

Market Comment

## Central banks mull over potential stimulus

- Concerns about the Covid-19 spillover effects continued to weigh on financial markets** although global central banks mull over stimuli.
- Central banks and Government pledged stimuli.** The Fed's Chairman, Joreme Powell, in a short statement said that the Covid-19 poses a risk for the economy and warned that they will use the toll to support the economy ([see](#)). The Bank of Japan increased its government bond purchases (demanded USD 4.6bn of government bonds), while Italy injected an additional €3.6b to support the economy. Whereas, the ECB's members warned against acting hastily. The ECB's Villeroy said they are monitoring the situation but monetary policy is more effective in supporting the demand, and so far, Covid-19 has weighed on supply mainly. Moreover, the media suggest the G7 finance minister will be holding a meeting tomorrow to discuss Covid-19 policy response.
- Higher-than-expected impact of the Covid-19 on activity.** In the U.S., the ISM Manufacturing PMI index slightly declined more than expected in February (50.1, consensus 50.5, previous 50.9) amid supply-chain disruptions and fragile production. The decline in February China's PMI was greater than expected, with a significant fall in China's services confidence, which sank sharply into the contraction territory: February's Non-manufacturing PMI (29.6, consensus 50.5, previous 51.1). However, the two measures of the Manufacturing PMI also contracted further. Caixin China Manufacturing PMI (40.3; Prev: 51.1; Cons: 46.0). Manufacturing PMI (35.7, consensus 45, previous 50). Meanwhile, the OECD warned that the Covid could halve global economic growth in 2020. The OECD cut its outlook for global GDP growth (to 2.4%, -0.5pp), but said global growth could drop further to 1.5% in 2020 if the virus lasts longer.
- Expectations of potential stimuli by the Central banks encouraged a rebound in equity markets. However, equity indices were volatile on the back of weak data and investor anxiety due to virus spillover effects.** Market risk measures such as the implied volatility in the equity market remained elevated after peaking on Friday ahead of Mr. Powell's statement.
- Sovereign bond yields extended declines after last week's drop with core bonds (especially the U.S.) remaining well-demanded at the expense of peripherals.** The long-term German yield remains below the -0.6% level, whereas the 10Y UST yield decreased further, beating current minimum historical levels amid an epidemic threatening both supply and demand worldwide. Meanwhile, markets are increasing their expectations of additional interest cuts. Currently, the market expects a 25bps Fed interest cut in March (100% probability), even markets price 100% probability 50bps in April. In addition, expectations of a 10bps interest cut by April have increased (100% probability), while in March, the market weighs a 70% probability. Peripheral risk premia continue to widen, led by that of Italy, as the government announced EUR 3.6bn in additional injections in the economy.
- In FX, the U.S. dollar continued to lose strength** on the back of potential actions by the Fed to curtail the Covid-19 spillover effect. Meanwhile, the euro continued appreciating, while the EM were mixed, with Latam currencies and oil linked currencies depreciating slightly, as the CNY recovered some ground and appreciated marginally.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	0,81	-10,3	-43,8	-60	-173
<b>US</b>	1,09	-5,7	-28	-49	-163
GER (2-yr)	-0,84	-5,9	-15,5	-18	-32
<b>Germany</b>	-0,62	-1,5	-14,1	-22	-78
France	-0,30	-1,1	-6,6	-15	-86
Spain	0,29	0,6	7,9	-3	-88
Italy	1,14	3,9	17,3	20	-160
Portugal	0,36	0,6	13,4	8	-111
Greece	1,45	11,5	43,8	28	-223
Japan (2-yr)	-0,25	0,6	-8,6	-10	-11
<b>Japan</b>	-0,12	3,5	-6,4	-6	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,58	-9,7	-2,9	-11	-247
Chile	3,05	-12,4	-4,1	14	-114
Colombia	6,01	20,9	24,3	5	-90
Mexico	6,61	-22,9	10,3	-4	-157
Peru	3,34	-10,9	13,6	-3	-180
Poland	1,65	-13,7	-31,8	-52	-130
Russia	6,55	-5,3	46,9	20	-190
Turkey	12,34	-26,0	28,0	249	-240
India	6,35	-2,3	-2,1	-21	-103
Indonesia	6,97	2,3	42,1	33	-89

