

# Market Comment | Widespread optimism in financial markets

Global Financial Markets Unit  
25 Jan 2017

- Financial markets showed a significant **increase in risk appetite**. Implied volatility receded across the board, while global stocks increased significantly. The lower risk aversion was also perceived in the bond markets, where **sovereign bond yields rose across the board as investors turned to equities**. The major market sensitive events were the following:
- **Global stocks increased significantly**, triggered by positive **corporate earnings reports**, especially in the banking sector. The **Dow Jones Index reached all-time highs**, supported also by **optimism generated by measures approved by the US president seeking to reduce regulation** [\(see\)](#) and foster infrastructure [\(see\)](#).
- The GBP appreciated today amid reports that the **UK government had accepted the opposition's calls for it to publish a "white paper"** outlining the plans for Brexit [\(see\)](#).
- Market optimism remained despite German **IFO Business Climate** coming out lower than expected [\(see\)](#).

Update 18 CET 25 January, 2017  
Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
US (2-yr)	1.24	4.4	1.5	3	20	
US	2.50	3.5	7.1	4	26	
GER (2-yr)	0.66	1.5	6.1	13	-30	
Germany	0.46	5.5	10.0	24	-10	
France	0.97	6.9	14.2	27	-3	
Spain	1.54	3.2	9.1	16	-18	
Italy	2.11	6.7	14.9	29	56	
Portugal	3.98	12.3	14.7	23	143	
Greece	6.88	-7.6	-21.4	-44	-128	
Japan (2-yr)	0.22	1.5	1.0	4	-21	
Japan	0.07	1.7	1.3	-19	-19	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
Brazil	10.82	0.1	-23.9	60	-558	
Chile	4.21	0.0	0.6	-17	-44	
Colombia	6.78	-8.7	-9.7	-34	-196	
Mexico	7.61	3.8	7.4	19	140	
Peru	6.11	-1.0	-5.6	-26	-141	
Poland	3.77	6.8	13.4	34	60	
Russia	8.39	11.4	20.9	42	112	
Turkey	11.04	23.0	-2.0	9	27	
India	6.43	-1.6	-2.9	-15	-130	
Indonesia	7.56	-4.8	-4.2	-33	-126	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
10-yr sovereign spread vs Germany						
France	51	1.4	3.4	3	13	
Italy	165	1.2	4.1	5	66	
Portugal	352	6.8	3.9	-1	154	
Spain	108	-2.3	-1.7	-8	-8	
2-yr sovereign spread vs Germany						
France	18	3.0	4.0	5	14	
Italy	59	1.2	3.0	3	23	
Portugal	77	2.0	-13.0	-26	33	
Spain	39	0.8	-3.2	-13	6	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *						
Brazil	249	2	4	-28	-245	
Chile	82	1	1	-2	-48	
Colombia	151	1	3	-12	-90	
Mexico	170	1	2	14	-2	
Peru	107	1	2	-2	-81	
Venezuela	3,318	-79	-490	-556	-2841	
Poland	71	0	0	-10	1	
Russia	180	-1	0	9	-124	
Turkey	267	-3	-12	6	-7	
China	111	0	-3	-6	3	
India	115	-1	-7	-12	-35	
Indonesia	149	0	-2	-7	-80	
Risk indicators (%)						
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year	
VIX	11	-3.9	-15	-7	-10	
VST OXX	16	-3.8	6	4	-11	
EM EFT volatility index	17	-2.6	9	-12	-36	
Dollar Euro volatility	8	-2.7	12	-24	-22	
EM FX volatility index	11	-1.0	-2	-7	-8	
Credit spread (BAA) (bps)	219	-3.5	-2	-4	-105	
US bonds volatility index	76	0.0	2	4	10	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US	72	-1.0	-1	-2	-3	
