BPS)

| Developed Markets | level | Daily | Weekly | Monthly | YTD |
|--|-------|--------|--------|---------|------|
| 10-yr sovereign spread vs Germany | | | | | |
| France | 32 | 1,6 | 4,3 | 6 | 1 |
| Italy | 166 | 3,9 | 15,4 | 26 | 6 |
| Portugal | 89 | -0,3 | 10,2 | 17 | 26 |
| Spain | 82 | 0,2 | 6 | 8 | 16 |
| 2-yr sovereign spread vs Germany | | | | | |
| France | 9 | 1,6 | 4,6 | 4 | 7 |
| Italy | 76 | 4,5 | 20,8 | 28 | 20 |
| Portugal | 41 | 0,9 | 13,3 | 17 | 34 |
| Spain | 36 | -0,3 | 10,4 | 11 | 13 |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD |
| 5-yr sovereign CDS * | | | | | |
| Brazil | 119 | -5,6 | 12 | 15 | 20 |
| Chile | 64 | -2,5 | 14 | 13 | 23 |
| Colombia | 96 | -4,7 | 15 | 14 | 24 |
| Argentina | 7324 | -131,4 | 1095 | 1112 | 2456 |
| Mexico | 97 | -4,5 | 15 | 14 | 19 |
| Peru | 64 | -3,1 | 16 | 16 | 23 |
| Poland | 51 | 0,3 | 2 | 2 | -7 |
| Russia | 77 | -6,0 | 10 | 12 | 20 |
| Turkey | 333 | -30,6 | 29 | 94 | 56 |
| China | 45 | -4,3 | 5 | 2 | 14 |
| India | 76 | -1,5 | 14 | 11 | 10 |
| Indonesia | 90 | -1,9 | 25 | 22 | 28 |

RISK INDICATORS

| Volatility indicators (change in pp) | level | Daily | Weekly | Monthly | YTD |
|---|-------|-------|--------|---------|-----|
| VIX | 33 | -3,8 | 5 | 15 | 19 |
| VSTOXX | 30 | -3,7 | 5 | 13 | 16 |
| EM EFT volatility Index | 27 | -5,5 | 1 | 6 | 10 |
| Dollar/euro volatility | 6 | -1,0 | 0 | 2 | 1 |
| EM FX volatility index | 8 | -0,3 | 1 | 1 | 1 |
| Credit spread (BAA) (change in bps) | 254 | 4,2 | 35 | 43 | 56 |
| US bonds volatility index | 103 | -1,9 | 16 | 30 | 45 |
| Inflation expectations (% change in pp) | level | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y) | 1,86 | - | -2 | -13 | -21 |
| EZ Inflation expectations (5Y5Y) | 1,13 | - | -5 | -13 | -20 |
| Banking 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD |
| US | 63 | 0,1 | 15 | 21 | 22 |
| EZ | 56 | -7,3 | 11 | 15 | 11 |
| UK | 51 | -4,9 | 7 | 7 | 10 |
| Large Spanish | 40 | -5,6 | 4 | 8 | 8 |
| Medium Spanish | 77 | 4,3 | 12 | 11 | 0 |
| Corporate 5y CDS (bps) * | level | Daily | Weekly | Monthly | YTD |
| US Non-financial | 203 | -3,7 | 25 | -1 | 35 |
| EZ Non-financial | 88 | -8,4 | 16 | 17 | 24 |
| UK Non-financial | 112 | -2,1 | 11 | 13 | 16 |

INTERBANK MARKETS (% CHANGE IN BPS)

| | level | Daily | Weekly | Monthly | YTD |
|--------------------|-------|-------|--------|---------|------|
| ESTR Index | -0,54 | 0 | 0 | -1 | n.a. |
| Euribor 3m | -0,47 | -1 | -5 | -8 | -9 |
| Euribor 12m | -0,36 | 0 | -5 | -7 | -11 |
| Libor 3m | 1,31 | 0 | -38 | -50 | -60 |
| Libor 12m | 1,25 | 0 | -49 | -65 | -76 |

STOCK MARKETS (%)

