

Market Comment

A dash of optimism on a limited trade deal

- Global risk sentiment improved** with China's willingness to conclude a partial deal. Such concession entails an extra purchase of \$3.25b of U.S. agricultural goods. However, uncertainty remains high with the recent escalation of trade tensions ([see](#)), ahead of tomorrow's resumption of high-level negotiations.
- Powell announced the Fed would soon resume its **purchases of short-term Treasury securities**, emphasizing that any near-term balance sheet growth would not be QE, aimed at avoiding repo market strains. All eyes will be on today's **FOMC minutes**.
- On the data front, U.S. August's wholesale inventories were downwardly revised (0.2% MoM, consensus 0.4% MoM, previous 0.4% MoM).
- Sovereign bond yields increased** in general, especially in longer tenors. The yield on the 10Y UST bond picked up 4bps, trimming yesterday's drop, on positive trade news. Meanwhile, the 2Y UST bond yield consolidated the losses experienced with yesterday's Powell comments on balance sheet growth. In Europe, the 10Y German bund yield rose 5bps, whereas peripheral risk premia narrowed with Portugal's risk premium below the Spanish.
- Both G10 and EM currencies showed minor changes.** Safe-haven currencies retreated yesterday's gains as the trade tone improves (USDJPY -0.3%, the DXY index -0.1%), although the US dollar remains strong close to 1-year high. The euro appreciated 0.2% against the USD, fluctuating with no clear direction, while the sterling trimmed earlier gains after the Northern Irish party (DUP) opposed to the EU concession on the Irish backstop under any deal ([see](#)). Elsewhere, EM currencies were mixed: LatAm currencies strengthened (LACI index +0.2%), with the MXN leading the gains (USDMXN +0.3%), as market risk sentiment improved. However, the **USDTRY depreciated** 0.6% as the Turkish military offensive starts in Syria.
- In commodities, **oil prices edged higher** (Brent +1.6%) amid hopes of a limited trade agreement and geopolitical tensions in the Middle East.
- European and U.S. **stock markets rebounded** from yesterday's fall with cyclical sectors leading the gains. However, the lack of direction in the trade talks has increased market volatility in recent days.

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DEBT MARKETS (10Y, %, CHANGE IN BPS)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,44	2,4	-3,5	-15	-104
US	1,57	4,3	-2,8	-7	-111
GER (2-yr)	-0,75	3,1	1,1	10	-14
Germany	-0,55	4,7	-0,1	4	-79
France	-0,22	4,1	3,0	6	-93
Spain	0,15	3,1	-1,6	-7	-126
Italy	0,87	2,6	-3,2	-8	-187
Portugal	0,14	1,8	-5,0	-11	-159
Greece	1,42	-3,0	5,9	-18	-298
Japan (2-yr)	-0,31	0,8	-0,5	0	-17
Japan	-0,20	0,1	-3,6	5	-20
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,94	-5,1	-11,0	-39	-230
Chile	2,43	1,2	-10,7	0	-182
Colombia	5,95	-1,4	-4,1	-10	-80
Mexico	6,73	-3,4	-12,2	-28	-192
Peru	3,58	-1,4	-11,9	-4	-178
Poland	1,90	0,8	-10,6	-19	-92
Russia	6,96	-3,5	-20,6	-20	-182
Turkey	13,53	-14,0	18,0	-144	-227
India	6,45	-22,2	-21,1	-12	-92
Indonesia	7,28	1,8	-0,5	1	-75

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	-0,6	3,1	3	-14
Italy	142	-2,1	-3,1	-11	-108
Portugal	68	-2,9	-4,9	-15	-80
Spain	70	-1,6	-1,5	-10	-47
2-yr sovereign spread vs Germany					
France	9	0,1	1,4	0	-7
Italy	50	-3,0	-2,1	-4	-59
Portugal	14	-2,8	-0,7	-8	-12
Spain	25	-2,0	-1,0	-7	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	143	2,6	5	20	-64
Chile	37	0,1	-1	5	-26
Colombia	95	0,1	1	13	-64
Argentina	5296	-67,9	-134	520	4490
Mexico	116	1,4	-1	17	-39
Peru	62	0,0	2	17	-33
Poland	67	0,1	0	2	-1
Russia	93	1,7	4	7	-61
Turkey	380	7,2	22	0	20
China	50	-0,1	1	10	-18
India	74	0,1	1	8	-40
Indonesia	94	-1,0	3	16	-44

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	19	-1,1	-1	4	-6
VSTOXX	80	0,0	-9	4	14
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	0	-2
EM FX volatility index	21	0,9	0	3	-4
Credit spread (BAA) (change in bps)	227	-4,3	1	5	-19
US bonds volatility index	8	0,0	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,90	-	0	-8	-24
EZ Inflation expectations (5Y5Y)	1,15	-	0	-10	-46
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	62	2,2	4	19	-20
EZ	62	0,7	4	12	-42
UK	64	1,2	5	6	-31
Large Spanish	45	0,7	4	11	-42
Medium Spanish	96	0,4	0	9	-16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	229	8,9	-18	40	15
EZ Non-financial	82	0,1	6	16	-15
UK Non-financial	111	0,3	5	15	-8

