

Market Comment | Trade tensions weighed on Chinese assets

Global Financial Markets Unit
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- **US-China trade strains returned to the spotlight.** After a quiet week for trade concerns, Trump's economic adviser, Larry Kudlow, said that US-China trade talks were stalled ([see](#)). Moreover, **the PBoC weakened its fixing**, while planning measures that will boost the liquidity of commercial banks, suggesting it is comfortable with the currency's slide ([see](#)), spurring RMB depreciation that spilled over to the rest of EM Asian currencies.
- Once more, **the US dollar reflected the trade frictions between the US and China, and it extended its appreciation against both G-10 currencies and EM currencies.** The lower-than-expected UK retail sales data for June weighed on the GBP, which depreciated against the USD, under continuing pressure ([see](#)). The US dollar's strength also weighed on Latam currencies, which depreciated across the board.
- **Industrial metals and agricultural commodities extended their falls**, depressed also by trade concerns, while uncertainty about Chinese demand for commodities also weighed on them ([see](#)). The main exception was crude oil prices, which recovered some ground after Saudi Arabia reaffirmed its intention of not producing more oil than was demanded ([see](#)).
- **US Treasuries trimmed losses**, while, **in Europe, the 10Y Bund yield edged downward.** Spain's risk premium remained steady at close to 90 bps.
- **Equity markets declined slightly across the board** as neither earnings nor renewed trade concerns provided support, while falls in China's equity markets weighed on equity sentiment.