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

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	33	0,4	7,5	7	-8
Italy	177	5,4	31,4	42	-82
Portugal	98	2,1	27,5	30	-33
Spain	91	2,1	22	19	-10
<b>2-yr sovereign spread vs Germany</b>					
France	10	-0,8	5,6	4	1
Italy	80	6,6	28,0	34	-5
Portugal	48	5,6	25,4	26	21
Spain	39	4,2	16,8	15	14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	134	11,1	41	38	-24
Chile	69	9,9	23	22	23
Colombia	107	13,4	38	31	-3
Argentina	7961	674,6	2193	2214	7252
Mexico	106	12,3	36	28	-19
Peru	68	11,9	26	23	-2
Poland	50	0,0	1	1	-15
Russia	88	13,2	27	24	-41
Turkey	378	54,0	92	141	71
China	54	8,0	18	14	4
India	65	2,1	6	0	-25
Indonesia	102	22,5	41	36	1

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	35	-5,1	10	19	20
VSTOXX	36	-6,4	13	19	22
EM EFT volatility Index	34	-8,8	9	14	16
Dollar/euro volatility	8	0,7	2	4	2
EM FX volatility index	8	0,7	1	1	0
Credit spread (BAA) (change in bps)	242	5,7	28	35	20
US bonds volatility index	110	17,1	23	39	63
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,78	-	-14	-23	-51
EZ Inflation expectations (5Y5Y)	1,10	-	-8	-16	-41
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	65	5,4	26	24	4
EZ	59	6,9	21	17	-14
UK	53	3,2	14	9	-12
Large Spanish	45	5,9	13	12	-14
Medium Spanish	69	0,5	5	1	-35
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	208	14,8	51	5	57
EZ Non-financial	91	10,1	28	23	18
UK Non-financial	111	7,0	16	14	14

### INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	0	n.a.
Euribor 3m	-0,43	-1	-2	-4	-13
<b>Euribor 12m</b>	-0,33	-2	-4	-5	-22
Libor 3m	1,46	0	-10	-20	-114
Libor 12m	1,38	0	-19	-31	-150

