

# Market Comment | Volatility surge across markets ahead of US elections

Global Financial Markets Unit  
04 Nov 2016

- Volatility increased across financial markets, triggered by uncertainties about the US election, as polls showed a decrease in Clinton's lead. Implied volatility in equity markets surged, but the levels reached still remain below Brexit highs. Although concerns ahead of the US elections have been the main driver behind the increase in market volatility this week, other factors contributed to the increase, such as the ruling of England's High Court requiring the **UK government to obtain parliamentary approval before triggering exit from the EU** ([see](#)), the continuing fall in oil prices, and the council of experts that advises the German government arguing that the ECB should slow down its bond purchases and end them earlier.
- All these issues overshadowed the impact of the monetary policy meetings (FOMC and BoE). **The FOMC meeting** confirmed our view that the Fed is ready to take action in December, lifting the probability of a rate hike in December to 80% from 68% ([see](#)). Moreover, US October payrolls showed steady growth in employment, with an acceleration of wages, which bodes well for an increase in FOMC rates. Regarding the BoE, the Bank unanimously agreed to keep its monetary policy stance unchanged ([see](#)), but gave a more upbeat outlook, revising GDP growth upwards (to 2.2% for 2016 and 1.4% for 2017) and revising inflation too (to 1.3% for 2016 and 2.7% in 2017).
- In this context, **risk assets prices suffered around the world** (equity markets declined across the board), while safe-haven assets saw increased demand (high-rated bonds, gold, the Japanese yen and the Swiss franc). The dollar decreased against other major currencies, while the British pound appreciated strongly after the ruling of the High Court. In Latin America, currencies depreciated due to the uncertainty regarding the US elections and the decline in oil prices amid doubts on the OPEC deal and highly disappointing US crude oil inventories released during the week.