Table 1

Update 18:00 CET July 19

Debt markets (% change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US Govt	2.60	-1.0	1.3	5	68
US	2.85	-2.2	0.2	5	39
GER (2-yr)	-0.63	-0.3	0.6	-1	2
Germany	0.33	-1.2	2.7	-10	-19
France	0.63	-0.3	-1.2	8	-20
Spain	1.28	0.1	0.5	4	-33
Italy	2.51	0.1	-11.9	5	41
Portugal	1.75	-1.0	0.6	2	-26
Greece	3.86	0.5	-0.9	-51	-24
Japan (2-yr)	-0.13	-0.6	0.0	1	1
Japan	0.04	0.2	0.8	-1	-1
Emerging Markets					
Brazil	11.27	-4.9	-8.6	-47	111
Chile	4.57	-0.9	-1.4	-3	6
Colombia	6.68	0.9	13.2	8	24
Mexico	7.69	3.0	-4.4	-17	12
Peru	5.16	-0.6	0.4	-29	29
Poland	3.13	0.1	-5.5	-7	-18
Russia	7.83	5.9	16.3	-10	19
Turkey	16.99	0.0	-7.0	86	563
India	7.76	3.1	0.2	8	40
Indonesia	7.81	13.2	28.6	49	152
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	30	0.9	1.5	2	-6
Italy	218	1.3	9.1	5	60
Portugal	142	0.2	3.3	11	-6
Spain	95	1.3	2.2	14	-14
2-yr sovereign spread vs Germany					
France	19	-0.7	-1.4	10	3
Italy	118	-3.2	-16.7	-4	81
Portugal	92	-0.2	3.9	4	2
Spain	34	0.5	0.3	0	7
Emerging Markets					
1-yr sovereign CDO *					
Brazil	238	-3.8	-12	-37	77
Chile	56	-0.8	-3	-1	7
Colombia	110	-0.5	-1	-17	5
Argentina	438	1.6	-1	11	200
Mexico	114	-0.4	-4	-30	7
Peru	82	-0.8	-3	-8	11
Poland	63	1.3	3	3	15
Russia	133	5.1	6	19	15
Turkey	315	-4.8	-12	9	150
China	65	0.0	8	7	14
India	98	-0.9	-4	10	28
Indonesia	115	0.8	11	-18	30
Risk indicators					
Volatility indicators (change in ppt)					
VIX	13	0.5	0	-1	3
VSTOXX	13	0.9	-1	-2	-1
EM EFT volatility index	18	0.9	0	-1	1
Dollar euro volatility	7	0.1	0	-1	0
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bp)	192	2.2	2	2	15
Default indicators (bps)					
US bonds volatility index	45	1.4	-3	-2	4
US Inflation expectations (5Y5Y)	2.39	-	-3	-4	7
EZ Inflation expectations (5Y5Y)	1.71	-	-1	-3	-3
Leading CYCC (bps)					
US	53	0.3	-3	0	11
EZ	85	0.7	-5	-3	45
UK	65	2.7	1	11	24
Large Spanish	79	-0.3	-9	8	43
Medium Spanish	89	-0.2	-6	-8	14
Commodity prices (bps)					
US Non-financial	157	0.3	-3	0	11
EZ Non-financial	77	0.7	-5	-3	45
UK Non-financial	103	-0.4	-3	-5	10
Interbank markets (% change in bp)					
LIBOR Index	-0.37	0	0	0	0
Eurobor 3m	-0.32	0	0	0	1
Earlibor 12m	-0.18	0	0	0	1
Libor 3m	2.35	1	1	2	65
Libor 12m	2.80	1	2	3	69
Stock markets (%)					
Main indices					
S&P500	2,810	-0.2	0.4	1.7	4
Dow Jones	25,127	-0.3	0.8	1.7	1
Nikkei	22,765	-0.1	2.6	2.2	0
FTSE 100	7,684	0.1	0.4	1.1	0
Euro Stoxx 50	3,472	-0.4	0.8	1.1	-1
IBEX	9,721	-0.3	0.5	0.4	-4
