

# Market Comment | Escalating trade tensions weighed on financial markets

Global Financial Markets Unit  
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- **Cautious mood in financial markets amid escalating China-US trade tensions** following last Friday's announcement by China and the war of words between the two nations during the weekend. China imposed new tariffs (5%-25%) on \$60 bn worth of US imports, which will be implemented "subject to US actions", in response to the US pressure. The upsurge in tension hampered equity indices in China as well as some developed countries' stock indices (also dragged down by some disappointing earnings [\(see\)](#)).
- Against this backdrop, **safe-haven yields declined slightly across the board**: The US 10Y Treasury yield went back to 2.9%, while the 10Y Bund positioned below 0.4%. Nonetheless, despite the increased perception of risk, peripheral spreads remained unchanged as yields inched down following core yields. In Italy, yields fell across the curve, after last week's pressure amid political concerns, also favoured by the buyback of short-term debt.
- **Safe-haven flows also seemed to be favouring the USD**, which continued its recent appreciation against its main peers. The GBP suffered the most and reached its lowest in one year amid Brexit uncertainties [\(see\)](#), while the euro also depreciated, but to a lesser extent.
- **EM currencies also depreciated against the US dollar** despite the increase in oil prices due to potential sanctions on Iran and a drop in Saudi crude output [\(see\)](#). The CNY remained almost unchanged after the Central Bank added some support to the currency by increasing the reserve requirements. In Turkey, the TRY continued under high pressure, despite the adjustment to central bank reserve policy [\(see\)](#) and again hit its historically lowest levels against the USD after the US administration hinted at trade sanctions [\(see\)](#).

