

# Market Comment | Bond yields rose during the week on Yellen's remarks

Global Financial Markets Unit  
20 Jan 2017

- **Sovereign bond yields rose during the week across the board led by the US, underpinned by Yellen's hawkish speech** in which she warned against the risk of waiting too long to raise interest rates, promising "a few" interest rate hikes this year ([see](#)). US yields extended gains ahead of the U.S. presidential inauguration later today. The only exception to rising yields was Portugal, whose sovereign bond yields declined as the Portuguese government expects to comply with the EU deficit target ([see](#)). The US dollar also strengthened after Yellen's hawkish speech, while it extended gains on Thursday after the ECB downplayed the rebound in inflation. Nonetheless, equity markets remained steady in US, while declining in the euro zone, despite positive US 4Q16 company results, although in the euro zone stocks trimmed losses at the end of the week due to China's positive GDP growth. The major market sensitive events during the week were the following:
- **China's 2016 Q4 GDP growth** came out today at 6.8% y/y, marginally higher than market expectations, and 2016 full year GDP growth turned out to be 6.7%, surpassing the authorities' target of 6.5% ([see](#)).
- At the monetary policy meeting the **ECB decided to maintain its monetary policy stance** ([see](#)). The ECB highlighted the improvement in the euro zone economic outlook, although it still sees risks to euro zone growth tilted to the downside. The key issue in this meeting was the ECB's view on the recent upward trend in headline inflation. For Mr. Draghi, recent increasing headline inflation reflected the sharp rebound in the energy component, while he does not see a convincing improvement in core inflation.
- The **GBP appreciated during the week, 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 greater influence on the final exit deal.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
US (2-yr)	1.21	-1.2	11.6	2	17	
US	2.50	2.8	10.6	-3	26	
GER (2-yr)	0.67	2.8	4.0	12	-32	
Germany	0.42	4.5	8.6	18	-14	
France	0.91	5.1	10.7	21	-3	
Spain	1.51	3.1	7.9	14	-21	
Italy	2.03	3.8	13.1	21	49	
Portugal	3.88	-9.4	-2.9	11	133	
Greece	7.10	3.7	15.5	-20	-105	
Japan (2-yr)	0.23	0.4	-1.0	-5	-22	
Japan	0.07	1.6	0.5	-20	-20	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
Brazil	10.04	-4.2	-12.4	67	-547	
Chile	4.21	0.1	0.8	-17	-44	
Colombia	6.93	5.3	9.6	-19	-161	
Mexico	7.61	-0.0	4.8	32	139	
Peru	6.17	0.0	-2.9	-18	-135	
Poland	3.74	4.0	8.4	32	98	
Russia	8.28	1.6	11.7	-36	-124	
Turkey	10.96	-18.0	-19.0	4	19	
India	6.47	-1.1	4.8	0	-126	
Indonesia	7.57	1.4	-4.6	-20	-125	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
10-yr sovereign spread vs Germany						
France	49	0.6	2.1	3	11	
Italy	160	-0.7	4.5	3	62	
Portugal	345	-4.9	-11.5	-7	147	
Spain	109	-1.4	-0.7	-3	-7	
2-yr sovereign spread vs Germany						
France	15	0.3	1.7	-5	11	
Italy	58	-0.7	4.7	6	23	
Portugal	76	-5.2	-16.9	-28	33	
Spain	40	-4.4	-3.0	-13	7	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *						
Brazil	252	2	2	-27	-242	
Chile	84	0	3	1	-46	
Colombia	152	0	1	-9	-89	
Mexico	178	1	7	25	5	
Peru	110	1	5	3	-78	
Venezuela	3,672	-127	-172	-162	-2488	
Poland	70	0	0	-8	-2	
Russia	184	2	5	3	-120	
Turkey	280	1	4	4	6	
China	114	-1	-1	-6	6	
India	118	0	-1	-9	-33	
