

Market Comment | European banking sector was the main focus during the week

Global Financial Markets Unit
23 Dec 2016

- During this week, **markets remained calm in the final term of the year**. Recent low volatility across the board continued on the back of typically low year-end trading volumes. **Global stocks were little changed, while sovereign bond yields declined**. The main exception was the high volatility in the European banking sector, specifically on the periphery:
- Higher volatility was perceived in **Italian banks**, especially in Monte dei Paschi, as the **Italian government has finally approved the rescue of Monte dei Paschi (MPS)** after the bank failed to drum up sufficient demand for a EUR5bn private recapitalisation ([see](#)).
- Deutsche Bank's shares rose today on reports that the **German bank had reached an agreement with the US Department of Justice (DoJ)** to pay a smaller fine than previously expected ([see](#)).
- Spain's banking sector underperformed, after the **European Court of Justice ordered lenders to give back funds relating to mortgage floor clauses** ([see](#)). However, Spanish bank stocks partially recovered as the week went by.
- **US equity indices remained hovering around historical highest levels, supported by good US economic indicators released during the week** ([see](#)), shoring up the recent dollar strength.

BBVA Research suggests the following reading list:

- The Productivity Paradox of the New Digital Economy ([see](#))
- Dr Strangelove meets Trump's stock market ([see](#))
- How robots are making humans indispensable ([see](#))

Season's Greetings and Happy New Year. We will be back on 2nd January, 2017.

