

## Market Comment

## Tentative bounce post virus jitters

- Markets bounced back as concerns about virus outbreak in China eased, although caution prevailed** among investors. U.S equity markets and Hong Kong's Hang Seng index opened higher, trimming yesterday's losses as China stepped up efforts to contain the coronavirus spread. However, some weak European company earnings and concerns about EU-U.S. trade friction weighed on European equities.
- On the trade front, **China is in no hurry to get into phase two of the trade deal**. Chinese officials said they would focus on executing phase one of the agreement instead of arranging phase two, although the U.S. said last Wednesday that discussions around phase two with China had already begun. On the other hand, **trade strains between the U.S. and Europe re-emerged**. Despite the one-year digital taxes truce agreed between the U.S. and France yesterday, today in Davos, Trump threatened to impose tariffs on cars manufactured in Europe if a trade deal fails to be reached before the U.S. November elections. In addition, U.S. Treasury Secretary Steven Mnuchin will also consider including the UK in the imposition of cars tariffs.
- Elsewhere, the U.S. President Donald Trump once again boasted about the robust economic growth in the U.S. However, he again criticized the Federal Reserve and reaffirmed that he wanted rates lowered to refinance the debt.
- Today's light economic agenda was focused on U.S. housing data**. Existing home sales soared in December (3.6% MoM; Cons:1.5% MoM; Prev: -1.7% MoM) amid a fall in the house price index. However, manufacturing continues to disappoint, as the Chicago Fed National Activity index fell more than expected in December (-0.35 MoM; Cons: 0.13 MoM; Prior: 0.41 MoM) as the previous figures were revised down from 0.56.
- Although U.S. equity indices clawed back yesterday's falls, **sovereign bond yields fell across the board**, despite the strong housing data. This suggest that investors remain cautious ahead of the start of Trump's impeachment trial and further development in China's disease. In addition, the 10Y UK bond fluctuated after better-than-expected UK business sentiment undermined expectation for a BoE interest rate cut this month. Italy's risk premia extended yesterday's losses, underpinned by concerns about early elections, after an Italian political party source reported that Luigi Di Maio had resigned as leader of Five Star Movement ([see](#)).
- The ease of global fears weighed on safe-haven currencies, with the JPY and CHF losing steam, while the DXY rebounded after strong U.S. housing data. The GBP emerged as the G10 outperformer on the back of a robust CBI manufacturing survey. Elsewhere, LatAm currencies marginally appreciated with the Brazilian real leading the gains.
- In commodities, **oil prices continued to fall (Brent \$63.8 per barrel)** as the International Energy Agency (IEA) is determined that market surplus was enough to cover crude supply disruptions in Libya ([see](#)).

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

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,53	-0,2	-2,5	-12	-105
<b>US</b>	1,77	-0,2	-1	-16	-97
GER (2-yr)	-0,59	-0,4	0,4	3	0
<b>Germany</b>	-0,26	-1,3	-6,1	-5	-49
France	-0,01	-1,6	-6,1	-7	-64
Spain	0,41	-1,0	-4,1	-2	-90
Italy	1,35	-1,9	-4,8	-8	-140
Portugal	0,45	-1,3	-5,1	-7	-126
Greece	1,37	-1,1	-2,4	-10	-281
Japan (2-yr)	-0,12	0,6	0,3	-3	5
<b>Japan</b>	0,00	-0,3	-0,8	-1	0
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,77	-4,6	-2,6	-19	-218
Chile	2,86	-0,6	-8,4	2	-143
Colombia	6,00	-7,5	-13,0	-24	-106
Mexico	6,87	0,6	4,8	-2	-171
Peru	3,47	-0,6	-2,8	-8	-184
Poland	2,27	-1,8	3,0	19	-57
Russia	6,25	-1,5	-4,9	-29	-217
Turkey	10,45	-17,0	-35,0	-165	-476
India	6,64	0,2	1,2	7	-65
Indonesia	6,70	-5,8	-18,0	-44	-140