DAX	12,686	-0.6	1.5	0.1	-1
CAC	5,417	-0.8	0.2	0.5	2
IBV	21,685	0.4	0.4	0.9	0
ASE Athens	767	-0.9	1.9	0.1	6
MSCI Latam *					
Bovespa (Brazil)	65,687	-0.3	2.3	6.9	0
Ibovespa (Brazil)	76,306	-1.4	0.5	6.9	2
Merbi (Mexico)	48,893	-0.2	0.4	5.2	2
Merval (Argentina)	26,514	-0.5	0.8	7.8	-13
MSCI Europe *					
Poland	5,249	-0.3	-1.1	2.1	-3
Poland	2,147	-0.1	0.7	1.2	-13
Hong Kong (China)	4,214	-1.6	-4.0	-0.3	5
Ise 100 (Turkey)	92,003	0.7	3.8	1.5	-21
MSCI EM Asia	885	0.1	0.7	-4.9	-4
Shanghai Com (China)	2,173	-0.5	2.3	-4.7	-17
Jakarta Indonesia	5,871	0.2	0.4	2.0	8
Financial sector					
US banks					
JPM	110.5	-0.9	3.4	2.8	2
Ch	69.3	-0.8	1.2	3.8	-7
Ba	29.9	-0.9	3.8	2.1	0
MS	50.5	-0.1	5.1	1.1	-3
GS	231.0	-0.1	1.7	1.2	-10
EZ banks					
BNP	69.7	-0.6	0.2	-2.2	-18
Credit Agricole	51.8	-0.5	-1.1	-3.6	-17
Diada Bank	11.4	-0.1	1.2	-2.9	-18
ING	10.3	-0.4	7.8	7.8	-36
ING	12.4	0.1	-0.7	-1.9	-19
Intesa	2.4	-1.6	-0.9	5.6	-12
SC	36.3	-0.6	0.7	0.6	-16
Unicredit	13.9	-1.6	-2.7	-3.6	-11
UK banks					
HSBC	84.6	-0.5	-0.3	-1.9	-8
RBS	718.1	0.1	1.2	0.8	-6
RBS	243.5	-0.6	-1.0	5.5	-12
Barclays	185.5	-1.8	-2.1	-3.9	-9
Lloyds	62.5	-0.1	0.2	1.5	-8
Large Spanish banks					
Santander	71.8	-0.2	0.8	0.1	-15
Caixa	4.7	0.1	-0.2	0.2	-15
BBVA					
BBVA	6.0	-0.5	-1.3	0.1	-16
Medium Spanish banks					
Cajabank	69.9	-0.2	-1.7	-2.9	9
Cajabank	3.7	-0.5	0.1	0.1	-6
Sabadel	1.4	0.5	2.0	-4.1	-17
Bankinter	8.3	-0.4	-2.1	-2.4	5
Banisa	3.1	-0.5	-2.9	-6.8	-24
Commodities (% change in currency deposit)					
Developed					
EURUSD	1,161	-0.3	-0.6	0.1	-4
GBPUSD	1.30	-0.6	-1.7	-1.4	-4
USDJPY	112.93	-0.1	-0.3	-2.6	-1
DXY	95.47	0.4	0.7	0.5	4
Emerging					
USDARS (Argentina)	27.74	-0.5	-1.9	0.1	-51
USD BRL (Brazil)	3.88	-0.8	0.1	-3.5	-19
USD CIP (Chile)	662.80	-1.5	2.3	3.6	9
USD COP (Colombia)	2884	-0.6	-0.3	1.3	2
USD MEX (Mexico)	19.07	-0.9	0.5	7.1	2
USD PEN (Peru)	3.28	-0.3	0.2	0.1	-1
LACI	57.43	-1.0	0.4	0.5	-10
USD PLN (Poland)	3.74	-1.0	-0.9	0.4	8
USD RUB (Russia)	63.60	-0.9	-2.2	0.4	-11
USD TRY (Turkey)	4.82	-0.5	0.7	-1.7	-28
USD CNY (China)	6.78	-0.8	-1.6	-4.5	-4
USD INR (India)	69.05	-0.6	0.7	-1.8	9
USD IDR (Indonesia)	14,442	-0.2	-0.4	-3.7	-7
ADXY	105.6	-0.5	-0.9	-2.7	-4
Commodities (%)					
Brent	72.7	-0.3	-2.4	-3	9
WTI	70	1.3	-1.0	7	15
Copper	270	-2.0	-2.6	-11	-17
Gold	1217	-0.9	-2.4	5	8
S&P Spot commodity *	454	-0.6	-1.6	-2	3
S&P Brent Spot *	621	1.0	-2.0	-2	10
S&P Metals Spot *	343	0.4	-1.0	9	-13
S&P Agricultural *	278	-0.2	0.5	3	-2

