

Market Comment | Slight recovery in risk assets at the beginning of an eventful week

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- Slight recovery in risk assets at the beginning of an eventful week. Recent economic indicators (last week's US payrolls and China's reserves data) coupled with the expected support of main central banks (BoE and BoJ) extended the global rally in risk appetite after the Brexit sell-off. Later this week there will be fresh news on these two fronts. Regarding economic indicators, China's GDP will be a significant factor in determining whether the risk-on mood continues, especially for emerging market assets. On the other hand, the Bank of England could carry out easing measures, hinted at after the Brexit outcome in previous weeks. Expectations of further monetary easing globally were reinforced today by Japan's authorities. Firstly, the re-elected PM Shinzo Abe said that "We have to accelerate Abenomics to meet the public's expectations". In the same line, today's meeting between Ben Bernanke and Haruhiko Kuroda -the BoJ's Governor- was read by markets as an increase in the probability of new easing measures in Japan: the Nikkei rose +4% while the JPY fell by around 2%.
- Against this backdrop, equity indices went up, driven by European indices (Euro Stoxx50 +1.6%, Ibex35 +1.4%, Dax +2.1%). Meanwhile the US indices inched up to reach their historical highest levels (S&P +0.5% to 2,139.9 points) awaiting the Q2 earnings season with some projected declines, but improving on last quarter.
- Consequently, in a context of decreasing risk aversion, sovereign yields increased across the board, led by the US curve (10Y +6 bps). European sovereign yields also inched up, with no substantial differences between core and peripherals bonds. The Netherlands joined the club of negative rates, recording a new lowest level in the 10Y tenor (-0.007%), while UK Gilts 10Y renewed their lowest level (0.71%).
- The US dollar index (DXY) rose by 0.3%, reaching its highest point since March 2016 during the trading session (96.79): the effects of Brexit on the GBP and today's depreciation of the JPY contributed to the USD's strength. While copper prices took advantage of increasing confidence in markets, oil prices continued their downward trend, falling by 0.3%, hampered by improving US drilling activity, with more rigs in operation. In this context EM currencies registered mixed performances against the US Dollar (COP -0.1%, CLP +0.2%, TRY -0.4%, MXN -0.1%).

