

Market Comment | Brexit jitters spur uncertainty in global financial markets

Global Financial Markets Unit

16 Jan 2017

- Uncertainty increased in global financial markets, as **“hard Brexit” fears increased** ahead of tomorrow’s press conference to be held by the UK prime minister about her Brexit route map. Additionally, **uncertainty about Donald Trump’s policies** also pushed up risk aversion ([see](#)): Risk assets (such as stocks and EM currencies) lost ground, while **safe-haven asset prices increased** (gold, USD, JPY and CHF). Meanwhile, US markets remained closed due to Martin Luther King Jr. Day. Apart from this, the major market sensitive events were the following:
- **The GBP sank to a new lowest level** since October, as investors fear that Theresa May will unveil a “hard Brexit” plan in tomorrow’s press conference ([see](#)).
- The **IMF today released its WEO** (World Economic Outlook) publication ([see](#)), in which it lifted its forecast for US economic growth in 2017 and 2018, based on Trump’s expected tax cuts and spending plans. Likewise, the IMF also lifted its forecast for Spain’s economic growth in 2017 and 2018.
- **DBRS’ decision to downgrade Italian sovereign debt** rating to BBB (high) from A (low), had no significant effect on the country’s financial markets, and sovereign bond yields were little changed ([see](#)).

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	1.19	0.0	1.2	8	16
US	2.40	0.0	3.2	20	15
GER (2-yr)	0.74	-2.4	0.4	4	-39
Germany	0.32	-1.4	4.6	4	-24
France	0.80	0.1	0.5	3	-14
Spain	1.42	-0.9	-4.9	0	-30
Italy	1.91	1.6	1.9	9	36
Portugal	3.85	-5.2	-12.2	8	130
Greece	7.01	6.1	11.4	-31	-114
Japan (2-yr)	0.22	0.0	-1.8	-3	-21
Japan	0.05	-0.6	3.7	-21	-21
Emerging Markets	level	Daily	Weekly	Monthly	Year
Brazil	10.99	-7.0	-22.2	-103	-542
Chile	4.18	-2.2	-1.0	-24	-47
Colombia	6.84	0.0	-10.8	-48	-190
Mexico	7.57	1.7	6.8	27	136
Peru	6.20	-0.5	-17.7	-19	-132
Poland	3.63	-2.7	-5.2	10	47
Russia	8.23	7.0	2.5	-33	-128
Turkey	11.13	-2.0	4.0	-11	36
India	6.44	2.4	4.4	-8	-128
Indonesia	7.52	-0.5	-26.2	-45	-130
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
10-yr sovereign spread vs Germany					
France	40	1.3	-4.1	7	11
Italy	159	3.0	-2.7	13	61
Portugal	353	-3.8	-16.8	12	154
Spain	110	0.5	-9.5	4	-5
2-yr sovereign spread vs Germany					
France	17	3.8	4.1	-1	13
Italy	65	2.4	1.1	2	30
Portugal	95	1.6	-0.7	-11	51
Spain	46	3.6	0.6	-6	13
Emerging Markets	level	Daily	Weekly	Monthly	Year
5-yr sovereign CDS *					
Brazil	247	-4	-8	-43	-247
Chile	81	-1	2	-2	-49
Colombia	150	-2	-4	-15	-91
Mexico	168	2	1	11	4
Peru	104	-1	-1	-2	-83
Venezuela	3,825	-19	198	3	-2334
Poland	70	-1	0	-6	-2
Russia	180	1	12	-1	-124
Turkey	280	-4	14	7	6
China	113	2	0	-2	5
India	118	-1	-6	-7	-32
Indonesia	150	-2	2	-8	-79
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	11	0.0	-3	-12	-9
VST OXX	15	4.1	0	-3	-12
EM EFT volatility index	18	0.0	-5	-14	-31
Dollars vs volatility	10	6.5	-4	-3	-5
EM FX volatility index	11	-0.1	3	-1	-3
Credit spread (BAA) (bps)	221	0.0	4	-3	-102
US bonds volatility index	75	0.0	0	-5	8
