

Investors take solace in US-Mexico deal

- Global financial market sentiment improved after the US and Mexico struck a deal, avoiding new tariffs on Mexico. Safe-haven assets declined, while risky assets saw a relief rally.
- **US-Mexico deal, a short-term relief in trade tension.** Despite the US-Mexico deal the threat of new tariff is not completely off the cards ([see](#)). Elsewhere, the meeting between the US treasury secretary Mnuchin and the Governor of PBoC, Yi Gang did not deliver any major breakthrough in US-China trade conflict, leaving investors in a wait and see mode until G-20 Summit, when it is expected a meeting between Trump and Xi, although the meeting has not been scheduled so far.
- **The Chinese trade balance increased significantly in May**, due to a sharp fall in imports, thereby increasing concerns about China's domestic economy. Exports picked up more than expected, likely led by exporters' preponed shipments ahead of a potential increase in tariff (1.1% yy, consensus -3.9%, previous month -2.7%) whereas imports contracted further as domestic demand weakens (-8.5% yy, consensus -3.5%, previous month 4%).
- **The pickup in safe haven yields today lacked conviction, with bonds gaining back some favor** after Trump pressured Mexico to approve the immigration deal and also threatened China with additional tariffs if President Xi did not attend the G-20 summit. Moreover, the weakness shown by both the US payrolls and the manufacturing sector, along with the Fed's dovish rhetoric maintains the prospect of the Fed lowering interest rates, which also weighed on bonds rates. Market's implied probability of a Fed rate cut in July have risen to 78%. Markets are currently pricing in an 85% probability of two rate cuts in 2019 and a 77% probability of an additional cut in 2020. In Europe, Italy's risk premium declined slightly after Salvini stated that the last thing Italy wants is to pick up a fight with Europe ([see](#)).
- In FX markets, the US dollar appreciated across the G10 board, while MXN rebounded notably on the deal to avoid US tariffs. Moreover, the CNY fell against the US dollar to its weakest level since November 2018.
- Equity markets increased across the board on the back of the decline in the risk-off mood. Cyclical led today's upward trend.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.89	4.2	-3.1	-37	-60
US	2.14	5.5	1.2	-31	-55
GER (2-yr)	-0.67	0.0	-1.1	-5	-6
Germany	-0.22	3.8	-1.7	-17	-46
France	0.14	5.2	-7.3	-21	-57
Spain	0.60	5.1	-11.1	-39	-92
Italy	2.36	0.0	-31.2	-33	-53
Portugal	0.68	6.0	-12.6	-43	-118
Greece	2.83	0.4	-8.4	-71	-157
Japan (2-yr)	-0.19	0.4	-2.3	-4	-5
Japan	-0.12	0.1	-2.5	-7	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.11	-0.3	-34.3	-68	-113
Chile	3.14	-27.2	-29.6	-76	-111
Colombia	6.42	-4.6	-22.2	-29	-33
Mexico	7.75	-15.4	-25.2	-37	-89
Peru	4.51	1.0	-10.2	-32	-85
Poland	2.50	3.9	-14.0	-42	-32
Russia	7.75	-3.8	-23.9	-48	-103
Turkey	18.12	0.0	8.0	-236	232
India	7.08	10.5	4.7	-32	-29
Indonesia	7.73	-22.8	-22.8	-33	-29
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	36	1.4	-5.6	-4	-5
Italy	258	-3.8	-29.5	-15	-7
Portugal	90	2.2	-10.9	-26	-66
Spain	82	1.3	-9.4	-21	-40
2-yr sovereign spread vs Germany					
France	7	0.5	1.8	1	-9
Italy	106	2.8	-30.8	-17	-3
Portugal	32	1.8	5.1	2	6
Spain	30	0.7	1.3	1	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	168	-3.1	-9	-3	-39
Chile	45	-1.7	-5	3	-18
Colombia	110	-1.5	-3	5	-48
Argentina	1149	-31.8	-29	18	343
Mexico	128	2.8	6	12	-27
Peru	65	-1.8	-5	2	-30
Poland	66	0.0	0	0	-1
Russia	126	-0.3	-2	-3	-28
Turkey	470	-1.3	-22	-4	110
China	54	-1.0	-3	8	-13
India	82	-0.2	0	2	-31
