

Market Comment

Markets regain some ground as Yuan stabilizes

- The PBoC calmed markets today with a daily currency fixing stronger than analysts expected (6.9683 per dollar vs. consensus 6.9871 per dollar) and below yesterday's closing price, bringing some relief to markets. This action could avoid further backlash from the US, which labelled China as a currency manipulator, after the Chinese RMB breached the psychological level of 7.0 against the USD. The U.S. Nonetheless risk-off mood persist due to trade tensions, with Secretary Mnuchin setting to engage with the International Monetary Fund to take action on this matter.1
- Some positive news on the data front: factory orders in Germany rose more than expected in June (2.5% m/m, consensus 0.5% m/m, upwardly revised data from previous month -2.0% m/m). Elsewhere, U.S. job openings fell from 7384 in May (upwardly revised) to 7348 in June, although less than expected.
- The 10Y UST yield recovered partially from yesterday's sharp fall. In Europe, the 10Y German Bund yields extended its decline, hitting new lows, while Italy's risk premium narrowed, where the coalition government won a confidence vote in parliament, ruling out the possibility of new elections ahead of Fitch's credit-rating reviews this Friday.
- Across the G10 board, the DXY recovered some ground with the USD appreciating against safe-haven currencies (USDJPY +0.4%, USDCHF +0.26%). Meanwhile, the GBP gained against both the USD and the EUR as both the European Commission and the UK are willing to discuss Brexit in the coming weeks to avoid a disorderly exit. Moreover, opponents of a no-deal Brexit hardened their stances to stop Boris Johnson from trying to leave the EU without an agreement.
- In EM, Latam currencies were mixed while the Chinese RMB, both onshore and offshore, also strengthened against the USD following the stronger yuan fixing. CNY+12M futures still suggest that investors are expecting a further depreciation against the US dollar.
- Gold prices continued to climb, reaching its highest level since 2013 driven by a lower prospects of a trade deal.
- Equities were mixed with American stocks recovering from yesterday's decline. Moreover, the VIX trimmed yesterday's significant increase after PBoC officials reassured foreign exporters that the currency won't continue to weaken significantly.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	4,6	-22,7	-24	-87
US	1,74	3,2	-31,9	-29	-94
GER (2-yr)	-0,82	-0,7	-6,0	-7	-21
Germany	-0,54	-2,0	-13,7	-21	-82
France	-0,26	-2,7	-12,3	-18	-97
Spain	0,23	-1,5	-12,1	-9	-119
Italy	1,51	-5,4	-7,3	-23	-123
Portugal	0,26	-2,3	-14,9	-17	-146
Greece	2,05	0,2	-1,2	-10	-235
Japan (2-yr)	-0,22	-0,8	-1,1	-1	-8
Japan	-0,18	0,9	-3,2	-3	-19
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,28	-8,5	8,4	-9	-195
Chile	2,54	0,2	-18,4	-57	-171
Colombia	6,07	8,1	1,5	9	-69
Mexico	7,44	0,9	-8,8	10	-120
Peru	3,88	-1,7	-2,3	-23	-149
Poland	2,09	5,0	-11,0	-19	-73
Russia	7,42	-4,9	-1,4	-2	-136
Turkey	14,97	6,0	1,0	-63	-83
India	6,34	-5,4	-5,2	-36	-103
Indonesia	7,65	-2,2	31,4	43	-37

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	-0,7	1,4	3	-16
Italy	205	-3,4	6,4	-2	-41
Portugal	80	-0,3	-1,2	4	-64
Spain	77	0,5	1,6	12	-37
2-yr sovereign spread vs Germany					
France	9	0,5	1,8	1	-6
Italy	80	-3,8	3,7	-4	-28
Portugal	25	0,2	3,4	-4	-1
Spain	32	0,6	5,9	2	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	142	9,8	18	-3	-65
Chile	43	5,0	9	6	-20
Colombia	105	9,1	21	16	-54
Argentina	1082	106,5	166	193	276
Mexico	132	7,7	17	22	-23
Peru	56	3,9	8	5	-38
Poland	65	-0,1	0	1	-3
Russia	110	3,7	10	-1	-44
Turkey	388	16,6	40	22	29
China	56	9,8	15	15	-12
India	70	1,7	11	-8	-44
Indonesia	100	10,7	22	15	-38

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	22	-2,5	8	9	-3
VSTOXX	21	0,3	7	9	-2
EM EFT volatility Index	25	-1,4	8	8	0
Dollar/euro volatility	5	-0,6	0	0	-2
EM FX volatility index	9	1,4	2	2	0
Credit spread (BAA) (change in bps)	225	-3,2	11	-2	-21
US bonds volatility index	77	11,1	19	12	11
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,99	-	-10	-3	-14
EZ Inflation expectations (5Y5Y)	1,22	-	-8	2	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	57	5,1	11	10	-25
EZ	61	2,7	7	6	-43
UK	64	2,6	7	13	-30
Large Spanish	44	1,9	4	6	-44
Medium Spanish	83	0,9	2	-10	-30
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	182	7,3	18	22	-32
EZ Non-financial	77	3,8	9	10	-20
UK Non-financial	104	3,9	10	9	-14

