

Market Comment | Fears of trade wars eased while peripheral premia stabilized

Global Financial Markets Unit
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- **Positive mood continues in US markets as odds of trade war eased in the short term after China showed new signs of willingness to avoid confrontation with the US.** China's authorities announced they will reduce import duties on cars ([see](#)) following yesterday's decision of the US to suspend tariffs on China. In this context, the US 10YT remains above the 3% threshold and low volatility reigns in US financial markets. The US car industry was the most benefited after the decision.
- **European markets also recovered from yesterday's fall of risky assets** in a context of appetite for safe-haven assets. The 10Y yield on German sovereign debt increased but still remained below 0.60%. Meanwhile the recent sharp increase in peripheral yields halted and recovered some ground despite the continuing uncertainty in Italy. Italy's risk premium remained at its highest level since early 2017 as the President of the Republic is considering the prime ministerial candidate proposed by the government coalition ([see](#)). Equity indices also showed a mild recovery, led by the banking sector.
- **The USD took a breather in the FX market** against its main peers, particularly against the GBP, which benefited from BoE Governor Carney's forecast of a recovery after poor 1Q GDP growth ([see](#)).
- Most of the **EM currencies also showed a slightly positive performance** in a context of increasing oil prices as uncertainty on the supply side increased ([see](#)). The main exception was again the Turkish lira, which continued underperforming clearly, hovering around its lowest levels due to internal vulnerabilities. In fact, some rating agencies have started to warn about the situation.

