

# Market Comment | Trade concerns prompt switch from stocks to bonds

Global Financial Markets Unit  
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- **Risk-off mood due to ongoing global trade tensions and Italy's political problems were the drivers of the financial markets during the week.** Safe-haven currencies and bonds attracted fresh inflows after China and the EU announced retaliations against the imposition of tariffs by the US on imports coming from these economies [\(see\)](#). In this context, **stock prices fell across the board during the week**, while the equity volatility index (VIX) hovered around 14%.
- Following this pattern, **core yields declined during the week:** the US 10YT yield remained broadly steady below the 3% threshold, while the decline in the 10Y German Bund yield was more intense, dropping below 0.4%, as political concerns over Italy came to the forefront at the end of the week, the Italian risk premium increasing, with a mild effect on other peripheral countries' risk premia [\(see\)](#).
- In the Fx Market, **the USD rally took a breather, diminishing the pressure on EM currencies.** The MXN and the Turkish lira recovered some ground during the week (ahead of upcoming Turkey's elections) while the BRL underperformed against the USD due to idiosyncratic factors. Regarding the DM, the JPY appreciated amid trade tensions.
- **The boost in crude oil supply by just 1 million barrels per day for the next month** (lower than expected) **was decided in today's OPEC meeting.** However, oil prices rebounded at the end of the week after some volatility (around \$75 per barrel) [\(see\)](#).

Table 1

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