

Market Comment

Stocks climb as investors await today's Fed minutes.

- Markets regained risk appetite amid some positive news on the trade front, better-than-expected earnings in the U.S. retail and hopes of a more stable government in Italy. Investors will closely watch today's Fed minutes for better insight on the decision to cut rates last month.
- Markets have fully priced in another 25 bps rate cut in the next FOMC meeting in September. However, bets of an aggressive cut of 50 bps have declined during this week, hovering around 11% from this Monday's 19%. In this context, Boston Fed President Rosengren, who voted against a cut in July, earlier this week downplayed the need for more rate cuts.
- U.S. President Trump stated that negotiations with China and other trade deals were positive and insisted that U.S. economy is strong. Moreover, U.S. Secretary of State Pompeo said that the trade war could be resolved by the 2020 U.S. presidential elections.
- On the data front, U.S. existing home sales rose slightly more than expected in July to five-month high (5.42m, 5.4m expected, 5.29m prior), while investors will eye tomorrow's Eurozone manufacturing PMI as a further contraction is expected.
- Both the 10Y U.S. Treasury and the 10Y German bund fluctuated, trimming partially their early drop, ahead of today's Fed minutes and Powell's Jackson Hole comments on Friday. Elsewhere, peripheral risk premia narrowed, especially in Italy with its yield on 10Y bond reaching the lowest level since 2016.
- In FX, safe-haven currencies ran out of steam, while commodity-currencies gained. The euro was steady with the Italian PM Conte's resignation having a mute impact on it, alongside the DXY index as investors await more clues concerning monetary policy. The pound slipped as the U.K. budget deficit soared and fears over a hard-Brexit persist. Meanwhile, EM currencies gained with the FXJPEMCS index strengthening, except for the ARS despite the fact that Argentina's new Economy Minister said that stabilizing the currency is the nation's priority.
- The price of Brent crude rose to \$60.7 after U.S. crude inventories dropped more than estimated, alleviating concerns over a decline in demand driven by slowing economic growth. On the other hand, gold prices edged down, still hovering around 1500.
- American stocks picked up with better-than-expected earnings in retail, easing fears over a global slowdown. European equities also climbed with Italian shares outperforming other indexes in the region on hopes of a more stable government with new coalition talks. Equity volatility slipped.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,53	1,8	-4,7	-28	-96
US	1,57	1,2	-1,2	-48	-112
GER (2-yr)	-0,90	0,7	-2,2	-12	-29
Germany	-0,68	0,8	-3,2	-38	-96
France	-0,41	0,3	-3,9	-33	-112
Spain	0,09	-0,6	-5,3	-30	-133
Italy	1,33	-4,3	-17,7	-32	-141
Portugal	0,11	-1,3	-6,2	-35	-161
Greece	2,00	-0,2	-4,8	-12	-240
Japan (2-yr)	-0,30	-0,7	-3,2	-10	-16
Japan	-0,24	-0,3	-1,7	-10	-24
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,23	-6,0	-2,4	-7	-200
Chile	2,49	-2,3	-3,6	-36	-176
Colombia	5,91	-0,7	-5,0	-4	-84
Mexico	7,03	-3,0	-20,4	-46	-161
Peru	3,75	-2,1	6,8	-4	-161
Poland	1,95	10,2	19,2	-20	-87
Russia	7,30	-6,4	-11,0	-7	-148
Turkey	15,87	0,0	141,0	35	7
India	6,57	-1,9	-6,4	15	-80
Indonesia	7,28	-7,3	-18,0	8	-74

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	-0,5	-0,7	5	-16
Italy	201	-5,1	-14,5	5	-45
Portugal	79	-2,1	-3,0	2	-65
Spain	77	-1,4	-2,1	8	-36
2-yr sovereign spread vs Germany					
France	12	-0,2	0,6	4	-4
Italy	90	-3,0	-4,3	10	-18
Portugal	31	-0,6	2,4	5	5
Spain	35	-1,2	0,1	6	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	138	-0,7	6	11	-69
Chile	38	0,1	-2	3	-25
Colombia	100	-0,4	3	15	-58
Argentina	3240	-208,0	279	2345	2433
Mexico	118	0,3	0	3	-37
Peru	52	-0,4	-3	2	-43
Poland	65	0,0	0	1	-3
Russia	100	0,7	-4	-5	-54
Turkey	411	9,5	17	41	51
China	48	-1,7	-4	5	-20
India	74	-0,1	0	7	-39
Indonesia	93	-0,3	-1	9	-44

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	16	-1,4	-6	3	-9
VSTOXX	17	-1,5	-5	3	-7
EM EFT volatility Index	19	-1,0	-8	2	-6
Dollar/euro volatility	6	-0,2	0	1	-1
EM FX volatility index	9	0,0	0	2	-1
Credit spread (BAA) (change in bps)	232	-1,2	8	8	-13
US bonds volatility index	87	0,4	0	26	20
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1,88	-	-3	-21	-26
EZ Inflation expectations (5Y5Y)	1,25	-	3	-6	-36
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	0,0	0	8	-26
EZ	78	-0,5	-5	10	-51
UK	76	-1,3	-5	5	-34
Large Spanish	40	1,0	-4	0	-47
Medium Spanish	88	1,1	1	-4	-25
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	201	2,1	-9	35	-12
EZ Non-financial	72	-0,1	-3	0	-25
UK Non-financial	100	-0,1	-2	4	-18