Table1

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Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.57	0.0	-0.9	11	65
US	3.07	0.9	-0.3	11	61
GER (2-yr)	0.61	1.5	5.6	4	0
Germany	0.95	2.7	-9.5	4	8
France	0.83	1.1	-1.4	2	1
Spain	1.47	-3.4	11.6	19	-14
Italy	2.35	-3.7	39.9	58	26
Portugal	1.98	-2.2	24.2	33	-3
Greece	4.40	-12.6	27.1	36	29
Japan (2-yr)	-0.14	-0.3	-0.5	-1	0
Japan	0.06	-0.5	0.5	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.63	0.1	45.6	26	27
Colombia	6.65	-2.2	10.0	21	21
Mexico	7.75	-1.8	2.4	26	17
Peru	5.34	0.5	48.0	78	67
Poland	3.26	-7.8	2.4	14	-6
Russia	7.51	0.8	2.4	13	-13
Turkey	14.40	-16.0	19.0	215	304
India	7.81	0.3	-9.3	9	42
Indonesia	7.53	4.5	43.7	73	123
Country risk (bp, 10-year vs Germany)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	-1.6	6.1	6	-1
Italy	150	-6.4	40.4	62	18
Portugal	143	-4.9	33.7	37	-11
Spain	92	-6.1	21.0	23	-22
2-yr sovereign spread vs Germany					
France	12	-0.3	3.7	3	-4
Italy	84	-4.9	35.8	56	47
Portugal	57	-0.2	18.5	-1	-11
Spain	31	-3.2	6.8	4	4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	194	6.6	10	28	34
Chile	55	-1.3	2	9	7
Colombia	112	-4.2	4	13	7
Argentina	351	-12.6	-69	85	113
Mexico	125	-5.0	8	19	18
Peru	88	-1.9	6	18	16
Venezuela	16,599	0.0	0	0	0
Poland	57	2.5	2	9	9
Russia	137	-0.8	8	2	19
Turkey	288	3.0	53	93	123
China	57	-0.3	-1	2	6
India	89	0.1	10	16	19
Indonesia	125	-0.1	12	27	40
Risk indicators					
Volatility indicators (change in pps)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.0	-2	-4	3
VIX100E	13	-0.9	0	-1	0
DM EFF volatility Index	18	-0.7	-2	-2	1
Dollar/euro volatility	8	-0.1	0	1	1
EM FX volatility index	9	0.0	0	1	1
Credit spread (BAA) (change in bp)	182	-9.9	0	4	4
US bonds volatility index	53	-0.2	0	0	4
Inflation expectations (bps)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.39	-	-5	-11	7
EZ Inflation expectations (5Y5Y)	1.72	-	-2	3	-2
Emerging 2Y CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	53	-1.2	3	0	11
EZ	65	3.3	11	14	26
UK	47	1.5	5	3	6
Large Spanish	63	3.9	16	18	27
Medium Spanish	77	2.2	7	8	3
Commodities (10Y, % change in bp)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	149	-1.2	3	0	11
EZ Non-financial	72	3.3	11	14	26
UK Non-financial	105	0.6	7	3	13
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.37	0	-1	0	0
EURibor 3m	-0.32	0	0	0	1
EURibor 12m	-0.19	0	0	0	0
Libor 3m	2.33	1	0	-3	66
Over 12m	2.76	0	1	1	66
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,736	0.1	0.9	2.4	1
Dow Jones	24,988	-0.1	1.1	2.1	1
Nike	22,960	-0.2	0.6	2.6	1
FTSE 100	7,891	0.4	2.2	7.1	3
Euro Stoxx 50	3,588	0.4	0.7	2.7	3
IBEX	10,129	0.6	-0.6	2.5	0
DAK	13,185	0.8	1.7	5.1	2
CAC	5,844	0.1	1.6	4.3	7
MIB	23,064	-0.1	-5.1	-3.2	6
ASE Athens	798	1.7	-0.2	-5.6	-3
MSCI LatAm *	67,651	-1.2	-3	4.9	2
Ibovespa (Brazil)	81,853	0.0	-3.9	-4.3	5
Merval (Mexico)	45,170	-0.3	-2.4	-6.7	-10
Merval (Argentina)	33,698	-0.1	3.0	1.4	2
MSCI EM Europe *	5,452	0.5	-2.1	0.3	1
Poland	2,250	-0.8	-1.2	-2.1	8
Nikkei 10 (Russia)	4,524	-0.2	-0.1	2.5	10
Iu TUD (Turkey)	103,506	1.2	1.9	-6.7	-12
MSCI EM Asia *	935	0.2	-1.2	0.6	1
Shanghai Com (China)	3,214	0.0	0.7	-6.6	-4
Jakarta Indonesia	5,751	-0.6	-3.3	-9.5	-10
Emerging sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	113.3	1.0	0.2	1.7	5
Citi	70.9	0.7	-2.4	1.3	-8
BofA	30.8	0.7	1.4	1.7	-3
MS	54.9	1.0	0.1	0.8	5
GS	238.6	0.8	-0.8	-4.9	-6
EZ banks					
BNP	103.0	0.7	-3.7	-5.8	-6
BBVA	62.6	1.6	-0.9	-0.9	1
Credit Agricole	13.4	-1.4	-1.6	-1.7	4
Deutsche Bank	11.0	1.7	-2.6	-5.0	-31
ING	13.5	1.8	0.8	-5.2	-12
Intesa	2.8	0.2	0.3	11.1	11
SG	41.7	0.7	-2.3	-8.6	-3
Unicredit	16.4	0.9	-7.8	-8.6	5
UK banks					
HSBC	748.9	1.4	1.4	6.8	-2
RBS	297.3	1.7	1.4	8.4	7
Barclays	211.3	1.1	-0.2	-2.0	4
Lloyds	67.4	1.4	1.0	2.6	0
Large Spanish banks					
Santander	80.1	1.4	-2.9	-2.2	5
BBVA	5.2	1.4	-4.1	-4.8	-4
Medium Spanish banks					
CAJABANK	6.6	1.5	-1.9	0.4	7
Sabadell	78.5	1.6	-2.4	0.8	2
Catalunya	4.2	2.0	-2.7	4.3	5
Sabotell	1.7	2.9	-5.2	5.1	2
Banque	8.9	0.7	-3.8	3.0	11
Banella	3.6	1.4	-1.9	0.4	10
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.18	-0.1	0.6	4.1	-2
GBPUSD	1.34	0.1	-0.5	-4.0	-1
USDJPY	110.94	0.1	-0.5	-3.0	1
DXY	93.56	-0.1	0.3	2.6	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	24.33	0.2	-1.2	-20.5	-32
USDRL (Brazil)	3.65	0.7	0.1	-6.9	-12
USDCUP (China)	628.50	1.3	0.6	-5.4	-4
USDCOP (Colombia)	2852	0.8	0.7	-3.3	3
USDQXN (Mexico)	19.79	0.4	-0.3	6.6	-1
USDPEN (Peru)	3.27	0.3	0.1	-1.7	-1
LACI	59.11	1.1	-0.5	-6.9	-7
USDPLN (Poland)	3.64	0.0	-0.3	-7.2	-5
USD RUB (Russia)	61.16	0.6	1.8	0.3	-6
USDTRY (Turkey)	4.64	-1.4	-4.3	-13.8	-23
USD CNY (China)	6.37	0.3	0.2	-1.1	2
USDINR (India)	68.04	0.1	0.1	-2.9	-7
USDIDR (Indonesia)	14,142	0.3	0.7	1.8	-5
ADXY	110.0	0.3	0.1	-1.2	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	80.1	1.1	2.1	8	20
WTI	73	0.4	1.8	6	20
Copper	312	1.2	2.6	0	-4
Gold	1293	0.0	0.2	-3	-2
S&P Spot commodity *	493	0.8	1.1	4	11
S&P Brent Spot *	625	1.0	1.3	8	19
S&P Metals Spot *	388	0.5	0.2	4	-2
S&P Agriculture *	308	0.5	1.9	3	8

* With one day delay
Source: Bloomberg, Datastream and Haver

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