

Market Comment

Fears of a war of capital flows ease

- **Cautious optimism** in financial markets after White House officials **downplayed news that it is considering limiting U.S. investors' portfolio flows into China**. A U.S. Treasury official denied there were plans to stop Chinese companies from listing on U.S. exchanges. Separately, high level talks between China and the U.S. are expected to resume in Washington on October 10-11th.
- On the data front, **Chinese manufacturing PMIs showed a subdued recovery in September**, although the official one remains in contraction levels (49.8, consensus 49.6, prior 49.5). In Europe, the annualized UK 2Q19 GDP was upwardly revised by 0.1% (1.3% YoY, consensus 1.2% YoY, prior 1.2% YoY). The German monthly CPI remained unchanged in September (0.0% MoM, consensus 0.0% MoM, prior -0.2% MoM), but its labor market unexpectedly improved this month. In the U.S., **the MNI Chicago PMI fell surprisingly under the contraction levels** (47.1 pts, consensus 50 pts, prior 50.4 pts).
- **European and UST bond yields were steady**, trimming an early advance. The yield on the 10Y UST bond reverted driven by an unexpected contraction of the MNI Chicago PMI, whereas the 10Y German bond yield retreated after ECB officials urged greater public spending. Italy's risk premium remained unchanged despite the fact that the Italian government targeted 2.2% deficit-GDP ratio for the next year in the draft of the budget framework.
- **The USD continue to strengthen** (DXY index +0.2%), close to a **three-year high**. The GBP gains, driven by an upward revision of its 2Q19 GDP, were limited as investors remain cautious ahead of the Brexit deadline. Meanwhile, **the EURUSD reached its lowest level in two years** (-0.3%) amid poor German CPI and a report indicating that leading economic institutes are going to cut their 2019 growth forecast for Germany. Elsewhere, EM currencies depreciated, except for the TRY which appreciated 0.4% after the Turkish Government targeted 5% growth for 2020 against the prior target of 3.5%.
- In commodities, **oil prices extended its losses** (-1.6%) as Saudi oil production returned to pre-attack levels. Moreover, Middle East tensions eased after Saudi Arabia declared a partial ceasefire against Yemen.
- **U.S. equities rebounded** with information technology leading the gains, **while European stock markets edged higher** amid fresh optimism.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	-1,2	-6,2	10	-87
US	1,68	-0,3	-5,0	18	-101
GER (2-yr)	-0,77	0,4	-2,4	14	-16
Germany	-0,57	0,2	1,0	8	-85
France	-0,27	0,6	1,3	14	-98
Spain	0,15	-0,5	-0,4	4	-127
Italy	0,82	-0,2	-0,9	-16	-192
Portugal	0,16	-0,6	-1,3	4	-156
Greece	1,35	1,5	1,3	-24	-305
Japan (2-yr)	-0,32	0,2	-2,1	-1	-17
Japan	-0,21	2,2	-0,6	7	-22
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,04	-0,3	-7,2	-50	-220
Chile	2,48	0,0	0,4	-2	-177
Colombia	5,98	0,3	-0,1	-14	-77
Mexico	6,88	-1,2	-1,6	-13	-176
Peru	3,78	1,7	5,2	-1	-158
Poland	2,00	-0,4	-5,2	16	-83
Russia	7,15	1,6	1,3	-12	-163
Turkey	13,15	-33,0	-116,0	-250	-265
India	6,71	-2,7	-4,1	16	-66
Indonesia	7,29	-2,4	2,5	-9	-74

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0,4	0,3	6	-13
Italy	139	-0,4	-1,9	-24	-107
Portugal	73	-0,8	-2,3	-5	-71
Spain	72	-0,7	-1,4	-4	-42
2-yr sovereign spread vs Germany					
France	7	-0,6	1,0	-2	-8
Italy	51	0,1	1,0	-20	-57
Portugal	17	-0,7	-3,0	-11	-9
Spain	25	-0,2	2,1	-10	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	138	1,0	8	-2	-69
Chile	38	0,7	2	1	-25
Colombia	95	1,1	5	-2	-63
Argentina	5699	-198,6	540	1818	4893
Mexico	117	0,6	7	1	-38
Peru	56	2,4	6	5	-39
Poland	67	0,0	-3	2	-1
Russia	84	-0,2	3	-17	-70
Turkey	355	-7,8	-19	-71	-5
China	49	0,5	4	1	-18
India	74	0,9	0	0	-40
Indonesia	90	0,4	3	-4	-47

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	-0,7	2	-1	-9
VSTOXX	16	-0,1	0	-2	-8
EM EFT volatility Index	19	-1,2	3	-1	-6
Dollar/euro volatility	6	0,4	1	0	-1
EM FX volatility index	8	0,0	0	-1	-2
Credit spread (BAA) (change in bps)	220	0,3	4	-7	-25
US bonds volatility index	80	0,1	-1	-7	13
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,89	-	-9	-10	-25
EZ Inflation expectations (5Y5Y)	1,17	-	-4	-3	-44
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	58	0,9	5	6	-24
EZ	61	-0,6	4	6	-44
UK	59	-0,5	2	0	-36
Large Spanish	42	-1,2	2	5	-45
Medium Spanish	96	1,6	9	11	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	244	5,6	27	47	31
EZ Non-financial	77	0,7	4	8	-20
UK Non-financial	106	-0,4	2	8	-13

