

Market Comment

The global economic weakness persists

- **Optimism that the US will rollback tariffs on China's goods faltered somewhat as negotiations continue to face new problems.** Nonetheless, some positive steps were taken, after both countries lifted the ban on poultry imports (see). On the other hand, the **European automobile** sector continued waiting Trump's decision on auto tariff, amid rising expectations that the US President would delay the decision by another 180 days (see).
- **The German economy unexpectedly avoided entering into a technical recession in the third quarter** by growing 0.1% q/q (cons. -0.1% q/q, previous -0.2% q/q), although it was the inventory accumulation that pushed growth into positive territory. The revision of previous figures suggested a further contraction in the second quarter from -0.1% q/q to -0.2% q/q. Nonetheless, the positive surprise in Germany **downplayed hopes of an immediate fiscal stimulus** after Germany's Finance Minister, Scholz, said the country does not need a boost of additional spending.
- However, **today's macroeconomic data were negative in Asia**, with economic gloom persisting worldwide, especially in China, where both retail sales and industrial production dropped more than expected in October, increasing concerns about the path of China's slowdown. On the other hand, Japan's GDP grew at a slower pace than expected in the third quarter (0.1% q/q, cons. 0.2% q/q, previous 0.4% q/q), dragged down by a fall in exports amid trade tensions and a drop in stockpiles of goods ahead of the sales tax increase.
- **Sovereign bond yields extended yesterday's decline** (10Y US -8bps, 10Y Ger -5bps) amid mounting uncertainty over phase one of the trade deal and further evidence of global economic weakness. In Europe, core and semi core sovereign bonds outperformed **peripheral bonds**, whose risk premia widened significantly, especially in **Italy** (+14bps).
- **Macroeconomics had a limited impact on G10 currencies**, but the Japanese yen appreciated (USDJPY +0.5%), outperforming its G10 peers as market risk sentiment worsened. The **euro** fluctuated and trimmed early gains after the unexpected growth of the German economy dashed hopes for fiscal stimulus. **Sterling** gained marginally (GBPUSD +0.2%), despite the leader of the Brexit party rejecting an electoral pact with Boris Johnson's party. In emerging markets, LatAm currencies followed the downward trend with the **Chilean peso** continuing to hit fresh record lows (USDCLP -1%) as the central bank's announcement of a \$4bn FX swap intervention fell short of expectations.
- **Stock markets inched down** on the back of uncertainty over the US-China deal and mixed earnings. However, the S&P 500 index remains at record highs.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	-5,5	-8,6	-4	-91
US	1,81	-7,9	-11,1	4	-88
GER (2-yr)	-0,64	-1,7	-2,9	5	-3
Germany	-0,35	-5,1	-11,8	7	-59
France	-0,02	-3,5	-7,9	10	-73
Spain	0,46	0,5	7,3	23	-96
Italy	1,34	9,1	17,1	40	-141
Portugal	0,38	1,6	7,7	20	-134
Greece	1,47	5,8	22,1	6	-293
Japan (2-yr)	-0,19	-0,8	-2,0	8	-5
Japan	-0,07	-2,5	-0,3	10	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,69	-4,5	3,8	-6	-255
Chile	3,50	41,5	71,4	94	-75
Colombia	6,31	-4,9	15,5	25	-44
Mexico	6,97	-2,2	13,3	18	-168
Peru	4,01	1,4	19,7	52	-135
Poland	2,06	-2,5	-8,3	7	-76
Russia	6,63	-6,9	12,5	-16	-215
Turkey	12,14	4,0	-20,0	-292	-366
India	6,52	-0,9	1,5	3	-85
Indonesia	7,07	0,7	7,6	-14	-95

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	1,6	3,9	3	-14
Italy	169	14,2	28,9	33	-81
Portugal	73	6,7	19,5	13	-75
Spain	81	5,6	19,1	16	-37
2-yr sovereign spread vs Germany					
France	4	0,2	-1,4	-2	-12
Italy	62	5,7	14,2	18	-47
Portugal	17	1,6	10,2	7	-9
Spain	27	1,9	4,7	4	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	121	0,6	2	-11	-86
Chile	48	-0,1	5	13	-15
Colombia	83	3,5	6	-7	-76
Argentina	8174	-72,4	1303	3511	7368
Mexico	91	2,0	5	-19	-64
Peru	53	1,3	4	-5	-42
Poland	66	-0,3	0	-1	-2
Russia	73	1,8	1	-13	-81
Turkey	315	4,2	-9	-98	-45
China	40	3,2	3	-4	-28
India	69	0,2	-1	-5	-45
Indonesia	75	2,2	1	-13	-63

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0,2	0	0	-12
VSTOXX	66	0,0	-1	-14	0
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	5	0,0	0	-1	-3
EM FX volatility index	19	0,2	2	3	-6
Credit spread (BAA) (change in bps)	218	7,9	5	-3	-27
US bonds volatility index	7	0,1	0	-1	-2
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,02	-	-11	7	-11
EZ Inflation expectations (5Y5Y)	1,23	-	-4	2	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	47	1,2	1	-6	-35
EZ	54	1,8	1	-3	-51
UK	46	1,7	1	-8	-48
Large Spanish	39	1,6	0	-4	-49
Medium Spanish	89	0,9	0	-3	-23
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	229	14,8	-26	20	15
EZ Non-financial	70	0,9	0	-6	-27
UK Non-financial	101	0,7	0	-5	-18

