

Market Comment

## Market risk sentiment worsens on weak U.S. factory data.

- Risk-off mood prevailed in financial markets amid trade uncertainty and weak economic data in the U.S. which reinforced fears of a global slowdown.
- U.S. and Chinese officials have reportedly been struggling to set a date for the planned meeting this month to continue trade talks. In separate news, Trump said that trade deal would be tougher if he is re-elected in 2020.
- On the data front, the U.S. factory activity (ISM manufacturing) unexpectedly contracted in August for the first time in three years dragged down by weaker new orders, production and employment (49.1, 51.3 expected, 51.2 prior). Additionally, U.S. construction spending in July increased less than expected (0.1% m/m, 0.3% expected, -1.3% m/m prior).
- The 10Y U.S. Treasury yields dropped by 5 bps to levels below 1.5%, with the 10-2Y yield curve almost flat, dragged down by disappointing data in the U.S. Market expectations on a large Fed rate cut of 50 bps in September increased from 16% to 23%. In Europe, the 10Y German and UK bond yields slipped slightly with the latter hitting fresh record lows (-0.71% and 0.4% respectively). Peripheral bonds outperformed their European peers with Italy's risk premium continuing its downward trend after the Five Star and PD unveiled a shared policy program for the new coalition government. The 10Y Italian bond yields also reached historic lows (0.9%), declining sharply by 9.2 bps, whereas the yield on 10Y Spanish bond hovered around 0.1%.
- Safe-haven currencies (JPY and CHF) resumed its gains. The DXY index strengthened, while the pound rebounded, erasing early losses (+0.2%) after Boris Johnson lost his majority in the House of Commons. In EM, the TRY rose by 1.4% led by a bigger than expected inflation drop in August (15.01% y/y, 15.60% y/y expected, 16.65% y/y prior). The LACI index (LatAm currencies) edged up by 0.8% driven mainly by the MXN.
- In commodities, gold prices benefitted from a worse risk sentiment (+1.2%), whereas the price of Brent crude declined (-1.5%) as weak economic data reinforced fears over global oil demand.
- U.S. stock markets fell by 1.0% on average with industrials, financials and energy leading the losses in the S&P 500. Meanwhile, European equities inched down by 0.4% on average.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,44	-6,2	-8,0	-27	-105
<b>US</b>	1,45	-4,9	-2,4	-40	-124
GER (2-yr)	-0,91	1,6	-2,5	-12	-30
<b>Germany</b>	-0,71	-0,4	-1,3	-25	-99
France	-0,40	0,3	1,8	-16	-111
Spain	0,11	-1,9	2,6	-14	-131
Italy	0,88	-9,2	-26,3	-67	-187
Portugal	0,13	-0,8	1,3	-17	-160
Greece	1,62	0,4	-20,7	-43	-278
Japan (2-yr)	-0,29	0,6	0,6	-9	-15
<b>Japan</b>	-0,28	-1,8	-2,0	-12	-29
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,37	-9,4	-3,9	14	-187
Chile	2,51	-0,5	-1,3	-11	-174
Colombia	6,09	0,2	6,9	11	-66
Mexico	6,93	-4,0	-9,1	-50	-171
Peru	3,77	-2,4	-3,2	-14	-159
Poland	1,82	-2,3	-0,2	-27	-100
Russia	7,21	-0,1	-10,2	-35	-157
Turkey	14,93	-41,0	-120,0	2	-87
India	6,52	-3,8	-0,9	17	-85
Indonesia	7,35	1,7	5,2	-22	-67

### COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	31	0,7	3,1	9	-12
Italy	158	-8,8	-25,0	-42	-88
Portugal	83	-0,4	2,6	8	-61
Spain	82	-1,5	3,9	11	-32
<b>2-yr sovereign spread vs Germany</b>					
France	10	-0,9	1,2	1	-5
Italy	63	-5,8	-14,5	-16	-45
Portugal	24	-3,4	-3,4	1	-2
Spain	34	-2,5	1,1	4	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	133	-0,2	-8	4	-74
Chile	36	0,2	-2	-1	-27
Colombia	93	-0,4	-7	2	-65
Argentina	6479	0,0	3404	5529	5672
Mexico	112	-0,5	-7	-8	-43
Peru	49	-0,2	-2	-1	-45
Poland	65	0,0	0	1	-3
Russia	98	-0,1	-2	1	-56
Turkey	420	-4,2	3	58	60
China	47	0,8	-2	4	-21
India	72	-0,1	-4	8	-41
Indonesia	89	-0,1	-4	7	-48

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	0,9	0	2	-6
VSTOXX	18	0,7	-1	0	-6
EMEFT volatility Index	21	1,2	-1	0	-4
Dollar/euro volatility	6	0,2	1	1	-1
EM FX volatility index	9	0,0	0	1	-1
Credit spread (BAA) (change in bps)	231	4,9	3	12	-14
US bonds volatility index	87	0,0	-2	21	20
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,96	-	4	-5	-18
EZ Inflation expectations (5Y5Y)	1,19	-	-7	-3	-42
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	48	0,1	-5	-1	-34
EZ	56	-0,1	-2	-1	-49
UK	64	1,9	6	5	-30
Large Spanish	38	0,4	2	-3	-49
Medium Spanish	88	4,2	1	5	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	194	0,5	-6	22	-20
EZ Non-financial	67	-0,1	-2	-3	-29
UK Non-financial	96	0,3	-1	-4	-22