**COUNTRY RISK (BP, CHANGE IN BPS)**

Developed Markets	level	Daily	Weekly	Monthly	YoY
<b>10-yr sovereign spread vs Germany</b>					
France	25	-0,3	0,0	-1	-16
Italy	161	-0,6	1,3	-2	-91
Portugal	71	0,0	1,0	-2	-78
Spain *	67	0,3	2,0	3	-41
<b>2-yr sovereign spread vs Germany</b>					
France	4	0,0	0,7	3	-7
Italy	59	-0,1	2,5	-3	-32
Portugal	22	0,4	-2,9	9	-19
Spain	22	0,4	-0,9	-1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YoY
<b>5-yr sovereign CDS *</b>					
Brazil	99	0,5	-3	-5	-78
Chile	46	0,5	1	2	-4
Colombia	75	1,9	3	0	-55
Argentina	5196	540,2	507	-618	4534
Mexico	80	0,8	2	-1	-53
Peru	44	0,5	1	2	-34
Poland	51	-0,3	-1	-8	-15
Russia	61	0,9	0	4	-73
Turkey	247	-1,7	-14	-34	-87
China	33	3,1	2	1	-29
India	62	1,2	-4	-5	-44
Indonesia	62	2,0	0	-2	-63

**RISK INDICATORS**

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	13	-0,3	0	0	-7
VSTOXX	53	0,0	3	-2	-1
EM EFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	-0,1	0	0	-3
EM FX volatility index	17	2,4	2	1	-4
Credit spread (BAA) (change in bps)	198	0,2	-4	2	-41
US bonds volatility index	6	0,1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,08	-	2	0	-10
EZ Inflation expectations (5Y5Y)	1,31	-	-3	1	-23
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	38	-0,4	-2	-4	-36
EZ	45	0,7	0	0	-48
UK	42	0,9	2	1	-40
Large Spanish	34	0,4	1	2	-41
Medium Spanish	64	-3,4	-7	-13	-49
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	211	-3,1	6	28	24
EZ Non-financial	65	0,4	0	1	-23
UK Non-financial	97	0,2	0	1	-15

**INTERBANK MARKETS (% CHANGE IN BPS)**

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,39	0	0	1	-8
<b>Euribor 12m</b>	-0,24	0	1	0	-13
Libor 3m	-0,45	0	0	0	-8
Libor 12m	1,81	0	-4	-13	-97

