

Market Comment

Mounting fears on global economic growth renew the risk-off mood.

- Yesterday's upward move spurred by some positive news in the trade front faded. **U.S. and European stocks fell and government bonds resumed their rally as weak economic data from Germany and China renewed investors concerns on global economic growth.** The appreciation of safe-haven currencies and **rallying gold prices** indicated a strengthening risk-off mood across financial markets.
- Germany's flash GDP shrank in the second quarter**, in line with expectations (-0.1% q/q, consensus -0.1% q/q, previous quarter 0.4% q/q). This contraction was **driven by slumping exports** which declined more rapidly than imports, **reinforcing markets expectations for the ECB to relax monetary policy to stimulate the economy.** However, the positive contribution came from domestic demand (private and public) and from investments outside the construction sector.
- Regarding industrial production, the Eurozone showed a sharper-than-expected decline in June (-1.6% m/m, consensus -1.5% m/m, revised data from the previous month 0.8% m/m). **China's growth in industrial output fell to its slowest rate in 17 years in July** (4.8% y/y, consensus 6.0% y/y, previous month 6.3% y/y). Moreover, **Chinese retail sales also disappointed in July** (7.6% y/y, consensus 8.6% y/y, previous month 9.8% y/y), dragged down by weaker auto sales last month.
- Sovereign bond yields resumed their downward trend. The 10Y U.S. Treasury yield fell sharply by 11 bps. while the yield on the 30Y U.S. Treasury reached its record low (+2.04%). The 7-2Y yield curve inverted in the U.S., mounting concerns over a global slowdown. In Europe, the 10Y German bond yield continue to hit fresh lows (-0.65%)** while peripheral risk premia narrowed, especially in Italy after yesterday's rejection of Salvini's plan of an immediate vote of no confidence ([see](#)). Furthermore, the spread between 2-10Y UK Gilts yields dropped below zero for the first time since the financial crisis.
- The risk-off mood fueled the flight to safe-haven currencies** with the JPY rebounding from yesterday's losses. Elsewhere, the euro inched down while the pound was flat despite the better-than-expected inflation in July. In EM, **Latam currencies depreciated** with the ARS underperforming across the board. The PBoC strengthened its daily reference more than expected after the U.S. decision to delay the imposition of new tariffs on certain Chinese imports. However, **the offshore Yuan slipped driven by the weak Chinese activity data while the onshore currency gained following a stronger daily fixing, mirroring that the delay in tariffs lacked of conviction to resolve the trade tensions.**
- American and European stocks slumped** with cyclical sectors underperforming as the outlook for global economic growth deteriorates with the VIX index above 20. Moreover, **the banking sector dropped significantly.**

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DEBT MARKETS (10Y, %, CHANGES IN BP)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,58	-8,7	-2,8	-25	-91
US	1,60	-10,7	-13,8	-49	-109
GER (2-yr)	-0,87	0,2	-1,7	-14	-26
Germany	-0,65	-4,2	-7,0	-44	-93
France	-0,37	-5,7	-6,1	-38	-108
Spain	0,14	-6,8	-2,9	-37	-127
Italy	1,51	-11,0	8,9	-14	-123
Portugal	0,17	-6,0	-1,3	-41	-155
Greece	2,04	-7,9	5,8	-27	-235
Japan (2-yr)	-0,27	1,2	-4,1	-9	-13
Japan	-0,22	1,4	-2,8	-11	-22
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,23	4,4	5,4	-1	-200
Chile	2,53	-1,9	4,2	-50	-172
Colombia	6,01	-1,6	-7,1	-4	-74
Mexico	7,19	-1,7	-14,2	-42	-145
Peru	3,66	-0,8	-21,5	-29	-170
Poland	1,77	-10,4	-24,9	-51	-106
Russia	7,42	3,5	3,4	-2	-136
Turkey	14,46	0,0	-22,0	-208	-134
India	6,63	10,3	26,0	20	-74
Indonesia	7,46	-8,0	-3,7	36	-56

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	-1,5	0,9	6	-15
Italy	216	-6,8	15,9	30	-30
Portugal	82	-1,8	5,7	3	-62
Spain	79	-2,6	4,1	7	-34
2-yr sovereign spread vs Germany					
France	11	-0,1	1,2	4	-4
Italy	96	-4,8	13,6	23	-12
Portugal	28	-1,2	0,0	1	2
Spain	35	-2,1	0,6	6	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	133	-3,4	-4	5	-74
Chile	40	-2,9	-2	5	-23
Colombia	97	-3,9	-4	13	-61
Argentina	2961	653,6	1885	2072	2155
Mexico	118	-7,2	-10	5	-37
Peru	55	-2,9	-1	5	-40
Poland	65	0,0	1	2	-3
Russia	105	-8,3	-5	-4	-49
Turkey	394	-4,9	5	-13	35
China	52	-2,4	-1	9	-16
India	75	-0,5	4	-3	-39
Indonesia	95	-4,1	-1	9	-43

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	21	3,2	1	8	-5
VSTOXX	22	2,9	0	9	-2
EMEFT volatility Index	26	3,4	2	11	2
Dollar/euro volatility	6	-0,1	0	1	-2
EM FX volatility index	9	0,0	0	2	-1
Credit spread (BAA) (change in bps)	228	10,7	8	3	-17
US bonds volatility index	78	-3,9	-1	16	11
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,90	-	-12	-22	-23
EZ Inflation expectations (5Y5Y)	1,22	-	3	-6	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	54	-3,4	-1	7	-28
EZ	67	-1,0	7	11	-38
UK	65	-0,4	2	13	-29
Large Spanish	43	-0,7	1	4	-44
Medium Spanish	87	1,7	4	-3	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	210	3,7	24	48	-3
EZ Non-financial	74	-1,0	-2	5	-23
UK Non-financial	103	-0,9	-2	6	-16