Table 1

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Debt markets (10Y, %; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.65	0.2	1.6	9	73
US	2.93	-1.5	-3.9	10	47
GER (2-yr)	-0.59	0.1	0.4	6	2
Germany	0.39	-1.9	-5.7	4	-13
France	0.71	-2.6	-3.4	7	-11
Spain	1.40	-2.5	-2.9	1	-28
Italy	2.90	-2.4	11.7	17	81
Portugal	1.76	-2.4	-1.4	-4	-25
Greece	4.00	-3.9	12.8	-3	-10
Japan (2-yr)	-0.11	0.4	0.6	2	3
Japan	0.11	0.0	0.8	7	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.12	-4.1	5.7	33	86
Chile	4.54	-1.0	0.6	-6	3
Colombia	6.86	-0.1	5.8	30	42
Mexico	7.70	-1.4	5.2	5	12
Peru	5.05	1.0	9.0	-20	18
Poland	3.11	-1.6	9.6	10	21
Russia	7.96	-2.4	9.3	16	32
Turkey	18.79	44.0	116.0	199	243
India	7.77	0.4	2.3	-13	38
Indonesia	7.80	-2.9	6.9	7	150
Country risk (bps; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	-0.7	2.3	3	2
Italy	251	-0.5	17.4	14	94
Portugal	137	-0.5	4.3	-8	-12
Spain	101	-0.6	2.8	-3	-14
2-yr sovereign spread vs Germany					
France	19	-1.2	0.7	2	2
Italy	156	-3.2	17.5	5	119
Portugal	43	-1.2	2.2	-14	-7
Spain	29	-1.3	1.5	-14	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	210	-4.8	2	51	50
Chile	48	-1.5	-2	-15	-1
Colombia	103	-2.2	0	13	-2
Argentina	428	-4.4	16	13	190
Mexico	114	-3.5	6	-17	7
Peru	76	-1.3	1	15	4
Poland	62	0.0	2	-2	14
Russia	135	-3.3	2	5	17
Turkey	334	-8.0	21	32	169
China	63	-1.6	6	-6	12
India	89	-0.3	1	-12	20
Indonesia	116	1.8	8	17	31
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	11	-0.2	-3	-4	-2
VSTOXX	13	0.1	1	-2	0
EMST volatility Index	18	0.0	0	-4	-1
Dollar/euro volatility	7	0.3	1	0	0
EM FX volatility index	10	0.1	0	1	2
Credit spread (BAA)(change in bps)	186	1.5	1	-10	8
US bonds volatility index	48	-0.3	2	-4	-2
Inflation (annual % change)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)					
US Inflation expectations (5Y5Y)	2.44	-	0	-2	13
EZ Inflation expectations (5Y5Y)					
EZ Inflation expectations (5Y5Y)	1.71	-	2	-2	-3
Emerging SV CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	50	0.0	0	-7	-7
EZ	87	3.3	5	-8	48
UK	64	0.5	3	1	23
Large Spanish	76	0.8	9	-16	40
Medium Spanish	90	-0.1	3	-10	15
Colombian SV CDS Epp *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	155	0.0	0	-7	7
EZ Non-financial	75	3.3	5	-8	48
UK Non-financial	100	0.9	2	-9	7
Interbank markets (%; changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EDMA Index	-0.36	0	1	1	2
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	1	1
Libor 3m	2.34	0	0	1	65
Urbor 12m	2.63	0	1	5	72
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Americas					
S&P500	2.845	0.1	1.5	3.9	6
Dow Jones	25.464	0.0	0.6	4.5	3
Nikkei	22.507	-0.1	0.2	4.5	-1
FTSE 100	7.659	0.0	0.5	0.7	0
Euro Stoxx 50	3.480	-0.1	-0.9	1.1	0
BSE	9.216	-0.2	1.4	1.5	-4
DAX	12.583	-0.3	-1.7	1.0	-2
CAC	5.471	-0.1	-0.4	2.0	3
IBV	21.568	-0.1	-1.7	-1.6	-1