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	3018	2,2	-6,4	-8,1	8
Dow Jones	26003	2,3	-7,0	-9,9	1
Nikkei	21344	1,0	-8,7	-7,1	-2
FTSE 100	6662	1,2	-6,9	-9,8	-7
<b>EuroStoxx 50</b>	3347	0,5	-8,3	-9,3	1
IBEX	8759	0,4	-7,6	-7,6	-5
DAX	11890	0,0	-8,8	-9,6	3
CAC	5345	0,7	-7,7	-9,0	1
MB	21676	-1,4	-7,5	-8,9	5
ASE Athens	720	0,0	-12,0	-21,8	2
<b>MSCI Latam *</b>	90818	0,4	-8,1	-9,6	0
Ibovespa (Brazil)	106190	1,9	-6,6	-8,1	12
Mexbol (Mexico)	42044	1,7	-4,0	-6,3	-1
Merval (Argentina)	35931	2,7	-6,9	-11,1	6
<b>MSCI EM Europe *</b>	5563	-4,8	-11,8	-13,1	-1
Poland	1808	2,2	-9,7	-13,1	-22
Micex 10 (Russia)	4769	-0,7	-11,6	-11,5	8
Ise 100 (Turkey)	107310	1,2	-6,5	-10,5	3
<b>MSCI EM Asia *</b>	859	-2,2	-5,6	-5,2	0
Shanghai Com (China)	2971	3,1	-2,0	-0,2	-2
Jakarta (Indonesia)	5361	-3,2	-8,9	-12,3	-18
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	137,6	0,9	-10,9	-15,3	5
JPM	118,1	1,7	-10,6	-13,1	13
Citi	65,1	2,5	-10,3	-16,0	2
BoA	28,1	-1,3	-14,1	-16,0	-3
MS	45,4	0,9	-8,6	-15,6	8
GS	202,8	1,0	-9,7	-16,9	4
<b>EZ banks</b>	71,1	-2,6	-14,3	-12,4	-9
BNP	43,4	-0,8	-15,1	-11,1	-3
Crédit Agricole	10,4	-3,7	-18,1	-15,3	-6
Deutsche Bank	7,6	-3,5	-15,0	-8,6	-7
ING	8,5	-1,8	-11,1	-15,7	-27
Intesa	2,1	-3,2	-10,4	-7,1	-2
SG	25,0	-2,2	-16,4	-15,2	-8
Unicredito	11,0	-4,4	-12,7	-10,9	-7
<b>UK banks</b>	63,6	-1,7	-9,4	-13,9	-20
HSBC	523,2	-0,1	-5,0	-7,1	-15
RBS	173,1	-3,1	-12,5	-21,9	-35
Barclays	143,9	-3,3	-15,4	-16,1	-12
Lloyds	49,6	-1,3	-6,7	-14,5	-21
<b>Large Spanish banks</b>	51,0	-1,5	-11,4	-9,9	-21
Santander	3,3	-2,0	-10,0	-11,1	-23
<b>BBVA</b>	4,3	-1,0	-12,6	-8,9	-20
<b>Medium Spanish banks</b>	41,7	-0,8	-10,4	-12,9	-28
Caixabank	2,3	0,8	-10,6	-11,2	-25
Sabadell	0,8	-1,4	-7,5	-17,5	-21
Bankinter	5,3	-0,9	-11,0	-11,0	-26
Currencies	1,4	-3,0	-15,1	-17,4	-48

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,115	1,1	2,7	1,1	-2
GBPUSD	1,277	-0,4	-1,2	-2,5	-3
USDJPY	108,030	-0,1	2,5	0,9	3
DXY	97,413	-0,7	-2,0	-0,5	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	62,25	-0,1	-0,7	-3,2	-36
USDBRL (Brazil)	4,48	-0,1	-2,0	-5,1	-16
USDCLP (Chile)	812,66	1,0	-0,6	-2,0	-19
USDCOP (Colombia)	3485	1,1	-1,6	-2,01	-11
USDMXN (Mexico)	19,61	0,2	y tie	-4,2	-4
USDPEN (Peru)	3,44	0,5	-0,9	-2,0	-2
LACI	48,08	0,2	-1,9	-3,9	-13
USDPNL (Poland)	3,87	1,3	2,4	0,5	-2
USDRUB (Russia)	66,54	0,5	-1,9	-5,0	-1
USDTRY (Turkey)	6,23	0,3	-1,7	-4,1	-14
USDCNY (China)	6,96	0,4	1,0	-0,7	-4
USDINR (India)	72,73	-0,8	-1,0	-1,7	-3
USDIDR (Indonesia)	14265	0,4	-2,8	-4,3	-1
ADXY	103,89	0,4	0,8	-0,8	-2

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	51,8	2,6	-7,9	-11	-21
WTx	47	4,7	-8,9	-10	-17
Copper	259	1,6	-0,3	2	-11
Gold	1595	0,6	-3,9	1	24
S&P Spot commodity *	358	-2,6	-7,9	-9	-15
S&P Brent Spot *	423	-4,0	-10,9	-13	-24
S&P Metals Spot *	298	0,4	-0,5	-1	-12
S&P Agricultural *	286	-0,3	-1,9	-3	3

Source: Bloomberg, Datastream and Haver

\* With one day delay