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	1	0
Euribor 3m	-0,41	0	-2	-4	-10
Euribor 12m	-0,35	1	-3	-6	-23
Eonia Swap 3m	-0,46	0	-1	-4	-10
Eonia Swap 12m	-0,59	0	-1	-8	-24
Libor 3m	2,18	0	-1	-15	-62
Libor 12m	1,99	0	0	-24	-102

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2879	-1,6	-0,2	-4,5	15
Dow Jones	25792	-1,9	-0,8	-5,7	11
Nikkei	20655	1,0	0,7	-4,8	3
FTSE 100	7153	-1,4	-0,6	-5,0	6
EuroStoxx 50	3291	-2,0	-0,6	-6,0	10
IBEX	8527	-1,9	-2,5	-8,5	0
DAX	11507	-2,1	-1,2	-7,1	9
CAC	5259	-1,9	-0,1	-5,7	11
MIB	20008	-2,6	-2,6	-9,8	9
ASE Athens	799	-2,4	-4,6	-6,2	30
MSCI Latam *	92002	0,9	-0,4	-4,1	7
Ibovespa (Brazil)	101477	-1,8	-1,3	-2,2	15
Mexbol (Mexico)	38875	-1,5	-3,9	-9,7	-7
Merval (Argentina)	30770	1,4	-24,9	-25,4	2
MSCI EM Europe *	5746	-0,1	-0,3	-3,9	9
Poland	2084	-2,6	-2,5	-10,3	-8
Micex 10 (Russia)	4575	-1,6	-1,8	-5,2	9
Ise 100 (Turkey)	99405	0,0	1,4	2,4	9
MSCI EM Asia *	794	-0,9	-0,2	-6,4	1
Shanghai Com (China)	2809	0,4	1,5	-4,5	13
Jakarta (Indonesia)	6267	0,3	2,4	-1,7	1

Banking sector

	level	Daily	Weekly	Monthly	YTD
US banks	127,9	-3,0	-3,0	-8,8	11
JPM	106,3	-2,8	-1,6	-6,7	9
Citi	62,4	-3,8	-4,3	-13,1	20
BoA	27,0	-2,8	-3,4	-7,8	9
MS	39,4	-3,1	-2,8	-11,3	-1
GS	198,2	-2,9	-3,7	-6,3	19
EZ banks	64,0	-3,0	-3,4	-11,8	-7
BNP	39,3	-2,8	-1,8	-8,4	-1
Crédit Agricole	10,0	-1,8	-1,6	-9,6	6
Deutsche Bank	6,1	-4,4	-7,5	-11,5	-13
ING	8,4	-3,2	-4,3	-19,4	-11
Intesa	1,8	-2,6	-3,8	-10,3	-5
SG	21,5	-4,0	-2,8	-5,8	-23
Unicredito	9,2	-3,9	-6,0	-19,8	-7
UK banks	67,6	-1,7	-4,1	-12,4	-7
HSBC	602,5	-1,9	-4,0	-9,7	-7
RBS	198,5	-2,1	-2,9	-13,4	-8
Barclays	138,6	-1,8	-6,1	-11,6	-8
Lloyds	48,6	-0,8	-3,3	-16,1	-6
Large Spanish banks	52,3	-2,8	-3,7	-15,1	-10
Santander	3,5	-3,1	-3,7	-16,4	-12
BBVA	4,2	-2,5	-3,7	-13,8	-8
Medium Spanish banks	40,3	-3,8	-7,5	-20,3	-30
Caixabank	2,0	-3,0	-8,4	-21,2	-36
Sabadell	0,7	-4,4	-5,8	-22,6	-27
Bankinter	5,3	-4,1	-8,6	-18,2	-25
Bankia	1,6	-4,5	-7,3	-25,4	-38

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,114	-0,3	-0,5	-1,0	-3
GBPUSD	1,206	0,0	-0,7	-3,7	-5
USDJPY	105,850	0,8	0,4	1,9	4
DXY	97,994	0,2	0,5	1,1	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	58,25	-4,5	-21,8	-27,2	-35
USDBRL (Brazil)	4,01	-1,1	-1,0	-6,3	-3
USDCLP (Chile)	711,07	-0,9	0,7	-4,3	-2
USDCOP (Colombia)	3448	-1,0	-0,01	-7,46	-6
USDMXN (Mexico)	19,56	-1,0	0,4	-3,0	0
USDPEN (Peru)	3,39	-0,3	-0,1	-3,2	-1
LACI	51,12	-1,4	-2,7	-7,3	-6
USDPLN (Poland)	3,92	-1,1	-1,7	-3,6	-5
USDRUB (Russia)	65,98	-1,6	-1,0	-5,0	5
USDTRY (Turkey)	5,62	-0,9	-2,2	1,7	-6
USDCNY (China)	7,02	0,3	0,5	-2,1	-2
USDINR (India)	71,28	0,2	-0,5	-3,8	-2
USDIDR (Indonesia)	14245	0,6	-0,1	-2,3	1
ADXY	102,98	-0,5	-0,2	-2,0	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	59,3	-3,2	5,5	-11	10
WTx	55	-3,6	7,8	-8	21
Copper	259	-1,5	0,8	-5	-2
Gold	1515	0,9	0,9	7	18
S&P Spot commodity *	406	2,1	4,7	-6	8
S&P Brent Spot *	518	4,4	8,5	-8	13
S&P Metals Spot *	321	1,3	2,9	-1	1
S&P Agricultural *	271	-0,5	-2,5	-9	-4

Source: Bloomberg, Datastream and Haver

* With one day delay