

Market Comment | Markets cautious ahead of Fed decision

Global Financial Markets Unit

14 Dec 2016

- The expected hike in US interest rates by the FOMC in today's meeting is expected to have a muted effect on financial markets. Now that the rate hike has already been priced in, the market is focused on hints regarding the Fed's increasing pace in 2017. The major market sensitive events were the following:
- **Greek sovereign yields rose once again, bucking the trend, as the EU cooled expectations on debt relief** measures for short-term Greek debt, since the Greek government has not presented the expected measures ([see](#)). It contributed to drag down euro zone assets, which were already suffering from uncertainty about the Italian banking sector.
- **The Japanese bond yield curve flattened**, after the BoJ announced that it would increase purchases of longer term debt, following its yield curve control policy ([see](#)).
- **Oil prices partially recovered early losses following** last week's lower-than-expected US crude oil inventories ([see](#)).
- **Regarding today's economic indicators**, US retail sales growth cooled in November amid election jitters ([see](#)) and US industrial production fell the most since March ([see](#)). Meanwhile, euro zone industrial production fell short of expectations (-0.1% vs consensus 0.1%), after the downward revision of -0.1pp last month, mainly due to weaknesses in manufacturing output.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.10	-0.6	0.4	16	11	
US	2.43	-4.0	0.1	17	16	
GER (2-yr)	0.77	-2.8	-10.3	-16	-43	
Germany	0.30	-6.1	-4.8	-2	-33	
France	0.74	-5.1	-2.4	-6	-25	
Spain	1.40	-2.8	-2.1	-12	-37	
Italy	1.80	-7.9	0.2	20	20	
Portugal	3.78	1.5	26.2	23	126	
Greece	7.13	32.8	45.4	-29	-116	
Japan (2-yr)	0.19	-1.3	0.1	2	-18	
Japan	0.06	2.7	6.8	-21	-21	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	11.95	-3.7	1.5	-22	-57	
Chile	4.43	0.0	-1.6	-32	-26	
Colombia	7.30	1.2	5.7	-28	-136	
Mexico	7.26	-3.1	6.1	-2	100	
Peru	6.28	-1.0	-1.8	1	-119	
Poland	3.45	-10.9	-9.0	-4	51	
Russia	8.45	1.8	-17.9	-45	-110	
Turkey	11.31	-6.0	34.0	36	64	
India	6.41	-1.3	-0.2	-32	-136	
Indonesia	7.83	9.4	12.6	0	01	
Country Risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	44	0.0	2.4	-4	8	
Italy	150	-1.7	-4.3	-26	53	
Portugal	348	7.6	31.0	25	159	
Spain	110	3.3	2.7	-10	-4	
2-yr sovereign spread vs Germany						
France	17	2.4	5.4	12	13	
Italy	62	1.7	-3.1	-10	31	
Portugal	106	4.0	20.4	3	61	
Spain	49	3.7	0.6	-1	14	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	286	1	-8	-27	-205	
Chile	79	1	0	-29	-48	
Colombia	164	-2	-11	-40	-74	
Mexico	156	-1	-11	-32	-14	
Peru	106	0	-4	-16	-79	
Venezuela	3,789	-56	-123	47	-2254	
Poland	77	-3	-5	-4	5	
Russia	187	-4	-22	-48	-115	
Turkey	280	1	-4	-5	7	
China	115	1	1	-6	7	
India	126	-1	-6	-8	-23	
Indonesia	159	1	-6	-27	-68	
Risk indicators (%)						
Volatility indicators (%)						
VIX	13	-0.5	4	-13	-6	
VST OXX	17	1.4	0	-23	-5	
EM EFT volatility index	19	2.5	-3	-33	-15	
Dollars vs volatility	9	-6	0	9	-3	
EM FX volatility index	11	-1.5	2	-3	-3	
Credit spread (BAA) (bps)	244	4.0	0	-17	-79	
US bonds volatility index	75	1.4	3	-16	11	
Banking 5y CDS (bps) *						
US	74	-0.7	-3	3	-1	
EZ	119	-1.0	-11	-6	36	