INTERBANK MARKETS (% , CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,53	0	1	2	n.a.
Euribor 3m	-0,40	0	0	2	-9
Euribor 12m	-0,27	-1	0	4	-15
Libor 3m	-0,45	0	0	1	-9
Libor 12m	1,91	0	1	-9	-89

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3092	-0,1	0,2	3,2	23
Dow Jones	27720	-0,2	0,2	2,6	19
Nikkei	23142	-0,8	-0,8	4,2	16
FTSE 100	7302	-0,7	-1,4	1,3	9
EuroStoxx 50	3689	-0,3	-0,5	2,5	23
IBEX	9172	-0,2	-2,9	-2,0	7
DAX	13187	-0,3	-0,8	4,4	25
CAC	5900	-0,1	0,2	3,5	25
MB	23492	-0,4	0,0	5,0	28
ASE Athens	890	2,2	2,3	3,7	45
MSCI Latam *	94444	-0,7	-2,0	-0,1	9
Ibovespa (Brazil)	106331	0,3	-3,0	1,8	21
Mexbol (Mexico)	43179	0,2	-2,1	-0,2	4
Merval (Argentina)	31641	-2,2	-11,8	1,0	4
MSCI EM Europe *	6219	-0,5	-1,3	7,3	18
Poland	2226	-0,4	-2,0	3,3	-2
Micex 10 (Russia)	5116	-0,1	-1,5	8,2	22
Ise 100 (Turkey)	103781	-1,0	0,2	8,9	14
MSCI EM Asia *	864	-1,0	-1,7	2,8	10
Shanghai Com (China)	2910	0,2	-2,3	-2,7	17
Jakarta (Indonesia)	6099	-1,3	-1,9	-0,5	-2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	152,4	-0,1	-1,6	8,0	32
Citi	128,2	-0,2	-1,4	6,9	31
BoA	73,8	-0,2	-2,7	3,6	42
MS	32,6	-0,4	-1,8	9,8	32
GS	48,6	0,5	0,0	14,4	23
218,9	-0,2	-2,0	6,0	31	
EZ banks					
BNP	81,0	-0,3	-2,2	6,5	18
Crédit Agricole	50,3	0,2	-2,1	6,8	27
Deutsche Bank	12,5	0,2	-0,5	9,6	33
ING	6,6	-1,3	-7,0	-6,9	-6
Intesa	10,5	-1,0	-3,9	4,1	11
SG	2,3	-0,8	-1,3	5,2	20
Unicredito	28,2	0,3	-1,6	9,7	2
UK banks					
HSBC	74,3	-0,7	-0,5	-2,3	2
RBS	570,7	-0,6	-5,0	-5,8	-12
Barclays	221,8	-0,2	2,8	-1,9	2
Lloyds	169,8	-0,6	-2,1	3,5	13
Lloyds	58,8	-1,3	2,8	-3,3	13
Large Spanish banks					
Santander	55,9	-0,7	-6,5	-4,6	-4
BBVA	3,5	-0,8	-7,9	-9,1	-11
Medium Spanish banks					
Caixabank	4,7	-0,6	-5,2	-0,4	-2
Sabadell	48,1	-0,9	-7,6	-1,5	-16
Bankinter	2,6	0,2	-7,3	0,7	-18
Bankia	1,0	-1,4	-6,7	-1,9	-2
Bankia	1,7	-0,9	-10,8	-7,3	-35

CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,102	0,1	-0,3	-0,2	-4
GBPUSD	1,288	0,2	0,5	0,7	1
USDJPY	108,320	0,5	0,9	0,5	1
DXY	98,196	-0,2	0,1	-0,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,72	0,0	-0,2	-2,4	-37
USDBRL (Brazil)	4,19	-0,4	-2,2	-0,3	-7
USDCOP (Chile)	802,63	-1,0	-7,6	-10,8	-14
USDCOP (Colombia)	3453	-0,7	-3,85	-0,04	-6
USDMXN (Mexico)	19,44	-0,4	-1,6	-1,0	1
USDPEN (Peru)	3,39	0,0	-1,3	-0,6	-1
LACI	49,64	-0,4	-2,5	-2,1	-9
USDPLN (Poland)	3,89	0,2	-1,0	0,0	-4
USD RUB (Russia)	64,11	0,4	-0,9	0,3	8
USDTRY (Turkey)	5,75	-0,2	0,0	2,8	-8
USDCNY (China)	7,02	0,0	-0,6	0,9	-2
USDINR (India)	71,97	0,2	-1,4	-0,6	-3
USDIDR (Indonesia)	14088	-0,1	-0,6	0,6	2
ADXY	104,03	0,0	-0,5	0,6	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62,4	0,1	0,2	6	16
WTx	57	-0,3	-0,3	8	25
Copper	262	-0,6	-3,8	1	0
Gold	1474	0,7	0,3	-1	15
S&P Spot commodity *	418	0,2	-0,2	4	12
S&P Brent Spot *	524	0,2	-0,9	5	14
S&P Metals Spot *	320	-1,0	-3,2	-1	0
S&P Agricultural *	287	-0,2	1,0	0	1

Source: Bloomberg, Datastream and Haver

* With one day delay