

# Market Comment | GBP climbs after Theresa May clarifies Brexit plans

Global Financial Markets Unit  
17 Jan 2017

- **Uncertainty remained in global financial markets**, despite the clarification of Brexit plans by UK prime minister Theresa May. In this regard, global stocks were mostly down, while sovereign bond yields declined. Safe-haven asset prices also increased (gold, JPY and sovereign bonds). The major market sensitive events were the following:
- **GBP appreciated significantly**, having its best day in eight years after **May delivered her speech on Brexit**. Despite the fact that May confirmed that **UK will leave the single market**, the clarification implied a removal of uncertainty. Besides, May also confirmed that the **UK Parliament will have a final vote on Brexit negotiations** ([see](#)), which implies that MPs against Brexit may have a bigger influence on the final exit deal. Additionally, higher-than-expected inflation in December in the UK also influenced today's GBP appreciation ([see](#)).
- **USD and US Treasuries yield declined**, after president-elect Donald Trump warned that the USD was "too strong" ([see](#)). Also, increasing uncertainty about Trump's policies weighed on the USD. Lower yields in the US dragged down European sovereign yields.
- **Brent crude prices increased significantly at the beginning of the session**, due to a weaker USD and expectations about compliance with output cuts ([see](#)). However prices currently are flat. On the other hand, the weaker USD helped the **EM currencies to appreciate across the board**.

