

## Market Comment

## Fresh trade concerns

- Early equity optimism in Europe driven by the positive manufacturing data from China was erased amid new trade concerns, political risk in Germany and worse-than-expected US manufacturing data.
- On the trade front**, US President is restoring tariffs on imports of steel and aluminium from Brazil and Argentina following accusations of intentionally devaluing their currencies to the detriment of US farmers. On the other hand, U.S. Commerce Secretary Wilbur Ross renewed the threat of higher tariffs on Chinese imports. Separately, China's first retaliation to the U.S. bill supporting pro-democracy movements in Hong Kong was not related to trade, but officials said China would take further necessary actions without signaling what they might be.
- Political risk inched up in Germany** after the Social Democratic Party elected two new left-wing leaderships this weekend -Norbert Walter-Borjans and Saskia Esken- who threatened to stop the coalition between the SPD and the Angela Merkel conservative block. However, all eyes will be on Dec. 6, during the SPD conference regarding the approval of the new co-leaders.
- China manufacturing data surprised positively, showing early signs of bottom out, while manufacturing contracted further in the US.** The Caixin manufacturing PMI improved in November, albeit only marginally (51.8 from 51.7; Cons: 51.5). US ISM manufacturing unexpectedly contracted further in November with new order volumes sliding back to around their lowest level since 2012 (48.1 from 48.3; Cons: 49.2). Meanwhile, November's Eurozone Markit PMI manufacturing rose to 46.9 from 46.6, although remaining in the contraction area.
- Christine **Lagarde** said European growth remained weak, affected by the sluggish global outlook, but domestic demand remained relatively sound, in part due to the ECB accommodative monetary policy. Regarding upcoming monetary policy review, she stated that it will be based on two factors: i) analysis and ii) open mind.
- Sovereign bond yields rose sharply led by upbeat PMIs from China.** The yield on the 10Y UST bond increased by 4bps, limited by weak US manufacturing PMI. In Europe, the 10Y German bund yield soared by 8bps to a three-week high with the 10-2Y yield curve steepening. With regard to peripheral bonds, **Italy's risk premium widened** on political friction over the EU bailout fund reform ([see](#)), while the Portuguese risk premium narrowed to 74.
- The DXY index (-0.4%) was dragged down by US President's pressure on the Fed to weaken the USD and further contraction in the US manufacturing industry**, while other safe-haven currencies appreciated. Meanwhile, the euro and emerging currencies (FXJPEMCS index +0.2%) jumped as the USD weakened.
- In commodities, WTI crude oil prices increased as the OPEC and its allies will encourage deeper output cuts at the meeting this week, while Brent crude oil fell amid gloomy global economic outlook.
- European stocks fell sharply** (Euro Stoxx -2.1%), erasing early gains, as the risk sentiment soured. The utility sector underperformed on the back of rising bond yields.

UPDATE 17:30 CET 02 DECEMBER 2019

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,62	0,6	0,5	9	-87
<b>US</b>	1,83	5,2	7,2	14	-86
GER (2-yr)	-0,61	1,4	1,4	5	0
<b>Germany</b>	-0,28	7,9	6,8	13	-52
France	0,03	7,9	6,7	13	-68
Spain	0,49	7,4	7,7	25	-93
Italy	1,35	12,0	18,8	43	-139
Portugal	0,46	6,2	8,4	30	-126
Greece	1,52	7,6	15,3	36	-288
Japan (2-yr)	-0,16	1,1	2,6	7	-2
<b>Japan</b>	-0,05	2,8	3,2	9	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,91	-1,5	-3,0	42	-233
Chile	2,91	2,9	6,5	-9	-134
Colombia	6,62	0,0	11,1	60	-13
Mexico	7,12	3,4	5,1	36	-153
Peru	3,85	6,4	19,6	5	-151
Poland	2,05	3,9	-0,9	8	-78
Russia	6,60	2,2	6,1	1	-218
Turkey	12,04	-4,0	-8,0	-41	-376
India	6,49	2,3	1,8	4	-88
Indonesia	7,14	3,3	7,8	14	-88

## COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	31	0,0	-0,1	0	-16
Italy	163	4,1	12,0	30	-87
Portugal	74	-1,7	1,6	17	-74
Spain	77	-0,5	0,9	13	-40
<b>2-yr sovereign spread vs Germany</b>					
France	4	0,8	0,6	0	-11
Italy	71	5,7	11,7	26	-37
Portugal	8	-1,7	-7,6	-4	-19
Spain	25	0,5	-0,3	2	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	125	-1,1	1	6	-82
Chile	57	-0,9	1	14	-6
Colombia	90	-0,1	3	11	-68
Argentina	7217	-76,0	312	825	6411
Mexico	92	-0,6	0	2	-63
Peru	58	0,0	1	6	-37
Poland	62	0,0	-2	-4	-5
Russia	70	-0,4	0	-6	-84
Turkey	316	-4,3	16	-16	-43
China	39	-0,5	-2	-2	-29
India	70	-0,7	-2	-2	-43
Indonesia	74	-0,5	-2	-3	-64

## RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	2,3	3	2	-10
VSTOXX	57	0,0	-5	-9	-10
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,3	0	0	-3
EM FX volatility index	18	1,7	2	1	-7
Credit spread (BAA) (change in bps)	202	-5,2	-11	-16	-43
US bonds volatility index	7	0,0	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,06	-	2	9	-8
EZ Inflation expectations (5Y5Y)	1,22	-	4	1	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	46	0,8	-3	-1	-36
EZ	49	-0,9	-5	-5	-55
UK	44	0,0	-2	-4	-50
Large Spanish	36	0,5	-3	-3	-51
Medium Spanish	88	-1,0	-1	-2	-24
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	192	0,5	-10	-33	-21
EZ Non-financial	69	0,0	-1	-4	-28
UK Non-financial	101	0,2	0	-1	-18

