

Market Comment

The PBoC increase policy measures to shield the Chinese economy

- Despite signs of mounting headwinds, equities recovered somehow amid further policy stimulus from China, although caution prevails. While U.S. equities and bonds remained closed today for the public holiday, stocks edged up higher after China's central bank lowered corporate taxes and injected more liquidity into the system (providing medium-term funding of 200 billion yuan), while its finance minister said on Sunday that Beijing would implement corporate tax and government spending cuts.
- Around 2,000 new coronavirus cases were reported during the weekend, the total number of infections now reaching nearly 70,000. The epidemic is also spreading outside China, bringing new fatalities both in France and Taiwan. While contagious growth seems to be achieving its peak, the PBoC will cut the one-year MLF interest rates by 10 basis points to 3.15%. Moreover, the National People's Congress -its biggest political meeting of the year-, which was expected to take place March 5, is considered to be delayed for the first time in decades in order to contain the outbreak of the 2019-nCoV (see).
- Signs of a possible recession in Japan after a sharp decline in 4Q19 GDP growth. Annual GDP confirmed a deeper-than-expected decline (-6.3% QoQ; Cons: -3.8% QoQ; Prev: -0.5% QoQ revised from 1.8% QoQ) dragged by October's sales tax hike that lowered consumer spending by 11.1 %.
- Without U.S. treasuries being traded, sovereign bond yields remained generally steady. In Europe, core yields trailed the periphery, where Italy's bond yield lead the way. Elsewhere, investors' attention is on the monetary minutes from the FOMC on Wednesday and from the ECB on Thursday.
- In FX markets there were no major surprises on Monday, with levels remaining relatively flat. Nevertheless, the EUR is struggling at a three-year low, still hitting levels below EURUSD 1.085, as investors are worried about the decreasing growth in the Eurozone. In addition, most emerging currencies rose against the dollar, with the CNY appreciating marginally while the LatAm currencies led the losses.
- Equities rose, underpinned by recent gains in Asian shares. The Chinese CSI300 equity index rebounded 2.25%, while the Euro Stoxx 50 maintained last Friday's maximum levels.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.43	0.0	3.5	-14	-109
US	1.59	0.0	2	-22	-108
GER (2-yr)	-0.66	0.6	-1.0	-6	-8
Germany	-0.40	0.0	1.0	-18	-51
France	-0.16	-0.7	0.2	-21	-71
Spain	0.29	-0.6	-1.7	-18	-94
Italy	0.90	-1.8	-4.9	-53	-186
Portugal	0.29	-0.4	-0.7	-23	-123
Greece	0.95	0.7	-7.4	-46	-283
Japan (2-yr)	-0.14	-0.3	1.7	-1	3
Japan	-0.04	-0.6	2.2	-5	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6.42	-1.0	-11.1	-43	-249
Chile	2.95	0.6	4.8	3	-118
Colombia	5.78	-1.1	-3.7	-29	-112
Mexico	6.53	-1.7	-5.7	-31	-178
Peru	3.19	-0.4	5.2	-30	-197
Poland	2.21	1.9	14.3	-5	-49
Russia	6.11	-0.8	-13.5	-18	-231
Turkey	11.03	-9.0	24.0	41	-337
India	6.39	2.0	-5.2	-21	-98
Indonesia	6.57	-0.9	-2.4	-28	-143

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	24	-0.7	-0.8	-2	-20
Italy	131	-1.8	-5.9	-35	-135
Portugal	69	-0.4	-1.7	-5	-72
Spain	69	-0.6	-3	-4	-43
2-yr sovereign spread vs Germany					
France	5	0.0	-0.2	0	-7
Italy	44	-1.2	0.2	-17	-51
Portugal	22	-1.5	-2.0	-3	-11
Spain	20	-0.4	-2.1	-5	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	94	-2.9	-7	-7	-67
Chile	46	-1.3	-3	1	-2
Colombia	70	-1.9	-4	-2	-48
Argentina	6002	-219.6	832	1348	5357
Mexico	74	-1.9	-5	-4	-61
Peru	43	-0.7	-3	0	-31
Poland	48	-0.2	-1	-3	-17
Russia	59	-2.2	-5	-3	-85
Turkey	265	-4.9	9	11	-46
China	34	0.3	-3	3	-19
India	60	-0.8	-4	-3	-37
Indonesia	61	-0.9	-5	0	-50

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0.0	-1	1	-1
VSTOXX	13	-0.1	-1	2	-2
EM EFT volatility Index	17	0.0	-1	3	0
Dollar/euro volatility	4	-0.1	0	0	-2
EM FX volatility index	7	-0.1	0	0	-2
Credit spread (BAA) (change in bps)	208	0.0	2	7	-20
US bonds volatility index	62	-1.1	-6	12	17
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.02	-	-3	-5	-14
EZ Inflation expectations (5Y5Y)	1.23	-	-1	-9	-22
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	36	0.2	-1	-5	-28
EZ	37	0.3	0	-9	-48
UK	39	-0.7	-1	-2	-37
Large Spanish	32	-0.4	1	-2	-37
Medium Spanish	61	-4.5	-2	-11	-48
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	162	-2.6	-13	-41	-17
EZ Non-financial	62	-0.4	-3	-4	-18
UK Non-financial	95	0.0	-2	-3	-10