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US	73	-1.5	2	-1	-2
EZ	108	-6.2	1	-11	24
UK	91	-4.1	1	-3	13
Large Spanish	117	-6.6	-2	-10	-21
Medium Spanish	154	-1.3	8	-1	-7
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US Non-financial	153	-1.5	2	-1	-2
EZ Non-financial	100	-6.2	1	-11	24
UK Non-financial	123	0.6	0	-1	-71
Interbank markets (bp, changes in bp)					
level	Daily	Weekly	Monthly	Year	
EONIA Index	-0.35	0.00	0.0	0.0	-0.1
Euribor 3m	-0.33	0.00	0.0	0.0	-0.2
Euribor 12m	-0.10	0.00	0.0	0.0	-0.2
Libor 3m	1.02	0.00	0.0	0.1	0.4
Libor 12m	1.70	0.00	0.0	0.0	0.5
EZTED spread 3m	59.8	-1.0	-8.8	-9.7	14.4
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	Year
S&P500	2,275	0.0	0.3	1	13
Dow Jones	19,886	0.0	0.0	0	16
Nikkei	19,095	-1.0	1.8	-1	3
FTSE 100	7,327	-0.1	1.2	5	20
EuroStoxx 50	3,295	-0.9	0.4	1	4
IBEX	9,410	-1.1	0.9	1	1
DAX	11,555	-0.6	-0.1	2	12
CAC	4,892	-0.8	-0.1	1	8
MIB	19,287	-1.2	-0.4	2	-7
ASE Athens	645	-1.0	2.2	5	4
MSCI Latam *	74,740	0.2	2.0	5	25
Ibovespa (Brazil)	63,944	0.5	3.6	10	52
MoBI	45,930	-0.5	0.8	0	9
MSCI EM Asia *	4,976	-0.6	0.3	1	17
Poland	2,025	0.5	0.8	6	12
Micex (Russia)	2,189	-0.3	-1.0	-2	26
Ne 100 (Turkey)	81,712	0.2	5.6	5	16
MSCI EM Asia *	715	-0.1	1.2	2	8
Shanghai Com (China)	3,103	-0.3	-2.1	0	-6
Jakarta (Indonesia)	5,270	-0.4	-1.4	0	15
Banking Sector	level	Daily	Weekly	Monthly	Year
US banks					
JPM	86.7	0.0	0.6	1	36
Citi	59.6	0.0	-1.0	-1	17
BaK	23.0	0.0	2.0	-1	40
MS	43.8	0.0	2.6	2	39
GS	244.3	0.0	0.6	1	38
EZ banks					
BNP	102.3	-1.9	-0.6	-1	-3
Crédit Agricole	12.5	-1.1	2.7	4	17
Deutsche Bank	17.6	-3.0	-2.8	-3	-18
ING	13.5	-1.9	-1.4	-1	11
Intesa	2.4	-1.9	-2.3	-1	-19
SG	46.3	-2.6	0.1	-3	12
Unicredit	2.6	-1.9	-2.1	-6	-47
UK banks					
HSBC	680.3	0.3	1.7	2	31
RIS	214.9	-2.8	5.5	-5	-27
Barclays	231.1	-1.8	-1.3	1	8
Lloyds	64.7	-2.0	0.8	0	-9
Large Spanish banks					
Santander	75.3	-1.6	3.7	3	2
Santander	5.1	-1.6	-1.1	1	15
Medium Spanish banks					
BBVA	6.1	-1.5	-6.1	-6	-7
Mediana Spanish banks	71.2	-2.0	-2.5	-3	-13
Celabank	3.3	1.7	0.2	3	3
Populr	0.9	-2.3	-8.3	-10	-66
Sabadell	1.3	-1.9	-4.6	-6	-19
Bankinter	7.5	-1.5	0.0	-2	16
Banika	1.0	-2.9	-4.5	-5	-7
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	-0.4	0.3	1.0	-2
GBPUSD	1.21	-1.1	0.9	2.9	-18
USD JPY	114.10	0.3	1.7	-3.5	-4
DKK	101.61	0.4	0.3	1.4	-3
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.85	0.0	0.2	0.7	-20
USDBRL (Brazil)	3.23	-0.3	-0.9	4.1	20
USDCLP (Chile)	661.80	-0.4	1.4	0.6	8
USDCOP (Colombia)	2943	0.1	0.5	2.0	9
USDMXN (Mexico)	21.65	-0.8	-1.3	6.5	-25
USDPEN (Peru)	3.37	-0.2	0.4	0.9	2
USCNY (China)	61.71	-0.3	0.6	-0.4	0
USDRPLN (Poland)	4.13	-0.1	0.4	3.0	-4
USDRUB (Russia)	59.86	-0.5	0.5	3.1	18
USDTRY (Turkey)	3.61	-2.4	2.7	8.6	29
USDCNY (China)	6.90	0.0	0.5	0.7	-6
USDINR (India)	68.10	0.1	0.2	-0.4	-2
USDIDR (Indonesia)	13,362	-0.2	0.0	0.2	4
ADXY	103.7	-0.1	0.6	0.4	-2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	55.4	-0.2	0.8	-2	43
WTX	52.2	-0.2	0.5	3	42
Copper	267	-0.2	5.7	3	29
Gold	1,202	0.4	1.6	7	12
S&P Spot commodity *	400	-0.2	2.4	3	29
S&P Brent Spot *	476	-0.9	1.5	2	49
S&P Metals Spot *	323	1.6	5.3	2	31
S&P Agricultural *	303	0.0	1.0	3	9