Update 13 CET 23 December, 2016
Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.19	0.0	0.6	10	14	
US	2.54	0.7	1.4	23	27	
GER (2-yr)	0.78	1.6	0.3	4	-43	
Germany	0.28	1.0	-10.8	4	-37	
France	0.73	2.6	-4.8	2	-26	
Spain	1.40	3.2	-2.2	-13	-37	
Italy	1.65	2.9	2.5	17	26	
Portugal	3.80	3.1	2.7	17	129	
Greece	7.31	0.3	-1.7	40	-98	
Japan (2-yr)	0.17	0.6	1.6	2	-17	
Japan	0.06	-3.4	2.3	-21	-21	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	11.51	-0.7	-2.2	-36	-500	
Chile	4.38	0.0	-4.3	-23	-30	
Colombia	2.12	-0.1	-19.6	-59	-154	
Mexico	7.33	6.8	2.7	-5	107	
Peru	6.39	4.0	1.2	-1	-108	
Poland	3.44	1.4	8.6	-9	90	
Russia	8.49	-15.2	-6.8	-28	-106	
Turkey	10.86	-6.0	-38.0	1	39	
India	6.53	6.6	0.7	22	-123	
Indonesia	7.86	-0.5	-11.4	7	-68	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	47	1.6	6.0	-2	11	
Italy	159	1.9	13.3	-21	63	
Portugal	354	2.1	13.5	14	166	
Spain	114	2.2	0.6	-16	0	
2-yr sovereign spread vs Germany						
France	13	-7.3	-4.7	-1	9	
Italy	63	-0.9	0.6	-13	31	
Portugal	101	-3.6	-4.9	-16	56	
Spain	52	-0.9	0.4	-5	16	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	276	-4	-14	-27	-216	
Chile	85	2	1	-11	-42	
Colombia	162	0	-3	-40	-77	
Mexico	151	-1	-6	-40	-19	
Peru	108	1	1	-15	-78	
Venezuela	3,844	10	22	-149	-2199	
Poland	78	0	2	-4	6	
Russia	177	-4	-4	-48	-125	
Turkey	270	-7	3	-15	-3	
China	118	-2	3	-2	10	
India	127	0	1	-17	-22	
Indonesia	159	-1	0	-17	-68	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	11	1.7	-10	-8	-7	
VST OXX	15	0.9	-6	-27	-7	
EM EFT volatility index	21	7.5	-3	1	-10	
Dollars vs volatility	10	-2.2	-2	-6	-1	
EM FX volatility index	11	-0.4	-2	4	-1	
Credit spread (BAA) (bps)	227	-0.8	2	-25	-96	
US bonds volatility index	74	0.0	-6	-3	9	
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	74	0.7	0	1	-1	
EZ	117	1.7	2	-16	33	
UK	94	-1.1	0	-8	17	
Large Spanish	125	1.5	-1	-19	-12	
Medium Spanish	155	-0.3	1	-12	-2	
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	157	0.7	0	1	-1	
EZ Non-financial	101	1.7	-2	-16	33	
UK Non-financial	125	0.0	2	-13	-67	
Interbank markets (bp, 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	1.00	0.00	0.0	0.1	0.4	
Libor 12m	1.69	0.00	0.0	0.1	0.5	
EZTED spread 3m	62.5	0.20	2.0	14.8	21.7	
Stock markets (%)						
level	Daily	Weekly	Monthly	YTD		
Americas						
S&P500	2,239	0.3	0.2	3	10	
Dow Jones	19,886	-0.3	0.2	5	14	
Nikkei	19,428	-0.1	0.8	7	2	
FTSE 100	7,053	0.2	0.8	3	13	
EuroStoxx 50	3,266	-0.1	0.5	7	0	