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

Fuente: BBVA Research

Debt markets (10Y, %; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.60	-1.0	1.3	5	68
US	2.85	-2.2	0.2	-5	38
GER (2-yr)	-0.63	-0.3	0.6	-1	-2
Germany	0.33	-1.2	2.7	-10	-19
France	0.63	-0.3	1.2	8	-20
Spain	1.28	0.1	0.5	4	-33
Portugal	2.51	0.1	-11.8	-5	-41
Greece	1.75	-1.0	0.6	2	-26
Japan (2-yr)	3.86	0.5	0.9	-51	-24
Japan	0.13	-0.6	0.0	1	1
India	0.24	0.2	0.8	-1	-1
Indonesia	0.13	-0.6	0.0	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.37	-4.9	-8.6	-47	111
Chile	4.57	-0.3	-1.4	-3	6
Colombia	6.68	0.9	13.2	8	24
Mexico	7.69	3.0	-4.4	-17	12
Peru	5.16	-0.6	0.4	-29	28
Poland	3.13	0.1	-5.5	-7	-18
Russia	7.83	5.5	16.3	-10	19
Turkey	16.99	0.0	-77.0	86	563
India	7.78	3.1	0.2	-8	40
Indonesia	7.81	13.2	28.6	49	153
Country risk (bp; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0.9	1.5	2	-6
Italy	218	1.3	-9.1	5	60
Portugal	142	0.2	3.3	11	-6
Spain	93	1.2	2.2	14	-14
2-yr sovereign spread vs Germany					
France	19	-0.7	-1.4	10	3
Italy	118	-3.2	-16.7	-4	81
Portugal	52	-0.2	-2.9	4	2
Spain	34	0.5	0.3	0	7
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	238	-3.8	-12	-37	77
Chile	56	-0.8	-3	-1	7
Colombia	110	-0.5	-1	-17	5
Argentina	438	1.6	-1	11	200
Mexico	114	-0.4	-4	-30	7
Peru	82	0.8	3	-9	11
Poland	63	1.3	3	-3	15
Russia	133	5.1	8	-19	15
Turkey	315	-4.8	-12	-9	150
China	65	0.0	8	7	14
India	90	-0.9	-4	10	28
Indonesia	115	-0.8	-11	-18	30
Risk indicators					
Volatility indicators (change in bps)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.5	0	-1	3
VSTOXX	13	0.8	-1	-2	-1
EM EFT volatility index	18	0.9	0	-1	1
Dinleriano volatility	7	0.1	0	-1	0
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bps)	192	2.2	2	2	15
US bonds volatility index	45	-1.4	-3	-7	-4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.39	-	-3	-4	7
EZ Inflation expectations (5Y5Y)	1.21	-	-1	-3	-3
Bonding 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	53	0.3	-3	0	11
EZ	85	0.7	-5	-3	45
UK	65	2.7	1	11	24
Large Spanish	79	-0.3	9	8	43
Medium Spanish	89	-0.2	6	8	14
Government 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	157	0.3	-3	0	11
EZ Non-financial	77	0.7	-5	-3	45
UK Non-financial	103	-0.4	-3	-5	10
Interbank markets (%; changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.37	0	0	0	0
EURibor 3m	-0.32	0	0	0	1
EURibor 12m	-0.18	0	0	0	1
Libor 3m	2.35	1	1	2	65
Libor 12m	2.80	1	2	3	66
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
S&P500	2,810	-0.2	0.4	1.7	4
Dow Jones	25,127	-0.3	0.8	1.7	1
Nikkei	22,765	-0.1	2.5	2.2	0
FTSE 100	7,684	0.1	0.4	1.1	0
Euro Stoxx 50	3,472	-0.4	0.8	1.1	-1
IBEX	9,721	-0.3	0.5	0.4	-4
DAX	12,686	-0.6	1.5	0.1	-1
CAC	5,417	-0.6	0.2	0.5	2
MI	21,805	-0.4	0.4	-0.9	0
ASE Athens	767	-0.9	1.9	0.1	-6
MSCI Latam *	85,687	-0.3	2.3	6.9	0
Bovespa (Brazil)	76,306	-1.4	0.5	6.9	-2
Mexcel (Mexico)	48,893	-0.2	0.4	5.2	-2
Merval (Argentina)	26,914	-0.5	0.8	7.6	-13
MSCI EM Europe *	5,249	-0.3	-1.1	2.1	-3
Poland	2,147	-0.1	0.7	1.2	-13
Moon 10 (Russia)	4,314	-1.6	-4.0	0.3	5
Ru 100 (Turkey)	93,003	0.7	3.8	-1.6	-21
MSCI EM Asia *	895	0.1	0.7	-4.9	-4
Shanghai Com (China)	2,773	-0.5	-2.3	-4.7	-17
Jakarta Indonesia	5,271	0.2	-0.4	-2.0	-8
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	116.5	-0.9	3.4	2.8	2
Ch	69.3	-0.8	1.2	3.8	-7
BoA	29.9	-0.9	3.8	2.1	0
MS	50.5	-0.1	5.1	1.1	-3
GS	231.0	-0.1	1.7	1.2	-10
EZ banks					
BNP	51.8	-0.5	-1.1	3.6	17
Credit Agricole	11.4	-0.1	1.2	2.9	18
Deutsche Bank	10.3	-0.4	7.9	7.9	35
ING	12.4	0.1	-0.7	-1.9	-19
Intesa	2.4	-1.6	0.8	5.6	-12
SG	36.3	-0.6	0.7	0.6	-16
Unicredit	13.9	-1.6	-2.7	-3.6	-11
UK banks					
HSBC	84.6	-0.5	0.3	1.9	-8
RBS	718.1	0.1	1.2	0.8	-6
Barclays	243.5	-0.6	-1.0	5.5	-12
Lloyds	185.5	-1.8	2.1	3.9	-9
Large Spanish banks	62.5	-0.1	-0.2	1.5	-8
Santander	71.8	-0.2	0.8	0.1	-15
BBVA	4.7	0.1	0.2	0.2	15
Medium Spanish banks	6.0	-0.5	-1.3	0.3	-16
Casabank	69.9	-0.2	-1.7	-2.9	-9
Sabadell	3.7	-0.5	-0.1	0.1	6
Bankinter	1.4	0.5	-2.0	-4.1	-17
Banisa	8.3	-0.4	-2.1	-2.4	5
Banisa	3.1	-0.5	2.9	-6.8	-34
Commodities (%; red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,161	-0.3	-0.6	0.1	-4
GBPUSD	1,30	-0.8	-1.7	-1.4	-4
USDJPY	112.93	-0.1	-0.3	-2.6	-1
DX	95.47	0.4	0.7	0.5	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.74	-0.5	-1.9	0.1	-51
USDBRL (Brazil)	3.88	-0.8	0.1	3.5	-19
USDCOP (Colombia)	662.80	-1.5	2.3	3.6	-9
USDCOP (Colombia)	2884	-0.6	0.3	1.3	2
USDMXN (Mexico)	19.07	-0.9	-0.5	7.1	2
USDPEN (Peru)	3.28	-0.3	0.2	0.1	-1
LACI	57.43	-1.0	-0.4	0.5	-10
USDPLN (Poland)	3.74	-1.0	0.9	0.4	-8
USDRON (Russia)	63.60	-0.9	-2.2	0.4	-11
USDTRY (Turkey)	4.82	-0.5	0.7	-1.7	-28
USDCHF (China)	6.78	-0.8	1.6	4.5	-4
USDINR (India)	69.05	-0.6	0.7	-1.0	-9
USDIDR (Indonesia)	14,442	-0.2	-0.4	-3.7	-7
ADXX	105.6	-0.5	-0.9	-2.7	-4
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.7	-0.3	-2.4	-3	9
WTI	70	-1.5	-1.0	7	15
Copper	270	-2.0	-2.6	-11	-17
Gold	1217	-0.9	-2.4	-5	-8
S&P Spot commodity *	454	0.5	1.6	-2	3
S&P Brent Spot *	621	1.0	2.0	-2	10
S&P Metals Spot *	343	0.4	-1.0	-9	-13
S&P Agriculture *	278	-0.2	0.5	-3	-2

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

Fuente: BBVA Research

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