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Euribor 12m	-0.10	0.00	0.0	0.0	-0.2
Libor 3m	1.02	0.00	0.0	0.1	0.4
Libor 12m	1.70	0.00	0.0	0.0	0.5
EZ TED spread 3m	59.8	-1.10	-8.6	-0.7	14.4
Stock markets (%)					
Main indices					
S&P500	2,275	0.0	0.3	1	13
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Nikkei	19,095	-1.0	-1.8	-1	3
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Poland	2,025	0.5	0.8	6	12
Misc (Russia)	2,189	-0.8	-1.8	-2	26
Ise 100 (Turkey)	81,712	0.2	5.6	5	16
MSCI EM Asia *	715	-0.1	1.2	2	8
Shanghai Com (China)	3,103	-0.3	-2.1	0	-6
Jakarta (Indonesia)	5,270	-0.4	-1.4	0	15
Banking sector					
US banks	119.4	0.0	1.1	0	30
JPM	86.7	0.0	0.6	1	36
Citi	59.6	0.0	-1.0	-1	17
BoA	23.0	0.0	2.0	-1	40
MS	43.8	0.0	2.6	2	39
GS	244.3	0.0	0.6	1	38
EZ banks	102.3	-1.9	-0.6	-1	-3
BNP	61.2	-1.5	0.0	-1	20
Credit Agricole	12.5	-1.1	2.7	4	17
Deutsche Bank	17.6	-3.0	-2.8	-3	-18
ING	13.5	-1.9	-1.4	-1	11
Intesa	2.4	-1.9	-2.3	-1	-19
SG	46.3	-2.6	0.1	-3	12
Unicredit	2.6	-1.9	-2.1	-6	-47
UK banks	86.6	-1.3	-0.9	0	1
HSBC	680.3	0.3	1.7	2	31
RBS	214.9	-2.8	-5.5	-5	-27
Barclays	231.1	-1.8	-1.3	1	8
Lloyds	64.7	-2.0	-0.8	0	-9
Large Spanish banks					
Santander	75.3	-1.6	-3.7	-8	-2
Santander	5.1	-1.6	-1.1	1	15
BBVA	6.1	-1.5	-6.1	-6	-7
Medium Spanish banks					
Cajabank	71.2	-2.0	-2.5	-3	-13
Popublr	0.9	-2.3	-8.3	-10	-66
Sabadell	1.3	-1.9	-4.6	-6	-19
Banquepar	7.5	-1.5	0.0	-2	16
Bankia	1.0	-2.9	-4.5	-5	-7
Currencies (% red for currency depreciation)					
Developed					
EURUSD	1.06	-0.4	0.3	1.5	-2
GBPUSD	1.21	-1.1	-0.9	-2.9	-18
USDJPY	114.10	0.3	1.7	-3.5	-4
DKY	101.61	0.4	-0.3	1.4	3
Emerging					
USDARS (Argentina)	15.85	0.0	0.2	0.7	-20
USDBRL (Brazil)	3.23	-0.3	-0.9	4.1	20
USDCUP (Cuba)	661.80	-0.4	1.4	0.6	8
USDCOP (Colombia)	2943	0.1	0.5	2.0	8
USDMXN (Mexico)	21.65	-0.8	-1.3	-6.5	-25
USDPEN (Peru)	3.37	-0.2	0.4	0.9	2
LACI	61.71	-0.3	-0.6	0.4	0
USDPLN (Poland)	4.13	-0.1	0.4	3.0	-4
USD RUB (Russia)	59.86	-0.5	0.5	3.1	18
USDTRY (Turkey)	3.81	-2.4	-2.7	-8.6	-29
USDCNY (China)	6.80	0.0	0.5	0.7	6
USDINR (India)	68.10	0.1	0.2	-0.4	-2
USDIDR (Indonesia)	13,362	-0.2	0.0	0.2	4
ADXY	103.7	-0.1	0.6	0.4	-2
Commodities (%)					
Brent	55.4	-0.2	0.8	2	49
WTX	52.2	-0.2	0.5	3	42
Copper	267	-0.2	5.7	3	29
Gold	1,202	0.4	1.8	7	12
S&P Spot commodity *	400	-0.2	2.4	3	29
S&P Brent Spot *	476	-0.9	1.5	2	49
S&P Metals Spot *	323	1.6	5.3	2	31
S&P Agricultural *	303	0.0	1.0	3	9

Source: Bloomberg, Datastream and Haver

* With one day delay

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