

Market Comment | Investors cautious amid US election jitters

Global Financial Markets Unit
02 Nov 2016

- Financial markets showed **increased caution amid uncertainties about the US election**, as recent opinion polls showed a **tightening in the chance of winning for both candidates**. Risk-asset prices declined, while some safe-haven assets rose (gold +1.4%, JPY +1%, CHF +0.5%) and investors' demand for bonds increased. Moreover, the MXN (-0.7%), a barometer for the US election, depreciated.
- However, there are **other lingering factors that are still adding to financial markets' uncertainty**, such as the decline in oil prices (Brent -3.3%) - amid doubts about the implementation of the OPEC preliminary deal and the upcoming decisions of major central banks (the Fed later today and the BoE tomorrow) - although no major changes are expected. Moreover, the council of experts that advises the German government argued for the ECB to slow down its bond purchases and end them earlier. Yet, regarding monetary policy, the **BoJ kept its monetary policy stance unchanged yesterday** (see), while slightly reducing its inflation target.
- In response to increasing uncertainty, **investors turned to bond markets, with yields decreasing across the board**, especially in Europe offsetting yesterday's surge in yields due to lack of liquidity caused by the holiday effect (10YUS -3 bps, 10YUK -11 bps, 10YGER -5 bps). Peripheral risk premiums narrowed further (POR -12 bps, ITA -9 bps, SPA -10 bps). Meanwhile, market-based inflationary expectations remained at the same levels (5Y5YUS 2.18%, 5Y5YEZ 1.45%) despite the downward trend in oil prices.
- In equity markets, prices declined across the board. Despite positive October manufacturing PMI data in China (51.2 vs consensus 50.4) (see) and in the EZ (53.5 vs consensus 53.3), the fall in yields was not enough to save equity markets. **Share prices declined** in both Europe (Euro Stoxx50 -1.3%, Dax -1.4%, Ibex35 -1.8%) and Asia (Hang Seng -1.45%, Shanghai -0.6%, Nikkei -1.8%). Meanwhile, **in the US share prices are currently almost flat ahead of the FOMC decision** (S&P500 -0.3%)
- FX also reflected a certain increase in risk aversion. **Traders opted generally for perceived safe-haven currencies** (JPY +1%, CHF +0.5%), while the USD depreciated (DXY +0.5%) and the EUR appreciated. In the meantime, oil prices continued their downward trend amid doubts on the OPEC deal and highly disappointing US crude oil inventories released today. In these circumstances, **EM currencies depreciated across the board against the USD**, especially the MXN (MXN -0.7%, TRY -0.3%, COP -0.6%).

