

# Market Comment | Market volatility remains high amid US election jitters

Global Financial Markets Unit  
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- **Market volatility remained high amid US election jitters as polls have showed a decrease in Clinton's lead.** Moreover, yesterday's **FOMC meeting** confirmed our view that the Fed is ready to take action in December, raising the probability of a rate hike in December to 80% from 68% ([see](#)). The **BoE** unanimously decided to keep its monetary policy stance unchanged ([see](#)), but gave a more upbeat outlook, revising its GDP growth forecast upwards (to 2.2% for 2016 and 1.4% for 2017) as well as its inflation forecast (to 1.3% for 2016 and 2.7% in 2017). UK assets also saw high volatility today, as England's High Court ruled that the UK government requires parliamentary approval before triggering the exit from the EU though it will likely be appealed and is likely to be finally solved by early December ([see](#)). In light of this event, the GBP appreciated significantly and UK sovereign bond yields led the rises, while the equity indices led the losses.
- Nonetheless, **the impact on European assets was not significant.** European yields fluctuated today, ending the session slightly up (10YGER +3bps). On the other hand the increase in the probability of a rate hike had a mild impact on US interest rates (10YUS +1 bps) ahead of tomorrow's payroll data release.
- **Equity indices were little changed across the board**, as volatility remained at the same high levels. In Europe, share prices ended almost flat (EuroStoxx50 -0.2%, Ibex +0.1%, Dax -0.4%), while in the US too they are currently flat (S&P500 -0.2%). Nonetheless, the EZ banking sector outperformed remarkably (EZ banks +2.1%), amid positive earnings reports.
- In FX markets, **the major movement was perceived in the GBP**, which appreciated significantly (+1.2%), while the USD remained stable (DXY +0.3%) in the wake of the FOMC's decision. Meanwhile **oil prices continued their downward trend today** (-1.3%), following yesterday's significant fall. In this context, EM currencies showed mixed performances, and the **MXN appreciated significantly** (+1%) on the back of fresh opinion polls on the US elections.

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Table 1







Source: Bloomberg, Datastream and Haver

\* With one day delay

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