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	-1	-1
Euribor 3m	-0,45	-1	-3	-7	-14
<b>Euribor 12m</b>	-0,39	0	-2	-8	-27
Eonia Swap 3m	-0,51	0	-3	-7	-15
<b>Eonia Swap 12m</b>	-0,63	0	-3	-8	-28
Libor 3m	2,13	0	-1	-15	-66
Libor 12m	1,95	0	-5	-26	-106

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2906	-0,7	1,3	-0,9	16
Dow Jones	26054	-1,3	1,1	-1,6	12
Nikkei	20625	0,0	0,8	-2,2	3
FTSE 100	7268	-0,2	2,5	-1,9	8
<b>EuroStoxx 50</b>	3421	-0,3	1,5	1,3	14
IBEX	8809	-0,1	0,9	-1,0	3
DAX	11911	-0,4	1,5	0,3	13
CAC	5466	-0,5	1,5	2,0	16
MIB	21399	-0,2	1,9	1,7	17
ASE Athens	854	-0,8	2,7	-3,5	39
<b>MSCI Latam *</b>	91213	-0,7	4,3	-1,9	6
Ibovespa (Brazil)	99815	-0,8	2,6	-2,8	14
Mexbol (Mexico)	41805	-0,7	2,8	4,6	0
Merval (Argentina)	23272	-11,2	-5,5	-43,7	-23
<b>MSCI EM Europe *</b>	5855	0,9	3,4	-0,9	11
Poland	2107	-1,7	0,6	-4,9	-7
Micex 10 (Russia)	4730	-0,5	3,1	1,3	13
Ise 100 (Turkey)	98826	0,5	2,9	-0,9	8
<b>MSCI EM Asia *</b>	818	0,1	2,0	-1,8	5
Shanghai Com (China)	2930	0,2	1,0	2,2	17
Jakarta (Indonesia)	6262	-1,1	0,8	-1,9	1
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	129,2	-2,2	1,7	-5,8	12
JPM	108,1	-1,6	2,3	-4,3	11
Citi	63,1	-2,0	2,3	-6,7	21
BoA	26,8	-2,7	1,2	-8,8	9
MS	40,7	-1,8	2,4	-3,3	3
GS	198,0	-2,9	0,0	-5,4	19
<b>EZ banks</b>	67,8	-0,3	2,3	-1,2	-2
BNP	40,8	-0,5	1,3	-0,7	3
Crédit Agricole	10,3	-0,6	2,1	-0,4	9
Deutsche Bank	6,6	-0,4	3,1	-5,4	-5
ING	8,6	-0,1	1,8	-6,5	-8
Intesa	2,0	-0,1	2,7	2,5	3
SG	23,0	-0,3	2,5	2,5	-17
Unicredito	10,1	0,1	4,1	-2,7	2
<b>UK banks</b>	66,5	-0,7	0,8	-7,7	-9
HSBC	593,7	-0,2	2,2	-8,1	-8
RBS	184,0	-1,2	-0,1	-9,3	-15
Barclays	137,3	-0,2	0,5	-10,3	-9
Lloyds	49,6	-1,5	-0,3	-3,3	-4
<b>Large Spanish banks</b>	52,0	-0,4	-1,0	-7,3	-11
Santander	3,4	-1,0	-1,9	-9,5	-14
<b>BBVA</b>	4,3	0,2	-0,1	-5,2	-8
<b>Medium Spanish banks</b>	40,1	-1,0	-2,9	-8,7	-30
Caixabank	2,0	0,1	-1,5	-9,1	-36
Sabadell	0,7	-1,6	-2,6	-3,3	-25
Bankinter	5,2	-1,3	-3,0	-11,1	-27
Bankia	1,6	-1,9	-5,9	-10,4	-39

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,097	0,0	-1,1	-1,3	-4
GBPUSD	1,209	0,2	-1,7	-0,6	-5
USDJPY	105,890	0,3	-0,1	0,7	4
DXY	98,991	0,1	1,0	0,9	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	55,86	0,3	0,7	-20,1	-33
USDBRL (Brazil)	4,17	0,5	-0,9	-6,7	-7
USDCPL (Chile)	725,15	0,0	-0,4	-1,6	-4
USDCOP (Colombia)	3438	0,2	0,94	-1,53	-5
USDMXN (Mexico)	19,99	0,8	0,0	-3,4	-2
USDPEN (Peru)	3,41	0,0	-0,3	-1,5	-1
LACI	50,22	0,8	-0,2	-5,9	-8
USDPLN (Poland)	3,96	0,2	-0,5	-2,2	-6
USDRUB (Russia)	67,06	-0,4	-0,9	-2,7	3
USDTRY (Turkey)	5,73	1,4	1,7	-3,0	-8
USDCNY (China)	7,18	-0,1	-0,2	-3,3	-4
USDINR (India)	72,39	-1,4	-1,3	-3,9	-4
USDIDR (Indonesia)	14228	-0,2	0,2	-0,3	1
ADXY	102,06	0,0	-0,5	-1,9	-3

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	57,8	-1,5	-2,9	-7	7
WTx	54	-2,8	-2,5	-4	18
Copper	251	-1,0	-1,4	-2	-5
Gold	1548	1,2	0,3	7	21
S&P Spot commodity *	397	0,0	0,3	-3	6
S&P Brent Spot *	504	0,0	0,4	-4	10
S&P Metals Spot *	318	0,0	0,5	1	-1
S&P Agricultural *	265	0,0	-0,2	-5	-7

Source: Bloomberg, Datastream and Haver

\* With one day delay