UK	94	-0.6	-7	0	17	
Large Spanish	127	-2.1	-12	-14	-10	
Medium Spanish	153	-5.2	-12	-13	-4	
Government 5y CDS (bps) *						
US Non-financial	182	-0.7	-3	3	-1	
EZ Non-financial	102	-1.0	-11	-6	36	
UK Non-financial	124	-0.9	-2	-13	-68	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.35	0.00	0.0	0.0	-0.2	
Euro 3m	-0.32	0.00	0.0	0.0	-0.2	
Barbar 12m	-0.08	0.0	0.0	0.0	0.1	
Libor 3m	0.96	0.00	0.0	0.1	0.4	
Libor 12m	1.65	0.00	0.0	0.0	0.5	
EZTED spread 3m	60.3	-0.20	1.9	15.0	19.4	
Stock markets (%)						
Europe						
S&P500	2,287	0.2	1.1	5	11	
Dow Jones	19,879	-0.2	1.7	5	14	
Nikkei	19,254	0.0	4.1	9	1	
FTSE 100	6,983	-0.1	0.9	3	12	
EuroStoxx 50	3,218	-0.6	2.4	6	-2	
IBEX	9,229	-1.1	3.0	7	-3	
DAX	11,266	-0.2	2.5	5	5	
CAC	4,776	-0.6	1.7	6	3	
MIB	18,667	-0.9	3.0	12	-13	
ASE Athens	619	-3.2	-3.3	7	-2	
MSCI Latam *	level	Daily	Weekly	Monthly	YTD	
Brazil	72,111	0.2	-0.4	1	22	
Bovespa (Brazil)	59,047	0.4	-3.9	-1	36	
Isivobd	46,444	-0.9	1.8	3	8	
MSCI EM Europe *	level	Daily	Weekly	Monthly	YTD	
Poland	4,968	-1.2	3.8	10	17	
Poland	1,935	0.8	2.4	10	4	
Micos (Russia)	2,229	-0.8	3.2	10	27	
Ne 100 (Turkey)	76,881	-0.1	1.1	3	7	
MSCI EM Asia *	level	Daily	Weekly	Monthly	YTD	
Shanghai (China)	702	0.4	0.8	2	6	
Shanghai Com (China)	3,141	-0.5	-2.5	-2	-11	
Jakarta (Indonesia)	5,263	-0.9	-0.2	1	15	
Emerging Sector						
level	Daily	Weekly	Monthly	YTD		
US banks	117.9	0.4	1.1	12	25	
JPM	84.8	0.0	0.9	7	28	
Citi	59.9	0.2	1.4	10	16	
Bok	22.8	0.8	0.9	13	35	
MS	42.8	0.6	0.4	9	35	
GS	239.1	0.2	1.5	14	33	
EZ banks	99.8	-1.6	1.1	8	-8	
BNP	58.7	-1.7	-1.2	6	12	
Crédit Agricole	11.6	0.4	1.7	7	6	
Dresdner Bank	17.3	-1.0	-0.5	13	-23	
ING	13.4	-1.6	-0.6	2	8	
Intesa	2.4	-2.1	2.6	8	-23	
SG	46.0	-1.2	2.5	14	8	
Unicredit	2.6	-6.3	6.0	15	-49	
UK banks	84.6	-0.8	-2.0	4	-4	
HSBC	662.2	0.3	2.6	4	23	
RIS	217.6	-0.9	0.2	3	-28	
Barclays	222.3	-3.4	5.3	5	2	
Lloyds	63.0	0.7	1.2	4	-14	
Large Spanish banks	75.6	-1.3	3.6	10	0	
Santander	4.9	-1.3	4.4	13	7	
BBVA	6.4	-1.3	3.0	8	-5	
Medium Spanish banks	71.4	-1.7	2.9	6	-13	
Celabank	3.1	-4.5	0.2	6	-3	
Poplar	1.0	-0.4	1.6	7	-63	
Sabadell	1.4	-1.0	4.9	4	-16	
Bankinter	7.5	-1.5	2.5	5	14	
Banika	1.0	-0.5	5.0	8	-9	
Currencies (% ind for currency depreciation)						
level	Daily	Weekly	Monthly	YTD		
EURUSD	1.07	0.3	0.9	0.9	-4	
EURUSD	1.27	0.5	0.7	1.8	-14	
USD JPY	115.06	0.1	-1.1	6.1	-4	
USD DXY	100.79	-0.3	0.6	-0.2	-2	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.91	0.4	0.5	-2.0	-23	
USDBRL (Brazil)	3.33	0.0	1.7	2.9	16	
USDCLP (Chile)	655.66	-0.7	0.1	2.2	7	
USDCOP (Colombia)	2962	0.3	1.4	5.2	7	
USDMXN (Mexico)	20.23	0.2	0.5	2.2	-18	
USDPEN (Peru)	3.40	-0.1	0.2	1.2	0	
LACI	62.42	0.0	1.0	2.3	0	
USDRPLN (Poland)	4.15	0.2	-0.8	-0.9	-6	
USD RUB (Russia)	61.19	-0.9	3.3	7.3	16	
USDTRY (Turkey)	3.46	0.9	2.2	5.2	19	
USD CNY (China)	6.90	0.0	-0.4	-0.7	-6	
USD INR (India)	67.45	0.1	0.3	-0.3	-2	
USD IDR (Indonesia)	13,294	0.2	0.3	0.6	4	
ADXY	104.1	0.0	0.2	0.3	-2	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
Brent	55.0	-1.2	3.8	24	43	
WTI	52.1	-1.6	4.7	20	41	
Copper	259	-0.1	-1.7	3	22	
Gold	1,164	0.4	0.9	-5	10	
S&P Spot commodity *	397	0.1	3.5	13	27	
S&P Brent Spoz *	480	0.3	6.1	24	50	
S&P Metals Spot *	315	-0.5	-0.2	2	25	
S&P Agricultural *	296	-0.3	0.2	-1	-4	