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0.54	0	0	0	n.a.
Euribor 3m	-0.41	0	-2	-2	-11
Euribor 12m	-0.29	0	-3	-4	-19
Libor 3m	1.69	0	-4	-14	-99
Libor 12m	1.80	0	-3	-15	-111

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3380	0.0	0.8	1.9	22
Dow Jones	29398	0.0	0.4	0.3	14
Nikkei	23523	-0.7	-0.7	-1.7	11
FTSE 100	7436	0.4	-0.2	-2.3	3
EuroStoxx 50	3853	0.3	1.6	2.1	19
IBEX	10011	0.5	2.0	4.6	9
DAX	13784	0.3	2.1	2.6	22
CAC	6088	0.3	1.2	0.8	18
MB	25094	0.9	2.4	4.8	23
ASE Athens	920	-0.3	1.9	-1.3	38
MSCI Latam *	99980	-0.8	0.7	-1.1	7
Ibovespa (Brazil)	115475	1.0	2.6	-1.1	20
Mexbol (Mexico)	44902	-0.2	1.4	-0.9	4
Merval (Argentina)	38764	0.3	-5.6	-8.5	4
MSCI EM Europe *	6314	-0.4	0.2	-3.0	12
Poland	2121	0.3	1.3	-2.4	-9
Micex 10 (Russia)	5422	0.4	1.3	-2.2	23
Ise 100 (Turkey)	120792	0.5	2.1	-0.2	19
MSCI EM Asia *	923	0.1	1.5	-1.6	10
Shanghai Com (China)	2984	2.3	3.2	-2.9	8
Jakarta (Indonesia)	5868	-0.1	-2.2	-6.6	-8
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	165.3	0.0	0.3	-1.3	25
JPM	137.5	0.0	-0.2	0.2	30
Citi	78.8	0.0	0.4	-2.7	23
BoA	34.9	0.0	0.5	0.4	20
MS	55.8	0.0	0.9	-1.1	33
GS	237.1	0.0	-0.1	-5.1	19
EZ banks	90.2	1.0	3.7	7.7	21
BNP	54.2	0.9	4.9	7.1	28
Crédit Agricole	13.7	1.5	2.2	7.2	31
Deutsche Bank	10.2	0.5	8.9	34.2	32
ING	10.7	0.2	2.0	1.1	-3
Intesa	2.5	1.2	3.2	9.3	23
SG	31.9	0.6	5.9	4.3	27
Unicredito	14.2	2.0	1.4	8.0	22
UK banks	74.6	0.5	-2.2	-1.3	-5
HSBC	592.9	1.4	2.5	0.3	-11
RBS	209.1	-1.9	-5.6	-5.8	-17
Barclays	177.6	0.9	0.4	0.4	12
Lloyds	56.9	0.5	0.0	-1.8	-2
Large Spanish banks	61.9	0.1	1.1	8.9	-2
Santander	4.0	0.7	3.0	8.8	-4
BBVA	5.2	-0.4	-0.4	9.0	0
Medium Spanish banks	49.1	0.7	0.5	-2.4	-13
Caixabank	2.8	0.3	-3.3	2.7	-8
Sabadell	0.9	0.9	1.5	-14.5	-7
Bankinter	6.3	0.8	2.7	1.3	-9
Bankia	1.7	1.5	1.1	-4.1	-33

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.083	0.0	-0.7	-2.7	-4
GBPUSD	1.301	-0.3	0.7	-0.5	1
USDJPY	109.920	-0.1	-0.1	0.2	1
DXY	99.161	0.0	0.3	1.9	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	61.58	-0.2	-1.0	-2.6	-37
USDBRL (Brazil)	4.32	-0.6	0.1	-3.1	-14
USDCLP (Chile)	793.23	-0.2	0.3	-2.2	-17
USDCOP (Colombia)	3396	-0.1	1.7	-2.16	-8
USDMXN (Mexico)	18.56	-0.1	0.7	-1.2	-8
USDPEN (Peru)	3.38	-0.1	0.3	-1.8	-2
LACI	49.88	-0.3	0.3	-1.4	-10
USDPNL (Poland)	3.93	-0.2	-0.6	-3.4	-4
USDRUB (Russia)	63.44	0.1	1.1	-2.8	3
USDTRY (Turkey)	6.05	0.2	-0.6	-3.1	-12
USDCNY (China)	6.98	0.1	0.0	-1.4	-3
USDINR (India)	71.29	0.1	0.0	-0.5	0
USDIDR (Indonesia)	13660	0.2	0.4	-0.1	3
ADXY	104.26	0.1	0.1	-1.3	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	57.4	0.1	7.7	-11	-14
WTx	52	0.2	5.2	-11	-6
Copper	263	0.9	2.8	-8	-6
Gold	1582	-0.1	0.6	2	19
S&P Spot commodity *	396	0.6	3.7	-7	-6
S&P Brent Spot *	487	1.5	7.1	-10	-14
S&P Metals Spot *	305	-1.1	1.6	-7	-8
S&P Agricultural *	296	-0.4	-0.1	-1	2

Source: Bloomberg, Datastream and Haver

* With one day delay