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Table 1

Debt markets (10Y % changes in bp)						
	level	Daily	Weekly	Monthly	Year	
<b>Developed Markets</b>						
US (2-yr)	1.16	-3.3	-2.5	-9	12	
US	2.35	-4.9	-2.9	-24	0	
GER (2-yr)	0.73	0.7	0.8	7	-38	
Germany	0.32	-0.2	3.6	1	-25	
France	0.79	-1.1	-1.4	3	-15	
Spain	1.39	-3.7	8.2	-3	-33	
Italy	1.92	0.3	0.2	4	37	
Portugal	3.84	-9.9	-20.6	4	129	
Greece	7.11	10.1	21.1	-10	-105	
Japan (2-yr)	0.22	-0.2	2.5	5	-22	
Japan	0.05	-1.7	-3.4	-22	-22	
<b>Emerging Markets</b>						
Brazil	10.97	-4.3	-23.2	-101	-544	
Chile	4.19	0.6	-0.3	-20	-46	
Colombia	6.84	0.6	2.3	52	-190	
Mexico	7.58	-0.5	-14.1	24	-137	
Peru	6.18	-1.2	-14.6	-22	-135	
Poland	3.63	-0.5	5.7	15	46	
Russia	8.19	-3.7	1.3	-36	-132	
Turkey	10.94	-19.0	-25.0	-14	17	
India	6.42	-1.9	2.4	8	-130	
Indonesia	7.52	0.5	-21.2	47	-130	
<b>Country Risk (bp, changes in bp)</b>						
<b>Developed Markets</b>						
<b>10-yr sovereign spread vs Germany</b>						
France	47	-0.9	-5.0	2	10	
Italy	159	0.5	-3.4	4	61	
Portugal	352	-0.7	-24.2	3	154	
Spain	107	-3.5	-11.8	-4	-8	
<b>2-yr sovereign spread vs Germany</b>						
France	15	-1.4	4.6	-1	12	
Italy	64	-1.0	1.1	-2	29	
Portugal	93	-2.1	-13.1	-14	49	
Spain	45	-1.8	0.2	-9	12	
<b>Emerging Markets</b>						
<b>5-yr sovereign CDS *</b>						
Brazil	248	1	-6	-41	-246	
Chile	81	0	0	-4	-50	
Colombia	150	0	-5	-14	-91	
Mexico	169	0	0	13	-3	
Peru	105	0	-2	-4	-83	
Venezuela	3,825	0	76	-131	-2334	
Poland	70	0	-1	-8	-2	
Russia	182	2	10	0	-122	
Turkey	285	4	4	3	10	
China	114	1	-1	-4	6	
India	120	2	-4	-6	-30	
Indonesia	152	1	-1	-12	-78	
<b>Risk indicators</b>						
<b>Volatility indicators (%)</b>						
VIX	12	6.7	4	-2	-9	
VST OXX	16	1.3	2	4	-11	
EM EFT volatility index	18	1.3	-3	-4	-30	
Dollar Euro volatility	9	-1.6	-5	-7	-9	
EM FX volatility index	11	-1.5	0	-3	-5	
Credit spread (BAA) (bps)	228	4.9	4	-5	-95	
US bonds volatility index	75	0.0	2	-5	8	
<b>Banking 5y CDS (bps) *</b>						
US	73	-0.3	0	-1	-2	
EZ	107	-0.1	-1	-12	24	
UK	93	-1.7	1	-2	15	
Large Spanish	118	1.2	-4	-8	-19	
Medium Spanish	156	1.9	7	-1	-5	
<b>Corporate 5y CDS (bps) *</b>						
US Non-financial	152	-0.3	0	-1	-2	
EZ Non-financial	100	-0.1	-1	-12	24	
UK Non-financial	123	0.6	-1	-3	-71	
<b>Interbank markets (% changes in bp)</b>						
	level	Daily	Weekly	Monthly	Year	
<b>ECBNA Index</b>						
ECBNA Index	-0.35	0.00	0.0	0.0	-0.1	
<b>EURIBOR 3m</b>						
EURIBOR 3m	-0.33	0.00	0.0	0.0	-0.2	
<b>EURIBOR 12m</b>						
EURIBOR 12m	-0.10	0.00	0.0	0.0	-0.2	
<b>LIBOR 3m</b>						
LIBOR 3m	1.02	0.00	0.0	0.0	0.4	
<b>LIBOR 12m</b>						
LIBOR 12m	1.70	0.00	0.0	0.0	0.5	
EZTED spread 3m	60.4	0.0	-7.2	-9.9	15.0	
<b>Stock markets (%)</b>						
