

# Market Comment | Risk assets extend declines amid ongoing woes

Global Financial Markets Unit  
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- **Risk-off mood in financial markets continued** with the increasing political uncertainty in Europe and geopolitical issues between the US and Saudi Arabia. In this context, **core yields continued to move away from their recent highs, equities remained on their downward path and demand for safe-haven assets** (JPY and gold) **seems to be increasing**.
- In the US, the release of better-than-expected PMI services data did not weigh on the US 10Y Treasury yield, which is hovering around 3.10% (-10 bps in one week). Meanwhile the **worse-than-expected PMI figures in the euro zone** and Germany fuelled the decline of the 10Y Bund yield ([see](#)). Peripheral risk premia were unchanged after yesterday's widening of the Italian risk premium due to fresh news on its 2019 budget plan.
- In equity markets the mood continued to worsen across the board. **Developed countries' indices did not manage to recover from yesterday's losses**, and US equity indices continued to fall as concerns about the impact of trade disputes on US company earnings outlooks continued to weigh ([see](#)).
- **The USD appreciated and the EUR fell below the 1.14 USD/EUR level ahead of tomorrow's ECB meeting** in which markets do not expect any change in its monetary policy. Most EM currencies depreciated against a strong USD, with the main exception of the TRY.
- **The Bank of Canada raised its benchmark interest rate by 25 bps to 1.75%, as expected**, and announced the possibility of continuing to increase rates in order to maintain the inflation in check ([see](#)).
- **Crude oil prices increased** despite the release of higher-than-expected crude oil supply in the US ([see](#)). Moreover, Saudi Arabia reaffirmed its commitment to offset any supply shortfall from Iran sanctions ([see](#)).