Indonesia	151	0	-1	-9	-78	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year	
VIX	12	-6.3	7	6	-9	
VST OXX	15	-1.5	-2	-1	-12	
EM EFT volatility index	18	-3.2	0	-5	-31	
Dollar Euro volatility	9	1.7	-5	-13	-14	
EM FX volatility index	11	0.7	-2	-3	-6	
Credit spread (BAA) (bps)	218	-2.8	6	-7	-106	
US bonds volatility index	70	-9.9	5	6	14	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US	72	-0.6	-2	-1	-3	
EZ	107	-1.2	-7	-8	23	
UK	91	-1.0	-4	-3	14	
Large Spanish	117	0.0	-6	-7	-20	
Medium Spanish	156	0.9	1	1	-4	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US Non-financial	152	-0.6	-2	-1	-3	
EZ Non-financial	99	-1.2	-7	-8	23	
UK Non-financial	122	0.6	-2	-3	-72	
Interbank markets (% 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	1.04	0.01	0.0	0.0	0.4	
Libor 12m	1.73	0.02	0.0	0.0	0.6	
EZTED spread 3m	55.6	-2.00	-4.2	-6.9	10.2	
Stock markets (%)						
level	Daily	Weekly	Monthly	Year		
Americas						
S&P500	2,275	0.5	0.0	0	13	
Dow Jones	19,826	0.5	-0.3	-1	16	
Nikkei	19,138	0.3	0.8	-2	4	
FTSE 100	7,282	-0.1	-1.9	2	16	
EuroStoxx 50	3,301	0.3	-0.7	1	4	
IBEX	9,387	0.1	-1.3	0	1	
DAX	11,627	0.3	0.0	1	13	
CAC	4,884	0.3	-1.4	0	7	
MIB	19,538	0.2	0.1	2	-6	
ASE Athens	639	-0.5	-1.9	0	3	
MSCI Latam *	75,013	0.3	0.1	7	27	
Ibovespa (Brazil)	64,363	0.6	1.1	12	53	
Isivbol	46,292	0.1	0.2	3	10	
MSCI EM Europe *	4,924	-0.4	-1.6	0	16	
Poland	2,006	-0.5	-0.5	4	11	
Micex (Russia)	2,160	-0.1	-1.6	-2	25	
Ne 100 (Turkey)	83,067	0.9	1.9	7	18	
MSCI EM Asia *	716	0.1	0.1	6	8	
Shanghai Com (China)	3,123	0.7	0.3	0	-5	
Jakarta (Indonesia)	5,254	-0.8	-0.7	2	14	
Developing Sector	level	Daily	Weekly	Monthly	Year	
US banks						
JPM	83.7	0.4	-3.5	-4	32	
Citi	56.7	0.1	-4.9	-7	11	
Bak	22.9	-1.5	0.6	1	39	
MS	42.8	0.6	-2.4	-1	36	
GS	231.5	0.0	-5.2	-4	31	
EZ banks						
BNP	102.4	0.5	-1.9	-1	-3	
Crédit Agricole	60.1	0.6	-3.3	-2	17	
Diésche Bank	12.4	0.2	-1.5	4	17	
Indische Bank	18.0	-0.8	0.6	0	-16	
ING	13.4	0.7	-3.0	-2	10	
Intesa	2.5	0.4	0.1	1	-17	
SG	46.0	0.6	-3.1	-2	11	
Unicredit	2.7	-1.5	0.7	-5	-46	
UK banks						
HSBC	86.9	0.2	-1.1	1	2	
RIS	677.9	-0.2	0.0	3	30	
Barclays	228.0	-0.2	-3.1	0	6	
Lloyds	65.4	1.0	-1.0	2	-8	
Large Spanish banks						
Santander	75.7	0.6	-1.0	-1	-3	
BBVA	5.1	0.9	-0.3	3	16	
Mediam Spanish banks	6.1	0.3	-1.6	-5	-7	
Cáscas	72.3	-0.2	-0.6	1	-11	
Poplar	3.3	0.0	0.9	4	4	
Sabadell	1.3	-1.1	-0.5	-3	-17	
Bankinter	7.6	0.2	0.3	2	13	
Bankia	1.0	0.1	-3.3	-1	-7	
Currencies (% ind for currency depreciation)						
level	Daily	Weekly	Monthly	Year		
Eurozone						
EURUSD	1.07	0.1	0.3	24	-1	
GBPUSD	1.23	-0.1	1.2	-0.2	-16	
USD JPY	115.01	-0.1	0.5	-2.2	-4	
DKK	101.17	0.0	0.0	1.5	-2	
Emerging						
USDARS (Argentina)	15.86	0.3	0.0	-0.5	-20	
USD BRL (Brazil)	3.19	0.4	0.9	4.2	21	
USD CLP (Chile)	656.99	0.6	0.3	2.3	8	
USD COP (Colombia)	2923	0.8	0.8	2.4	9	
USD MXN (Mexico)	21.69	1.2	-1.0	-5.5	-25	
USD PEN (Peru)	3.30	0.6	1.9	2.8	4	
LACI	62.06	0.7	0.2	0.2	0	
USD PLN (Poland)	4.09	0.2	0.8	3.3	-3	
USD RUB (Russia)	59.84	0.1	-0.4	2.3	18	
USD TRY (Turkey)	3.79	0.9	1.8	8.1	28	
USD CNY (China)	6.88	-0.1	0.3	1.0	-5	
USD INR (India)	68.18	-0.1	0.0	-0.4	-2	
USD IDR (Indonesia)	13,410	-0.3	-0.5	0.4	-4	
ADXY	103.9	0.0	0.1	0.8	-2	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTI	52.7	2.6	0.6	0	43	
Copper	261	0.2	-2.7	5	26	
Gold	1,203	-0.1	0.5	6	12	
S&P Spot commodity *	395	-0.1	-1.2	1	28	
S&P Brent Spot *	465	0.5	-2.2	-1	45	
S&P Metals Spot *	319	-0.6	-1.4	4	29	
S&P Agricultural *	305	-0.9	0.7	6	10	