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,42	0	1	2	-11
Euribor 12m	-0,33	0	-1	3	-22
Libor 3m	-0,47	0	0	-11	-11
Libor 12m	2,01	0	-8	-12	-79

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2912	0,7	0,9	-2,2	16
Dow Jones	26365	0,8	1,1	-1,8	13
Nikkei	21456	-0,6	-1,5	0,6	7
FTSE 100	7168	0,3	0,6	-0,9	7
EuroStoxx 50	3460	0,8	1,4	-1,0	15
IBEX	8987	0,5	0,8	-0,3	5
DAX	12088	1,0	1,4	-1,1	14
CAC	5495	0,7	1,3	-1,7	16
MB	21523	0,5	1,1	-2,1	17
ASE Athens	832	0,9	-0,5	-3,2	36
MSCI Latam *	91448	-0,7	-2,7	-1,7	6
Ibovespa (Brazil)	100540	0,6	-0,5	-2,6	14
Mexbol (Mexico)	42751	0,5	1,2	0,2	3
Merval (Argentina)	29980	-0,9	-2,6	10,3	-1
MSCI EM Europe *	5772	-0,4	-1,9	-2,0	9
Poland	2134	0,1	1,7	-1,8	-6
Micex 10 (Russia)	4700	0,5	-0,6	-1,8	12
Ise 100 (Turkey)	99649	-2,2	-3,7	-1,0	9
MSCI EM Asia *	823	0,2	-0,5	-1,2	5
Shanghai Com (China)	2925	0,4	0,7	-3,3	17
Jakarta (Indonesia)	6029	0,5	-1,8	-4,4	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	133,1	0,8	0,1	-3,8	15
Citi	112,3	0,5	-0,8	-2,7	15
Citi	67,2	1,3	1,5	-2,2	29
BoA	27,9	0,8	0,1	-2,7	13
MS	40,4	1,4	0,3	-6,4	2
GS	197,8	0,2	-0,2	-6,7	18
EZ banks					
BNP	69,4	0,1	-1,0	-4,6	1
BNP	42,4	0,2	-0,2	-2,9	7
Crédit Agricole	10,5	-0,2	-1,5	-5,0	11
Deutsche Bank	6,3	-0,3	-4,3	-14,3	-10
ING	9,0	-0,3	-0,7	-3,1	-4
Intesa	2,1	0,8	0,4	0,1	8
SG	23,2	0,3	-1,9	-7,8	-17
Unicredit	10,1	-0,2	-1,1	-7,3	3
UK banks					
HSBC	68,4	0,3	-0,8	0,4	-6
HSBC	603,8	0,8	0,1	-0,5	-7
RBS	189,3	0,0	-2,8	-1,8	-13
Barclays	145,4	1,0	0,8	3,3	-3
Lloyds	50,6	-0,7	-1,9	0,8	-2
Large Spanish banks					
Santander	54,3	0,1	0,0	-2,2	-7
Santander	3,5	0,4	0,5	-2,2	-11
BBVA	4,5	-0,1	-0,4	-2,2	-3
Medium Spanish banks					
Caixabank	44,1	0,4	-0,7	0,4	-23
Caixabank	2,3	0,2	-0,4	3,9	-28
Sabadell	0,9	0,0	-1,0	3,5	-14
Bankinter	5,6	0,8	-0,2	-0,9	-20
Bankia	1,6	0,7	-2,4	-4,8	-36

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,098	0,2	0,2	-0,6	-4
GBPUSD	1,222	0,0	-0,7	-1,0	-4
USDJPY	107,450	-0,3	-0,3	-0,2	2
DXY	99,062	-0,1	0,0	0,8	3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	57,96	-0,2	-0,3	-3,4	-35
USDBRL (Brazil)	4,10	-0,1	0,7	-0,1	-5
USDCOP (Chile)	724,48	0,0	0,1	-1,3	-4
USDCOP (Colombia)	3455	0,0	1,17	-2,42	-6
USDMXN (Mexico)	19,57	0,3	1,1	0,0	0
USDPEN (Peru)	3,38	0,1	0,3	-0,9	0
LACI	50,66	0,2	0,5	-0,7	-7
USDPLN (Poland)	3,94	0,3	1,1	-0,4	-5
USD RUB (Russia)	64,85	0,6	0,4	1,1	7
USDTRY (Turkey)	5,87	-0,6	-2,8	-2,0	-10
USDCNY (China)	7,13	0,2	0,2	-0,2	-4
USDINR (India)	71,07	-0,1	0,0	0,9	-2
USDIDR (Indonesia)	14173	-0,1	0,2	-1,0	2
ADXY	103,24	0,2	0,3	0,4	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,2	1,6	2,5	-5	10
WTx	54	1,8	1,7	-7	18
Copper	256	0,0	0,0	-2	-2
Gold	1506	0,0	0,5	0	17
S&P Spot commodity *	399	0,1	0,6	-2	7
S&P Brent Spot *	494	-0,3	0,6	-7	8
S&P Metals Spot *	320	-0,4	1,1	-2	0
S&P Agricultural *	283	1,3	0,8	8	0

Source: Bloomberg, Datastream and Haver

* With one day delay