EZ	105	-1.4	-4	-7	21	
UK	85	-3.3	-7	-8	8	
Large Spanish	109	-2.5	-10	-13	-29	
Medium Spanish	151	0.6	4	1	-9	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US Non-financial	149	-1.0	-1	-2	-3	
EZ Non-financial	100	-1.4	-4	-7	21	
UK Non-financial	121	-1.7	-2	-5	-73	
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	0.0	0.0	0.0	-0.2	
Libor 3m	1.03	-0.01	0.0	0.0	0.4	
Libor 12m	1.71	-0.01	0.0	0.0	0.5	
EZ TED spread 3m	51.8	-3.70	-1.8	-11.2	6.4	
Stock markets (%)						
indices	level	Daily	Weekly	Monthly	Year	
Americas						
S&P500	2,293	0.6	0.9	1	14	
Dow Jones	20,047	0.7	1.2	1	17	
Nikkei	19,058	1.4	0.9	-2	3	
FTSE 100	7,164	0.2	-1.1	1	16	
EuroStoxx 50	3,326	1.4	1.0	2	5	
IBEX	9,549	1.7	1.7	2	3	
DAX	11,806	1.8	1.8	3	15	
CAC	4,878	1.0	0.5	1	8	
MIB	19,582	0.4	1.2	1	-6	
ASE Athens	659	2.0	2.4	5	6	
MSCI Latam *	77,135	0.7	2.7	10	39	
Ibovespa (Brazil)	65,840	0.0	2.6	12	56	
Moody	48,221	0.1	4.0	7	15	
MSCI EM Europe *	4,951	1.2	0.9	2	17	
Poland	2,079	3.3	3.7	8	15	
Micex (Russia)	2,176	0.1	0.3	0	25	
Ne 100 (Turkey)	83,728	-1.3	0.4	8	18	
MSCI EM Asia *	720	0.5	0.6	6	9	
Shanghai Com (China)	3,150	0.2	1.2	1	-4	
Jakarta (Indonesia)	5,294	0.8	0.5	5	15	
Developing Sector	level	Daily	Weekly	Monthly	Year	
US banks						
JPM	85.5	0.9	1.9	-2	34	
Citi	57.3	1.0	-0.2	-6	12	
Bak	23.2	-1.3	-2.7	3	41	
MS	43.3	1.4	1.1	1	38	
GS	236.1	1.1	0.8	-2	33	
EZ banks						
BNP	104.7	3.7	3.3	2	9	
Crédit Agricole	62.4	4.2	4.5	2	22	
Crédit Agricole	12.5	2.2	1.3	5	18	
Deutsche Bank	19.4	5.8	10.5	9	-10	
ING	13.7	3.1	2.6	0	12	
Intesa	2.3	0.3	-4.7	-7	-23	
SG	47.8	4.3	5.0	2	15	
Unicredit	29.4	6.9	8.8	4	-41	
UK banks						
HSBC	87.6	1.6	1.1	3	2	
RIS	677.8	0.7	-0.1	5	30	
Barclays	230.9	1.0	1.4	3	8	
Lloyds	65.5	2.1	0.5	3	-8	
Large Spanish banks						
Santander	79.5	3.6	5.7	4	8	
Santander	5.4	4.0	6.2	8	22	
BBVA	6.5	3.2	5.3	0	-2	
Medium Spanish banks						
Cáceresbank	74.5	3.8	4.2	5	8	
CaixaBank	3.6	6.4	9.5	12	11	
Populr	1.0	3.3	3.2	11	-63	
Sabadell	1.4	4.0	5.0	2	-14	
Banque	7.7	2.3	0.7	3	19	
Banque	1.0	3.2	3.8	3	-4	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.07	0.1	1.1	2.0	-1	
GBPUSD	1.26	0.8	3.0	2.8	-14	
USD JPY	113.54	0.2	1.0	-3.0	-5	
DXF	100.01	-0.3	0.8	2.9	-1	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.97	-0.2	0.0	-1.7	-21	
USDBRL (Brazil)	3.17	0.1	1.8	3.5	22	
USDCLP (Chile)	649.11	0.4	1.5	3.5	10	
USDCOP (Colombia)	2923	0.3	0.3	2.6	9	
USDMXN (Mexico)	21.31	1.0	2.9	-3.3	-23	
USDPEN (Peru)	3.28	0.2	1.8	3.2	4	
USCNY (China)	62.64	0.3	1.8	0.7	1	
USDPLN (Poland)	4.06	0.4	1.2	3.8	-2	
USD RUB (Russia)	59.22	0.1	0.5	2.9	19	
USDTRY (Turkey)	3.63	-1.1	0.8	8.9	29	
USDZNY (China)	6.88	-0.4	-0.5	0.9	-5	
USDINR (India)	68.08	0.1	0.0	-0.5	-2	
USDIDR (Indonesia)	13,361	-0.3	-0.1	0.6	4	
ADXY	104.3	0.1	0.4	1.3	-2	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	53.3	0.3	4.4	1	45	
Copper	270	-0.2	3.4	9	30	
Gold	1,201	-0.7	0.3	6	12	
S&P Spot commodity *	400	0.4	1.3	2	29	
S&P Brent Spot *	475	0.4	2.6	0	49	
S&P Metals Spot *	328	1.7	2.1	8	33	
S&P Agricultural *	305	-1.0	0.8	7	10	



Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	1.24	4.4	1.5	3	20
US	2.50	3.5	7.1	4	26
GER (2-yr)	-0.66	1.5	6.1	13	-30
Germany	0.46	5.5	10.5	24	-10
France	0.97	6.9	14.2	27	3
Spain	1.54	3.2	9.1	16	-18
Italy	2.11	6.7	14.9	29	56
Portugal	3.88	12.3	14.7	23	143
Greece	6.88	-7.6	-21.4	-4.4	-128
Japan (2-yr)	-0.22	1.5	1.0	-4	-21
Japan	0.07	1.7	1.3	-19	-19
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
Brazil	10.82	0.1	-23.9	-60	-558
Chile	4.21	0.0	0.6	17	-44
Colombia	6.78	-8.7	-9.7	-3.4	-196
Mexico	2.61	1.8	-7.4	19	140
Peru	6.11	-1.0	-5.6	-26	-141
Poland	3.77	6.8	13.4	34	60
Russia	8.39	11.4	20.9	-12	-112
Turkey	11.04	23.0	2.0	9	27
India	6.43	-1.6	-2.9	-15	-130
Indonesia	7.56	4.8	4.2	-33	-126
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
10-yr sovereign spread vs Germany					
France	51	1.4	3.4	3	13
Italy	161	1.2	4.1	5	66
Portugal	352	6.8	3.9	-1	154
Spain	108	-2.3	-1.7	-8	-8
2-yr sovereign spread vs Germany					
France	18	3.0	4.0	5	14
Italy	59	1.2	-3.0	-3	23
Portugal	77	2.0	-13.0	-26	33
Spain	39	0.8	3.2	-13	6
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *					
Brazil	249	2	4	-28	-245
Chile	82	1	1	-2	-48
Colombia	151	1	3	-12	-90
Mexico	170	1	2	14	-2
Peru	107	1	2	-2	-81
Venezuela	3,318	-79	-490	-556	-2841
Poland	71	0	0	-10	-1
Russia	180	-1	0	9	-124
Turkey	267	-3	-12	6	-7
China	111	0	-3	-6	3
India	115	-1	-7	-12	-35
Indonesia	149	0	-2	-7	-80
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	Year	
VIX					
VIX	11	-3.9	-15	-7	-10
VSTOXX	16	-3.8	6	4	-11
EM EFT volatility Index	17	-2.6	-9	-12	-36
Dollar/euro volatility	8	-2.7	-12	-24	-22
EM FX volatility index	11	-1.0	-2	-7	-8
Credit spread (BAA) (bps)	219	-3.5	-2	-4	-105
US bonds volatility index	76	0.0	2	4	10
Banking S&P CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US	72	-1.0	-1	-2	-3
EZ	105	-1.4	-4	-7	21
UK	89	-3.2	-7	-8	8
Large Spanish	109	-2.5	-10	-13	-29
Medium Spanish	151	0.6	4	1	9
Deposits by CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US Non-financial	149	-1.0	-1	-2	-3
EZ Non-financial	100	-1.4	-4	-7	21
UK Non-financial	121	-0.7	-2	-5	-73
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
EONIA Index					
EONIA Index	-0.35	0.00	0.0	0.0	-0.1
Eurobor 3m					
Eurobor 3m	-0.33	0.00	0.0	0.0	-0.2
Eurobor 12m					
Eurobor 12m	-0.10	0.00	0.0	0.0	-0.2
Libor 3m					
Libor 3m	1.03	-0.01	0.0	0.0	0.4
Libor 12m					
Libor 12m	1.71	-0.01	0.0	0.0	0.5
EZ TED spread 3m					
EZ TED spread 3m	51.8	-3.70	-1.8	-11.2	6.4
Stock markets (%)					
level	Daily	Weekly	Monthly	Year	
Main indices					
S&P500	2,293	0.6	0.9	1	14
Dow Jones	29,047	0.7	1.2	1	17
Nikkei	19,058	1.4	0.9	-2	3
FTSE 100	7,164	0.2	-1.1	1	18
Eurostoxx 50	3,326	1.4	1.0	2	5
IBEX	9,549	1.7	1.7	2	3
DAX	11,806	1.8	1.8	3	15
CAC	4,878	1.0	0.5	1	8
MBI	19,582	0.4	1.2	1	6
ASE Athens	659	2.0	2.4	5	6
MSCI Latam *	77,135	0.7	2.7	10	30
Bovespa (Brazil)	65,840	0.0	2.6	12	56
Moodi	48,221	0.1	4.0	7	15
MSCI EM Europe *	4,951	1.2	0.0	2	17
