

Market Comment

Uncertainty pushes rates to unknown limits

- Financial markets remain volatile with the concerns about the virus spillover effect being the main market driver. After yesterday's equity rebound, declines in the equity markets have resumed today, with market risk measures such as VIX soaring to 37, although moderated afterwards but remains above 30.
- Although the U.S. and IMF approved additional aid to cope with the Covid-19 health crisis, concerns about investors remain, as companies continued issuing profit and revenues warnings due to the impact of Covid-19, while California declares a state of emergency over the coronavirus ([see](#)). Moreover, Petrochina declares force majeure on natural gas imports, requesting some cargoes be deferred to Q3.
- Economic data were weak today. The U.S. Initial Jobless Claims decreased slightly less than expected (216k, consensus 215k, previous 219k) while U.S. Factory Orders dropped sharply in February (-0.5%, consensus: -0.1%, previous: 1.8%), mainly caused by the fall in both durable orders and nondurable shipments. Finally, U.S. Durable Goods Orders maintain previous levels in line with expectations, -0.2%.
- Bond markets continued to attract fresh demand due to the risk-off mood, with the U.S. 10Y yield continuing to trade below 1%, while the 10Y German yield is approaching its December lows. Market's expectations for further interest cuts continue to increase. Currently, the market is penciling in another 25bps Fed interest cut in March, and the odds of a 50bps cut in March are also high (91%). For the ECB, the OIS futures prices in a 85% probability of a 10bps ECB interest rate cut next week.
- FX markets were mixed today, as the dollar was impacted by worries about the virus spread in the U.S., while the risk-on mood intensified on safe havens as the JPY and CHF outperformed their G10 pairs. The lower U.S. yield and U.S. dollar depreciation helped the euro to gain some ground, while commodity-linked currencies depreciated across the board. Despite the decline in the U.S. dollar, EM currencies depreciated across the board.
- In commodities, the Organization of Petroleum Exporting Countries (OPEC) has finally reached an agreement to propose to non-cartel producing countries, led by Russia, an additional adjustment of crude oil production of 1.5 million barrels per day in response to lessen the impact of the virus on oil demand. Nonetheless, Brent oil prices remain on a downward trend.
- Risky assets slumped, with equities declining across the board due to government declarations to contain the coronavirus. Meanwhile, Asian equities improved, with the CSI300 and the Hang Seng index advancing around 2%. In this context, volatility remained at high levels (VIX 36, + 4 points).

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	0,57	-11,9	-48,8	-84	-100
US	0,92	-13,2	-34	-68	-100
GER (2-yr)	-0,86	-1,5	-12,4	-21	-25
Germany	-0,69	-4,7	-14,3	-29	-50
France	-0,35	-2,8	-9,4	-21	-47
Spain	0,21	3,7	-9,7	-11	-26
Italy	1,06	5,0	-1,1	11	-35
Portugal	0,30	5,2	-7,9	-1	-15
Greece	1,29	7,3	4,0	10	-18
Japan (2-yr)	-0,26	1,4	-4,8	-10	-12
Japan	-0,12	1,4	-0,7	-7	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	6,68	12,6	-11,8	8	-11
Chile	2,68	-3,1	-49,5	-22	0
Colombia	5,78	0,4	-1,7	-15	-56
Mexico	6,37	6,6	-30,8	-29	-52
Peru	3,05	-2,7	-29,2	-16	-47
Poland	1,71	-1,2	-6,0	-49	-41
Russia	6,29	17,8	-6,0	-2	-13
Turkey	11,11	-13,0	-117,0	108	-75
India	6,24	1,2	-13,8	-27	-32
Indonesia	6,56	1,5	-19,2	-8	-50

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	1,9	4,9	8	3
Italy	175	9,7	13,2	40	15
Portugal	98	9,9	6,4	28	35
Spain	90	8,4	5	19	25
2-yr sovereign spread vs Germany					
France	11	2,1	2,6	6	9
Italy	82	6,0	17,6	36	26
Portugal	45	4,3	7,0	21	39
Spain	40	4,4	9,4	17	18
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	110	-8,9	-2	8	11
Chile	59	-5,6	6	8	18
Colombia	88	-8,3	4	7	15
Argentina	7041	-282,5	818	1156	2174
Mexico	89	-8,8	4	6	10
Peru	59	-4,8	10	12	18
Poland	51	-0,3	1	2	-7
Russia	76	-0,7	9	11	19
Turkey	321	-11,8	15	80	44
China	45	-0,5	5	4	13
India	74	-1,6	13	8	9
Indonesia	86	-4,3	18	20	23

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	36	4,1	-3	20	22
VSTOXX	33	3,4	-2	19	19
EM EFT volatility Index	27	0,4	-6	7	10
Dollar/euro volatility	7	0,8	1	3	2
EM FX volatility index	8	0,0	1	1	1
Credit spread (BAA) (change in bps)	257	13,2	26	47	59
US bonds volatility index	90	-13,4	-3	21	31
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,89	-	2	-12	-18
EZ Inflation expectations (5Y5Y)	1,09	-	-6	-18	-24
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	62	-1,0	11	20	21
EZ	56	-0,3	10	15	11
UK	50	-1,0	7	5	9
Large Spanish	40	-0,1	5	7	8
Medium Spanish	79	2,0	11	17	2
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	195	-7,8	16	1	27
EZ Non-financial	89	0,5	14	19	25
UK Non-financial	110	-1,9	8	11	15