Update 17:45 CET 02 November, 2016

Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	0.81	-2.0	5.7	2	-24
US	1.80	3.2	0.2	17	-7
GER (2-yr)	0.63	-1.5	0.4	5	-29
Germany	0.33	-5.1	4.3	22	-50
France	0.44	-5.8	7.4	22	-54
Spain	1.20	-9.5	7.3	27	-57
Italy	1.66	-9.3	20.1	39	6
Portugal	3.24	-11.7	3.3	-15	72
Greece	7.87	-23.0	-41.0	-40	-41
Japan (2-yr)	0.26	-1.5	0.9	2	-25
Japan	-0.06	0.1	0.5	-33	-33
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Chile	1151	0.0	24.2	0	-501
Colombia	4.18	0.0	0.0	0	-48
Colombia	2.46	6.6	19.8	29	-120
Mexico	6.26	0.0	29.8	31	9
Peru	5.68	-1.0	-1.4	-9	-162
Poland	3.10	-1.8	3.8	20	15
Russia	8.65	3.6	14.3	54	-20
Turkey	9.98	9.0	28.0	59	-49
India	7.28	-5.3	-9.8	-22	-36
Indonesia	7.24	-0.6	15.4	22	-151
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	-0.7	3.1	0	-4
Italy	153	-4.2	15.8	17	56
Portugal	311	-6.6	-1.0	-37	123
Spain	107	-4.4	3.0	4	-7
2-yr sovereign spread vs Germany					
France	3	-1.6	-1.2	-3	0
Italy	64	-0.8	0.3	6	33
Portugal	96	-4.8	4.3	-14	51
Spain	45	-1.6	2.6	0	10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	277	8	17	9	-215
Chile	91	3	5	4	-35
Colombia	179	5	14	11	-60
Mexico	159	4	17	-5	-11
Peru	105	3	7	3	-80
Venezuela	3,718	-29	454	679	-2325
Poland	75	0	1	0	3
Russia	226	7	6	10	-75
Turkey	258	5	17	1	-15
China	111	1	6	6	2
India	134	-4	-4	-4	-14
Indonesia	155	1	6	7	-72
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	19	-3.4	35	41	1
VST OXX	24	0.8	27	16	1
EM EFT volatility index	28	-5.5	31	22	20
Dollar Euro volatility	9	11.9	22	26	-10
EM FX volatility index	10	3.3	7	-1	-11
Credit spread (BAA) (bps)	264	3.2	5	-6	-59
US bonds volatility index	60	-5.5	14	12	0
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	78	1.2	3	-5	3
EZ	122	3.1	9	-1	38
UK	94	-3.6	-9	-9	17
Large Spanish	125	4.0	5	-8	-12
Medium Spanish	160	2.0	8	-4	3
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	201	1.2	3	-5	5
EZ Non-financial	107	3.1	9	-1	38
UK Non-financial	137	0.5	0	-2	-55
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Euribor 3m	-0.31	0.00	0.0	0.0	-0.2
Euribor 12m	-0.07	0.00	0.0	0.0	-0.1
Libor 3m	0.88	0.00	0.0	0.0	0.3
Libor 12m	1.58	0.00	0.0	0.0	0.4
EZTED spread 3m	55.7	1.00	0.5	5.3	14.9
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Americas					
S&P500	2,105	0.3	1.6	3	5
Dow Jones	18,016	-0.1	-1.0	-1	3
Nikkei	17,135	-1.8	-1.5	3	-10
FTSE 100	6,850	-1.0	-1.6	-2	10
EuroStoxx 50	2,983	-1.3	-3.2	-1	9
IBEX	8,878	-1.8	-3.2	1	-7