Debt markets (10Y % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	1.16	-0.6	6.4	16	11
US	2.43	-4.0	0.1	17	16
GER (2-yr)	-0.77	-2.8	-10.3	-16	-43
Germany	0.30	-6.1	-4.8	-2	-33
France	0.74	-6.1	-2.4	-6	-25
Spain	1.40	-2.8	-2.1	-12	-37
Italy	1.80	-7.9	-9.2	-28	20
Portugal	3.78	1.5	16.2	23	106
Greece	7.13	32.8	45.4	-29	-116
Japan (2-yr)	-0.19	-1.3	0.1	2	-18
Japan	0.06	-2.7	6.8	-21	-21
Emerging Markets					
Brazil	11.95	-3.7	-1.5	-32	-457
Chile	4.43	0.0	1.6	-32	-206
Colombia	7.30	1.2	5.7	-28	-136
Mexico	2.26	-3.1	6.1	-2	100
Peru	6.28	-1.0	-1.8	0	-119
Poland	3.45	-10.9	-9.0	-4	51
Russia	8.45	1.8	-17.9	-45	-110
Turkey	11.11	-6.0	34.0	36	64
India	6.41	-1.3	-0.2	-32	-136
Indonesia	7.63	0.4	12.6	-9	-91
Country risk (bp changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	44	0.0	2.4	-4	8
Italy	151	-1.7	-4.3	-26	53
Portugal	348	7.6	31.0	25	159
Spain	110	3.3	2.7	-10	-4
2-yr sovereign spread vs Germany					
France	17	2.4	5.4	12	13
Italy	62	1.7	-3.1	-10	31
Portugal	106	4.0	20.4	3	61
Spain	49	3.7	0.6	-1	-14
Emerging Markets					
5-yr sovereign CDS *					
Brazil	286	1	-8	-27	-205
Chile	79	1	0	-29	-48
Colombia	164	-2	-11	-40	-74
Mexico	156	-1	-11	-32	-14
Peru	106	0	-4	-16	-39
Venezuela	3,749	-56	133	42	-2,254
Poland	77	-3	-5	-4	5
Russia	187	-4	-22	-48	-115
Turkey	280	1	-4	-5	7
China	115	1	1	-6	7
India	126	-1	-6	-8	-23
Indonesia	159	1	-6	-27	-68
Risk indicators					
Volatility indicators (%)					
	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.5	4	-13	-6
VSTOXX	17	1.4	0	-23	-5
EM EFT volatility Index	19	2.5	-3	-33	-15
Dollar/euro volatility	9	1.6	0	-9	-3
EM FX volatility index	11	-1.5	2	-3	-3
Credit spread (BAA) (bps)	244	4.0	0	-17	-79
US bonds volatility index	75	1.4	3	-16	11
Banking System CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US	74	-0.7	-3	3	-1
EZ	119	-1.0	-11	-6	36
UK	94	-0.6	-7	0	17
Large Spanish	127	-2.1	-12	-14	-10
Medium Spanish	153	-5.2	-12	-13	-4
Corporate CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	182	-0.7	-3	3	1
EZ Non-financial	102	-1.0	-11	-6	36
UK Non-financial	124	-0.9	-2	-13	-68
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Euribor 3m	-0.32	0.00	0.0	0.0	-0.2
Euribor 12m	-0.08	0.00	0.0	0.0	-0.1
Libor 3m	0.96	0.00	0.0	0.1	0.4
Libor 12m	1.65	0.00	0.0	0.0	0.5
EZ TED spread 3m	60.2	-0.20	1.9	15.0	19.4
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,267	-0.2	1.1	5	11
Dow Jones	19,079	0.2	1.7	5	14
Nikkei	19,254	0.0	4.1	9	1
FTSE 100	6,963	-0.1	0.9	3	12