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	1	1	0
Euribor 3m	-0,39	-1	-2	-3	-8
Euribor 12m	-0,32	-1	-2	-5	-20
Eonia Swap 3m	-0,44	0	-2	-4	-9
Eonia Swap 12m	-0,56	0	-4	-6	-21
Libor 3m	2,21	0	-2	-6	-59
Libor 12m	2,04	0	-8	-6	-98

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2857	0,4	-5,2	-4,5	14
Dow Jones	25848	0,5	-5,0	-4,0	11
Nikkei	20585	-0,7	-5,2	-5,3	3
FTSE 100	7172	-0,7	-6,2	-5,1	7
EuroStoxx 50	3292	-0,6	-4,9	-6,7	10
IBEX	8699	-0,9	-3,2	-6,8	2
DAX	11568	-0,8	-4,8	-8,0	10
CAC	5235	-0,1	-5,0	-6,4	11
MIB	20632	-0,7	-3,0	-6,2	13
ASE Athens	844	-0,8	-5,1	-5,6	38
MSCI Latam *	90875	-2,3	-4,1	-5,3	5
Ibovespa (Brazil)	101314	1,2	-1,6	-2,7	15
Mexbol (Mexico)	39637	0,3	-3,7	-8,7	-5
Merval (Argentina)	41025	0,4	-3,4	-1,8	35
MSCI EM Europe *	5707	-1,2	-4,1	-6,9	8
Poland	2156	-0,4	-4,8	-7,9	-5
Micex 10 (Russia)	4686	1,2	-2,3	-4,4	12
Ise 100 (Turkey)	99584	0,9	-3,0	-0,1	9
MSCI EM Asia *	798	-2,4	-5,7	-7,1	2
Shanghai Com (China)	2778	-1,6	-5,9	-7,8	11
Jakarta (Indonesia)	6119	-3,5	-2,9	-4,0	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	132,0	-0,2	-8,3	-5,5	14
JPM	108,9	-0,6	-5,8	-4,0	12
Citi	65,4	0,4	-8,7	-8,3	26
BoA	27,8	-1,0	-10,0	-5,0	13
MS	40,8	0,6	-8,8	-7,8	3
GS	202,4	0,3	-8,6	-2,7	21
EZ banks	67,2	-0,8	-4,3	-8,4	-3
BNP	40,3	-0,4	-3,0	-7,2	2
Crédit Agricole	10,2	-0,4	-4,0	-8,2	8
Deutsche Bank	6,7	-2,4	-2,5	-6,3	-4
ING	8,8	-1,1	-13,2	-16,7	-7
Intesa	1,9	-1,2	-1,1	-4,3	0
SG	22,3	-0,4	1,1	-2,2	-20
Unicredito	10,3	-0,8	-3,8	-11,0	4
UK banks	70,2	0,4	-7,2	-9,0	-4
HSBC	627,9	0,2	-5,6	-6,6	-3
RBS	200,8	1,7	-8,9	-11,2	-7
Barclays	147,2	0,0	-6,6	-6,3	-2
Lloyds	50,2	0,1	-8,8	-13,1	-3
Large Spanish banks	54,4	-1,5	-5,9	-13,6	-7
Santander	3,6	-2,0	-6,7	-14,1	-9
BBVA	4,4	-1,0	-5,2	-13,1	-5
Medium Spanish banks	43,5	-1,5	-2,3	-14,6	-24
Caixabank	2,2	-1,7	-2,1	-16,3	-31
Sabadell	0,8	-1,4	-3,3	-19,2	-23
Bankinter	5,8	-1,4	-1,5	-9,8	-18
Bankia	1,7	-1,9	-4,2	-20,7	-33

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,120	0,0	0,4	-0,2	-2
GBPUSD	1,215	0,1	0,0	-2,9	-5
USDJPY	106,410	-0,4	2,1	1,9	3
DXY	97,632	0,1	-0,4	0,4	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	45,39	0,2	-3,2	-7,9	-17
USDBRL (Brazil)	3,98	0,0	-4,6	-3,9	-2
USDCPL (Colombia)	716,27	0,6	-2,1	-4,6	-3
USDCOP (Colombia)	3432	0,7	-3,76	-6,42	-5
USDMXN (Mexico)	19,67	-0,3	-3,1	-3,3	0
USDPEN (Peru)	3,39	0,0	-2,7	-2,8	-1
LACI	52,45	-0,3	-3,6	-4,4	-3
USDPOLN (Poland)	3,85	0,1	-0,1	-1,7	-3
USDRUB (Russia)	65,29	0,3	-2,7	-2,3	6
USDTRY (Turkey)	5,53	0,8	0,6	1,8	-4
USDCNY (China)	7,02	0,4	-1,9	-1,8	-2
USDCNR (China)	70,83	-0,1	-2,8	-3,4	-1
USDIDR (Indonesia)	14277	-0,2	-1,7	-1,4	1
ADXY	103,27	0,3	-1,6	-1,6	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,5	-0,5	-8,1	-7	11
WTx	54	-0,5	-6,3	-5	20
Copper	255	0,6	-4,5	-4	-3
Gold	1472	0,5	2,8	5	15
S&P Spot commodity *	402	-1,4	-4,7	-5	7
S&P Brent Spot *	509	-3,4	-7,5	-7	11
S&P Metals Spot *	313	-0,4	-3,1	-1	-2
S&P Agricultural *	279	0,3	-2,3	-6	-2

Source: Bloomberg, Datastream and Haver

* With one day delay