**STOCK MARKETS (%)**

Main indices	level	Daily	Weekly	Monthly	YoY
<b>S&amp;P500</b>	3330	0,3	1,2	3,3	26
Dow Jones	29219	0,1	0,6	2,3	19
Nikkei	24031	0,7	0,5	0,9	17
FTSE 100	7564	-0,6	-1,0	-0,8	11
<b>EuroStoxx 50</b>	3767	-0,6	0,0	-0,2	21
IBEX	9566	-0,5	0,6	-1,0	5
DAX	13506	-0,4	0,5	1,5	22
CAC	6008	-0,6	-0,4	-0,4	24
MIB	23696	-0,6	-0,3	-0,8	22
ASE Athens	943	0,1	1,5	3,3	49
<b>MSCI Latam *</b>	101708	-1,4	-0,3	1,2	10
Ibovespa (Brazil)	117890	0,7	1,3	1,7	22
Mexbol (Mexico)	45870	0,5	3,2	3,6	5
Merval (Argentina)	41323	-0,4	0,2	3,5	19
<b>MSCI EM Europe *</b>	6613	-0,3	1,5	4,9	18
Poland	2147	-0,5	-0,9	0,2	-11
Micex 10 (Russia)	5565	-1,2	1,1	3,2	23
Ise 100 (Turkey)	122747	-0,7	1,5	9,4	23
<b>MSCI EM Asia *</b>	927	-1,6	-1,6	1,8	14
Shanghai Com (China)	3061	0,3	-0,9	3,3	19
Jakarta (Indonesia)	6233	-0,2	-1,5	-0,8	-4
Banking sector	level	Daily	Weekly	Monthly	YoY
<b>US banks</b>	165,8	0,1	0,5	2,3	27
JPM	136,5	-0,3	-0,2	-0,5	33
Citi	80,0	0,2	-1,5	1,6	29
BoA	34,3	0,1	-1,1	-2,5	19
MS	56,0	0,1	5,8	10,4	33
GS	246,6	0,4	0,6	7,6	25
<b>EZ banks</b>	82,3	-0,9	-1,9	-3,6	12
BNP	50,0	-0,4	-1,8	-5,8	20
Crédit Agricole	12,6	-1,1	-1,1	-2,9	25
Deutsche Bank	7,4	0,8	-0,2	9,4	-5
ING	10,6	-0,6	-2,0	-4,1	-1
Intesa	2,3	-1,2	-1,9	-5,2	12
SG	30,2	-0,7	-2,4	-3,1	10
Unicredit	12,6	-3,2	-3,6	-5,7	19
<b>UK banks</b>	75,0	-0,7	-1,2	-4,9	-3
HSBC	579,5	-1,0	-1,7	-3,3	-9
RBS	222,5	-1,0	-1,1	-7,9	-7
Barclays	174,8	0,2	-2,1	-2,6	7
Lloyds	58,0	-0,9	0,3	-6,8	1
<b>Large Spanish banks</b>	55,9	-1,1	-1,0	-6,5	-14
Santander	3,6	-1,2	-0,2	-5,1	-18
<b>BBVA</b>	4,7	-1,1	-1,7	-7,7	-10
<b>Medium Spanish banks</b>	49,0	-0,4	-1,8	-6,5	-18
Caixabank	2,7	-0,5	-0,6	-4,7	-20
Sabadell	1,0	0,5	-2,4	-7,4	-7
Bankinter	6,1	-0,9	-1,5	-6,4	-15
Bankia	1,7	-0,4	-3,9	-10,1	-33

**CURRENCIES (% RED FOR CURRENCY DEPRECIATION)**

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,109	0,0	-0,6	0,0	-3
GBPUSD	1,314	0,7	0,7	1,5	1
USDJPY	109,930	-0,1	0,0	-0,5	0
DXY	97,543	0,0	0,3	-0,1	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	60,11	0,0	-0,3	-0,2	-38
USDBRL (Brazil)	4,19	0,7	-0,1	-2,6	-10
USDCLP (Chile)	772,03	0,2	0,4	-2,3	-13
USDCOP (Colombia)	3335	0,6	-1,1	-0,7	6
USDMXN (Mexico)	18,70	0,4	0,5	1,3	2
USDPEN (Peru)	3,32	0,1	0,3	0,1	1
LACI	50,68	0,5	0,1	-0,8	-9
USDPLN (Poland)	3,82	-0,2	-0,8	0,8	-1
USDRUB (Russia)	62,02	-0,3	-1,0	1,6	7
USDTRY (Turkey)	5,92	0,3	-0,7	0,5	-11
USDCNY (China)	6,90	-0,1	-0,2	1,6	-2
USDINR (India)	71,20	0,0	-0,5	0,0	0
USDIDR (Indonesia)	13646	0,2	0,4	2,4	4
ADXY	105,37	0,1	-0,2	0,9	0
COMMODITIES (%)	level	Daily	Weekly	Monthly	YoY
<b>Brent</b>	63,4	-1,9	-1,0	-5	4
WTx	57	-2,3	-1,4	-6	8
Copper	280	0,2	2,3	0	4
Gold	1556	-0,1	0,0	5	21
S&P Spot commodity *	425	-0,4	-0,1	-2	5
S&P Brent Spot *	543	-0,3	1,0	-2	5
S&P Metals Spot *	327	-0,5	-0,6	1	0
S&P Agricultural *	304	-0,1	0,0	2	4

Source: Bloomberg, Datastream and Haver

\* With one day delay

\* Risk premium affected by the German rollover