DAX	10,380	-1.4	-3.1	-1	-3
CAC	4,419	-1.1	-2.8	-1	5
MIB	16,511	-2.3	-4.5	1	-23
ASE Athens	582	-0.2	-1.3	2	-8
BVL Latham *	75,411	1.9	0.8	5	27
Ibovespa (Brazil)	63,326	0.0	0.8	7	46
MoBI	47,303	0.0	-1.1	-1	10
MSCI Latam *	4,530	-0.3	0.2	2	7
MSCI EM Europe *	1,766	-2.7	-0.8	2	-5
MOEX (Russia)	1,969	-1.4	0.3	-1	12
Ne 100 (Turkey)	77,172	-0.3	-2.8	0	8
MSCI EM Asia *	715	0.2	-1.5	0	6
Shanghai Com (China)	3,103	-0.6	-0.4	3	-12
Jakarta (Indonesia)	5,405	-0.3	0.1	1	18
European Sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	89.5	-0.9	-1.9	5	-4
Citi	68.5	-0.7	-0.9	3	4
Bak	48.6	-0.8	-2.9	3	6
Wells	16.4	-1.1	2.6	5	2
MS	33.0	-1.1	-1.8	3	4
GS	176.9	-0.6	-0.1	10	-2
EZ banks					
BNP	81.3	-2.7	-5.0	9	-25
Crédit Agricole	50.9	-3.4	-3.7	12	-2
Crédit Agricole	9.5	-1.9	-4.2	8	-13
Deutsche Bank	12.3	-2.8	-7.5	6	-45
ING	11.6	-1.8	-3.1	7	-7
Intesa	2.0	-3.1	-6.7	5	-35
SG	34.2	-2.4	-4.8	12	-20
Unicredit	2.1	-4.4	-8.4	4	-59
UK banks					
HSBC	73.3	-1.9	-2.2	3	-16
RBS	604.3	-1.3	-2.9	3	13
Lloyds	182.3	-2.3	-5.9	2	-40
Barclays	181.9	-2.6	0.0	8	-17
Large Spanish banks	55.2	-1.8	-1.2	1	-24
Santander	70.2	-3.0	-3.6	13	-7
BBVA	4.3	-2.0	-3.5	9	6
Mediam Spanish banks	6.2	-3.7	-3.6	17	8
CaixaBank	62.2	-2.0	-3.2	7	-25
Poplar	2.7	-3.9	-1.7	19	-17
Sabadell	0.9	-3.5	-13.5	-15	-66
Bankinter	1.2	-2.6	-5.5	3	-27
Banque	6.8	-1.5	-1.8	5	5
Banque	0.8	-1.6	0.3	9	-26
Currencies (% ind for currency depreciation)					
level	Daily	Weekly	Monthly	YTD	
Eurozone					
EURUSD	1.11	0.6	1.9	0.2	2
GBPUSD	1.23	0.6	0.6	-4.1	-16
USD JPY	103.12	1.0	1.3	-1.4	14
DKK	97.23	0.5	1.4	-1.6	1
Emerging					
USDARS (Argentina)	15.10	-0.2	0.7	0.6	-17
USDBRL (Brazil)	3.23	0.0	-2.9	-0.7	18
USDCLP (Chile)	649.43	0.3	0.7	1.6	8
USDCOP (Colombia)	3067	-0.6	-3.2	-4.6	3
USDMXN (Mexico)	19.33	-0.7	-3.5	0.2	-12
USDPEN (Peru)	3.38	-0.5	-0.4	0.2	1
LACI	64.29	-0.3	-2.1	-0.1	1
USDPLN (Poland)	3.89	0.1	2.0	-1.5	1
USDRUB (Russia)	63.75	-0.7	-1.5	-2.3	12
USDTRY (Turkey)	3.12	0.3	1.3	3.4	-7
USDCNY (China)	6.76	0.1	0.2	-1.3	-4
USDINR (India)	66.72	0.0	0.2	-0.2	-1
USDIDR (Indonesia)	13,057	-0.1	0.4	-0.6	5
ADXY	106.1	0.2	0.2	-1.2	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	46.5	-3.2	-6.3	-9	-25
WTI	45.2	-3.2	-8.2	-7	-22
Copper	221	-0.4	3.5	1	4
Gold	1,306	-1.4	3.1	-1	23
S&P Spot commodity *	361	-0.3	-2.7	-2	16
S&P Brent Spoz *	410	-1.0	-5.7	-5	28
S&P Metals Spot *	289	0.5	3.5	2	14
S&P Agricultural *	298	-1.4	-2.2	1	5