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Peru	6.17	0.0	2.9	-18	-135
Poland	3.74	4.0	8.4	32	58
Russia	8.28	1.6	11.7	-36	-124
Turkey	10.96	-18.0	19.0	4	19
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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	1.04	0.01	0.0	0.0	0.4
Libor 12m	1.73	0.02	0.0	0.0	0.6
EZ TED spread 3m	55.6	2.00	-4.2	-6.9	10.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	Year
S&P500	2,275	0.5	0.0	0	13
Dow Jones	19,826	0.5	0.3	-1	16
Nikkei	19,138	0.3	-0.8	-2	4
FTSE 100	7,202	-0.1	-1.9	2	18
Eurostoxx 50	3,301	0.3	0.7	1	4
IBEX	9,387	0.1	-1.3	0	1
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MSCI Latam *	75,013	-0.3	0.1	7	27
Bovespa (Brazil)	64,363	0.6	1.1	12	53
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MSCI EM Europe *	4,924	-0.4	-1.6	0	16
Poland	2,006	-0.5	-0.5	4	11
Misc (Russia)	2,160	-0.1	-1.6	-2	25
Ise 100 (Turkey)	83,067	0.9	1.9	7	18
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Shanghai Com (China)	3,123	0.7	0.3	0	-5
Jakarta (Indonesia)	3,254	-0.8	-0.7	2	14
Banking sector					
	level	Daily	Weekly	Monthly	Year
US banks	115.6	0.6	-3.2	-3	25
JPM	83.7	0.4	-3.5	-4	32
Citi	56.7	0.1	-4.9	-7	11
BoA	22.9	1.5	-0.6	1	39
MS	42.8	0.8	-2.4	-1	36
GS	231.5	0.0	5.2	-4	31
EZ banks	102.4	0.5	-1.9	-1	-3
BNP	60.1	0.6	-3.3	-2	17
Credit Agricole	12.4	0.2	-1.5	4	17
Deutsche Bank	18.0	1.8	0.6	0	-16
ING	13.4	0.7	-3.0	-2	10
Intesa	2.5	0.4	0.1	1	-17
SG	46.0	0.6	-3.1	-2	11
Unicredit	2.7	-1.5	0.7	-5	-46
UK banks	86.9	0.2	-1.1	1	2
HSBC	677.8	-0.2	0.0	3	30
RBS	221.4	0.6	0.1	-3	-25
Barclays	228.0	-0.2	-3.1	0	6
Lloyds	65.4	1.0	-1.0	2	-8
Large Spanish banks	75.7	0.6	1.0	-1	3
Santander	5.1	0.9	-0.3	3	16
BBVA	6.1	0.3	-1.6	-5	-7
Medium Spanish banks	72.3	-0.2	-0.6	1	-11
Cabotbank	3.3	0.0	-0.9	4	4
Popular	1.0	-1.3	5.0	3	-63
Sabadell	1.3	-1.1	-0.5	-3	-17
Banquepar	7.6	0.2	0.3	2	18
Bankia	1.0	0.1	-3.3	-1	-7
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.07	0.1	0.3	24	-1
GBPUSD	1.23	-0.1	1.2	-0.2	-16
USDJPY	115.01	-0.1	-0.5	-2.2	-4
DKY	101.17	0.0	0.0	1.3	-2
Emerging					
	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.86	0.3	0.0	-0.5	-20
USDBRL (Brazil)	3.19	0.4	0.9	4.2	21
USDCUP (Cuba)	656.99	0.6	0.3	2.3	8
USDCOP (Colombia)	292.3	0.8	1.8	2.4	8
USDMXN (Mexico)	21.69	1.2	-1.0	-5.5	-25
USDPEN (Peru)	3.30	0.6	1.9	2.8	4
LACI	62.06	0.7	0.2	0	0
USDPLN (Poland)	4.09	0.2	0.8	3.3	-3
USD RUB (Russia)	59.84	0.1	0.4	2.3	18
USDTRY (Turkey)	3.79	0.9	-1.8	-8.1	-28
USDCNY (China)	6.86	-0.1	0.3	1.0	5
USDINR (India)	68.18	-0.1	0.0	-0.4	-2
USDIDR (Indonesia)	13,410	-0.3	0.5	0.4	4
ADXY	103.9	0.0	0.1	0.8	-2
Commodities (%)					
	level	Daily	Weekly	Monthly	Year
Brent	55.7	2.8	0.4	2	50
WTX	52.7	2.6	0.6	0	43
Copper	261	0.2	-2.7	5	26
Gold	1,203	-0.1	0.5	6	12
S&P Spot commodity *	395	-0.1	-1.2	1	28
S&P Brent Spot *	465	0.5	-2.2	-1	45
S&P Metals Spot *	319	-0.6	-1.4	4	29
S&P Agricultural *	305	-0.9	0.7	6	10

Source: Bloomberg, Datastream and Haver

\* With one day delay

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