

Market Comment

Bond yields climbed with ECB rates unchanged.

- The ECB decided to keep its rates unchanged although markets were expecting a rate cut as soon as today, leading to an increase in sovereign bond yields and a fall in equity markets during Draghi's press conference. However, the rise in government bond yields was partially erased as the ECB opened doors to easing by the next meeting in September, supported by a quick deterioration in manufacturing. In this context, **markets expectations for a ECB depo rate cut in September is hovering around 95%**.
- The ECB decided to keep its rates unchanged but reinforced its forward guidance to say that it expects rates to remain at their present or lower levels at least through the first half of 2020. Draghi stated that there are mixed signs with resilient indicators supporting consumption, whereas the manufacturing is notably deteriorating and indicators of inflation expectations have declined.
- On the data front, the **ifo Business Climate index in Germany declined more than expected in July** (95.7, consensus 97.2, previous month 97.4), suggesting that German companies were less satisfied with their current business situation and are also looking ahead with more pessimism. In manufacturing, the situation index experienced a major decline since February 2009 and no improvement is expected. On the other hand, **economic data in the U.S. were positive** as durable goods orders increased in June, beating estimates (2%, consensus 0.7%, previous month -1.3%) while, U.S. initial jobless claims declined last week ended July 20 (206K, consensus 218K and previous month 216K).
- Government bond yields increased during Draghi's press conference as the ECB stance was less dovish than what markets expected which was pricing a depo rate cut today, trimming its early slide.** The UST 10Y yield climbed with strong U.S. economic data and with the ECB decision. As a result, bets of an aggressive Fed rate cut of 50 bps next week continues to wane. Elsewhere, the Spanish risk premium narrowed slightly with Sanchez failing to be confirmed as prime minister.
- In FX markets, the EUR fluctuated and reversed its slide coming from the ECB policy announcement while, the USD gained slightly against the CHF and JPY. Moreover, the GBP remained steady as the new Britain's prime minister said that the prospect of a no-deal Brexit by late October is remote although, Boris Johnson have replaced over half of May's cabinet by mainly Eurosceptic ministers. In emerging markets, the TRY initially depreciated after its central bank decided to cut rates but this decline was trimmed, ending up appreciating moderately.

UPDATE 18:00 CET 25 JULY 2019

DEBT MARKETS (10Y, %, CHANGES IN BP)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,86	4,2	10,4	13	-63
US	2,08	3,6	5,5	9	-60
GER (2-yr)	-0,76	1,8	-0,8	-2	-15
Germany	-0,36	1,6	-5,2	-7	-64
France	-0,11	0,8	-4,5	-10	-82
Spain	0,36	1,0	-4,8	-2	-106
Italy	1,52	2,3	-3,9	-64	-123
Portugal	0,43	0,9	-4,6	-6	-130
Greece	2,01	1,3	-12,9	-47	-239
Japan (2-yr)	-0,21	-0,4	-1,3	2	-7
Japan	-0,15	-0,4	-2,1	0	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,26	7,7	-1,6	-44	-198
Chile	2,79	2,1	-22,1	-31	-146
Colombia	5,96	3,5	-11,3	-23	-80
Mexico	7,42	-2,1	-12,7	-27	-122
Peru	3,91	7,7	20,6	-23	-145
Poland	2,06	4,0	-16,3	-25	-76
Russia	7,31	-3,2	-15,8	-19	-147
Turkey	15,37	-33,0	-72,0	-41	-43
India	6,51	7,6	12,6	-37	-86
Indonesia	7,19	-6,8	5,1	-23	-83

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	26	-0,8	0,7	-3	-17
Italy	188	0,7	1,3	-57	-58
Portugal	79	-0,7	0,6	2	-65
Spain	72	-0,6	0,4	5	-42
2-yr sovereign spread vs Germany					
France	6	-1,0	-1,5	-1	-9
Italy	70	0,4	-2,3	-34	-39
Portugal	19	-2,7	-5,0	-12	-7
Spain	26	-1,3	-1,2	-6	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	124	-1,9	-5	-26	-83
Chile	35	-0,5	0	-5	-28
Colombia	83	-1,5	-2	-12	-76
Argentina	931	41,4	33	-52	125
Mexico	114	-1,5	-1	1	-41
Peru	49	-1,1	-1	-6	-45
Poland	64	0,0	0	-1	-4
Russia	102	-2,1	-3	-11	-52
Turkey	358	-5,7	-21	-70	-2
China	40	-1,1	-3	-3	-27
India	65	-2,0	-7	-14	-49
Indonesia	83	-1,2	-3	-9	-54

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,8	-1	-3	-13
VSTOXX	13	0,1	0	-1	-11
EM EFT volatility Index	16	0,1	0	-3	-9
Dollar/euro volatility	5	-0,6	0	-1	-2
EM FX volatility index	7	0,0	0	-1	-3
Credit spread (BAA) (change in bps)	212	-3,6	-17	-23	-34
US bonds volatility index	61	-0,5	-2	-14	-6
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,12	-	3	7	-2
EZ Inflation expectations (5Y5Y)	1,32	-	3	10	-29
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	44	-1,5	-5	-7	-38
EZ	50	-2,7	-5	-14	-54
UK	52	-2,1	-3	-4	-43
Large Spanish	36	-1,9	-4	-9	-52
Medium Spanish	88	-5,5	-1	-7	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	159	-3,1	-8	-1	-54
EZ Non-financial	69	-1,9	-2	-5	-28
UK Non-financial	95	-0,9	-2	-5	-24

