

Market Comment

Lingering geopolitical uncertainty

- Investors remained cautious in a **volatile session** underpinned by increasing geopolitical frictions.
- Fresh conflict between the U.S. and China over Hong Kong** may halt the recent progress in trade talks as China threatened to retaliate if the U.S. approves a legislation supporting protests in Hong Kong (see). Moreover, China reportedly wants a rollback in U.S. tariffs before purchasing as much as \$50bn of U.S. agricultural products, while U.S. President Trump said a limited deal would not be signed until the meeting in Chile next month.
- Some positive steps towards a **potential fiscal support in Germany**. Chancellor Merkel's party begins to soften opposition to fiscal stimulus if their economic situation darkens further.
- Downbeat consumer data in the U.S.** Retail sales unexpectedly fell in September (-0.3% MoM, consensus 0.3% MoM, prior 0.6% MoM), while data from the prior month was upwardly revised by 0.2%. In this context, market **expectations of a Fed rate cut** by the end of this month rose from 73% to 85% after weak U.S. retail sales. In EMU, final September's CPI were downwardly revised from 0.9%YoY to 0.8%YoY, while Core CP rose 1%YoY in line with flash figures and with expectations.
- The U.S. repo rates consolidated yesterday's increase above 2%** (GC rate 2.15% vs 2.37% yesterday), while Fed liquidity provision were oversubscribed, although the Fed increased the amount injected (75bn, demanded 80bn in overnight repo), after yesterday's injection amounting to 67.5bn in overnight repo and 20bn in a 14-day repo.
- Sovereign bonds yields were mixed** (10Y US -2bps, 10Y GER +3bps). The yield on the 10Y UST bond dropped earlier driven by the uncertainty in trade talks, weak data and geopolitical risks. On the other hand, European sovereign bond yields increased in general on the back of recent major breakthrough on Brexit and German government more prone to use fiscal policy to support growth if needed. However, 10Y Italian bond yield dropped with its risk premium narrowing (-4bps) after the submission of its budget plan to the European Commission. The Italian government will keep the budget deficit at a 2.2% of its GDP (see).
- Both euro and the **sterling fluctuated** amid Brexit negotiations and mixed Eurozone CPI data. The sterling extended its gains, leading the way among the G10 (GBPUSD +0.5%), alongside the euro (EURUSD +0.4%). Meanwhile, the USD weakened (DXY index -0.3%), dragged down by disappointing retail sales. Elsewhere, LatAm currencies were mixed with the Brazilian real leading the gains (USDBRL +0.4%), while the Turkish lira gained 0.7% against the USD as U.S.-Turkey talks will continue.
- European and U.S. stock markets were steady despite some better-than-expected bank earnings.

UPDATE 18:00 CET 16 OCTOBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,59	-2,8	12,4	-17	-90
US	1,75	-2,4	16,3	-10	-94
GER (2-yr)	-0,68	1,2	8,1	5	-7
Germany	-0,39	3,0	16,1	9	-63
France	-0,10	2,2	11,9	10	-81
Spain	0,25	2,6	10,2	0	-116
Italy	0,93	-1,0	5,8	8	-182
Portugal	0,20	2,3	6,9	-7	-152
Greece	1,39	-1,5	-2,9	-15	-301
Japan (2-yr)	-0,26	1,6	4,8	-2	-12
Japan	-0,16	0,8	3,9	-1	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,74	-0,8	-18,0	-55	-249
Chile	2,55	-1,7	13,0	6	-170
Colombia	6,08	2,2	13,0	6	-67
Mexico	6,82	3,3	10,2	-42	-182
Peru	3,48	-1,2	-6,3	-22	-188
Poland	2,01	2,1	11,0	-12	-81
Russia	6,79	-0,1	-17,1	-35	-199
Turkey	15,17	11,0	164,0	42	-63
India	6,47	-2,6	1,5	-25	-90
Indonesia	7,18	-2,8	-9,6	-9	-84

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	-0,8	-4,2	1	-18
Italy	131	-4,0	-10,3	-1	-119
Portugal	59	-0,7	-9,2	-16	-89
Spain	64	-0,4	-5,9	-10	-53
2-yr sovereign spread vs Germany					
France	6	0,0	-3,2	0	-10
Italy	42	-1,3	-8,3	-5	-66
Portugal	10	-0,7	-4,8	-9	-16
Spain	22	-1,0	-3,1	-5	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	131	-1,6	-12	12	-77
Chile	34	-1,0	-2	4	-29
Colombia	88	-1,0	-7	10	-70
Argentina	4706	41,8	-59,1	-1213	3899
Mexico	109	-0,9	-7	9	-46
Peru	57	-1,2	-5	15	-38
Poland	67	0,0	0	3	-1
Russia	83	-3,3	-9	6	-71
Turkey	393	-20,4	13	19	33
China	43	-1,3	-7	5	-24
India	73	-0,5	-1	9	-40
Indonesia	86	-1,7	-8	11	-51