IBEX	9,323	-0.5	0.2	8	-2	
DAX	11,450	-0.2	0.7	7	7	
CAC	4,829	-0.1	0.2	6	4	
MIB	19,120	-0.5	0.7	16	-11	
ASE Athens	632	-1.1	2.9	0	0	
MSCI Latam *	69,922	-0.1	-1.5	-3	15	
Ibovespa (Brazil)	56,842	-1.4	-2.7	-8	31	
Moody	44,613	-0.8	-2.7	-1	4	
MSCI EM Europe *	4,919	-0.5	0.1	7	16	
Poland	1,944	0.8	1.7	9	5	
Micex (Russia)	2,175	-1.7	2.8	5	23	
Ne 100 (Turkey)	77,495	-0.3	-0.4	2	8	
MSCI EM Asia *	687	-0.1	1.9	0	4	
Shanghai Com (China)	3,140	0.1	0.7	-3	-11	
Jakarta (Indonesia)	5,043	-2.3	-4.2	-2	10	
Emerging Sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	86.6	-0.2	0.7	10	31	
Citi	60.5	-0.4	0.4	8	17	
Bak	22.5	-0.4	-2.7	11	34	
MS	43.0	-0.8	0.1	6	35	
GS	240.3	-0.5	-1.1	14	33	
EZ banks						
BNP	103.0	0.1	0.6	14	5	
Crédit Agricole	61.5	0.4	0.4	10	18	
Diésche Bank	12.0	0.1	0.0	9	10	
Indische Bank	17.7	-1.4	-2.4	19	-21	
ING	13.7	0.2	-0.4	5	10	
Intesa	2.4	-1.1	-0.9	18	-22	
SG	46.9	0.1	-1.3	16	10	
Unicredit	2.9	0.8	2.1	42	-44	
UK banks						
HSBC	85.7	-0.5	-1.2	6	-2	
RIS	655.2	0.0	-2.1	3	22	
Barclays	226.2	-1.1	-1.4	7	3	
Lloyds	63.9	-0.6	-0.7	7	-13	
Large Spanish banks						
Santander	76.4	-0.3	-1.2	12	1	
BBVA	5.0	-0.4	-0.9	14	9	
Mediam Spanish banks	6.4	-0.2	-1.4	10	-4	
Cálabank	71.4	-0.2	-2.8	11	-13	
Poplar	3.2	0.0	-0.3	15	1	
Sabadell	0.9	-1.3	-7.1	4	-65	
Bankinter	1.4	-0.7	-2.2	13	-16	
Banque	7.5	0.2	-1.7	7	14	
Banque	1.0	-0.3	-5.5	12	-9	
Currencies (% ind for currency depreciation)						
level	Daily	Weekly	Monthly	YTD		
Eurozone						
EURUSD	1.05	0.3	0.4	-1.7	-4	
GBPUSD	1.23	-0.5	-1.0	-1.0	-17	
USD JPY	117.51	0.0	0.6	5.7	-2	
DKK	103.00	0.0	0.6	-1.9	-4	
Emerging						
USDARS (Argentina)	15.76	0.2	1.2	-2.1	-22	
USDBRL (Brazil)	3.31	0.5	1.5	1.2	16	
USDCLP (Chile)	675.97	-0.5	-1.5	0.2	5	
USDCOP (Colombia)	2993	0.1	0.3	5.0	6	
USDMXN (Mexico)	20.74	-0.9	-2.0	0.7	-21	
USDPEN (Peru)	3.40	-0.2	0.1	0.6	0	
LACI	61.83	-0.1	-0.2	0.3	-1	
USDPLN (Poland)	4.23	0.1	0.7	-1.7	-8	
USD RUB (Russia)	60.97	0.4	1.3	4.3	16	
USDTRY (Turkey)	3.51	-0.1	-1.7	3.8	20	
USDCNY (China)	6.95	-0.1	0.0	-0.8	-7	
USDINR (India)	67.99	-0.1	-0.2	0.4	-3	
USDIDR (Indonesia)	13,469	-0.1	0.6	-0.2	2	
ADXY	102.9	-0.3	0.4	-1.0	-3	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
Brent						
WTX	52.8	0.6	3.8	10	43	
Copper	249	0.1	-3.9	-2	17	
Gold	1,130	-0.1	0.1	-7	6	
S&P Spot commodity *	391	-0.4	0.4	5	25	
S&P Brent Spoz *	470	-1.4	0.9	10	47	
S&P Metals Spoz *	306	0.0	-3.5	-2	21	
S&P Agricultural *	268	-0.3	-1.9	-5	1	