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	1	-1
Euribor 3m	-0,38	0	-1	-3	-7
Euribor 12m	-0,32	0	-2	-11	-20
Eonia Swap 3m	-0,42	3	2	-2	-6
Eonia Swap 12m	-0,54	1	-1	-5	-19
Libor 3m	2,27	0	-3	-6	-53
Libor 12m	2,18	0	-3	1	-83

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3009	-0,4	0,5	3,1	20
Dow Jones	27149	-0,4	-0,3	2,3	16
Nikkei	21757	0,2	3,4	2,7	9
FTSE 100	7489	-0,2	-0,1	0,9	11
EuroStoxx 50	3510	-0,6	0,8	1,9	17
IBEX	9290	-0,4	0,7	1,4	9
DAX	12362	-1,3	1,1	1,1	17
CAC	5578	-0,5	0,5	1,2	18
MIB	21903	-0,8	-0,8	3,7	20
ASE Athens	886	1,3	1,8	4,6	44
MSCI Latam *	94996	0,3	-0,8	-0,3	10
Ibovespa (Brazil)	102671	-1,4	-2,0	2,6	17
Mexbol (Mexico)	40942	-0,5	-1,6	-6,5	-2
Merval (Argentina)	39820	0,1	-2,3	-1,2	31
MSCI EM Europe *	5896	-0,4	-0,3	-1,4	12
Poland	2310	-1,1	-0,5	0,3	1
Micex 10 (Russia)	4757	0,8	0,2	-0,1	14
Ise 100 (Turkey)	102045	-1,4	0,5	6,9	12
MSCI EM Asia *	854	-0,1	0,2	0,3	9
Shanghai Com (China)	2937	0,5	1,2	-1,5	18
Jakarta (Indonesia)	6401	0,0	0,1	1,8	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	143,7	-0,9	1,8	8,6	24
JPM	116,1	-0,6	1,3	7,8	19
Citi	72,2	-1,1	0,6	8,5	39
BoA	30,5	-0,7	3,3	9,7	24
MS	45,1	-0,9	1,5	5,7	14
GS	219,3	-1,2	2,2	11,8	31
EZ banks	72,9	0,2	1,0	8,2	6
BNP	43,0	0,1	1,5	6,3	9
Crédit Agricole	11,1	0,1	2,4	8,1	17
Deutsche Bank	7,1	1,5	1,9	13,5	2
ING	10,5	1,6	2,1	7,4	11
Intesa	2,0	-0,7	-1,5	8,1	4
SG	23,0	-0,8	1,2	7,3	-17
Unicredito	11,4	-0,1	-1,8	11,4	16
UK banks	76,5	-0,2	-0,4	3,2	5
HSBC	655,1	-0,2	-1,0	1,1	1
RBS	228,1	0,0	-1,1	5,6	5
Barclays	159,5	-0,2	2,1	8,6	6
Lloyds	56,8	-0,4	-1,1	0,1	9
Large Spanish banks	60,9	-0,4	1,0	1,3	4
Santander	4,1	-1,1	1,2	2,4	3
BBVA	4,9	0,3	0,8	0,3	6
Medium Spanish banks	48,6	0,5	-2,3	2,5	-15
Caixabank	2,4	-0,4	-3,0	-0,2	-23
Sabadell	0,9	0,2	-2,2	0,6	-10
Bankinter	6,3	1,5	-0,9	8,3	-10
Bankia	1,9	-0,1	-5,2	-3,7	-24

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,116	0,2	-1,1	-1,8	-3
GBPUSD	1,247	-0,1	-0,6	-1,7	-2
USDJPY	108,580	-0,4	-1,2	-1,3	1
DXY	97,675	-0,1	0,9	1,6	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	43,23	-0,8	-1,9	-2,0	-13
USDBRL (Brazil)	3,79	-0,4	-1,8	1,6	2
USDCPL (Chile)	695,01	-0,7	-1,5	-2,0	0
USDCLP (Colombia)	3214	-0,5	-1,17	-0,74	1
USDMXN (Mexico)	19,04	0,1	-0,5	1,0	3
USDPEN (Peru)	3,30	0,0	-0,3	0,3	2
LACI	54,65	-0,3	-1,2	0,4	1
USDPLN (Poland)	3,82	0,0	-1,2	-1,9	-2
USDRUB (Russia)	63,18	0,1	-0,6	-0,5	10
USDTRY (Turkey)	5,69	0,3	-1,3	1,8	-7
USDCNY (China)	6,87	0,0	0,1	0,1	0
USDINR (India)	69,04	-0,1	0,1	0,4	1
USDIDR (Indonesia)	13977	0,1	-0,1	1,1	3
ADXY	104,99	0,0	-0,3	-0,2	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	63,6	0,7	2,7	-2	18
WTx	56	0,8	1,9	-3	24
Copper	271	0,0	0,0	-1	3
Gold	1418	-0,5	-1,9	0	11
S&P Spot commodity *	418	-0,5	1,2	-2	12
S&P Brent Spot *	537	-1,1	2,4	-2	17
S&P Metals Spot *	327	0,9	-0,6	1	2
S&P Agricultural *	290	0,6	0,8	-5	2

Source: Bloomberg, Datastream and Haver

* With one day delay