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,3	-5	-1	-12
VSTOXX	80	0,0	1	-6	13
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,1	0	0	-2
EM FX volatility index	16	-1,0	-4	-1	-9
Credit spread (BAA) (change in bps)	223	2,4	-6	4	-22
US bonds volatility index	8	-0,1	0	0	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,95	-	5	-9	-18
EZ Inflation expectations (5Y5Y)	1,22	-	8	-10	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	52	-1,4	-10	10	-31
EZ	54	-2,5	-8	5	-51
UK	51	-3,5	-13	-1	-43
Large Spanish	42	-1,0	-3	8	-46
Medium Spanish	96	3,4	-1	8	-17
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	211	1,7	-18	36	-2
EZ Non-financial	75	-1,0	-7	12	-22
UK Non-financial	105	-0,3	-5	12	-13

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,41	1	1	-2	-10
Euribor 12m	-0,30	0	3	1	-18
Libor 3m	-0,47	0	0	-10	-11
Libor 12m	2,00	0	-1	-14	-79

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2995	0,0	2,6	-0,1	19
Dow Jones	27049	0,1	2,7	-0,1	16
Nikkei	22473	1,2	4,7	2,2	12
FTSE 100	7168	-0,6	0,0	-2,1	7
EuroStoxx 50	3599	0,0	4,0	2,3	20
IBEX	9387	0,3	4,4	3,7	10
DAX	12670	0,3	4,8	2,3	20
CAC	5697	-0,1	3,6	1,7	20
MI	22428	0,3	4,2	2,1	22
ASE Athens	858	0,0	3,2	-1,1	40
MSCI Latam *	94713	0,1	3,6	1,1	10
Ibovespa (Brazil)	104278	-0,2	3,0	0,6	19
Mexbol (Mexico)	43442	0,5	2,2	1,4	4
Merval (Argentina)	30820	-1,6	1,6	0,8	2
MSCI EM Europe *	5830	0,6	1,0	-1,8	10
Poland	2156	0,1	1,0	-2,8	-5
Micex 10 (Russia)	4788	1,3	2,0	-1,7	14
Ise 100 (Turkey)	94137	-1,2	-5,5	-8,2	3
MSCI EM Asia *	844	0,4	2,5	-0,2	8
Shanghai Com (China)	2979	-0,4	1,8	-1,7	19
Jakarta (Indonesia)	6170	0,7	2,2	-2,6	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	141,9	0,5	6,5	-0,8	23
JPM	120,2	0,2	6,7	0,8	23
Citi	70,2	-1,5	4,1	0,5	35
BoA	30,4	2,3	9,1	1,0	23
MS	42,9	0,9	6,1	-4,1	8
GS	207,5	0,5	5,4	-4,5	24
EZ banks	77,1	1,3	10,8	3,2	12
BNP	47,3	0,4	11,2	6,0	20
Crédit Agricole	11,6	2,0	11,0	2,5	23
Deutsche Bank	7,1	1,0	13,1	-5,0	2
ING	10,2	1,8	12,7	5,5	9
Intesa	2,2	1,3	6,4	4,4	15
SG	26,0	0,9	11,9	1,0	-7
Unicredito	11,4	1,8	12,3	1,3	15
UK banks	76,3	0,3	11,5	5,8	5
HSBC	603,6	-0,4	-0,2	-2,4	-7
RBS	229,7	1,6	20,8	10,8	6
Barclays	164,3	0,1	13,3	7,0	9
Lloyds	61,0	0,3	20,4	12,8	18
Large Spanish banks	59,1	0,9	8,6	2,1	1
Santander	3,9	0,6	10,6	4,1	-1
BBVA	4,8	1,2	6,7	0,3	4
Medium Spanish banks	49,6	1,6	12,3	7,2	-14
Caixabank	2,6	1,8	14,2	10,0	-17
Sabadell	1,0	2,1	17,9	13,4	2
Bankinter	6,1	1,1	10,1	3,6	-13
Bankia	1,8	2,2	10,5	5,4	-29

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,108	0,4	0,9	0,7	-3
GBPUSD	1,285	0,5	5,3	3,4	1
USDJPY	108,710	0,1	-1,1	-0,5	1
DXY	97,999	-0,3	-1,1	-0,6	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,25	0,0	-0,5	-3,4	-35
USDBRL (Brazil)	4,16	0,4	-1,3	-2,0	-7
USDCOP (Chile)	717,53	-0,2	0,9	-1,2	-3
USDCOL (Colombia)	3459	-0,2	0,22	-2,74	-6
USDMXN (Mexico)	19,20	0,2	1,9	1,2	2
USDPEN (Peru)	3,37	0,0	0,0	-1,0	0
LACI	50,75	0,0	0,4	-1,0	-7
USDPLN (Poland)	3,87	0,5	1,8	1,7	-3
USD RUB (Russia)	64,13	0,3	1,2	-0,2	8
USDTRY (Turkey)	5,87	0,7	-0,1	-2,5	-10
USDCNY (China)	7,09	-0,2	0,6	-0,4	-3
USDINR (India)	71,44	0,2	-0,5	0,2	-2
USDIDR (Indonesia)	14172	0,0	0,0	-0,9	2
ADXY	103,39	0,0	0,2	0,0	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,6	1,4	2,1	-14	11
WTx	54	1,4	1,9	-15	18
Copper	258	-1,1	0,6	-2	-2
Gold	1488	0,4	-1,2	-1	16
S&P Spot commodity *	403	-0,5	0,8	-7	8
S&P Brent Spot *	498	-1,0	0,9	-14	9
S&P Metals Spot *	322	0,3	0,7	-1	1
S&P Agricultural *	286	-0,5	1,0	4	1

Source: Bloomberg, Datastream and Haver

* With one day delay