

# Market Comment | Bond yields and the USD resume their upward trend

Global Financial Markets Unit  
16 Nov 2016

- After yesterday's easing in sovereign bond yields, bonds **resumed their global sell-off, wiping out yesterday's fall** in yields as inflation expectations continued their upward trend. This was particularly the case in the US, but with some contagion to the EZ, where the major rises were seen in peripherals (especially Portugal), which had fallen furthest during yesterday's session.
- Slightly **higher risk aversion** was perceived in equity markets as volatility inched up across the board. Consequently, **equities fell** generally, with US markets performing slightly better than others. In Europe, the falls were led by the **banking sector**. Oil and gas was among the standout performers on the back of the recent rally in oil prices (+6% in the last two sessions).
- The **USD showed its strength once again**, with the probability of a Fed interest rate hike close to 100% ahead of Yellen's speech tomorrow, while EMEA currencies depreciated.

Update 17:30 CET 16 November, 2016

Table 1

Debt markets (10Y % changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
<b>Developed Markets</b>						
US (2-yr)	1.60	0.8	11.1	19	-5	
US	2.22	-0.4	15.8	45	-5	
GER (2-yr)	0.63	-0.2	0.4	3	-28	
Germany	0.30	-1.0	9.5	24	-33	
France	0.74	1.4	20.1	40	-25	
Spain	1.55	8.8	26.9	43	-23	
Italy	2.04	7.3	28.3	64	44	
Portugal	3.67	17.8	39.0	42	116	
Greece	7.39	0.8	4.1	-105	-89	
Japan (2-yr)	0.10	7.4	16.3	17	-9	
Japan	0.03	9.4	7.9	-24	-24	
<b>Emerging Markets</b>						
Brazil	12.01	-27.7	45.6	65	-451	
Chile	4.18	0.0	0.0	-5	-48	
Colombia	7.52	0.3	22.5	47	-114	
Mexico	7.07	-9.6	48.7	103	81	
Peru	5.69	0.0	0.0	-1	-161	
Poland	3.60	9.8	44.9	53	66	
Russia	8.62	2.4	12.3	31	-74	
Turkey	10.76	1.0	47.0	95	29	
India	7.25	-0.3	-3.2	-20	-39	
Indonesia	7.24	-14.5	38.2	65	-100	
<b>Country Risk (bp, changes in bp)</b>						
<b>Developed Markets</b>						
<b>10-yr sovereign spread vs Germany</b>						
France	44	2.4	10.6	16	9	
Italy	174	8.3	18.8	39	77	
Portugal	337	18.8	29.5	18	149	
Spain	125	9.8	17.4	19	11	
<b>2-yr sovereign spread vs Germany</b>						
France	5	0.1	3.6	0	2	
Italy	69	1.1	7.6	11	37	
Portugal	110	8.9	13.3	14	65	
Spain	50	1.5	7.9	6	15	
<b>Emerging Markets</b>						
<b>5-yr sovereign CDS*</b>						
Brazil	293	-25	35	29	-199	
Chile	94	-12	5	4	-33	
Colombia	190	-21	19	13	-49	
Mexico	172	-21	29	24	2	
Peru	112	-15	9	9	-73	
Venezuela	3,921	-118	526	369	-2122	
Poland	94	-3	19	18	22	
Russia	222	-16	4	-7	-79	
Turkey	282	-13	22	34	9	
China	116	-8	9	11	7	
India	143	-1	9	6	-5	
Indonesia	176	-19	25	25	-51	
<b>Risk indicators</b>						
<b>Volatility indicators (%)</b>						
VIX	14	6.6	-1	-12	-4	
VST OXX	21	2.9	1	3	-1	
EM EFT volatility index	25	0.7	6	7	7	
Dollar Euro volatility	11	0.4	21	39	11	
EM FX volatility index	11	-3.4	11	9	-3	
Credit spread (BAA) (bps)	260	0.4	-7	-2	-63	
US bonds volatility index	64	-5.7	10	31	24	
<b>Banking 5y CDS (bps)*</b>						
US	69	-0.2	6	-6	-6	
EZ	125	-2.9	9	9	42	
UK	97	-2.5	7	-10	19	
Large Spanish	139	-4.7	19	12	2	
Medium Spanish	164	-1.1	5	8	7	
