

Market Comment | European politics and US policies drove the markets during the week

Global Financial Markets Unit
10 Feb 2017

- Ups and downs in financial markets during the week as early this week they showed a -moderate- risk aversion mood amid political uncertainty related to European election jitters. However, **markets recovered some ground at the end of the week** as the pressure over European peripheral yields eased. Nonetheless, **the Greek issue is back on the table**: division between IMF and creditors ([see](#)) pushed sovereign bond yields but the announcement late today of a common stance of the euro zone and the IMF ([see](#)) could give some new insights.
- The **USD appreciated significantly and UST yields increased this week**. The main factors behind this were the Philadelphia Fed President's hawkish comments - he said a **March** rate hike was on the table ([see](#)) - and the new US administration's policies - aiming to reduce **regulation in the banking sector** ([see](#)) and fostering expectations of **tax cuts** ([see](#)).
- **Oil prices were very volatile during the week**: the early drop in oil prices due to rising US oil production concerns was partially offset by a later decrease in US gasoline inventories ([see](#)) and OPEC data showing that **OPEC's goals** on oil output cuts are on track ([see](#)).
- **The CNY continued its depreciatory trend against the USD** after the publication of **China's foreign reserves**, at their lowest level since 2011 ([see](#)). Against this backdrop, concerns about currency weakness continued despite January's stronger-than-expected **trade data**: growth in both exports and imports well above expectations ([see](#))

BBVA Research suggests the following reading list:

- On the effects of Trade and Globalization on Economic Development ([see](#))
- Reducing the uncertainty around exchange rate forecasts: A new model ([see](#))
- Backtesting European Stress Tests ([see](#))