Table 1

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Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.96	2.0	-3.0	4	94
US	3.13	-4.2	-7.9	4	66
GER (2 yr)	0.62	1.6	-4.8	-11	-1
Germany	0.40	-1.3	-6.5	-11	-13
France	0.77	-1.5	-4.5	-6	-5
Spain	1.63	-3.8	-2.4	10	-5
Italy	3.61	1.3	5.7	66	151
Portugal	1.98	-2.6	3.2	8	-3
Greece	4.30	-1.8	-2.5	19	19
Japan (2 yr)	-0.11	0.2	0.2	-1	2
Japan	0.14	-1.7	-1.3	0	9
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.36	7.8	14.4	-148	10
Chile	4.98	0.5	6.9	7	7
Colombia	7.10	3.0	5.2	19	66
Mexico	6.34	1.9	23.3	32	76
Peru	5.44	0.9	5.6	16	57
Poland	3.18	-2.7	-1.8	8	-13
Russia	8.67	3.7	1.6	4	104
Turkey	18.52	-25.0	136.0	63	716
India	2.87	-1.9	-3.7	-25	49
Indonesia	8.99	7.4	-9.3	38	-229
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	38	-0.2	2.0	6	7
Italy	321	2.6	12.2	77	164
Portugal	158	-1.3	9.3	20	10
Spain	123	-2.5	4.1	22	8
2 yr sovereign spread vs Germany					
France	20	-0.2	2.1	3	4
Italy	188	4.4	-4.2	48	152
Portugal	90	-1.1	3.3	8	0
Spain	47	0.7	4.3	18	20
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS *					
Brazil	209	8.5	2	50	49
Chile	49	0.0	4	3	0
Colombia	125	-0.8	10	12	20
Argentina	625	-0.3	31	88	387
Mexico	130	-2.2	13	15	23
Peru	80	-0.4	2	4	8
Poland	67	0.0	0	4	19
Russia	155	4.2	10	10	37
Turkey	403	12.6	14	5	238
China	69	1.4	3	11	18
India	111	0.6	1	4	42
Indonesia	150	2.8	6	16	65
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	21	0.6	4	9	12
VST OXX	22	0.6	5	8	9
EM CT volatility Index	38	1.1	4	6	12
Dollar/Euro volatility	7	0.3	0	1	1
EM FX volatility index	10	0.2	0	-2	2
Credit spread (BAA)(change in bps)	200	-0.2	1.4	17	23
US bonds volatility index	55	3.2	6	7	6
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.37	-	-	-	5
EZ Inflation expectations (5Y5Y)	1.67	-	-	-	-7
Ranking by CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	60	2.1	5	10	17
EZ	105	4.0	7	23	66
UK	69	0.2	4	2	28
Large Spanish	81	2.5	7	14	45
Medium Spanish	101	-0.3	9	8	27
Corporate by CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	171	2.1	5	10	17
EZ Non-financial	84	4.0	7	23	66
UK Non-financial	105	1.3	2	4	12
Interbank markets (%, changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0
Euro3m 3m	-0.32	0	0	0	1
Carbon 12m	-0.15	0	1	2	4
Libor 3m	2.49	0	5	12	80
Libor 12m	3.03	0	7	13	93
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
MSCI Indices	2,727	0.5	-2.9	-6.6	1
S&P500	25,126	-0.3	-2.3	-5.4	1
Dow Jones	22,091	0.4	-3.3	-7.5	-3
Nikkei	6,963	0.1	-1.2	-8.6	-8
FTSE 100	3,120	-0.3	-2.5	-8.2	-10
EuroStoxx 50	8,677	-0.6	-3.6	-8.8	-14
IBEX	11,192	-0.7	-4.5	-9.4	-13
CAC	4,933	-0.3	-3.7	-9.6	-6
MIB	18,485	-1.7	-5.0	-13.4	-15
MSCI Africa	633	2.1	-0.7	-8.3	-23
MSCI Latam *	87,210	0.5	-1.7	1.3	2
Bovespa (Brazil)	84,179	-1.3	-1.8	-7.9	8
Ibovesa (Mexico)	46,160	-0.6	-3.6	-6.5	-8
Merval (Argentina)	28,228	0.5	-1.7	-14.9	8
MSCI EM Europe *	5,188	-0.8	-3.8	-4.4	-4
Poland	2,144	-0.2	-2.5	-6.0	-13
Moscow 10 (Russia)	4,196	1.5	-2.6	-6.1	-2
Istanbul 100 (Turkey)	92,692	-0.8	-6.4	-6.9	-21
MSCI EM Asia *	708	2.2	-1.8	-10.2	-15
Shanghai Com (China)	2,603	0.3	1.6	-6.9	-22
Jakarta Indonesia	5,709	-2.2	-1.6	-4.2	-10
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	132.3	-1.0	-6.3	-10.7	-11
JPM	104.5	-0.7	-4.8	-10.4	-3
Cit	65.1	-1.0	-6.9	-11.9	-13
BAC	26.7	-1.4	-7.8	-13.3	-11
MS	44.2	-0.6	-6.3	-8.9	-15
GS	215.2	-1.5	-5.7	-7.6	-16
EZ banks					
BNP	76.1	-2.5	-6.9	-14.8	-29
BNP	46.5	-2.3	-6.3	-14.9	-25
Credit Agricole	11.3	-2.1	-7.1	-11.7	-19
Deutsche Bank	6.9	-4.8	-9.3	-15.1	-44
ING	10.3	-0.6	-4.6	-10.5	-33
Intesa	1.9	-3.4	-7.3	-20.7	-31
SG	32.7	-2.7	-6.9	-13.6	-24
Unicredit	10.9	-3.4	-8.6	-22.0	-31
UK banks					
UK banks	75.5	0.3	-1.5	-8.6	-18
RBS	600.8	-1.0	-3.6	-11.1	-21
RBS	230.7	-0.9	-3.7	-10.9	-17
Barclays	170.7	-2.0	-3.5	-3.0	-16
Lloyds	56.7	0.5	-1.2	-8.1	-16
Large Spanish banks					
Santander	60.5	-1.7	-6.4	-11.2	-29
Santander	4.0	-1.4	-6.5	-11.1	-27
BBVA	5.0	-2.0	-6.3	-11.2	-30
Medium Spanish banks					
CaixaBank	60.0	-2.0	-11.6	-17.9	-22
Sabadell	3.4	-2.3	-11.5	-15.8	-15
Sabadell	1.0	-3.3	-17.6	-27.8	-38
Bankinter	7.1	-1.4	-9.8	-12.2	-11
Banco	2.8	-1.8	-10.8	-22.6	-31
Currencies (% , not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,139	-0.7	-1.0	-3.0	-6
GBPUSD	1,129	-0.7	-1.7	-1.7	-6
USDJPY	112.57	-0.1	0.1	0.2	0
DOXY	96.39	0.4	0.9	2.3	5
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	36.62	-0.1	-1.1	-1.9	-50
USDRL (Brazil)	3.72	-0.7	0.9	10.0	-12
USDCLP (Chile)	609.10	-0.7	-2.6	2.7	-12
USDCOP (Colombia)	3163	-1.4	-3.1	-5.4	-7
USDMXN (Mexico)	19.46	-0.8	-3.0	-2.5	0
USDINR (India)	3.34	0.1	0.1	1.2	3
LACI	55.58	-0.8	-2.0	2.0	-13
USDPLN (Poland)	3.78	-1.0	-1.4	-3.3	-9
USDINR (Russia)	65.34	0.3	0.3	0.9	-12
USDTRY (Turkey)	5.68	1.1	-1.6	8.4	-34
USD CNY (China)	6.94	-0.1	0.2	-1.3	-6
USDIDR (Indonesia)	73.16	0.5	0.6	0.7	-13
USDIDR (Indonesia)	15,197	0.0	-0.3	-2.2	-11
ADXY	103.6	-0.2	0.3	1.1	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.0	0.7	-3.8	-5	16
WTX	67	1.3	-3.5	-7	12
Copper	276	0.3	0.4	-2	-15
Gold	1229	-0.1	0.6	3	-7
S&P Spot commodity *	464	-2.4	-2.9	-3	5
S&P Brent Spot *	648	-4.1	-4.4	-5	14
S&P Metals Spot *	341	-0.6	-0.8	-2	-13
S&P Agricultural *	291	0.0	-1.3	3	2

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

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