<b>Corporate 5y CDS (bps)*</b>						
US Non-financial	191	-0.2	-6	-6	-5	
EZ Non-financial	109	-2.9	9	9	42	
UK Non-financial	126	-1.1	1	-5	-56	
<b>Interbank markets (bp, changes in bp)</b>						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	-0.2	
Eurbor 3m	-0.31	0.00	0.0	0.0	-0.2	
Eurbor 12m	-0.07	0.00	0.0	0.0	-0.1	
Libor 3m	0.91	0.00	0.0	0.0	0.3	
Libor 12m	1.60	0.00	0.0	0.0	0.4	
EZTED spread 3m	45.3	0.00	-10.3	8.6	4.4	
<b>Stock markets (%)</b>						
<b>Europe</b>						
S&P500	2,175	0.3	0.5	2	6	
Dow Jones	18,867	-0.3	1.5	4	8	
Nikkei	17,862	1.1	9.9	6	6	
FTSE 100	6,745	-0.7	-2.4	-3	9	
Eurostoxx 50	3,024	-0.8	-1.0	1	7	
IBEX	8,626	-0.7	-3.1	-1	-10	
DAX	10,653	-0.8	0.1	1	-1	
CAC	4,498	-0.9	-1.0	1	-3	
MIB	16,542	-0.8	-1.5	-1	-23	
ASE Athens	592	2.4	1.8	1	-6	
MSCI Latam*	71,326	0.1	6.8	4	20	
Ibovespa (Brazil)	60,674	1.7	4.1	-3	40	
Ixvtobol	45,250	0.5	4.5	-5	5	
4497 (Turkey)	4,497	0.2	0.5	1	6	
MSCI EM Europe*	1,759	0.3	-1.8	3	-5	
Micex (Russia)	2,029	0.6	0.9	4	15	
Ne 100 (Turkey)	74,759	-0.5	-1.9	-3	-4	
MSCI EM Asia*	681	-0.1	4.2	5	3	
Shanghai Com (China)	3,205	-0.1	2.5	5	-9	
Jakarta (Indonesia)	5,185	1.4	-5.2	-4	13	
<b>US banks</b>						
JPM	77.5	-2.4	5.8	15	17	
Citi	54.6	-1.5	5.9	12	6	
Bok	19.8	-1.8	10.2	23	18	
MS	39.2	-2.0	7.3	23	23	
GS	206.0	-2.5	6.9	22	14	
<b>EZ banks</b>						
BNP	89.9	-1.9	0.8	13	-17	
Crédit Agricole	54.1	-2.6	-1.4	11	3	
Crédit Agricole	10.8	-1.2	0.8	16	-1	
Dresdner Bank	15.1	-1.3	13.0	24	-33	
ING	12.9	-1.8	-0.2	14	3	
Intesa	2.1	-2.4	-1.8	5	-32	
SG	40.0	-1.2	2.8	21	-6	
Unicredit	2.1	-4.4	-1.8	-3	-59	
UK banks	0.0	-100.0	-100.0	-100	-100	
HSBC	628.0	-1.6	0.9	2	17	
RBS	207.1	-2.5	7.7	22	-31	
Barclays	208.7	-1.5	8.2	23	-5	
Lloyds	60.2	-1.9	4.7	14	-18	
<b>Large Spanish banks</b>						
BBVA	68.7	-1.1	2.7	5	9	
Santander	4.3	-1.4	-2.6	7	-5	
BBVA	6.0	-0.8	-2.7	4	-12	
<b>Medium Spanish banks</b>						
CajaBank	65.9	-2.0	1.3	11	-20	
CaixaBank	2.9	-2.4	0.6	12	-11	
Poplar	0.9	-2.3	-6.6	-14	-67	
SubeSol	1.3	-2.3	2.6	14	21	
Bankinter	7.1	-1.4	0.7	10	8	
Banisa	0.9	-2.4	7.1	18	-19	
<b>Currencies (% ind for currency depreciation)</b>						
<b>Developed</b>						
EURUSD	1.07	-0.4	2.1	25	-2	
GBPUSD	1.24	-0.1	0.3	2.1	-16	
USD JPY	109.21	0.0	-3.4	5.1	-9	
DKX	100.44	0.2	2.0	-2.6	-2	
<b>Emerging</b>						
USDARS (Argentina)	15.48	0.1	-3.6	-1.8	-20	
USD BRL (Brazil)	3.43	0.1	-6.3	-7.0	13	
USD CLP (Chile)	675.03	-0.8	-3.9	-0.7	5	
USD COP (Colombia)	3132	-0.4	-4.4	-7.3	1	
USDMXN (Mexico)	20.31	-0.2	-2.4	-7.6	-18	
USDPEN (Peru)	3.42	0.1	-1.2	-0.5	0	
USDRPL (Poland)	61.47	-0.2	-3.8	-5.3	-2	
USD RON (Romania)	4.16	-1.3	-4.5	-5.9	-6	
USD RUB (Russia)	64.85	-0.8	-1.6	-2.7	11	
USDTRY (Turkey)	3.32	-1.0	3.6	-7.4	-14	
USDCNY (China)	6.88	-0.3	-1.3	-2.1	-6	
USD INR (India)	67.95	-0.3	-2.3	-1.6	-3	
USD IDR (Indonesia)	13,345	0.2	1.7	2.1	3	
ADXY	104.0	0.4	-1.4	-1.9	-2	
<b>Commodities (%)</b>						
Brent	46.9	-0.2	1.1	-9	25	
WTI	45.8	0.0	1.2	-8	24	
Copper	245	-2.1	-0.4	17	15	
Gold	1,227	-0.2	4.0	-2	16	
S&P Spot commodity *	359	2.7	0.8	-4	15	
S&P Brent Spz *	408	5.4	2.0	-8	27	
S&P Metals Spot *	308	-0.1	1.2	12	22	
S&P Agricultural *	299	0.5	0.5	-2	5	



Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.00	0.8	11.1	19	-5
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Italy	2.04	7.3	28.3	64	44
Portugal	3.67	17.8	39.0	42	116
Greece	7.39	0.8	4.1	-105	-39
Japan (2-yr)	-0.10	7.4	16.3	17	-9
Japan	0.03	9.4	7.9	-24	-24
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	12.01	-27.7	45.6	65	-451
Chile	4.18	0.0	0.0	9	-60
Colombia	7.52	0.3	22.5	47	-114
Mexico	7.07	-3.6	48.7	103	81
Peru	5.69	0.0	0.0	-1	-161
Poland	3.60	9.8	44.9	53	66
Russia	8.82	2.4	32.3	31	-74
Turkey	10.26	1.0	47.0	95	29
India	7.25	-0.3	-3.2	-20	-39
Indonesia	7.74	-14.5	38.2	65	-100
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	2.4	10.6	16	9
Italy	174	6.3	18.8	39	77
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Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	293	-25	35	29	-199
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Poland	94	-3	19	18	22
Russia	222	-16	4	-7	-79
Turkey	282	-13	22	34	9
China	116	-8	9	11	7
India	143	-1	9	6	-5
Indonesia	376	19	25	25	-51
Risk indicators					
Volatility indicators (%)					
	level	Daily	Weekly	Monthly	YTD
VIX	14	6.6	-1	-12	-4
VSTOXX	21	2.9	1	3	-1
EM EFT volatility index	25	0.7	6	7	7
Dollar/euro volatility	11	6.4	21	39	11
EM FX volatility index	11	-3.4	11	9	-3
Credit spread (BAA) (bps)	260	0.4	-7	-2	-63
US bonds volatility index	84	-5.7	10	31	24
Banking 5y CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US	69	-0.2	6	6	-6
EZ	125	-2.9	9	9	42
UK	97	-2.5	7	-10	19
Large Spanish	139	-4.7	19	12	2
Medium Spanish	164	-1.1	5	8	7
Deposits 5y CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	-0.2	-6	-6	-6
EZ Non-financial	109	-2.9	9	9	42
UK Non-financial	136	-1.1	1	-5	-56
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	0.91	0.00	0.0	0.0	0.3
Libor 12m	1.60	0.00	0.0	0.0	0.4
EZ TED spread 3m	45.2	0.00	-10.2	-8.6	4.4
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,175	-0.3	0.5	2	6
Dow Jones	18,867	0.3	1.5	4	8
Nikkei	17,862	1.1	9.9	6	-6
FTSE 100	6,745	-0.7	2.4	-3	8
EuroStoxx 50	3,024	-0.8	1.0	1	-7
IBEX	8,626	-0.7	-3.1	1	-10
DAX	10,653	-0.8	0.1	1	-1
CAC	4,498	-0.9	-1.0	1	-3
MBI	16,542	0.8	1.5	-1	-23
ASE Athens	592	2.4	1.8	1	-6
MSCI Latam *	71,326	-0.1	-6.9	-4	20
Bovespa (Brazil)	60,674	1.7	-4.1	-3	40
Moodie	45,250	0.5	-4.5	-5	5