Indonesia	106	-0.3	-5	3	-32
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	-0.1	-3	-3	-9
VSTOXX	15	0.0	-3	-5	-9
EMEFT volatility Index	19	-0.7	-2	-6	-6
Dollar/euro volatility	6	0.0	1	0	-2
EM FX volatility index	9	0.2	0	0	-1
Credit spread (BAA) (change in bps)	237	-5.5	-1	16	-8
US bonds volatility index	69	-4.7	-4	14	2
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.08	-	-3	-12	-5
EZ Inflation expectations (5Y5Y)	1.24	-	-5	-13	-37
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	59	-1.0	-6	0	-24
EZ	78	-2.9	-7	-5	-42
UK	62	-2.7	-12	2	-33
Large Spanish	53	-1.9	-7	-1	-35
Medium Spanish	84	-4.1	-1	-1	-28
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	174	-1.0	-6	0	-24
EZ Non-financial	83	-2.9	-7	-5	-42
UK Non-financial	107	0.6	-2	1	-12
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.25	0	11	11	10
Euribor 3m	-0.32	0	0	-1	-1
Euribor 12m	-0.18	0	-1	-6	-6
Eonia Swap 3m	-0.37	0	0	0	-1
Eonia Swap 12m	-0.41	0	-1	-4	-6
Libor 3m	2.45	0	-7	-9	-35
Libor 12m	2.35	0	-23	-37	-67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,901	1.0	5.4	1.1	16
Dow Jones	26,147	0.6	5.4	1.2	12
Nikkei	21,134	1.2	2.6	-1.3	6
FTSE 100	7,376	0.6	3.0	2.3	10
EuroStoxx 50	3,386	0.2	3.2	1.1	13
IBEX	9,294	0.6	3.2	2.2	9
DAX	12,045	0.0	2.7	0.6	14
CAC	5,383	0.3	3.4	1.3	14
MIB	20,485	0.6	3.4	-1.6	12
ASE Athens	843	3.3	1.5	15.7	37
MSCI Latam *	91,950	0.6	0.6	1.0	7
Ibovespa (Brazil)	97,110	-0.7	0.1	2.4	10
Mexbol (Mexico)	43,783	1.1	2.4	1.4	5
Merval (Argentina)	36,354	1.9	7.1	6.6	20
MSCI EM Europe *	5,899	0.5	2.5	6.0	12
Poland	2,283	0.1	1.9	4.7	0
Micex 10 (Russia)	4,818	0.6	3.7	5.7	15
Ise 100 (Turkey)	94,103	0.3	3.9	6.1	3
MSCI EM Asia *	819	0.2	0.5	-5.6	5
Shanghai Corn (China)	2,852	0.9	-1.6	0.0	14
Jakarta (Indonesia)	6,290	1.3	3.0	0.3	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	134.9	2.6	6.8	-2.9	17
JPM	111.0	1.7	4.8	-1.3	14
Citi	67.8	3.1	9.0	0.2	30
BoA	28.4	3.1	6.7	-4.5	15
MS	43.7	2.3	7.3	-6.0	10
GS	195.5	3.0	7.2	-3.0	17
EZ banks					
BNP	68.5	1.5	1.4	-10.0	-1
BNP	41.5	1.6	1.5	-8.7	5
Crédit Agricole	10.5	2.0	2.6	-9.3	11
Deutsche Bank	6.0	0.0	-2.0	-13.0	-14
ING	10.1	2.2	3.9	-3.4	7
Intesa	1.8	0.7	0.7	-14.7	-5
SG	22.3	0.7	-0.8	-15.3	-20
Unicredito	10.2	2.2	0.5	-7.9	4
UK banks					
HSBC	75.7	1.2	2.0	-2.5	4
HSBC	658.4	1.2	2.1	1.0	2
RBS	216.1	0.7	1.1	-6.9	0
Barclays	153.1	1.3	2.5	-2.4	2
Lloyds	58.4	1.4	2.0	-4.1	13
Large Spanish banks					
Santander	61.6	2.4	3.2	-1.5	6
Santander	4.0	1.8	2.2	-2.7	2
BBVA	5.1	2.9	4.1	-0.5	9
Medium Spanish banks					
Caixabank	51.8	1.9	-1.7	-4.4	-10
Caixabank	2.7	2.3	-2.9	-3.1	-15
Sabadell	1.0	1.9	-3.5	-7.0	-4
Bankinter	6.4	1.5	-0.5	-4.8	-8
Bankia	2.2	2.7	-1.2	-3.5	-13
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.132	-0.2	1.3	0.9	-1
GBPUSD	1.27	-0.4	0.5	-2.5	-1
USDJPY	108.53	-0.3	-0.2	1.1	1
DXY	96.79	0.3	-1.0	-0.6	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	44.94	-0.2	-0.3	0.7	-16
USDBRL (Brazil)	3.87	0.2	1.3	1.9	0
USDCLP (Chile)	697.64	-0.8	1.8	-1.9	-1
USDCOP (Colombia)	3253	0.5	3.8	0.7	0
USDMXN (Mexico)	19.17	2.4	2.4	0.4	3
USDPEN (Peru)	3.33	-0.2	1.5	-0.6	1
LACI	53.82	0.8	1.9	0.1	-1
USDPLN (Poland)	3.77	-0.3	1.8	1.8	-1
USD RUB (Russia)	64.71	0.1	1.1	0.9	7
USDTRY (Turkey)	5.78	0.9	1.1	7.2	-8
USDCNY (China)	6.93	-0.3	-0.4	-1.5	-1
USDINR (India)	69.65	-0.3	0.1	0.4	0
USDIDR (Indonesia)	14250	0.1	0.1	0.8	1
ADXY	104.39	-0.1	0.2	-0.6	-1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
Brent	62.8	-0.8	-2.6	-11	17
WTx	54	-0.2	0.7	-13	19
Copper	266	1.2	0.6	-4	1
Gold	1328	-1.0	1.7	3	4
S&P Spot commodity *	407	1.1	-0.1	-6	9
S&P Metal Spot *	537	2.3	1.7	-10	17
S&P Metals Spot *	310	-0.7	-1.3	-3	-3
S&P Agricultural *	289	-0.9	-1.3	11	2