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	0.81	-2.0	5.7	2	-24
US	1.80	-2.2	0.2	17	-47
GER (2-yr)	-0.63	-1.5	0.4	5	-29
Germany	0.13	-5.1	4.3	22	-50
France	0.44	-9.8	7.4	22	-54
Spain	1.20	-9.5	7.3	27	-57
Italy	1.66	-9.3	20.1	39	-6
Portugal	3.24	-11.7	3.3	15	72
Greece	7.87	-23.0	-41.0	-40	-41
Japan (2-yr)	-0.26	-1.5	-0.9	2	-25
Japan	-0.06	0.1	0.5	-33	-33
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.51	0.0	24.3	0	-501
Chile	4.18	0.0	0.0	0	-48
Colombia	7.46	6.6	19.8	29	-120
Mexico	6.36	0.0	20.9	31	9
Peru	5.68	-1.0	-1.4	-9	-162
Poland	3.10	-1.8	3.8	20	15
Russia	8.65	3.6	24.3	54	-90
Turkey	9.88	8.0	28.0	59	-49
India	7.28	-5.3	-9.8	-22	-36
Indonesia	7.24	-0.6	15.4	22	-151
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	-0.7	3.1	0	-4
Italy	153	-4.2	15.8	17	56
Portugal	311	-6.6	-1.0	-37	123
Spain	107	-4.4	3.0	4	-7
2-yr sovereign spread vs Germany					
France	3	-1.6	-1.2	-3	0
Italy	64	-0.8	8.3	6	33
Portugal	96	-4.8	4.3	-14	51
Spain	45	-1.6	2.6	0	-10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	277	8	17	9	-215
Chile	91	3	5	4	-35
Colombia	179	5	14	11	-60
Mexico	159	4	17	-5	-11
Peru	105	3	7	3	-80
Venezuela	3,718	-29	454	679	-2325
Poland	75	0	1	0	3
Russia	226	7	6	10	-75
Turkey	258	5	17	1	-15
China	111	1	6	6	2
India	134	-4	-4	-4	-14
Indonesia	125	1	6	7	-72
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX					
VIX	19	3.4	35	41	1
VSTOXX	24	0.8	27	16	-1
EM EFT volatility index	28	5.5	31	22	20
Dollar/euro volatility	9	11.9	22	26	-10
EM FX volatility index	10	3.3	7	-1	-11
Credit spread (BAA) (bps)	264	3.2	5	-6	-59
US bonds volatility index	68	5.5	14	12	0
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	78	1.2	3	-5	3
EZ	122	3.1	9	-1	38
UK	94	3.6	-9	-9	17
Large Spanish	125	4.0	5	-8	-12
Medium Spanish	160	2.0	8	-4	3
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	201	1.2	3	-5	-3
EZ Non-financial	107	3.1	9	-1	38
UK Non-financial	137	0.5	0	-2	-55
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Euribor 3m	-0.31	0.00	0.0	0.0	-0.2
Euribor 12m	-0.07	0.00	0.0	0.0	-0.1
Libor 3m	0.88	0.00	0.0	0.0	0.3
Libor 12m	1.58	0.00	0.0	0.0	0.4
EZ TED spread 3m	55.7	1.80	0.5	5.3	14.9
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,105	-0.3	-1.6	-3	3
Dow Jones	18,016	0.1	1.0	-1	3
Nikkei	17,135	-1.8	-1.5	3	-10
FTSE 100	6,850	-1.0	-1.6	-2	10
Eurostoxx 50	2,903	-1.3	-3.2	-1	-9
IBEX	8,878	-1.8	-3.2	1	-7
DAX	10,380	-1.4	-3.1	-1	-3
CAC	4,419	-1.1	-2.5	-1	-5
MBI	16,511	-2.3	-4.5	1	-23
ASE Athens	582	-0.2	-1.3	2	-8
MSCI Latam *	75,411	-1.9	-0.9	5	27
Bovespa (Brazil)	63,326	0.0	0.8	7	46
Moodi	47,303	0.0	-1.1	-1	-10
MSCI EM Europe *	4,530	-0.3	-0.2	2	7
Poland	1,766	-2.7	-0.8	2	-5
Misc (Russia)	1,969	-1.4	0.3	-1	12
Ise 100 (Turkey)	77,172	-0.3	-2.8	0	8
MSCI EM Asia *	715	0.2	-1.5	0	8
Shanghai Com (China)	3,103	-0.6	-0.4	3	-12
Jakarta (Indonesia)	5,405	-0.3	0.1	1	18
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	89.5	-0.9	-1.9	5	-5
JPM	68.5	-0.7	-0.9	3	-4
Citi	48.6	-0.8	-2.9	3	-6
BoA	16.4	-1.1	-2.6	5	-2
MS	33.0	-1.1	-1.8	3	-4
GS	176.9	0.6	0.1	10	2
EZ banks	81.3	-2.7	-5.0	8	-25
BNP	50.9	-3.4	-3.7	12	-2
Credit Agricole	9.5	-1.9	-4.2	8	-13
Deutsche Bank	12.3	-2.8	-7.5	6	-45
ING	11.6	-1.8	-3.1	7	-7
Intesa	2.0	-3.1	6.7	5	35
SG	34.2	-2.4	-4.8	12	-20
Unicredit	2.1	-4.4	-8.4	4	-59
UK banks	73.3	-1.9	-2.2	3	-16
HSBC	604.3	-1.3	-2.9	3	13
RBS	182.3	-2.3	-5.9	2	-40
Barclays	181.9	-2.6	0.0	8	-17
Lloyds	55.2	-1.8	-1.2	1	-24
Large Spanish banks					
Santander	70.2	-3.0	-3.6	13	-7
Banco Sabadell	4.3	-2.0	-3.5	9	-6
BBVA	6.2	-3.7	-3.6	17	-8
Medium Spanish banks					
CajaBank	62.2	-2.0	-3.2	7	-25
Popular	0.9	-3.5	-13.5	-15	-66
Sabadell	1.2	-2.6	-5.3	3	-27
Banqueparibas	6.8	-1.5	-1.8	8	5
Bankia	0.8	-1.6	-0.3	9	-26
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	46.5	-3.3	-6.9	-9	25
WTI	45.2	-3.2	-8.2	-9	22
Copper	2.21	-0.4	3.5	1	4
Gold	1,306	1.4	3.1	-1	23
S&P Spot commodity *	361	-0.3	-2.7	-2	16
S&P Brent Spot *	410	-1.0	-5.7	-6	28
S&P Metals Spot *	289	0.5	3.5	2	14
S&P Agricultural *	298	-1.4	-2.2	1	5

Source: Bloomberg, Datastream and Haver

* With one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.