MSCI EM Europe *	4,497	0.2	0.5	1	6
Poland	1,759	0.3	-1.8	3	-5
Mize (Russia)	7,029	0.6	0.9	4	15
Ise 100 (Turkey)	74,759	-0.5	-1.9	-3	4
MSCI EM Asia *	681	-0.1	-4.3	-5	3
Shanghai Com (China)	3,205	-0.1	2.5	5	-9
Jakarta (Indonesia)	5,185	1.4	5.2	4	13
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	104.7	-1.9	7.6	20	11
JPM	77.5	-2.4	5.8	15	17
Citi	54.6	-1.5	5.9	12	6
BoA	19.8	-1.8	10.2	23	18
MS	39.2	-2.0	7.3	23	23
GS	206.0	-2.5	8.9	22	14
EZ banks	89.9	-1.9	0.8	13	-17
BNP	54.1	-2.6	1.4	11	3
Credit Agricole	10.8	-1.2	0.8	16	-1
Deutsche Bank	15.1	-1.3	13.0	24	-33
ING	12.9	-1.8	-0.2	14	3
Intesa	2.1	-2.4	-1.8	5	-32
SG	40.0	-1.2	2.8	21	6
Unicredit	2.1	-4.4	-5.9	-3	-59
UK banks	0.0	-100.0	-100.0	-100	-100
HSBC	628.0	-1.6	0.9	2	17
RBS	207.1	-2.5	7.7	22	-31
Barclays	208.7	-1.5	8.2	23	-5
Lloyds	60.2	-1.9	4.7	14	-18
Large Spanish banks	68.7	-1.1	2.7	5	-9
Santander	4.3	-1.4	-2.6	7	-5
BBVA	6.0	-0.8	-2.7	4	-12
Medium Spanish banks	65.9	-2.0	1.3	11	-20
Caixabank	2.9	-2.4	0.6	17	-11
Popular	0.9	-2.3	-6.6	-14	-67
Sabadell	1.3	-2.3	2.6	14	-21
Bankinter	7.1	-1.4	0.7	10	8
Bankia	0.9	-2.4	7.1	18	-19
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.07	-0.4	2.1	2.9	-2
GBPUSD	1.24	-0.1	0.3	2.1	-16
USDJPY	109.21	0.0	-3.4	5.1	-9
DKY	100.44	0.2	2.0	-2.6	-2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	15.48	0.1	-3.6	-1.8	-20
USD BRL (Brazil)	3.43	0.1	-6.3	-7.0	13
USD CUP (Cuba)	675.03	-0.8	-3.9	-0.7	5
USD COP (Colombia)	312	0.4	4.4	-7.3	1
USD MEX (Mexico)	20.31	-0.2	-2.4	-7.6	-18
USD PEN (Peru)	3.42	0.1	-1.2	-0.5	0
LACI	61.47	-0.2	3.8	5.3	-2
USD PLN (Poland)	4.16	-1.3	-4.5	-9.9	-6
USD RUB (Russia)	64.85	-0.8	-1.6	-2.7	11
USD TRY (Turkey)	3.32	-1.0	-3.6	-7.4	-14
USD CNY (China)	6.86	0.3	-1.3	-2.1	-6
USD INR (India)	67.95	-0.3	-2.3	-1.6	-3
USD IDR (Indonesia)	13,345	0.2	-1.7	-2.1	3
ADXY	104.0	-0.4	-1.4	-1.9	-2
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	46.9	-0.2	1.1	-9	26
WTX	45.8	0.0	1.2	-8	24
Copper	245	-2.1	-0.4	17	15
Gold	1,227	-0.2	-4.0	-2	16
S&P Spot commodity *	359	2.7	0.8	-4	15
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S&P Agricultural *	299	0.5	-0.5	-2	5

Source: Bloomberg, Datastream and Haver

\* With one day delay

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