ASE Athens	7.60	-0.3	0.2	1.5	-7
MSCI Latam *	80.050	1.3	0.8	6.0	3
Bovespa (Brazil)	81.168	-0.3	1.1	0.9	-4
MexB (Mexico)	49.312	0.0	0.8	1.5	-1
Merval (Argentina)	29.100	-0.4	0.5	4.6	6
MSCI EM Europe *	5.351	0.3	0.4	0.6	-1
Poland	2.296	0.4	-1.4	6.5	-7
Mircex 10 (Russia)	4.339	0.4	-0.1	-4.4	5
ISE 100 (Turkey)	94.174	-1.5	2.1	5.0	20
MSCI EM Asia *	879	0.2	-2.1	0.7	-5
Shanghai Com (China)	2.705	-1.3	-5.7	-1.1	-19
Jakarta (Indonesia)	6.101	1.5	1.9	6.4	-4
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	149.1	-0.1	-0.6	9.8	0
WFC	116.6	-0.4	-0.1	12.4	8
Cit	72.4	-0.1	0.1	8.7	-3
Bof	31.4	-0.4	0.3	12.4	5
HS	49.9	-0.1	2.1	6.7	-4
GS	236.3	0.5	-1.5	6.6	-8
EZ banks					
BFI	92.9	-0.3	-1.3	1.4	-15
BNP	53.9	-0.9	-2.1	0.4	-13
Credit Agricole	12.3	1.0	3.7	7.0	-12
Deutsche Bank	10.8	-0.1	-1.7	12.9	-33
ING	12.7	-1.6	-2.7	1.9	-17
Intesa	2.4	0.0	-3.3	-4.6	-11
SG	37.2	-0.3	-0.5	1.2	-14
Unicredit	14.4	0.0	-4.1	-2.8	-8
UK banks					
HSBC	85.1	-0.8	-1.4	0.6	-8
J5BC	208.4	-1.9	-2.4	0.5	-7
RBS	252.0	-2.2	-0.6	0.9	-9
Barclays	188.5	-0.1	-2.3	1.0	-7
Lloyds	63.6	0.0	0.3	0.3	-8
Large Spanish banks					
Santander	72.3	0.5	-2.6	-2.9	-15
Santander	4.7	-0.5	-2.1	-1.1	-14
BBVA					
BBVA	6.0	-0.5	-3.1	-4.4	-15
Medium Spanish banks					
CaixaBank	71.3	-0.2	-0.7	-2.6	-7
CaixaBank	3.9	-0.1	0.3	1.1	-1
Sabadell	1.4	-0.3	2.6	2.8	-15
Banqueparibas	8.0	-0.5	-3.5	6.0	0
Banqueparibas	3.3	0.1	-0.2	-1.1	-18
Commodities (%; changes in bps)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.156	0.0	-1.2	-1.1	-4
GBPUSD	1.29	-0.4	-1.4	-2.1	8
USDJPY	113.41	-0.1	0.3	0.2	1
DXF	95.31	0.2	1.0	1.0	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Argentina)	27.40	0.4	0.5	2.4	-9
USDCOP (Colombia)					
USDCOP (Colombia)	646.45	-0.6	-1.3	1.5	-7
USDMXN (Mexico)					
USDMXN (Mexico)	28.99	-0.2	0.9	0.8	-1
USDPRN (Peru)					
USDPRN (Peru)	18.52	0.3	0.1	3.6	5
USDRUB (Russia)					
USDRUB (Russia)	3.27	0.0	0.1	0.6	-1
USDTRY (Turkey)					
USDTRY (Turkey)	59.02	-0.1	0.2	3.7	-7
USDPIN (Poland)					
USDPIN (Poland)	3.68	0.0	1.0	1.1	-7
USDPLN (Poland)					
USDPLN (Poland)	63.64	-0.5	-2.2	-0.8	-11
USDCHF (Switzerland)					
USDCHF (Switzerland)	9.22	-0.6	6.8	13.6	-38
USDYNY (China)					
USDYNY (China)	6.85	-0.4	0.6	3.3	-6
USDINR (India)					
USDINR (India)	68.89	-0.8	-0.3	0.1	-9
USDIDR (Indonesia)					
USDIDR (Indonesia)	14.478	0.1	-0.4	0.6	-7
ADXY					
ADXY	105.1	-0.2	0.5	1.5	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	74.0	1.1	-1.3	-4	11
WTX					
WTX	70	1.7	-0.7	-5	15
Copper					
Copper	272	-1.1	-2.0	-3	-16
Gold					
Gold	1211	-0.2	0.8	-4	-8
S&P Spot Commodity *					
S&P Spot Commodity *	462	0.0	1.5	-3	4
S&P Brent Spot *					
S&P Brent Spot *	623	-0.3	-3.1	-5	10
S&P Metals Spot *					
S&P Metals Spot *	344	0.7	-1.4	-3	-13
S&P Agriculture *					
S&P Agriculture *	295	0.3	0.6	5	4