INTERBANK MARKETS (% CHANGE IN BPS)

	level	Daily	Weekly	Monthly	YTD
ESTR Index	-0,54	0	0	-1	n.a.
Euribor 3m	-0,47	0	-4	-7	-9
Euribor 12m	-0,36	0	-6	-7	-11
Libor 3m	1,00	0	-30	-43	-91
Libor 12m	0,97	0	-36	-52	-103

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	3063	-2,2	2,8	-7,1	-5
Dow Jones	26389	-2,6	2,4	-8,4	-8
Nikkei	21329	1,1	-2,8	-7,6	-10
FTSE 100	6705	-1,6	-1,3	-9,9	-11
EuroStoxx 50	3364	-1,7	-2,7	-9,9	-10
IBEX	8683	-2,5	-3,4	-9,2	-9
DAX	11945	-1,5	-3,4	-10,1	-10
CAC	5361	-1,9	-2,4	-9,7	-10
MB	21555	-1,8	-5,5	-9,6	-8
ASE Athens	728	-5,5	-5,3	-20,6	-21
MSCI Latam *	94365	2,0	1,7	-5,0	-6
Ibovespa (Brazil)	104808	-2,3	1,8	-9,3	-9
Mexbol (Mexico)	42841	-1,3	3,0	-4,9	-2
Merval (Argentina)	36983	-0,7	4,5	-9,9	-11
MSCI EM Europe *	5749	0,3	-5,2	-8,4	-10
Poland	1823	-2,0	-1,5	-13,5	-15
Micex 10 (Russia)	4844	-0,5	-3,3	-10,1	-9
Ise 100 (Turkey)	111815	0,9	1,3	-8,5	-2
MSCI EM Asia *	881	1,1	-0,2	0,6	4
Shanghai Com (China)	3072	2,0	2,7	10,4	1
Jakarta (Indonesia)	5638	2,2	-0,9	-4,2	-10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	134,6	-3,8	-3,8	-16,9	-18
JPM	115,6	-3,5	-4,7	-14,5	-17
Citi	64,7	-4,0	0,4	-15,4	-19
BoA	27,1	-4,5	-6,9	-19,3	-23
MS	43,6	-3,5	-3,9	-19,2	-15
GS	202,3	-3,1	-1,7	-16,4	-12
EZ banks	66,3	-4,0	-12,8	-19,4	-22
BNP	40,5	-4,1	-10,7	-17,8	-23
Crédit Agricole	9,7	-4,6	-14,9	-23,1	-25
Deutsche Bank	7,0	-3,1	-15,1	-13,7	2
ING	7,9	-3,6	-10,5	-21,8	-26
Intesa	2,9	-3,8	-10,6	-13,0	-13
SG	22,8	-5,8	-14,7	-23,1	-27
Unicredit	10,1	-1,6	-15,6	-19,4	-22
UK banks	60,3	-2,5	-8,4	-18,3	-23
HSBC	506,4	-1,1	-4,3	-10,2	-14
RBS	160,8	-4,4	-12,3	-27,6	-33
Barclays	134,7	-2,8	-12,8	-21,7	-25
Lloyds	47,0	-2,8	-6,7	-18,3	-25
Large Spanish banks	49,0	-4,9	-9,0	-14,5	-17
Santander	3,1	-5,1	-8,5	-15,3	-16
BBVA	4,1	-4,7	-9,3	-13,8	-17
Medium Spanish banks	39,6	-3,1	-9,5	-15,7	-24
Caixabank	2,2	-4,0	-7,8	-16,1	-20
Sabadell	0,7	-5,3	-11,3	-14,9	-32
Bankinter	5,0	-1,5	-10,4	-15,4	-23
Currencies	1,3	-3,6	-10,3	-20,5	-30

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,120	0,6	1,8	1,4	0
GBPUSD	1,294	0,5	0,4	-0,7	-2
USDJPY	106,550	0,9	2,9	2,8	2
DXY	96,834	-0,5	-1,7	-1,2	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	62,41	-0,1	-0,4	-2,9	-4
USDBRL (Brazil)	4,65	-1,5	-3,4	-8,5	-13
USDCLP (Chile)	823,32	-0,8	-1,0	-5,1	-9
USDCOP (Colombia)	3530	-1,5	-0,8	-4,78	-7
USDMXN (Mexico)	19,82	-1,4	y tie	-5,8	-5
USDPEN (Peru)	3,45	-0,8	-0,3	-2,4	-4
LACI	47,18	-1,2	-2,1	-6,0	-8
USDPNL (Poland)	3,84	0,4	2,4	0,9	-1
USDRUB (Russia)	67,03	-1,2	-1,1	-6,0	-8
USDTRY (Turkey)	6,11	-0,5	1,6	-2,1	-3
USDCNY (China)	6,94	-0,2	1,0	0,9	0
USDINR (India)	73,32	-0,1	-2,4	-2,8	-3
USDIDR (Indonesia)	14175	-0,4	-1,1	-3,2	-2
ADXY	103,94	-0,2	0,6	-0,4	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	50,9	-0,5	-2,5	-6	-23
WTx	47	-0,3	-0,9	-6	-24
Copper	259	-0,1	0,7	2	-7
Gold	1662	1,6	1,1	7	10
S&P Spot commodity *	370	-0,3	0,6	-3	-15
S&P Brent Spot *	435	-1,4	-1,2	-5	-23
S&P Metals Spot *	301	0,3	1,4	1	-7
S&P Agricultural *	290	-0,4	1,0	-2	-4

Source: Bloomberg, Datastream and Haver

* With one day delay