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(Current level and changes at daily, weekly, monthly and annual frequencies) Debt markets (Changes in bp) 12 2 ye 15 61 (18) 122-141 13 4 5 61 (18) 122-141 13 61 (18) 122-141 14 15 (18) 122-141 15 15 Japan 16-ya - 42 (2) (3) (-10) (-5) GER 2-yr - 4.7 (9) (2) (-15) (-5) GER 5-yr - 48 (1) (-10) (-15) (-57) GER 16-yr - 416 (9) (-10) (-10) Famou 10-yr - 416 (9) (-10) (-10) Famou 10-yr - 410 (india 10-yr 7.39 (8) (4) (-18) (-38) indonesia 10-yr 7.1 (-28) (-28) (-53) (-185) The State of the S 2-yr overeign spread si appaint S Bedgian 11 (2)(0)(6)(6) Fance 10 (2) (4) (8)(7) Fance 10 (2) (4) (8)(7) reland 31 (8) (2) (13) (16) taly 93 (6) (7) (4) (22) Netherlands 7 (3) (9) (3) (10) Portugal 139 (1)(19) (22) (44) Spain 50 (9) (7) (13) (23) 5-yc coversign CDS 5-yc CDS Argestion 487 (18) (49) (43) L10569) 5-yc CDS Argestion 487 (18) (47) (180) 5-yc CDS Grazil 502 (18) (47) (7) (18) 5-yc CDS Colombia (18) (12) (4) (17) (48) 5-yc CDS Element 45 (40) (48) (47) (48) 5-yc CDS Peres 128 (49) (48) (47) (49) 5-yc CDS Peres 128 (49) (48) (47) (49) 5-yc CDS Peres 128 (49) (48) (47) (49) 5-yr CDS Poland97 (-2) (1) (15) (25) 5-yr CDS Russia - 225 (-10) (-1) (-6) (-77) 5-yr CDS Turkey - 225 (-9) (-11) (-13) (-48) 5-yr CDS China 120 (-3) (8) (8) (11) 5-yr CDS India 177 (-1) (7) (11) (29) 5-yr CDS Indonesia 178 (-7) (-3) (-7) (-49) Large Spanish banks CDS 155 (-14) (-1) (17) (16) Medium Spanish banks CDS 193 (-1) (6) (16) (26) Greek banks CDS 1156 (-1) (-281) (-14) (-496) Russian banks CDS 355 (4) (5) (9) (-27) Corporate Hisk (changes in bps) EIIU Non-Inancial CDS 117 (-4) (-221) (-174) (-56) UK Non-Inancial CDS 166 (-5) (-3) (1) (-26) US DIS spread 3m 28 (-1) (8) (2) (5) US DIS spread 12m 81 (-3) (-2) (5) (25) US TED spread 3m 38 (-2) (-2) (-3) (-7) Liber 12m 1.22 (0)(2)(2)(8) Stock markets (Changee in percent Sank slocks Sank slocks SPM 623 (8.7) (1.7) (3.8) (6) C8I 42.5 (1.2) (8.7) (5.8) (40) SoA 12.3 (8.9) (1.5) (6.2) (42) MS 26.4 (8.3) (2) (1.4) (47) GS 151.7 (3.9) (2.4) (4.9) (40) GS 131 (49)(4-1) (49) (19) 805 (17) (49) (41) (41) 805 (17) (49) (49) (49) 806 (17) (49) (49) (49) 806 (19) (49) (49) (49) 807 (19) (49) (49) (49) 807 (49) (49) (49) (49) 807 (49) (49) (49) (49) 807 (49) (49) (49) 807 (49) (49) (49) 807 (49) (49) (49) 807 (49) (49) (49) 807 (49) 807 (49) Large Spanish banks 57.7 (1.1) (8.4) (-10.7) (2 Sentander 3.6 (1.4) (2.4) (-12.2) (-22) 88VA 5 (0.9) (-1.1) (-9.4) (-25) 88VA 5 (0.5) (-1.1) (-2.4) (-25) Medium Spanish banks 54 6 (0.8) (-1.3) (-15.4) (-34) Colombrat 2 (1.3) (-2.3) (-12.1) (-36) Popular 1 2 (-0.8) (-6.6) (-17.1) (-67) Sobades 1 2 (-0.7) (-2.8) (-2.5) (-26) Bankins 5 (-0.4) (-0.3) (-1.3) (-12) Bankins 5 (-0.2) (-1.7) (-15.4) (-41) Emerging Markets Main equity indices MSC(Lelan 67596 (1.55) (9.5) (1.5) (1.6) (1.6) Bresse (Brazi) 53626 (1.5) (2.4) (5.3) (24.2) Medial 46152 (6.5) (4.1) (1.1) (7.4) MSCIEM Europe 4327 (6.34) (0.4) (5.2) (1.9) Polland 1745 (2.3) (1.2) (4.38 (4.1) Microx (Russia) 1913 (1) (0.3) (1.1) (8.6) Ise 100 (Turkey) 78235 (1.6) (1.1) (2) (10.5) MSCIEM Asia 660 (-0.3) (-0.9) (-1.5) (-0.1) Shanghai Composite (China) 2995 (0.23) (0.2) (2.3) (-15.4) Jakaria Composite (Indonesia) 5009 (2) (2) (3.9) (10) Sank docks Turkish banks 54 (2) (1.5) (5.5) (14.1) Akbank T.A.S. 8 (8.5) (-0.5) (5.5) (5.5) Gazett 5 (2.2) (2.7) (5) (12.2) Turkiye is Sankssi 5 (3.3) (3) (5.7) (3.5) Russian banks 176 (1.7) (2) (-2.9) (16.2) Sberbank 137 (2.1) (2) (-1.7) (35.5) VTB Bank 0.1 (8.9) (2.1) (-5.8) (-13.7) Currencies (n. percentage, positive for dollar depreciation) EUBSIGO 1104 (4.41) + 109 (2.21) + 109 EUBSIGO 1105 (2.25) + 109 (2.2 Emerging Markets WSDARS (argentins) 14.69 (0.1) (2.1) (4.3) (-13.6) WSDARS (argentins) 14.69 (0.1) (2.1) (4.3) (-13.6) WSDCDP (16.60) 66.9 (0.2) (0.2) (0.7) (7.5) WSDCDP (16.60) 66.9 (0.2) (0.2) (0.7) (7.7) WSDCDP (16.60) 3005 (1.61) (1.61) (0.1) (7.5) WSDMN (6 except 18.48 (1.1) (-0.3) (1.1) (7.4) WSDMN (6 except 18.48 (1.1) (-0.3) (1.1) (7.4) USDRN (6 except 18.48 (1.1) (-0.3) (1.1) USDFLN (Foland) 4.01 (-0.5) (-0.9) (-4.6) (-2.3) USDRNB (Russia) 64.01 (-0.2) (0.2) (0.5) (11.7) USDTRY (Turkey) 2.91 (-0.4) (0.1) (-0.5) (5.4) USDRR (rtdrey) 2.91 (4.4) (6.1) (4.5) (9.4) USDRNY (bhia) 6.7 (4.1) (4.5) (2.2) (4.5) USDRR (rtdla) 67.1 (4.5) (6.2) (4.5) (1.5) USDRR (rtdla) 67.1 (6.3) (6.2) (4.6) (1.4) USDRR (rtdla) 68.1 (4.5) (4.6) (4.6) ADXY 106.52 (4.1) (4.3) (4.7) (6)



CDS, EMBI & MSCI indices with one day delay **Credit spread (BAA) with two days delay ***S&P GSCI with one day delay

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