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.19	0.0	-8.6	10	14
US	2.94	0.7	9.4	23	27
GER (2-yr)	-0.78	1.6	0.3	-4	-43
Germany	0.26	1.0	-10.8	4	-37
France	0.73	2.6	-4.8	2	-36
Spain	1.40	3.2	-2.2	-13	-37
Italy	1.85	2.9	2.5	-17	26
Portugal	3.80	-1.1	2.7	17	120
Greece	7.31	0.3	-1.7	40	-98
Japan (2-yr)	-0.17	0.6	1.6	-2	-17
Japan	0.06	-3.4	2.3	-21	-21
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	11.51	-9.7	-52.8	-36	-500
Chile	4.28	0.0	-4.3	-23	-30
Colombia	7.12	-0.1	-19.6	-59	-154
Mexico	7.33	4.8	2.7	-5	107
Peru	6.39	4.0	1.2	-1	-108
Poland	3.44	1.4	-8.6	-8	50
Russia	8.49	-15.2	-6.8	-28	-106
Turkey	10.86	-6.0	-38.0	1	39
India	6.53	6.6	0.7	22	-123
Indonesia	7.66	0.5	-11.4	-7	-88
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	47	1.6	6.0	-2	11
Italy	159	1.9	13.1	-21	63
Portugal	354	2.1	13.3	14	166
Spain	114	2.2	8.6	-16	0
2-yr sovereign spread vs Germany					
France	13	-7.3	-4.7	-1	9
Italy	63	-0.9	-0.6	-13	31
Portugal	101	-3.6	-4.9	-16	56
Spain	52	-0.9	0.4	-5	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	276	-4	-14	-27	-216
Chile	85	2	1	-11	-42
Colombia	162	0	-3	-40	-77
Mexico	151	-1	-6	-40	-19
Peru	108	1	1	-15	-78
Venezuela	3,844	10	22	-149	-2199
Poland	78	0	2	-4	6
Russia	177	-4	-4	-48	-125
Turkey	270	-7	-3	-15	-3
China	118	-2	3	-2	10
India	127	0	1	-17	-22
Indonesia	159	-1	0	-17	-68
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	11	1.7	-10	-8	-7
VSTOXX	15	0.9	-6	-27	-7
EM EFT volatility index	21	7.5	-3	1	-10
Dollar/euro volatility	10	-2.2	-2	-6	1
EM FX volatility index	11	-0.4	-2	4	-1
Credit spread (BAA) (bps)	227	-0.8	2	-25	-96
US bonds volatility index	74	-2.0	-6	-3	9
Banking vs CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	74	0.7	0	1	-1
EZ	117	1.7	-2	-16	33
UK	94	0.1	0	-8	17
Large Spanish	125	1.5	-1	-19	-12
Medium Spanish	155	-0.3	1	-12	-2
Commodity vs CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	157	0.7	0	1	1
EZ Non-financial	101	1.7	-2	-16	33
UK Non-financial	125	0.0	2	-13	-67
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	1.00	0.00	0.0	0.1	0.4
Libor 12m	1.69	0.00	0.0	0.1	0.5
EZ TED spread 3m	62.5	0.20	2.0	14.8	21.7
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,258	-0.3	-0.2	3	10
Dow Jones	19,886	0.3	0.2	5	14
Nikkei	19,428	-0.1	0.8	7	2
FTSE 100	7,053	0.2	0.8	3	13
Euro Stoxx 50	3,266	-0.1	0.5	7	0
IBEX	9,323	-0.5	0.2	8	-2
DAX	11,450	-0.2	0.7	7	7
CAC	4,829	-0.1	0.2	6	4
MBI	19,120	0.5	0.7	16	-11
ASE Athens	632	-1.1	2.9	0	0
MSCI Latam *	69,922	-0.1	-1.5	-3	18
Bovespa (Brazil)	56,942	-1.4	-2.7	-8	31
Moodi	44,613	-0.8	-2.7	-1	4
MSCI EM Europe *	4,919	-0.5	-0.1	7	16
Poland	1,944	0.8	1.7	9	5
Misc (Russia)	2,175	-1.7	2.8	5	23
Ise 100 (Turkey)	77,405	-0.3	-0.4	2	8
MSCI EM Asia *	687	-0.1	-1.9	0	4
Shanghai Com (China)	3,140	0.1	0.7	-3	-11
Jakarta (Indonesia)	5,043	-2.3	-4.2	-2	10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	118.2	-0.5	-0.9	10	26
JPM	86.6	-0.2	0.7	10	31
Citi	60.5	-0.4	0.4	8	17
BoA	22.5	-0.4	-2.7	11	34
MS	43.0	-0.8	0.1	6	35
GS	240.3	0.5	1.1	14	33
EZ banks	103.0	-0.1	-0.6	14	-5
BNP	61.5	0.4	0.4	10	18
Credit Agricole	12.0	0.1	0.0	9	10
Deutsche Bank	17.7	-1.4	2.4	10	21
ING	13.7	0.2	-0.4	5	10
Intesa	2.4	-1.1	-0.9	18	22
SG	46.9	0.1	-1.3	16	10
Unicredit	2.9	0.8	2.1	42	-44
UK banks	85.7	-0.5	-1.2	6	-2
HSBC	655.2	0.0	-2.1	3	22
RBS	228.0	-0.2	0.4	10	-25
Barclays	226.2	-1.1	-1.4	7	3
Lloyds	63.9	-0.6	-0.7	7	-13
Large Spanish banks	76.4	-0.3	1.2	12	1
Santander	5.0	-0.4	-0.9	14	9
BBVA	6.4	-0.2	-1.4	10	-4
Medium Spanish banks	71.4	-0.2	-2.8	11	-13
Cajabank	-3.2	0.0	-0.3	15	-1
Popular	0.9	-1.3	-7.1	4	-65
Sabadell	1.4	-0.7	-2.2	13	-16
Bankinter	7.5	0.2	1.7	7	14
Bankia	1.0	-0.3	-5.5	12	-9
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.05	0.3	0.4	-1.7	-4
GBPUSD	1.23	-0.5	-1.0	-1.0	-17
USDJPY	117.51	0.0	0.6	5.7	-2
DKY	103.00	0.0	0.0	-1.9	-4
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	15.76	0.2	1.2	-2.1	-22
USD BRL (Brazil)	3.31	0.5	1.5	1.2	16
USD CUP (Cuba)	675.97	-0.5	-1.5	0.2	5
USD COP (Colombia)	2993	0.1	1.3	5.0	6
USD MXN (Mexico)	20.74	-0.9	-2.0	-0.7	-21
USD PEN (Peru)	3.40	-0.2	0.1	0.6	0
LACI	61.83	-0.1	-0.2	0.3	-1
USD PLN (Poland)	4.23	0.1	0.7	-1.7	-8
USD RUB (Russia)	60.97	0.4	1.3	4.3	16
USD TRY (Turkey)	3.51	-0.1	0.0	-3.8	-20
USD CNY (China)	6.95	0.1	0.0	0.8	7
USD INR (India)	67.99	-0.1	-0.2	0.4	-3
USD IDR (Indonesia)	13,469	-0.1	-0.6	-0.2	2
ADXY	102.9	-0.3	-0.4	-1.0	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	54.9	0.8	1.7	12	47
WTX	52.8	0.6	3.8	10	43
Copper	249	0.1	-3.9	-2	17
Gold	1,130	-0.1	0.1	-7	6
S&P Spot commodity *	391	-0.4	0.4	5	25
S&P Brent Spot *	470	-1.4	0.9	10	47
S&P Metals Spot *	306	0.0	-3.5	-2	21
S&P Agricultural *	288	-0.3	-1.9	-5	1

Source: Bloomberg, Datastream and Haver

* With one day delay

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