| Main indices | level | Daily | Weekly | Monthly | YTD |
|-----------------------------|--------|-------|--------|---------|-----|
| S&P500 | 3049 | 1,5 | -2,2 | -6,2 | -6 |
| Dow Jones | 26448 | 2,0 | -1,9 | -6,9 | -7 |
| Nikkei | 21100 | 0,1 | -5,9 | -8,1 | -11 |
| FTSE 100 | 6816 | 1,4 | -3,2 | -7,0 | -10 |
| EuroStoxx 50 | 3421 | 1,4 | -4,4 | -6,6 | -9 |
| IBEX | 8910 | 1,1 | -4,4 | -5,3 | -7 |
| DAX | 12128 | 1,2 | -5,1 | -7,0 | -8 |
| CAC | 5465 | 1,3 | -3,9 | -6,3 | -9 |
| MI | 21946 | 0,9 | -6,3 | -6,5 | -7 |
| ASE Athens | 771 | 0,6 | -5,0 | -14,7 | -16 |
| MSCI Latam * | 92508 | -0,5 | -5,0 | -6,4 | -8 |
| Ibovespa (Brazil) | 105172 | -0,3 | -0,5 | -8,3 | -9 |
| Mexbol (Mexico) | 43039 | 1,3 | 0,7 | -2,4 | -1 |
| Merval (Argentina) | 36873 | 2,4 | 1,2 | -11,3 | -12 |
| MSCI EM Europe * | 5732 | 3,1 | -5,2 | -8,7 | -10 |
| Poland | 1861 | -1,5 | -3,8 | -10,2 | -13 |
| Micex 10 (Russia) | 4866 | 0,4 | -6,6 | -8,2 | -9 |
| Ise 100 (Turkey) | 110785 | -0,4 | -3,8 | -7,1 | -3 |
| MSCI EM Asia * | 871 | 0,6 | -2,2 | -0,7 | -5 |
| Shanghai Com (China) | 3012 | 0,6 | 0,8 | 9,7 | -1 |
| Jakarta (Indonesia) | 5650 | 5,4 | -2,4 | -4,9 | -10 |
| Banking sector | level | Daily | Weekly | Monthly | YTD |
| US banks | 136,0 | -0,2 | -7,2 | -14,5 | -17 |
| JPM | 116,0 | -0,8 | -8,4 | -13,0 | -17 |
| Citi | 64,8 | -0,4 | -5,0 | -13,8 | -19 |
| BoA | 27,8 | 0,3 | -9,2 | -15,6 | -21 |
| MS | 44,4 | 0,1 | -5,9 | -15,5 | -13 |
| GS | 203,7 | 0,1 | -5,6 | -14,8 | -11 |
| EZ banks | 69,1 | -0,9 | -13,9 | -14,2 | -18 |
| BNP | 42,3 | -1,3 | -12,4 | -12,6 | -20 |
| Crédit Agricole | 10,1 | -1,0 | -16,3 | -17,9 | -22 |
| Deutsche Bank | 7,3 | -1,0 | -18,0 | -10,6 | 5 |
| ING | 8,2 | -1,8 | -10,7 | -16,8 | -23 |
| Intesa | 2,1 | 0,4 | -10,6 | -6,9 | -9 |
| SG | 24,2 | -0,2 | -15,3 | -17,4 | -22 |
| Unicredit | 10,3 | -2,5 | -18,0 | -15,7 | -21 |
| UK banks | 61,9 | -0,4 | -10,6 | -14,8 | -21 |
| HSBC | 512,2 | 0,5 | -7,7 | -7,8 | -13 |
| RBS | 168,3 | -1,3 | -12,8 | -22,5 | -30 |
| Barclays | 138,5 | -0,7 | -16,5 | -18,4 | -23 |
| Lloyds | 48,4 | -0,6 | -6,8 | -14,5 | -23 |
| Large Spanish banks | 51,5 | 1,8 | -8,0 | -7,4 | -12 |
| Santander | 3,3 | 1,9 | -7,1 | -7,5 | -12 |
| BBVA | 4,3 | 1,8 | -8,8 | -7,3 | -13 |
| Medium Spanish banks | 40,8 | -2,5 | -9,9 | -12,2 | -22 |
| Caixabank | 2,3 | -3,4 | -7,3 | -12,4 | -17 |
| Sabadell | 0,8 | -3,0 | -9,4 | -8,6 | -28 |
| Bankinter | 5,1 | -2,9 | -12,0 | -13,1 | -22 |
| Bancaria | 1,4 | 0,0 | -12,1 | -16,8 | -27 |

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

| Developed | level | Daily | Weekly | Monthly | YTD |
|--------------------|---------|-------|--------|---------|-----|
| EURUSD | 1,113 | -0,4 | 2,3 | 0,7 | -1 |
| GBPUSD | 1,284 | 0,2 | -0,5 | -1,2 | -3 |
| USDJPY | 107,340 | -0,2 | 2,9 | 1,3 | 1 |
| DXY | 97,435 | 0,3 | -1,6 | -0,4 | 1 |
| Emerging | level | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina) | 62,36 | -0,1 | -0,4 | -3,0 | -4 |
| USDBRL (Brazil) | 4,55 | -1,0 | -2,3 | -6,7 | -12 |
| USDCLP (Chile) | 816,76 | -1,2 | -0,8 | -3,4 | -8 |
| USDCOP (Colombia) | 3479 | -0,4 | -0,6 | -2,35 | -6 |
| USDMXN (Mexico) | 19,54 | -0,5 | y tie | -3,7 | -3 |
| USDPEN (Peru) | 3,43 | -0,2 | -0,6 | -1,7 | -3 |
| LACI | 47,85 | -0,6 | -1,5 | -4,4 | -7 |
| USDPLN (Poland) | 3,86 | -0,1 | 2,7 | 0,7 | -2 |
| USDRUB (Russia) | 66,44 | -0,5 | -1,5 | -4,2 | -7 |
| USDTRY (Turkey) | 6,08 | 0,5 | 1,3 | -1,6 | -2 |
| USDCNY (China) | 6,93 | 0,5 | 1,4 | 1,4 | 1 |
| USDIND (India) | 73,23 | 0,1 | -2,1 | -2,5 | -3 |
| USDIDR (Indonesia) | 14113 | 1,2 | -1,2 | -2,6 | -2 |
| ADXY | 104,09 | 0,2 | 0,8 | 0,1 | -1 |

COMMODITIES (%)

| | level | Daily | Weekly | Monthly | YTD |
|----------------------|-------|-------|--------|---------|-----|
| Brent | 51,2 | -1,2 | -4,1 | -6 | -22 |
| WTX | 47 | -0,7 | -3,9 | -7 | -23 |
| Copper | 258 | 0,1 | 0,3 | 3 | -8 |
| Gold | 1644 | 0,2 | 0,2 | 4 | 8 |
| S&P Spot commodity * | 371 | 0,6 | -1,4 | -3 | -15 |
| S&P Brent Spot * | 441 | -0,1 | -1,8 | -5 | -21 |
| S&P Metals Spot * | 300 | -0,5 | 0,3 | 1 | -7 |
| S&P Agricultural * | 291 | 0,8 | 0,0 | -1 | -4 |

Source: Bloomberg, Datastream and Haver

* With one day delay