## INTERBANK MARKETS (% , CHANGE IN BPS)

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

## STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3115	-0,8	-0,6	2,6	24
Dow Jones	27846	-0,7	-0,8	3,0	19
Nikkei	23530	1,0	1,0	2,6	18
FTSE 100	7286	-0,8	-1,5	0,5	8
<b>EuroStoxx 50</b>	3627	-2,1	-2,2	0,6	21
IBEX	9156	-2,1	-1,8	-1,1	7
DAX	12965	-2,1	-2,1	0,8	23
CAC	5787	-2,0	-2,3	1,0	22
MIB	22729	-2,3	-3,1	0,2	24
ASE Athens	893	-1,0	-0,6	1,2	46
<b>MSCI Latam *</b>	95516	-0,1	-1,0	-0,9	11
Ibovespa (Brazil)	108917	0,6	0,5	1,6	24
Mexbol (Mexico)	42716	-0,2	-1,9	-1,4	3
Merval (Argentina)	33560	-2,7	0,2	-4,1	11
<b>MSCI EM Europe *</b>	6161	0,0	-0,7	-0,5	17
Poland	2122	-1,7	-3,4	-3,3	-7
Mcex 10 (Russia)	5062	-0,4	-1,4	1,3	21
Ise 100 (Turkey)	108004	1,0	2,5	9,7	18
<b>MSCI EM Asia *</b>	863	-1,4	-0,2	1,1	10
Shanghai Com (China)	2876	0,1	-1,0	-1,8	15
Jakarta (Indonesia)	6130	3,0	0,5	-2,6	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	155,0	-0,3	-0,7	5,3	34
JPM	131,6	-0,1	0,1	5,4	35
Citi	74,9	-0,3	-1,0	4,2	44
BoA	33,4	0,3	-0,2	6,8	36
MS	49,3	-0,3	-1,3	7,1	24
GS	217,7	-1,6	-2,2	2,0	30
<b>EZ banks</b>	80,3	-1,0	-2,3	5,3	17
BNP	50,4	-1,2	-2,2	7,6	28
Crédit Agricole	12,3	-0,6	-2,4	5,6	31
Deutsche Bank	6,5	-1,2	-3,1	-0,4	-7
ING	10,3	-1,2	-1,8	1,9	10
Intesa	2,3	-1,3	-3,5	1,1	17
SG	28,4	-0,5	-0,7	11,7	2
Unicredito	12,4	-1,5	-3,4	8,8	25
<b>UK banks</b>	74,6	-1,6	-2,1	1,6	2
HSBC	569,2	-1,2	-2,3	-2,4	-12
RBS	222,0	-1,9	-3,3	4,4	2
Barclays	169,2	-1,4	-1,6	0,8	12
Lloyds	59,9	-2,0	-1,5	5,5	16
<b>Large Spanish banks</b>	55,2	-1,7	-3,3	-1,8	-5
Santander	3,5	-1,6	-4,2	-3,1	-12
<b>BBVA</b>	4,7	-1,8	-2,5	-0,6	1
<b>Medium Spanish banks</b>	49,8	-0,6	-1,0	2,2	-13
Caixabank	2,7	-0,6	-0,4	3,9	-16
Sabadell	1,0	-0,8	-1,4	1,5	0
Bankinter	6,3	-0,8	-0,7	1,6	-10
Bankia	1,8	-0,2	-2,6	2,8	-31

## CURRENCIES (% , RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,108	0,5	0,6	-0,7	-3
GBPUSD	1,294	0,1	0,3	-0,1	1
USDJPY	109,100	0,4	-0,2	-1,0	1
DXY	97,852	-0,4	-0,5	0,5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	59,96	-0,1	-0,4	-0,5	-37
USDBRL (Brazil)	4,22	0,4	0,1	-4,8	-8
USDCPL (Chile)	803,36	0,8	-1,0	-7,7	-14
USDCOP (Colombia)	3500	0,5	-1,86	-3,43	-7
USDMXN (Mexico)	19,57	-0,2	-0,6	-1,7	0
USDPEN (Peru)	3,40	0,2	-0,3	-1,5	-1
LACI	49,34	0,1	-0,5	-3,6	-9
USDPLN (Poland)	3,87	1,3	0,9	-1,2	-3
USD RUB (Russia)	64,19	0,2	-0,4	-0,1	8
USDTRY (Turkey)	5,75	0,1	-0,1	-0,5	-8
USDCNY (China)	7,04	-0,1	0,0	0,0	-2
USDINR (India)	71,66	0,1	0,1	-1,0	-3
USDIDR (Indonesia)	14125	-0,1	-0,3	-0,6	2
ADXY	103,75	-0,1	-0,2	-0,3	-2

## COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	61,2	-1,9	-3,8	2	14
WTx	56	1,6	-3,3	3	23
Copper	264	-0,1	-0,3	0	0
Gold	1463	0,0	0,6	-3	14
S&P Spot commodity *	409	-2,7	-2,6	0	9
S&P Brent Spot *	515	-4,0	-3,4	1	12
S&P Metals Spot *	315	-1,0	0,1	-3	-1
S&P Agricultural *	289	1,3	0,1	1	2

Source: Bloomberg, Datastream and Haver

\* With one day delay