\* With one day delay  
Source: Bloomberg, Datastream and IHS



Debt markets (10Y % changes in bps)					
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France	0.71	-2.6	-3.4	7	-11
Spain	1.40	-2.5	-2.9	1	-28
Italy	2.90	-2.4	11.7	17	81
Portugal	1.76	-2.4	-1.4	4	-29
Greece	4.00	-9.9	12.8	3	-10
Japan (2-yr)	0.11	0.4	0.6	2	3
Japan	0.11	0.0	0.8	7	6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	11.12	-4.1	5.7	-33	86
Chile	4.54	-1.0	0.8	-6	3
Colombia	6.96	-0.1	5.8	20	42
Mexico	7.70	-1.4	8.2	5	12
Peru	5.85	-1.0	0.0	-20	18
Poland	3.11	-1.6	9.6	-10	-21
Russia	7.96	2.4	9.3	16	32
Turkey	18.29	44.0	116.0	199	743
India	7.77	0.4	-2.3	-13	-38
Indonesia	7.20	2.5	6.9	7	150
Country risk (bps change in bps)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	33	-0.7	2.3	3	2
Italy	251	-0.5	17.4	14	94
Portugal	137	-0.5	4.3	-8	-12
Spain	101	-0.6	2.8	-3	-14
Z 9yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	19	-1.2	-0.7	-2	2
Italy	156	-3.2	17.5	5	119
Portugal	43	1.2	2.2	-14	-7
Spain	29	-1.3	1.5	-14	2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *	level	Daily	Weekly	Monthly	YTD
Brazil	210	-4.8	2	-51	50
Chile	48	-1.5	2	-15	-1
Colombia	103	-2.2	0	-13	-2
Argentina	428	-4.4	16	-13	190
Mexico	114	-3.5	6	-17	7
Peru	76	-1.3	1	-15	4
Poland	62	0.0	2	-2	14
Russia	135	-3.3	2	-5	17
Turkey	334	-8.0	21	32	169
China	63	-1.4	6	-6	12
India	89	-0.3	1	-12	-20
Indonesia	116	-1.8	8	-17	31
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	11	-0.2	-3	-4	-2
VIXOEX	13	0.1	1	-2	0
EM EFT volatility Index	18	0.0	0	-4	-1
Dollar/euro volatility	7	0.3	1	0	0
EM FX volatility index	10	0.1	0	1	2
Credit spread (BAA) (change in bps)	186	1.5	1	-10	8
US bonds volatility index	48	-0.3	-2	-4	-2
Interest rate expectations (pp)	level	Daily	Weekly	Monthly	YTD
US inflation expectations (E5Y)	2.44	-	0	2	13
EZ inflation expectations (E5Y)	1.71	-	2	-2	-3
Emerging 5Y CDS (bps)	level	Daily	Weekly	Monthly	YTD
US	50	0.0	0	-7	7
EZ	87	3.3	5	-8	48
UK	64	0.5	3	1	23
Large Spanish	76	0.8	9	-16	40
Medium Spanish	90	-0.1	3	-10	15
Corporate 5Y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	155	0.0	0	-7	7
EZ Non-financial	75	3.3	5	-8	48
UK Non-financial	100	0.9	2	-9	7
Interbank markets (change in bps)	level	Daily	Weekly	Monthly	YTD
EOIA Index	-0.36	0	1	1	2
Euro3m	-0.52	0	0	0	1
Euro3 12m	-0.18	0	0	1	1
Libor 3m	2.34	0	0	1	65
Libor 12m	2.83	0	1	5	72
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Market indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,845	0.1	1.5	3.9	6
Dow Jones	25,464	0.0	0.6	4.5	3
Nikkei	22,507	-0.1	-0.2	4.5	-1
FTSE 100	7,659	0.0	0.5	0.7	0
EuroStoxx 50	3,480	-0.1	0.9	1.1	0
IBEX	9,716	-0.2	-1.4	-1.5	-4
DAX	12,583	-0.3	-1.7	1.0	-2
CAC	5,471	-0.1	-0.4	2.0	3
MBI	21,568	-0.1	-1.7	-1.6	-1
ASE Adexs	760	-0.2	0.2	1.5	-7
MSCI Latam *	88,050	1.3	0.8	6.0	3
Ibovespa (Brazil)	81,169	-0.3	1.1	8.9	4
Mexcel (Mexico)	49,212	0.0	0.8	1.5	-1
Merval (Argentina)	29,100	-0.4	0.5	4.6	-6
MSCI EM Europe *	5,351	0.3	0.4	0.6	-1
Pikani	2,286	0.4	-1.4	0.5	-7
Mircex 10 (Russia)	4,339	0.4	-0.1	-4.4	5
Isx 100 (Turkey)	94,174	-1.5	-2.1	5.0	-20
MSCI EM Asia *	879	0.2	2.1	0.7	-5
Shanghai Com (China)	2,705	-1.3	5.7	-1.1	-19
Jakarta (Indonesia)	6,101	1.5	1.9	6.4	-4
Market sector	level	Daily	Weekly	Monthly	YTD
US banks	149.1	-0.1	0.6	9.3	0
JPM	116.6	-0.4	-0.1	12.4	8
Citi	72.4	-0.1	0.1	0.7	-3
BofA	31.4	-0.4	0.3	12.4	5
MS	49.9	-0.1	-2.1	6.7	-4
GS	235.3	0.5	-1.5	6.6	-8
EZ banks	92.9	-0.3	-1.3	1.4	-15
BNP	53.9	-0.9	-2.1	0.4	-13
Credit Agricole	12.3	1.0	3.7	7.0	-12
Deutsche Bank	10.8	-0.1	-1.7	12.9	-33
ING	12.7	-1.6	-2.7	1.0	-17
Intesa	2.4	0.0	-3.3	-4.6	-11
SG	31.2	-0.3	0.5	1.2	-14
Unicredit	14.4	0.0	-4.1	2.0	-8
UK banks	85.1	-0.8	-1.4	0.6	-8
HSBC	708.4	-1.0	2.4	0.5	-7
RBS	252.0	-2.2	-0.6	0.9	-9
Barclays	188.5	-0.1	2.3	1.0	-7
Urbis	62.6	0.0	0.3	0.3	-8
Large Spanish banks	72.3	-0.5	-2.6	2.9	-15
Santander	4.7	-0.5	-2.1	-1.1	-14
BBVA	6.0	-0.5	-3.1	-4.4	-15
Medium Spanish banks	71.3	-0.2	-0.7	-2.6	-7
CaixaBank	3.9	-0.1	0.3	1.1	-1
Sabadell	1.4	-0.3	2.6	-2.8	-15
Bankinter	8.0	-0.5	-3.5	6.0	0
Banque	3.3	0.1	0.2	-1.1	-18
Commodities (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.156	0.0	-1.2	-1.1	-4
GBP/USD	1.29	-0.4	-1.4	-2.1	-5
USD/JPY	111.41	-0.1	-0.3	0.2	1
DXY	95.31	0.2	1.0	1.0	4
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	27.40	-0.4	0.5	2.4	-49
USDBRL (Brazil)	3.72	-0.4	0.2	5.3	-14
USDCUP (Cuba)	646.45	-0.6	-1.3	1.5	-7
USDCOP (Colombia)	2899	-0.2	0.9	0.8	1
USDMXN (Mexico)	18.52	0.3	0.1	3.6	5
USDPEN (Peru)	3.27	0.0	0.1	0.6	-1
LACI	59.02	0.1	0.2	3.7	-7
USDPLN (Poland)	3.68	0.0	1.0	1.1	-7
USD RUB (Russia)	63.64	-0.5	-2.2	-0.8	-11
USDTRY (Turkey)	5.22	-2.6	-6.8	-13.6	-38
USDCNY (China)	6.85	-0.4	0.6	-3.3	-6
USDINR (India)	68.89	-0.4	0.3	0.1	-9
USDIDR (Indonesia)	14,478	0.1	-0.4	0.6	-7
ADXY	105.1	-0.2	0.5	-1.5	-5
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	74.0	1.1	-1.3	-4	11
WTX	70	1.7	0.7	5	15
Copper	272	-1.1	-2.0	-3	-16
Gold	1211	-0.2	0.8	4	-8
S&P Spot commodity *	462	0.0	1.5	-3	4
S&P Brent Spot *	623	-0.3	3.1	5	10
S&P Metals Spot *	344	0.7	-1.4	-3	-13
S&P Agricultural *	295	0.3	0.6	5	4

\* With one day delay  
Source: Bloomberg, Datastream and Haver

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