<b>Americas</b>						
S&P500	2,270	0.2	0.1	1	13	
Dow Jones	19,854	-0.2	0.0	0	16	
Nikkei	18,814	-1.5	2.5	-3	2	
FTSE 100	7,230	-1.5	0.8	3	16	
EuroStoxx 50	3,285	-0.3	0.6	1	4	
IBEX	9,395	-0.2	0.6	0	1	
DAX	11,540	-0.1	0.4	1	12	
CAC	4,869	0.5	0.6	1	7	
MIB	19,296	0.3	-0.7	1	-7	
ASE Athens	643	-0.4	-2.7	0	3	
MSCI Latam *	74,633	0.1	2.2	5	25	
Ibovespa (Brazil)	64,244	0.6	3.4	10	52	
Moody	46,035	0.6	0.3	2	9	
MSCI EM Europe *	4,966	-0.2	0.1	1	17	
Poland	2,015	-0.5	-0.4	5	12	
Micex (Russia)	2,179	0.5	2.6	2	26	
Moody (Turkey)	82,363	0.8	6.4	6	17	
MSCI EM Asia *	710	-0.7	0.4	2	7	
Shanghai Com (China)	3,109	0.2	-1.7	0	-6	
Jakarta (Indonesia)	5,267	-0.1	0.9	0	15	
<b>European Sector</b>						
	level	Daily	Weekly	Monthly	Year	
<b>US banks</b>						
JPM	84.3	-2.8	-2.5	-1	32	
Citi	58.6	-1.8	-2.8	-2	15	
BaK	22.4	-2.7	2.4	-1	36	
MS	42.6	-2.8	-1.1	0	35	
GS	239.5	-2.0	-1.3	0	35	
<b>EZ banks</b>						
BNP	102.1	-0.3	0.4	-1	-3	
Crédit Agricole	60.6	-1.1	0.5	-1	18	
Deutsche Bank	12.4	-0.1	2.9	5	17	
ING	17.5	-0.7	-1.0	-5	-19	
Intesa	13.5	-0.4	-1.3	-1	10	
Intesa	2.4	0.0	-1.9	0	-19	
SG	45.8	-0.9	-1.2	-2	11	
Unicredit	2.7	3.5	1.1	6	46	
<b>UK banks</b>						
HSBC	86.7	0.1	-1.6	1	1	
RIS	666.9	-2.0	-0.7	0	28	
Barclays	220.2	2.5	2.8	-3	-25	
Lloyds	231.6	0.2	-2.0	2	8	
Large Spanish banks	65.5	1.2	-1.7	3	-8	
Santander	75.1	-0.3	2.6	3	2	
BBVA	5.0	-0.5	-1.4	0	14	
Medium Spanish banks	6.1	-0.2	-3.6	-6	-7	
Celabank	71.4	0.2	-1.8	-2	-12	
Poplar	3.3	-1.1	1.3	1	2	
Sabadell	1.0	6.7	0.5	-3	-64	
Bankinter	1.3	0.5	-3.9	-6	-18	
Banque	7.5	0.3	0.3	-1	16	
Banque	1.0	-0.8	-1.1	-4	-7	
<b>Currencies (% ind for currency depreciation)</b>						
	level	Daily	Weekly	Monthly	Year	
<b>Developed</b>						
EURUSD	1.07	0.9	1.3	2.3	-1	
GBPUSD	1.24	2.8	1.7	0.9	-16	
USD JPY	112.96	1.1	2.4	-4.2	-5	
DXF	100.43	-0.7	1.5	2.4	-2	
<b>Emerging</b>						
USDARS (Argentina)	15.89	-0.1	0.3	0.0	-21	
USDBRL (Brazil)	3.21	1.0	-0.4	5.3	21	
USDCIP (Chile)	656.60	0.8	2.0	2.5	9	
USDCOP (Colombia)	2925	0.7	1.0	2.8	9	
USDMXN (Mexico)	21.58	0.7	1.0	-5.6	-25	
USDPEN (Peru)	3.35	0.5	1.1	1.5	2	
LACI	62.00	0.6	0.5	0.6	0	
USDPLN (Poland)	4.09	1.0	1.4	3.3	-3	
USD RUB (Russia)	59.44	0.7	1.2	4.2	19	
USDTRY (Turkey)	3.77	0.8	0.4	7.6	27	
USDCNY (China)	6.85	0.8	1.1	1.7	-5	
USDINR (India)	67.96	0.2	0.3	-0.3	-2	
USDIDR (Indonesia)	13,333	0.2	-0.2	0.3	4	
ADXY	104.5	0.7	1.2	1.4	-1	
<b>Commodities (%)</b>						
	level	Daily	Weekly	Monthly	Year	
<b>Brent</b>						
Brent	55.6	-0.1	4.1	-1	50	
WTI	52.6	0.4	3.5	1	43	
Copper	261	-2.7	0.2	2	26	
Gold	1,213	0.8	2.1	7	13	
S&P Spot commodity *	400	0.0	2.8	2	29	
S&P Brent Spz *	476	0.0	3.8	0	49	
S&P Metals Spot *	323	0.0	2.9	4	31	
S&P Agricultural *	303	0.0	0.7	3	9	