Update 17.30 CET 10 February, 2017
Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.19	0.8	-1.1	0	-3	
US (10-yr)	2.41	-1.3	-0.7	4	-1	
GER (2-yr)	-0.79	-1.3	-4.6	-7	-2	
Germany	0.32	0.0	0.1	1	5	
France	1.05	5.8	-3.5	27	24	
Spain	1.70	7.3	1.6	28	27	
Italy	2.27	9.6	0.4	40	40	
Portugal	4.11	5.7	-6.4	13	21	
Greece	7.38	-43.2	-14.6	48	49	
Japan (2-yr)	-0.21	-1.6	1.8	4	-2	
Japan	0.09	-0.8	2.7	3	3	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.38	0.7	-21.1	80	-103	
Chile	4.18	-0.1	0.3	-1	-14	
Colombia	6.71	0.4	6.8	-7	-38	
Mexico	7.36	1.8	-9.5	-32	-28	
Peru	6.14	-3.3	7.5	-17	-33	
Poland	3.84	5.1	7.3	28	13	
Russia	8.24	-2.9	0.8	-7	-20	
Turkey	10.70	8.0	15.0	90	-30	
India	6.81	-5.2	38.6	41	42	
Indonesia	7.52	-1.1	8.1	-22	-32	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	72	4.9	5.6	28	19	
Italy	195	8.7	9.5	41	36	
Portugal	379	4.8	2.7	14	17	
Spain	138	6.4	10.7	29	22	
2-yr sovereign spread vs Germany						
France	26	2.7	6.1	15	16	
Italy	78	4.3	2.4	16	17	
Portugal	85	0.6	3.4	-6	3	
Spain	57	7.5	10.0	14	9	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	230	-4	-9	-27	-42	
Chile	78	-1	-1	-5	-5	
Colombia	145	-3	-1	-11	-18	
Mexico	152	-4	-8	-25	-4	
Peru	104	-1	-1	-5	-4	
Venezuela	3,398	-9	-52	-359	-507	
Poland	70	-1	1	1	5	
Russia	176	-2	-3	4	0	
Turkey	248	-6	6	34	-24	
China	105	-2	5	-9	-12	
India	111	0	-6	-12	-16	
Indonesia	139	-2	-9	-13	-17	
Risk indicators (%)						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	11	-1.5	-2	-5	-1	
VST OXX	15	-0.9	0	-3	-1	
EM EFT volatility index	17	-1.1	1	-12	-18	
Dollars vs volatility	8	-3.8	7	-19	-21	
EM FX volatility index	10	-2.6	-3	-11	-9	
Credit spread (BAA) (bps)	223	-3.3	-3	2	-4	
US bonds volatility index	69	0.3	2	-5	-10	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	68	-0.7	2	-5	-4	
EZ	114	-4.0	3	4	6	
UK	84	-1.4	2	-10	-6	
Large Spanish	112	-1.5	7	-11	-5	
Medium Spanish	157	-0.7	6	7	5	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	146	-0.7	-2	-5	-4	
EZ Non-financial	103	-4.0	3	4	6	
UK Non-financial	118	0.0	1	-6	-7	
Interbank markets (bp, changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.35	0.00	0.0	0.0	0.0	
Euribor 3m	-0.33	0.00	0.0	0.0	0.0	
Euribor 12m	-0.10	0.00	0.0	0.0	0.0	
Libor 3m	1.03	0.00	0.0	0.0	0.0	
Libor 12m	1.69	-0.01	0.0	0.0	0.0	
EZTED spread 3m	49.0	-1.0	-0.2	-10.6	-12.4	
Stock markets (%)						
Indices	level	Daily	Weekly	Monthly	YTD	
Americas						
S&P500	2,314	0.3	0.7	2	2	
Dow Jones	20,235	0.3	0.8	1	1	
Nikkei	19,379	2.5	2.4	0	-1	
FTSE 100	7,261	0.4	1.0	0	1	
EuroStoxx 50	3,270	-0.2	-0.1	-1	-1	
IBEX	9,372	-0.7	-1.0	0	-1	
DAX	11,663	0.2	0.1	0	1	
CAC	4,830	-0.1	0.1	-1	1	
MIB	18,828	-0.6	-1.5	-3	-4	
ASE Athens	624	2.5	-0.8	-6	-5	
MSCI Latam *	76,138	0.3	0.7	4	2	
Ibovespa (Brazil)	65,892	1.4	1.4	6	7	
MoBI	47,749	1.1	1.1	4	2	
MSCI EM Europe *	5,001	0.0	0.4	0	-1	
Poland	2,155	1.0	3.8	6	8	
Micex (Russia)	2,162	0.5	2.9	-3	-4	
Ne 100 (Turkey)	87,473	-1.5	-1.0	13	15	
MSCI EM Asia *	724	0.3	1.4	3	5	
Shanghai Com (China)	3,197	0.4	1.8	2	1	
Jakarta (Indonesia)	5,372	0.2	0.3	1	2	
Banking Sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	87.1	-0.1	-0.1	0	0	
Citi	57.4	0.2	-0.7	-4	-7	
BaK	23.0	-0.4	-1.1	0	0	
MS	44.5	-0.8	0.1	2	2	
GS	241.7	0.1	0.3	-2	-1	
EZ banks						
BNP	55.7	-1.7	8.9	8	-11	
Crédit Agricole	11.4	-0.4	-7.0	-5	-7	
Deutsche Bank	17.8	-1.1	5.5	-1	-2	
ING	13.4	-1.4	-2.9	-2	-3	
Intesa	2.1	-1.3	-5.3	-14	-12	
SG	42.4	-3.0	-7.5	-9	-12	
Unicredit	12.6	0.6	-3.6	-4	-10	
UK banks						
HSBC	687.5	-0.3	0.3	2	3	
RIS	228.9	-1.0	0.2	3	-2	
Barclays	229.0	-0.2	0.1	-2	-3	
Lloyds	65.7	-0.7	0.3	-1	1	
Large Spanish banks						
Santander	74.0	-1.6	-4.5	-2	-1	
Banque	5.0	-1.8	-5.6	-1	-2	
BBVA	6.0	-1.3	-3.4	-3	-8	
Medium Spanish banks						
CajaBank	71.5	-1.0	-3.4	-1	-2	
CaixaBank	3.3	-1.7	-6.1	2	2	
Populr	0.9	-1.4	-2.5	-9	-14	
Sabadell	1.5	-0.7	1.7	9	8	
Banque	7.2	0.5	-4.2	-3	-4	
Banque	0.9	-0.9	-4.6	-6	-8	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.06	-0.1	-1.3	0.6	1	
GBPUSD	1.25	0.0	0.2	2.4	1	
USD JPY	113.18	0.1	0.5	-1.9	-3	
USD INR	100.72	0.1	0.9	1.0	2	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)						
USDARS (Argentina)	15.50	0.7	0.8	2.2	4	
USDBRL (Brazil)	3.11	0.5	0.3	2.7	3	
USDCLP (Chile)	639.85	1.0	0.2	4.7	5	
USDCOP (Colombia)	2856	0.2	-0.1	4.0	4	
USDMXN (Mexico)	20.34	0.0	0.1	6.9	5	
USDPEN (Peru)	3.25	0.7	0.4	3.9	4	
USDRUB (Russia)	64.42	0.5	0.3	4.7	5	
USDRPLN (Poland)	4.05	0.0	-1.4	2.0	3	
USDRUB (Russia)	58.36	1.0	1.1	2.4	3	
USDTRY (Turkey)	3.69	0.2	0.2	4.6	3	
USDCNY (China)	6.88	-0.1	-0.2	0.9	1	
USDINR (India)	66.88	0.0	0.6	2.1	2	
USDIDR (Indonesia)	13,312	-0.1	0.2	0.1	1	
ADXY	104.7	0.1	0.4	1.0	1	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	54.0	1.8	0.3	3	1	
Copper	276	4.2	5.7	6	8	
Gold	1,234	0.5	1.1	4	6	
S&P Spot commodity *	402	0.7	0.3	2	1	
S&P Brent Spot *	475	1.1	-1.7	1	-1	
S&P Metals Spot *	324	-0.8	0.9	4	6	
S&P Agricultural *	311	0.7	1.8	4	4	