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Table 1

Debt markets (10Y % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
<b>Developed Markets</b>					
US (2-yr)	0.79	-2.0	0.7	-5	-28
US (10-yr)	1.77	-3.9	7.4	7	-50
GER (2-yr)	0.64	-0.6	-2.0	4	-29
Germany	0.13	-2.5	3.4	14	-50
France	0.46	-1.2	0.9	13	-53
Spain	1.26	-2.4	2.6	22	-51
Italy	1.74	-5.0	9.0	38	-15
Portugal	3.29	-3.3	-5.3	-17	77
Greece	7.79	-0.7	-60.6	-49	-50
Japan (2-yr)	-0.26	0.0	2.2	2	-25
Japan	-0.06	-2.0	0.5	-33	-33
<b>Emerging Markets</b>					
Brazil	11.55	-5.5	13.7	10	-497
Chile	4.18	0.0	0.0	-4	-48
Colombia	7.39	-0.2	9.8	21	-127
Mexico	6.34	0.3	8.0	23	8
Peru	5.69	0.1	-0.1	-8	-161
Poland	3.05	-3.8	-7.4	5	10
Russia	8.61	0.0	2.4	47	-25
Turkey	10.12	19.0	27.0	66	-35
India	7.27	-1.3	-11.3	-22	-37
Indonesia	7.33	5.4	4.7	32	-141
<b>Country Risk (bp, changes in bp)</b>					
Developed Markets					
	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	33	1.3	2.5	-1	-3
Italy	161	7.5	19.3	25	64
Portugal	315	5.8	-1.9	-31	127
Spain	112	4.9	6.0	8	-2
<b>2-yr sovereign spread vs Germany</b>					
France	3	-0.2	-0.2	-4	-1
Italy	63	0.6	1.7	6	32
Portugal	98	-2.0	3.3	-9	53
Spain	43	0.2	-4.3	-3	8
<b>Emerging Markets</b>					
<b>5-yr sovereign CDS*</b>					
Brazil	284	-1	14	12	-208
Chile	96	1	8	6	-31
Colombia	186	0	16	8	-52
Mexico	165	-1	16	1	5
Peru	108	-1	5	4	-78
Venezuela	3,841	-21	113	929	-2202
Poland	77	0	1	6	5
Russia	233	-2	10	13	-68
Turkey	260	0	12	8	-13
China	112	0	7	7	3
India	134	0	-3	-6	-14
Indonesia	158	3	7	7	-68
<b>Risk indicators</b>					
Volatility indicators (%)					
	level	Daily	Weekly	Monthly	YTD
VIX	21	-2.7	33	65	3
VST OXX	25	2.3	31	30	3
EM EFT volatility index	26	-1.2	21	25	23
Dollar Euro volatility	10	0.8	37	39	1
EM FX volatility index	10	-1.8	6	2	-9
Credit spread (BAA) (bps)	272	3.9	10	7	-51
US bonds volatility index	73	6.8	12	16	7
<b>Banking 5y CDS (bps)*</b>					
US	80	1.0	6	-2	5
EZ	122	-1.5	8	0	38
UK	93	-2.5	-6	-14	15
Large Spanish	127	-0.9	10	-6	-10
Medium Spanish	163	0.6	8	5	5
<b>Corporate 5y CDS (bps)*</b>					
US Non-financial	202	1.0	6	-2	-1
EZ Non-financial	108	-1.5	8	0	38
UK Non-financial	137	0.1	2	-1	-55
<b>Interbank markets (bp, changes in bp)</b>					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.34	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	1.56	0.00	0.0	0.0	0.4
EZTED spread 3m	55.5	-1.0	-0.8	5.3	14.7
<b>Stock markets (%)</b>					
Americas					
	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>					
Dow Jones	17,974	0.2	-1.0	-2	3
Nikkei	16,905	-1.3	-3.1	1	-11
FTSE 100	6,698	-1.4	-4.3	-5	7
EuroStoxx 50	2,959	-0.5	-3.9	-2	-9
