

Market Comment

Weak US durable goods bring back the cautious tone

- Markets were cautious amid concerns over the gloomy economic outlook ahead of the US Vice President Pence's speech on China later today.
- The ECB maintained the monetary policy unchanged (the marginal lending facility and deposit facility remained unchanged at 0.00%, 0.25% and -0.50% respectively), as expected. Mr. Draghi tries to convey the message that unity has returned to the ECB despite legitimate discrepancies within the Governing Council. Mario Draghi further stresses the need to activate fiscal policy to complement monetary policy. He mentioned that new surveys and indicators continue to be relatively weak, signaling that ample accommodation is still necessary.
- Regarding US monetary markets strains, and in order to avert any tensions in the markets. The Fed has increased the amount offered at its overnight repo operation from USD75bn to USD120bn, as well as increasing the size of its 14-day term operations by USD10bn to USD45bn. The US general collateral Repo rate remains contained below 1.8%, while today the Fed's Repo auction was 1.4 times over-subscribe (submitted \$62bn, accepted \$45bn)
- Mixed economic data in the US, while in Europe manufacturing sector remained weak, but showed signs of reaching a trough. US durable goods fell sharply in September (-1.1%; consensus -0.7%; previous 0.3%), coupled with a decline in new home sales, suggesting that risks of a global slowdown persist. Nonetheless, preliminary manufacturing PMI rose unexpectedly in October (51.5; consensus 50.9; previous 51.1), while the services PMI increased marginally as estimated (51; consensus 51; previous 50.9). On the other hand, the Eurozone's preliminary Market composite PMI rose marginally in October (50.2; consensus 50.3; previous 50.1), but the manufacturing PMI disappoints (45.7; consensus 46; previous 45.7) as the employment in the industry fell the most in almost 10 years. The Eurozone services PMI increased slightly (51.8; consensus 51.9; previous 51.6), despite the fact that the German services PMI declined to its lowest reading since 2016 (51.2; consensus 52; previous 51.4).
- Sovereign bond yields inched down led by disappointing U.S. economic data (10Y US -2 bps, 10Y Ger -1 bps). European bond yields gained in the early session with the increase of the Eurozone composite PMI, especially in France. Nonetheless, the gains were trimmed as the weaker-than-expected US durable goods renewed fears of a global slowdown, alongside comments from the ECB's Draghi. Moreover, peripheral risk premia narrowed with Italy leading the path (-2 bps). Markets are not expecting an additional ECB rate cut until the next year, but expectations of a 10 bps ECB rate cut by year-end increased marginally from 0% to 10%.
- The JPY gained against its G10 peers, while the USD also strengthened (DXY index +0.2%) ahead of the US Vice President Pence's speech on China later today. Meanwhile, the sterling fell (GBPUSD -0.4%) amid the risk of a general election on December 12, ahead of tomorrow's EU decision on the UK's extension request (see). However, the GBPUSD 1M implied volatility continued to ease as the risk of an imminent no-deal Brexit faded. The euro reversed early gains as the deterioration of the economy continues, although at a slower pace, and remained muted with the ECB rate decision. Elsewhere, EM currencies depreciated in general with the TRY leading the losses (USDTRY -0.6%) after the Turkey's central bank cut more than expected rates by 250 bps to 14%, despite the fact that the U.S. President Trump yesterday lifted the sanctions imposed on Turkey.
- European stocks edged up with defensive sectors leading the gains (EuroStoxx 50 +0.4%).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,56	-1,8	-3,6	-6	-92
US	1,74	-2,1	-0,9	10	-94
GER (2-yr)	-0,67	-1,2	0,2	7	-6
Germany	-0,40	-1,0	0,4	20	-65
France	-0,10	-1,2	1,0	19	-81
Spain	0,24	-1,2	1,2	12	-118
Italy	0,91	-2,9	1,7	7	-184
Portugal	0,18	-1,4	0,5	4	-154
Greece	1,24	-3,8	-15,0	-9	-316
Japan (2-yr)	-0,24	0,3	0,6	8	-10
Japan	-0,14	-0,4	1,2	10	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,54	-2,6	-2,7	-62	-270
Chile	2,85	-2,1	15,9	37	-140
Colombia	6,08	-3,1	2,2	13	-68
Mexico	6,81	-4,8	-5,1	-9	-183
Peru	3,67	0,1	16,8	-6	-170
Poland	1,98	1,4	-2,5	-7	-85
Russia	6,62	4,0	-14,5	-52	-216
Turkey	13,09	-4,0	-180,0	-100	-271
India	6,50	-0,6	0,6	-28	-87
Indonesia	7,08	0,8	-6,6	-23	-94

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0,2	0,6	0	-17
Italy	131	-1,9	1,3	-12	-119
Portugal	59	-0,4	0,1	-16	-89
Spain	64	-0,2	0,8	-8	-53
2-yr sovereign spread vs Germany					
France	5	0,4	-0,3	-2	-11
Italy	46	1,5	4,4	-6	-63
Portugal	12	1,3	2,0	-5	-14
Spain	26	1,5	4,0	5	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	124	-2,8	-8	-8	-83
Chile	37	-1,1	3	1	-26
Colombia	83	-0,8	-4	-7	-75
Argentina	6148	-15,1	907	617	5342
Mexico	100	-2,3	-8	-12	-55
Peru	54	-0,8	-3	3	-40
Poland	67	0,0	0	-4	-1
Russia	75	0,2	-5	-6	-79
Turkey	362	-15,8	-37	-16	2
China	40	0,9	-3	-6	-27
India	72	-0,6	-1	-1	-41
Indonesia	79	0,1	-6	-9	-58