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,36	0	0	1	-1
Euribor 3m	-0,42	0	-2	-5	-11
Euribor 12m	-0,40	0	-5	-9	-28
Eonia Swap 3m	-0,47	0	-1	-4	-12
Eonia Swap 12m	-0,61	2	-2	-7	-26
Libor 3m	2,15	0	-1	-11	-65
Libor 12m	1,95	0	-2	-20	-106

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2921	0,7	2,8	-2,1	17
Dow Jones	26193	0,9	2,8	-3,6	12
Nikkei	20619	-0,3	-0,2	-3,7	3
FTSE 100	7202	1,1	0,8	-4,2	7
EuroStoxx 50	3391	1,2	3,1	-2,8	13
IBEX	8702	1,0	2,1	-5,0	2
DAX	11787	1,2	2,6	-4,1	12
CAC	5425	1,5	3,3	-2,5	15
MIB	20833	1,7	4,1	-4,2	14
ASE Athens	833	0,4	4,2	-3,7	36
MSCI Latam *	89383	-0,1	-2,8	-5,9	4
Ibovespa (Brazil)	99700	0,5	-0,6	-4,1	13
Mexbol (Mexico)	39758	0,1	2,9	-3,5	-5
Merval (Argentina)	27609	1,4	-7,7	-28,7	-9
MSCI EM Europe *	5682	0,8	-1,1	-4,1	7
Poland	2106	-0,2	1,3	-10,1	-8
Micex 10 (Russia)	4609	0,2	0,9	-2,5	10
Ise 100 (Turkey)	95335	-0,7	-4,1	-5,7	4
MSCI EM Asia *	815	0,2	2,6	-4,6	4
Shanghai Com (China)	2880	0,0	2,5	-0,2	15
Jakarta (Indonesia)	6253	-0,7	0,7	-3,2	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	129,3	0,4	2,5	-8,2	12
JPM	107,9	0,5	2,9	-5,6	10
Citi	63,5	0,2	3,4	-10,7	22
BoA	26,8	0,4	1,6	-9,2	9
MS	40,1	0,5	1,9	-9,9	1
GS	200,8	0,4	2,7	-6,2	20
EZ banks	65,9	0,2	2,9	-7,4	-4
BNP	40,6	0,2	3,3	-3,3	3
Crédit Agricole	10,1	0,0	2,0	-6,2	7
Deutsche Bank	6,3	0,2	4,4	-8,9	-9
ING	8,4	-0,8	0,2	-16,5	-11
Intesa	1,9	1,3	4,5	-4,1	-1
SG	22,1	0,0	3,0	-1,0	-21
Unicredito	9,6	1,0	4,9	-13,9	-3
UK banks	66,9	0,2	-1,0	-12,5	-8
HSBC	601,3	0,7	-0,1	-9,3	-7
RBS	182,7	-1,0	-8,0	-20,1	-16
Barclays	139,3	0,6	0,4	-11,0	-7
Lloyds	49,6	-0,2	1,9	-12,5	-4
Large Spanish banks	52,3	0,3	0,2	-11,6	-10
Santander	3,5	0,1	0,7	-12,4	-12
BBVA	4,2	0,6	-0,3	-10,8	-9
Medium Spanish banks	40,7	0,0	1,6	-13,7	-29
Caixabank	2,0	-0,3	-0,2	-16,2	-37
Sabadell	0,7	0,1	3,4	-12,8	-25
Bankinter	5,3	0,0	1,8	-13,1	-24
Bankia	1,6	0,1	1,9	-15,8	-37

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,110	0,0	-0,4	-1,0	-3
GBPUSD	1,213	-0,3	0,6	-2,7	-5
USDJPY	106,470	-0,2	-0,5	1,3	3
DXY	98,215	0,0	0,2	1,0	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	55,01	-0,5	9,2	-22,8	-32
USDBRL (Brazil)	4,03	0,6	0,5	-7,2	-4
USDCLP (Chile)	710,34	0,0	0,1	-3,0	-2
USDCOP (Colombia)	3390	0,5	2,03	-6,26	-4
USDMXN (Mexico)	19,70	0,3	-0,1	-3,3	0
USDPEN (Peru)	3,38	0,1	0,5	-2,8	0
LACI	51,28	0,3	1,1	-6,8	-6
USDPOLN (Poland)	3,92	0,0	-0,2	-3,4	-5
USDRUB (Russia)	65,87	1,0	0,3	-4,2	5
USDTRY (Turkey)	5,73	0,1	-2,0	-0,9	-8
USDCNY (China)	7,06	0,0	-0,5	-2,6	-3
USDINR (India)	71,55	0,2	-0,4	-3,7	-2
USDIDR (Indonesia)	14244	0,2	0,0	-2,1	1
ADXY	103,04	0,0	0,1	-1,9	-2

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60,7	1,1	2,0	-4	13
WTx	56	0,1	2,1	0	24
Copper	258	0,0	-0,5	-5	-2
Gold	1504	-0,2	-0,8	6	17
S&P Spot commodity *	400	0,1	0,5	-4	7
S&P Brent Spot *	507	0,6	0,9	-5	11
S&P Metals Spot *	317	-0,8	-0,4	-2	-1
S&P Agricultural *	266	-0,8	-1,1	-7	-6

Source: Bloomberg, Datastream and Haver

* With one day delay