IBEX	8,804	-0.9	-4.3	0	-8
DAX	10,272	-0.5	-4.0	-3	-4
CAC	4,977	-0.8	-3.8	-1	-6
MIB	16,323	-0.6	-5.8	-1	-24
ASE Athens	574	-0.7	-2.5	0	-9
<b>MSCI Latam*</b>					
MSCI Brazil	73,930	-1.9	-3.2	2	25
Ibovespa (Brazil)	62,314	0.9	-3.1	3	44
Merval	47,238	1.2	-1.6	-2	10
<b>MSCI EM Europe*</b>					
MSCI Europe	4,446	-0.3	-1.7	-1	-5
Poland	1,758	-0.5	-3.3	0	-5
Micro (Russia)	1,963	0.0	-1.0	-1	11
Net 100 (Turkey)	74,267	-3.1	-5.2	-5	4
<b>MSCI EM Asia*</b>					
MSCI EM Asia	701	-0.6	-2.1	-1	-4
Shanghai Com (China)	3,125	-0.1	0.7	4	-12
Jakarta (Indonesia)	5,563	-0.8	-1.0	-2	17
<b>Emerging Sector</b>					
	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	89.9	0.8	0.8	3	4
Citi	68.4	0.0	-1.1	1	4
Bak	48.6	0.9	-1.9	0	-6
Wells	16.6	1.0	0.2	3	1
MS	33.2	1.0	-1.1	2	4
GS	176.9	0.4	-0.2	6	-2
<b>EZ banks</b>					
BNP	82.1	-0.8	-4.7	6	-24
Crédit Agricole	50.6	-1.7	-6.2	6	-3
Crédit Agricole	9.5	-1.6	-4.2	5	-13
Diöutsche Bank	12.2	-0.9	-0.6	1	-46
ING	12.0	1.0	-1.0	7	-4
Intesa	2.0	-1.0	-6.8	1	-35
SG	35.6	-1.4	-1.5	12	-16
UniCredit	2.1	0.4	-10.0	1	-59
<b>UK banks</b>					
HSBC	73.1	-1.7	-4.6	1	-17
RBS	594.0	-0.6	-4.9	-1	11
Lloyds	185.7	-4.2	-4.3	1	-39
Barclays	181.4	-2.1	-5.2	5	-17
Large Spanish banks	55.5	-1.0	-3.9	1	-24
Santander	70.0	-1.3	-5.7	11	-7
Banque	4.3	-1.5	-5.0	7	6
BBVA	6.2	-1.1	-6.1	14	8
Medium Spanish banks	62.6	-0.7	-2.7	5	-24
Cáceresbank	2.7	-1.7	-2.7	16	-17
Popular	0.9	-0.9	-8.5	-18	-66
Sabadell	1.2	0.8	-1.1	4	-25
Banquest	6.9	-1.2	-1.7	6	5
Bankia	0.8	-0.3	-3.6	5	-27
<b>Currencies (% ind for currency depreciation)</b>					
	level	Daily	Weekly	Monthly	YTD
<b>Developed</b>					
EURUSD	1.11	0.2	1.3	0.7	2
GBPUSD	1.25	0.5	2.8	-1.8	-15
USD JPY	103.06	-0.1	1.6	-0.4	-14
DOX	97.62	-0.1	-1.4	-0.9	-2
<b>Emerging</b>					
USDARS (Argentina)	15.05	0.3	0.9	0.9	-16
USD BRL (Brazil)	3.23	0.2	-1.0	-0.4	18
USD CLP (Chile)	657.43	-0.9	-1.3	1.1	7
USD COP (Colombia)	3071	0.1	-2.7	-4.8	3
USDMXN (Mexico)	19.09	0.4	0.6	0.6	-11
USD PEN (Peru)	3.38	-0.1	-0.6	0.6	1
LACI	64.47	0.1	0.8	0.0	1
USD PLN (Poland)	3.89	-0.1	1.5	-1.3	1
USD RUB (Russia)	64.36	-1.2	-2.3	-3.3	11
USD TRY (Turkey)	3.17	-1.9	-2.0	-3.6	9
USDCNY (China)	6.76	0.1	0.3	-1.3	-4
USD INR (India)	66.71	0.1	0.1	-0.3	-1
USD IDR (Indonesia)	13,068	0.1	-0.1	-0.5	5
ADXY	106.0	0.0	0.2	-0.9	-1
<b>Commodities (%)</b>					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>					
WTI	44.1	-1.3	-9.4	-11	19
Copper	226	0.7	3.3	5	6
Gold	1,303	0.1	2.2	3	23
S&P Spot commodity *	352	-0.7	-4.8	-5	13
S&P Brent Spoz *	394	-1.1	-8.5	-11	23
S&P Metals Spot *	291	1.0	1.0	4	15
S&P Agricultural *	298	-0.2	1.7	0	5



Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
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Mexico	6.34	-0.5	8.0	23	8
Peru	5.69	0.1	-0.1	-9	-161
Poland	3.05	-3.8	-7.4	5	10
Russia	8.61	0.0	2.4	47	-95
Turkey	10.12	19.0	27.0	66	-35
India	7.27	-1.3	-11.3	-22	-37
Indonesia	7.23	5.4	4.7	32	-141
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
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Emerging Markets	level	Daily	Weekly	Monthly	YTD
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Colombia	186	0	16	8	-52
Mexico	165	-1	16	1	-5
Peru	108	-1	5	4	-78
Venezuela	2841	-21	113	929	-2202
Poland	77	0	1	6	5
Russia	233	-2	10	13	-68
Turkey	260	0	12	8	-13
China	112	0	7	7	3
India	134	0	-3	-6	-14
Indonesia	150	3	7	7	-68
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	21	-2.7	33	65	3
VSTOXX	25	2.3	31	30	3
EM EFT volatility index	28	-3.2	21	25	23
Dollar/euro volatility	10	10.8	37	39	1
EM FX volatility index	10	-1.8	6	2	-9
Credit spread (BAA) (bps)	272	3.8	10	2	-51
US bonds volatility index	73	-6.8	13	16	7
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	80	1.0	6	-2	5
EZ	122	-1.5	8	0	38
UK	93	-2.5	6	-14	15
Large Spanish	127	-0.9	10	-6	-10
Medium Spanish	163	0.6	8	5	5
Deposits 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	202	1.0	6	-2	5
EZ Non-financial	108	-1.5	8	0	38
UK Non-financial	137	0.1	2	-1	-55
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.34	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	1.56	0.00	0.0	0.0	0.4
EZ TED spread 3m	55.5	1.40	-0.8	5.5	14.7
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,099	0.5	-1.3	-3	3
Dow Jones	17,074	0.2	-1.0	-2	3
Nikkei	16,905	-1.3	-3.1	1	-11
FTSE 100	6,698	-1.4	-4.3	-5	7
Euro Stoxx 50	2,959	-0.5	-3.9	-2	-9
IBEX	8,804	-0.9	-4.3	0	-8
DAX	10,272	-0.5	-4.0	-3	-4
CAC	4,377	-0.8	-3.8	-3	-6
MBI	16,223	0.6	-5.8	-1	-24
ASE Athens *	574	-0.7	-2.5	0	-9
MSCI Latam *	73,930	-1.9	-3.2	2	25
Bovespa (Brazil)	62,314	0.9	-3.1	3	44
Moodi	47,238	1.2	-1.6	-2	10
MSCI EM Europe *	4,446	-0.3	-1.7	-1	5
Poland	1,758	-0.5	-3.3	0	-5
Mircz (Russia)	1,963	0.0	-1.0	-1	11
Ise 100 (Turkey)	74,267	-3.1	-5.2	-5	4
MSCI EM Asia *	701	-0.6	-2.1	-4	6
Shanghai Com (China)	3,125	-0.1	0.7	4	-12
Jakarta (Indonesia)	5,363	-0.8	-1.0	-2	17
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	89.9	0.8	-0.8	3	-4
JPM	68.4	0.0	-1.1	1	-4
Citi	48.6	0.9	-1.9	0	6
BoA	16.6	1.0	-0.2	3	-1
MS	32.2	1.0	-1.1	2	-4
GS	176.9	0.4	-0.2	6	2
EZ banks	82.1	-0.8	-4.7	6	-24
BNP	50.6	-1.7	-6.2	6	-3
Credit Agricole	9.5	-1.6	-4.2	5	-13
Deutsche Bank	12.2	-0.9	-8.6	1	-46
ING	12.0	1.0	-1.0	7	-4
Intesa	2.0	-1.0	-6.8	1	-35
SG	35.6	-1.4	-1.5	12	-16
Unicredit	2.1	0.4	-10.0	1	-59
UK banks	73.1	-1.7	-4.6	1	-17
HSBC	594.0	-0.6	-4.9	-1	11
RBS	185.7	-4.2	-4.3	1	-39
Barclays	181.4	-2.1	-5.2	5	-17
Lloyds	55.5	-1.0	-3.9	1	-24
Large Spanish banks					
Santander	70.0	-1.3	-5.7	13	-7
BVA	4.3	-1.5	-5.0	7	-6
Mediam Spanish banks	6.2	-1.1	-6.1	14	-8
Cajabank	62.6	-0.7	-2.7	5	-24
Popular	0.9	-0.9	-8.5	-18	-66
Sabadell	1.2	0.8	-1.1	4	-25
Banquepar	6.9	-1.2	-1.7	6	5
Bankia	0.8	-0.3	-3.6	5	-27
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.11	0.2	1.3	0.7	2
GBPUSD	1.25	0.5	2.8	-1.8	-15
USDJPY	103.06	-0.1	1.6	-0.4	-14
DKY	97.02	-0.1	-1.4	-0.9	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	15.05	0.3	0.9	0.9	-16
USD BRL (Brazil)	3.23	0.2	-1.0	-0.4	18
USD CLP (Chile)	657.43	-0.9	-1.3	1.1	7
USD COP (Colombia)	3071	0.1	-2.7	-4.8	3
USD MXN (Mexico)	19.09	0.4	-0.6	0.6	-11
USD PEN (Peru)	3.38	-0.1	-0.6	0.5	1
LACI	64.47	0.1	0.8	0.0	3
USD PLN (Poland)	3.89	-0.1	1.5	-1.3	1
USD RUB (Russia)	64.36	-1.2	-2.3	-3.3	11
USD TRY (Turkey)	3.17	-1.9	-2.0	-3.8	-9
USD CNY (China)	6.76	0.1	0.3	-1.3	4
USD INR (India)	66.71	0.1	0.1	-0.3	-1
USD IDR (Indonesia)	13,068	0.1	-0.1	-0.5	5
ADXY	106.0	0.0	0.2	-0.9	-1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	45.6	-1.6	-8.2	-12	22
WTX	44.1	-1.3	-8.4	-11	19
Copper	226	0.7	3.3	5	6
Gold	1,303	0.1	2.2	3	23
S&P Spot commodity *	352	-0.7	-4.8	-5	13
S&P Brent Spot *	394	-1.1	-8.3	-11	23
S&P Metals Spot *	291	1.0	1.8	4	15
S&P Agricultural *	298	-0.2	-1.7	0	5

Source: Bloomberg, Datastream and Haver

\* With one day delay

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