EuroStoxx 50	3,218	-0.6	2.4	6	-2
IBEX	9,229	-1.1	3.0	7	-3
DAX	11,266	-0.2	2.5	5	5
CAC	4,776	-0.6	1.7	6	3
MBI	18,667	-0.9	3.0	12	-13
ASE Athens	619	-3.2	-3.3	7	-2
MSCI Latam *	72,111	0.2	0.4	1	22
Bovespa (Brazil)	59,047	-0.4	3.9	-1	36
Moodus	46,444	-0.9	1.8	3	8
MSCI EM Europe *	4,968	1.2	3.8	10	17
Poland	1,935	0.8	2.4	10	4
Mimez (Russia)	2,239	-0.8	3.2	10	27
Ise 100 (Turkey)	76,881	-0.1	1.1	3	7
MSCI EM Asia *	702	0.4	0.8	2	6
Shanghai Com (China)	3,141	-0.5	-2.5	-2	-11
Jakarta (Indonesia)	5,263	-0.9	-0.2	1	15
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks	117.9	0.4	1.1	12	25
JPM	84.8	0.0	0.8	7	28
Citi	99.9	0.2	1.4	10	16
BoA	22.8	0.8	0.9	13	35
MS	42.8	0.6	0.4	9	35
GS	239.1	0.2	1.5	14	33
EZ banks	99.8	-1.6	1.1	8	-8
BNP	58.7	-1.7	-1.2	6	12
Credit Agricole	11.6	0.4	1.7	7	6
Deutsche Bank	17.3	-1.0	-0.5	13	-23
ING	13.4	-1.6	-0.6	2	8
Intesa	2.4	-2.1	2.6	8	-23
SG	46.0	-1.2	2.5	14	8
Unicredit	2.6	-6.3	6.0	15	-49
UK banks	84.6	-0.8	-2.0	4	-4
HSBC	662.2	0.3	-2.6	4	23
RBS	217.6	-0.9	0.2	3	-28
Barclays	222.3	-3.4	-5.3	5	2
Lloyds	63.0	0.7	1.2	4	-14
Large Spanish banks					
	level	Daily	Weekly	Monthly	YTD
Santander	4.9	-1.3	4.4	13	7
BBVA	6.4	-1.3	3.0	8	-5
Medium Spanish banks					
	level	Daily	Weekly	Monthly	YTD
CajaBank	71.4	-1.7	2.9	6	-13
Populr	1.0	-0.4	1.6	7	63
Sabadell	1.4	-1.0	4.9	4	-16
Bankinter	7.5	-1.5	2.5	5	14
Bankea	1.0	-0.5	5.0	8	-9
Currencies (% red for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.07	0.3	0.9	-0.8	-2
GBPUSD	1.27	0.5	0.7	1.8	-14
USDJPY	115.06	0.1	-1.1	6.1	-4
DKY	100.79	-0.3	0.6	-0.7	2
Emerging					
USDARS (Argentina)	15.91	0.4	0.5	-2.0	-23
USDBRL (Brazil)	3.33	0.0	1.7	2.9	16
USDCUP (Cuba)	655.66	-0.7	0.1	2.2	7
USDOP (Colombia)	296.2	0.3	1.4	5.2	7
USDMXN (Mexico)	20.23	0.2	0.5	2.2	-18
USDPEN (Peru)	3.40	-0.1	0.2	1.2	0
LACI	62.42	0.0	1.0	2.3	0
USDPOL (Poland)	4.15	0.2	-0.8	-0.9	-6
USDRUB (Russia)	61.19	-0.9	3.3	7.3	16
USDTRY (Turkey)	3.46	0.9	-2.2	-5.2	-19
USDCNY (China)	6.90	0.0	0.4	0.7	-6
USDINR (India)	67.45	0.1	0.3	-0.3	-2
USDIDR (Indonesia)	13,294	0.2	0.3	0.6	4
ADXY	104.1	0.0	-0.2	-0.3	-2
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
Brent	55.0	-1.2	3.8	24	48
WTX	52.1	-1.6	4.7	20	41
Copper	259	-0.1	-1.7	3	22
Gold	1,164	0.4	0.9	-5	10
S&P Spot commodity *	397	0.1	3.5	13	27
S&P Brent Spot *	490	0.3	6.1	24	50
S&P Metals Spot *	315	-0.5	-0.2	2	25
S&P Agricultural *	296	-0.3	0.2	-1	4

Source: Bloomberg, Datastream and Haver

* With one day delay

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