Source: Bloomberg, Datastream and Haver

\* With one day delay

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Interbank markets (% changes in bp)					
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	0.0	0.4
Libor 12m	1.70	0.00	0.0	0.0	0.5
EZ TED spread 3m	60.4	0.60	-7.2	-0.9	15.0
Stock markets (%)					
Main indices					
S&P500	2,270	-0.2	0.1	1	13
Dow Jones	19,654	-0.2	0.0	0	16
Nikkei	18,814	-1.5	-2.5	-3	2
FTSE 100	7,220	-1.5	-0.8	3	18
Eurostoxx 50	3,235	-0.3	0.6	1	4
IBEX	9,395	-0.2	0.6	0	1
DAX	11,540	-0.1	-0.4	1	12
CAC	4,860	-0.5	0.6	1	7
MBI	19,295	0.3	0.7	1	7
ASE Athens	643	-0.4	2.7	0	3
MSCI Latam *	74,633	-0.1	2.2	5	26
Bovespa (Brazil)	64,244	0.6	3.4	10	52
Moodi	46,035	0.6	0.3	2	9
MSCI EM Europe *	4,966	-0.2	0.1	1	17
Poland	2,015	-0.5	-0.4	5	12
Misc (Russia)	2,179	-0.5	2.6	2	26
Ise 100 (Turkey)	82,363	0.8	6.4	6	17
MSCI EM Asia *	710	-0.7	0.4	2	7
Shanghai Com (China)	3,109	0.2	-1.7	0	-6
Jakarta (Indonesia)	5,267	-0.1	-0.9	0	15
Banking sector					
US banks	116.6	-2.3	-1.9	-1	27
JPM	84.3	-2.8	-2.5	-1	32
Citi	58.6	-1.8	-2.8	-2	15
BoA	22.4	-2.7	-2.4	-1	36
MS	42.6	-2.8	-1.1	0	35
GS	239.5	-2.0	1.3	0	35
EZ banks	102.1	-0.3	0.4	-1	-3
BNP	60.6	-1.1	0.5	-1	18
Credit Agricole	12.4	-0.1	2.9	5	17
Deutsche Bank	17.5	-0.7	1.0	5	19
ING	13.5	-0.4	-1.3	-1	10
Intesa	2.4	0.0	-1.9	0	-19
SG	45.8	-0.9	-1.2	-2	11
Unicredit	2.7	3.5	1.1	-6	-46
UK banks	86.7	0.1	-1.6	1	1
HSC	666.8	-2.0	0.7	0	28
RBS	220.2	2.5	-2.8	-3	-25
Barclays	231.6	0.2	-2.0	2	8
Lloyds	65.5	1.2	-1.7	3	-8
Large Spanish banks	75.1	-0.3	2.6	-3	2
Santander	5.0	-0.5	-1.4	0	14
BBVA	6.1	-0.2	-3.6	-6	-7
Medium Spanish banks	71.4	0.2	-1.8	-2	-12
Cabobank	-3.3	-1.1	-1.3	1	2
Popular	1.0	0.7	0.5	-3	-64
Sabadell	1.3	0.5	-3.9	-6	-18
Banquepar	7.5	0.3	0.3	-1	16
Bankia	1.0	-0.8	-4.1	-4	-7
Currencies (% red for currency depreciation)					
Developed					
EURUSD	1.07	0.9	1.3	2.3	-1
GBPUSD	1.24	2.8	1.7	-0.9	-16
USDJPY	112.96	1.1	2.4	-4.2	-5
DKY	100.43	-0.7	1.5	2.4	-2
Emerging					
USDARS (Argentina)	15.89	-0.1	0.3	0.0	-21
USDBRL (Brazil)	3.21	1.0	-0.4	5.3	21
USDCLP (Chile)	656.60	0.8	2.0	2.5	9
USDCOP (Colombia)	2925	0.7	1.0	2.8	9
USDMXN (Mexico)	21.58	0.7	1.0	-5.6	-25
USDPEN (Peru)	3.35	0.5	1.1	1.5	2
LACI	62.00	0.6	0.5	0.6	0
USDPLN (Poland)	4.09	1.0	1.4	3.3	-3
USD RUB (Russia)	59.44	0.7	1.2	4.2	19
USDTRY (Turkey)	3.77	0.8	0.4	-7.6	-27
USDCNY (China)	6.85	0.8	1.1	1.7	5
USDINR (India)	67.96	0.2	0.3	-0.3	-2
USDIDR (Indonesia)	13,333	0.2	-0.2	0.5	4
ADXY	104.5	0.7	1.2	1.4	-1
Commodities (%)					
Brent	55.8	-0.1	4.1	1	50
WTX	52.6	0.4	3.5	1	43
Copper	261	-2.7	0.2	2	26
Gold	1,213	0.8	2.1	7	13
S&P Spot commodity *	400	0.0	2.8	2	29
S&P Brent Spot *	476	0.0	3.8	0	49
S&P Metals Spot *	323	0.0	2.9	4	31
S&P Agricultural *	303	0.0	0.7	3	9

Source: Bloomberg, Datastream and Haver

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