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0,2	0	-3	-11
VSTOXX	73	0,0	-5	-10	6
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	-0,2	-1	0	-2
EM FX volatility index	16	-0,1	0	-3	-9
Credit spread (BAA) (change in bps)	221	2,1	-1	1	-25
US bonds volatility index	8	-0,1	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,01	-	5	7	-13
EZ Inflation expectations (5Y5Y)	1,20	-	-2	-1	-40
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	0,8	-2	-5	-33
EZ	52	0,8	-1	-6	-52
UK	45	0,3	-4	-13	-49
Large Spanish	39	-0,5	-2	-2	-48
Medium Spanish	92	-0,1	-4	4	-21
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	1,2	-2	-12	-7
EZ Non-financial	74	0,2	-1	0	-23
UK Non-financial	102	0,3	-2	-1	-17

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,55	0	0	n.a.	n.a.
Euribor 3m	-0,40	0	1	0	-10
Euribor 12m	-0,29	0	1	3	-17
Libor 3m	-0,46	0	0	-1	-11
Libor 12m	1,94	0	-7	-17	-86

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3003	-0,1	0,2	1,2	20
Dow Jones	26758	-0,3	-1,0	-0,2	15
Nikkei	22751	0,6	1,3	2,9	14
FTSE 100	7328	0,9	2,0	0,5	9
EuroStoxx 50	3621	0,4	0,9	2,5	21
IBEX	9392	0,1	0,6	3,0	10
DAX	12872	0,6	1,7	4,6	22
CAC	5684	0,5	0,2	1,0	20
MI	22527	0,8	0,7	2,9	23
ASE Athens	874	0,1	1,7	0,7	43
MSCI Latam *	96082	0,2	0,7	1,5	11
Ibovespa (Brazil)	106977	-0,5	1,9	3,0	22
Mexbol (Mexico)	43660	0,3	0,4	1,3	5
Merval (Argentina)	32841	0,2	2,6	18,1	8
MSCI EM Europe *	6055	0,6	3,1	2,4	15
Poland	2208	0,0	1,6	1,5	-3
Micex 10 (Russia)	4966	1,1	3,3	4,5	19
Ise 100 (Turkey)	100346	0,6	5,7	-1,5	10
MSCI EM Asia *	844	-0,4	-0,5	0,7	8
Shanghai Com (China)	2941	0,0	-1,2	-1,5	18
Jakarta (Indonesia)	6340	1,8	2,8	2,2	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	146,4	-0,6	3,3	5,9	27
JPM	124,2	-0,7	3,2	5,9	27
Citi	71,9	-0,7	3,3	5,9	38
BoA	31,3	-0,5	3,3	8,0	27
MS	45,6	-0,7	5,0	7,2	15
GS	210,4	-0,4	1,9	1,3	26
EZ banks	78,0	-0,3	1,5	7,5	13
BNP	47,8	-0,3	1,8	9,4	21
Crédit Agricole	11,8	0,0	2,3	7,7	25
Deutsche Bank	7,1	-1,8	-1,1	2,2	1
ING	10,3	0,1	1,8	9,8	10
Intesa	2,3	0,0	1,8	6,6	17
SG	26,2	-1,2	0,6	4,7	-6
Unicredito	11,6	-0,5	1,5	8,5	17
UK banks	76,5	-0,4	-0,1	8,0	5
HSBC	617,4	1,1	1,8	1,0	-5
RBS	225,9	-3,3	-2,7	10,2	4
Barclays	166,4	0,4	1,5	13,2	11
Lloyds	59,9	-0,7	-1,8	11,9	15
Large Spanish banks	59,8	-0,7	2,9	6,6	2
Santander	3,9	-0,9	2,4	8,8	-1
BBVA	4,9	-0,4	3,4	4,6	5
Medium Spanish banks	49,4	-2,0	-0,1	10,4	-14
Caixabank	2,5	-1,9	-1,4	8,2	-20
Sabadell	1,0	-2,9	-0,5	17,6	1
Bankinter	6,3	-0,8	2,2	11,4	-10
Bankia	1,8	-4,3	-3,5	4,6	-31

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,111	-0,2	-0,2	0,8	-3
GBPUSD	1,286	-0,4	-0,2	3,0	1
USDJPY	108,600	0,1	0,1	-1,4	1
DXY	97,716	0,2	0,1	-0,6	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,34	-0,6	-1,7	-4,1	-37
USDBRL (Brazil)	4,01	0,6	3,8	3,8	-3
USDCOP (Chile)	724,24	0,3	-1,7	0,0	-4
USDCOL (Colombia)	3396	-0,1	1,62	1,17	-4
USDMXN (Mexico)	19,10	0,1	0,5	1,8	3
USDPEN (Peru)	3,35	-0,1	0,0	-0,2	1
LACI	51,39	0,3	1,2	1,3	-5
USDPLN (Poland)	3,85	-0,3	0,0	3,2	-3
USD RUB (Russia)	64,08	-0,2	0,1	-0,2	8
USDTRY (Turkey)	5,77	-0,6	1,1	-1,2	-8
USDCNY (China)	7,07	-0,1	0,1	0,7	-3
USDINR (India)	71,03	-0,2	0,2	0,0	-2
USDIDR (Indonesia)	14059	-0,2	0,7	0,4	2
ADXY	103,71	-0,1	0,1	0,5	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61,7	0,8	2,9	-2	15
WTx	56	0,5	4,3	-2	24
Copper	266	-0,3	2,6	3	1
Gold	1502	0,7	0,7	-2	17
S&P Spot commodity *	413	1,4	1,4	0	10
S&P Brent Spot *	518	2,4	2,4	-2	13
S&P Metals Spot *	325	0,7	1,4	1	2
S&P Agricultural *	286	0,1	-0,7	4	1

Source: Bloomberg, Datastream and Haver

* With one day delay