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Peru	6.14	-3.3	7.5	-17	-33
Poland	3.84	5.1	7.3	28	13
Russia	8.24	-2.9	0.8	-7	-20
Turkey	10.70	8.0	15.0	-90	-30
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UK	84	1.4	2	-10	6
Large Spanish	112	-1.5	7	-11	-5
Medium Spanish	157	-0.7	6	7	5
Deposits 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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EZ Non-financial	103	-4.0	3	4	6
UK Non-financial	118	-1.0	1	-6	-7
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Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.10	0.00	0.0	0.0	0.0
Libor 3m	1.03	0.00	0.0	0.0	0.0
Libor 12m	1.69	-0.01	0.0	0.0	0.0
EZ TED spread 3m	49.0	1.10	-0.2	-10.6	-17.4
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,314	0.3	0.7	2	2
Dow Jones	29,235	0.3	0.8	1	1
Nikkei	19,379	2.5	2.4	0	-1
FTSE 100	7,261	0.4	1.0	0	1
Euro Stoxx 50	3,270	-0.2	0.1	-1	-1
IBEX	9,372	-0.7	-1.0	0	-1
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MBI	18,828	-0.6	1.5	-3	-4
ASE Athens	624	2.5	-0.8	-6	-5
MSCI Latam *	76,138	0.3	0.7	4	4
Bovespa (Brazil)	65,892	1.4	1.4	6	7
Moodi	42,749	1.1	1.1	4	2
MSCI EM Europe *	5,001	0.0	0.4	0	-1
Poland	2,155	1.0	3.8	6	8
Mircz (Russia)	2,162	-0.5	2.8	-3	-4
Ise 100 (Turkey)	87,473	-1.5	-1.0	13	15
MSCI EM Asia *	734	0.3	1.4	3	5
Shanghai Com (China)	3,197	0.4	1.8	2	1
Jakarta (Indonesia)	5,372	0.2	0.3	1	2
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	118.5	-0.3	-0.4	-1	-1
JPM	87.1	-0.1	-0.1	0	0
Citi	57.4	0.2	-0.7	-4	-7
BoA	23.0	-0.4	-1.1	0	0
MS	44.5	-0.8	0.1	2	2
GS	241.7	0.1	0.3	-2	-1
EZ banks	95.8	-1.4	-6.1	-7	-9
BNP	55.7	-1.7	-8.9	-8	-11
Credit Agricole	11.4	-0.4	-7.0	-5	-7
Deutsche Bank	17.8	-1.1	-5.5	-1	-2
ING	13.4	-1.4	-2.9	-2	-3
Intesa	2.1	-1.3	-5.3	14	-17
SG	42.4	-3.0	-7.5	-9	-12
Unicredit	12.6	0.6	-3.6	-4	-10
UK banks	87.9	-0.6	0.1	0	0
HSBC	687.5	-0.3	0.3	2	3
RBS	228.9	-1.8	0.2	3	-2
Barclays	229.0	-0.2	0.1	-2	-3
Lloyds	65.7	-0.7	-0.3	-1	1
Large Spanish banks	74.0	-1.6	-4.5	-2	-5
Santander	5.0	-1.8	-5.6	-1	-2
BBVA	6.0	-1.3	-3.4	-3	-8
Medium Spanish banks	71.5	-1.0	-3.4	-1	-2
Cajabank	-3.3	-1.7	-6.1	2	2
Popular	0.9	-1.4	-2.5	-9	-14
Sabadell	1.5	-0.7	1.7	9	8
Banquepar	7.2	0.5	-4.2	-3	-4
Bankia	0.9	-0.9	-4.6	-6	-8
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	-0.1	1.3	0.6	1
GBPUSD	1.25	0.0	0.2	2.4	1
USDJPY	113.18	0.1	-0.5	-1.9	-3
DKX	100.72	0.1	0.9	1.0	2
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.50	0.7	0.8	2.2	4
USDBRL (Brazil)	3.11	0.5	0.3	2.7	3
USDCLP (Chile)	639.85	1.0	-0.2	4.7	5
USDCOP (Colombia)	286.6	-0.2	0.1	4.0	4
USDMXN (Mexico)	20.34	0.0	0.1	6.9	5
USDPEN (Peru)	3.25	0.7	0.4	3.9	4
LACI	64.42	0.5	0.3	4.7	5
USDPLN (Poland)	4.05	0.0	-1.4	2.0	3
USD RUB (Russia)	58.36	1.0	1.1	2.4	3
USDTRY (Turkey)	3.69	-0.2	0.2	4.6	-3
USD CNY (China)	6.88	0.1	-0.2	0.9	1
USDINR (India)	66.88	0.0	0.6	2.1	2
USDIDR (Indonesia)	13,312	-0.1	0.2	0.1	1
ADXY	104.7	0.1	-0.4	1.0	1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	56.7	1.9	-0.2	3	0
WTX	54.0	1.8	0.3	3	1
Copper	276	4.2	5.7	6	8
Gold	1,234	0.5	1.1	4	6
S&P Spot commodity *	40.2	0.7	0.3	2	1
S&P Brent Spot *	47.5	1.1	-1.7	1	1
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S&P Agricultural *	311	0.7	1.8	4	4

Source: Bloomberg, Datastream and Haver

* With one day delay

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