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,45	0	0	-9	-10
Euribor 3m	-0,42	-1	-2	1	-11
Euribor 12m	-0,33	-1	-3	5	-21
Eonia Swap 3m	-0,46	0	-1	4	-10
Eonia Swap 12m	-0,54	0	-1	8	-19
Libor 3m	2,10	0	-3	-2	-70
Libor 12m	2,04	0	-4	7	-97

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2979	0,6	-0,4	1,9	19
Dow Jones	26984	0,6	0,1	2,4	16
Nikkei	21756	-0,6	-1,5	6,3	9
FTSE 100	7408	-0,2	1,1	3,1	10
EuroStoxx 50	3569	0,7	0,9	4,6	19
IBEX	9245	0,7	1,7	5,1	8
DAX	12428	0,4	0,7	5,0	18
CAC	5678	0,7	0,8	4,2	20
MIB	22108	0,4	0,9	3,3	21
ASE Athens	868	-0,2	0,7	1,2	42
MSCI Latam *	94829	-0,1	-0,1	6,6	10
Ibovespa (Brazil)	104753	-0,3	0,1	4,2	19
Mexbol (Mexico)	42989	0,3	-1,2	2,8	3
Merval (Argentina)	28353	-1,8	-2,7	18,2	-6
MSCI EM Europe *	5924	0,1	-0,4	4,9	12
Poland	2173	-0,6	1,2	5,0	-5
Micex 10 (Russia)	4784	0,2	-0,4	2,5	14
Ise 100 (Turkey)	105033	-0,1	5,0	8,6	15
MSCI EM Asia *	825	-1,0	-2,1	2,5	5
Shanghai Com (China)	2905	-0,9	-2,4	0,5	16
Jakarta (Indonesia)	6169	-1,0	-1,0	-1,8	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	139,5	-0,2	-1,2	6,2	21
JPM	117,8	0,1	-0,9	7,9	21
Citi	69,3	-0,3	-0,4	8,4	33
BoA	29,3	-0,3	-0,8	7,1	19
MS	42,7	-0,3	-1,9	3,5	8
GS	208,1	-0,4	-2,5	2,3	25
EZ banks	73,7	0,5	0,4	8,9	7
BNP	44,7	1,1	1,5	9,4	13
Crédit Agricole	11,1	0,2	0,1	8,5	18
Deutsche Bank	6,9	-0,8	-2,6	4,9	-1
ING	9,6	0,3	0,8	11,7	2
Intesa	2,2	0,7	1,6	8,0	12
SG	25,1	0,8	-1,1	10,0	-10
Unicredito	10,8	0,1	0,3	6,3	9
UK banks	72,1	-0,6	0,6	8,5	-1
HSBC	624,6	0,0	1,9	5,6	-3
RBS	207,6	-0,7	-0,6	13,2	-4
Barclays	150,4	-0,3	0,8	9,4	0
Lloyds	54,1	-1,5	-0,3	8,7	4
Large Spanish banks	57,6	0,8	2,1	9,4	-1
Santander	3,7	1,0	2,2	8,1	-6
BBVA	4,8	0,7	2,0	10,6	3
Medium Spanish banks	45,9	0,5	2,6	10,5	-20
Caixabank	2,4	0,3	2,5	15,9	-24
Sabadell	0,9	-0,2	3,7	14,6	-11
Bankinter	5,8	1,0	2,3	9,0	-17
Bankia	1,7	0,8	2,8	4,5	-32

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,091	-0,3	-0,8	-1,3	-5
GBPUSD	1,230	0,1	-1,0	1,0	-4
USDJPY	108,080	-0,1	-0,5	-1,4	1
DXY	99,354	0,2	0,8	0,9	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,58	-0,4	-1,1	0,5	-35
USDBRL (Brazil)	4,17	-0,2	0,0	0,1	-7
USDBCLP (Chile)	728,62	-0,2	-0,8	-1,0	-5
USDCOP (Colombia)	3483	-0,7	-1,31	-1,26	-7
USDMXN (Mexico)	19,75	-0,3	-1,4	2,0	-1
USDPEN (Peru)	3,38	0,0	-0,8	0,5	0
LACI	50,21	-0,2	-0,9	0,7	-8
USDPLN (Poland)	4,01	0,0	-0,3	-0,9	-7
USDRUB (Russia)	64,86	-0,3	-1,6	2,6	7
USDTRY (Turkey)	5,65	0,4	1,2	3,4	-6
USDCNY (China)	7,15	-0,4	-0,4	-0,1	-4
USDINR (India)	70,87	-0,4	0,1	1,3	-2
USDIDR (Indonesia)	14195	-0,2	-0,8	0,3	1
ADXY	103,08	0,0	-0,2	0,7	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60,9	-1,6	-6,0	0	13
WTx	55	-1,1	-5,7	-3	22
Copper	257	-0,5	-0,9	0	-2
Gold	1472	-1,7	-3,3	-4	15
S&P Spot commodity *	410	-0,4	-2,6	1	9
S&P Brent Spot *	519	-1,1	-4,2	1	13
S&P Metals Spot *	320	0,2	-1,3	1	0
S&P Agricultural *	275	0,0	0,3	3	-3

Source: Bloomberg, Datastream and Haver

* With one day delay