Poland	2,079	3.3	3.7	8	15
Mircz (Russia)	2,176	0.1	0.3	0	25
Ise 100 (Turkey)	83,128	-1.3	0.4	8	18
MSCI EM Asia *	720	0.5	0.9	6	9
Shanghai Com (China)	3,150	0.2	1.2	1	-4
Jakarta (Indonesia)	5,294	0.8	0.5	5	15
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks					
JPM	117.3	1.2	1.2	-1	27
JPB	85.5	0.9	1.9	-2	34
CB	57.3	1.0	-0.2	-6	12
BoA	23.2	1.3	2.7	3	41
MS	43.3	1.4	1.1	1	38
GS	236.1	1.1	0.8	-2	33
EZ banks					
BNP	104.7	3.7	3.3	2	0
Credit Agricole	62.4	4.2	4.5	2	22
Deutsche Bank	12.5	2.2	1.3	5	18
ING	19.4	5.8	10.5	9	10
Intesa	13.7	3.1	2.6	0	12
SG	2.3	0.3	-4.7	-7	-23
UniCredit	47.8	4.3	5.0	2	15
UK banks					
RBS	29.4	8.9	8.8	4	-41
HSBC	87.6	1.6	1.1	3	2
RBS	677.8	0.7	-0.1	5	30
Barclays	227.5	3.4	3.9	-2	-22
Lloyds	230.9	1.0	1.4	3	8
Large Spanish banks					
Santander	65.5	2.1	0.5	3	-8
BBVA	79.5	3.6	5.7	4	8
CaixaBank	5.4	4.0	6.2	8	22
Popular	6.5	3.2	5.3	0	-2
Medium Spanish banks					
Sabadell	74.5	-3.0	4.2	5	-8
Bankinter	3.6	6.4	9.5	12	11
Bankia	1.0	3.3	3.2	11	-63
Sabadell	1.4	4.0	5.0	2	-14
Bankinter	7.7	2.3	0.7	3	19
Bankia	1.0	3.2	3.8	3	-4
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.07	0.1	1.1	2.6	-11
GBPUSD					
GBPUSD	1.26	0.8	3.0	2.8	-14
USDJPY					
USDJPY	113.54	0.2	1.0	-3.0	-5
DXY					
DXY	100.01	-0.3	-0.9	2.5	1
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS (Argentina)	15.97	-0.2	0.0	-1.7	-21
USDBRL (Brazil)					
USDBRL (Brazil)	3.17	0.1	1.8	3.5	22
USDCLP (Chile)					
USDCLP (Chile)	649.11	0.4	1.5	3.5	10
USDCOP (Colombia)					
USDCOP (Colombia)	292.3	0.3	2.6	9	8
USDMXN (Mexico)					
USDMXN (Mexico)	21.31	1.0	2.9	-3.3	-23
USDPEN (Peru)					
USDPEN (Peru)	3.28	0.2	1.8	3.2	4
LACI					
LACI	62.84	0.3	1.8	0.7	1
USDPLN (Poland)					
USDPLN (Poland)	4.06	0.4	1.2	3.8	-2
USD RUB (Russia)					
USD RUB (Russia)	59.22	0.1	0.5	2.9	19
USDTRY (Turkey)					
USDTRY (Turkey)	3.83	-1.1	-0.8	-8.9	-29
USDCNY (China)					
USDCNY (China)	6.86	0.4	0.5	0.9	5
USDINR (India)					
USDINR (India)	68.08	0.1	0.0	-0.5	-2
USDIDR (Indonesia)					
USDIDR (Indonesia)	13,361	-0.3	-0.1	0.6	4
ADXY	104.3	0.1	0.4	1.3	-2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	55.5	0.1	3.0	1	49
WTX					
WTX	53.3	0.3	4.4	1	45
Copper					
Copper	270	-0.2	3.4	9	30
Gold					
Gold	1,201	-0.7	-0.3	6	12
S&P Spot commodity *					
S&P Spot commodity *	400	-0.4	1.3	2	29
S&P Brent Spot *					
S&P Brent Spot *	475	0.4	2.6	0	49
S&P Metals Spot *					
S&P Metals Spot *	328	1.7	2.1	8	33
S&P Agricultural *					
S&P Agricultural *	305	-1.0	-0.8	7	10

Source: Bloomberg, Datastream and Haver

\* With one day delay

---

Source: Bloomberg, Datastream and Haver

\* With one day delay

## DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive

any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

“BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance”.

BBVA is a bank supervised by the Bank of Spain and by Spain’s Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.