

Market Comment | French politics trigger market volatility ahead of FOMC minutes

Global Financial Markets Unit
22 Feb 2017

- Global stocks were little changed awaiting the **release of the Fed's minutes** late today as investors seek more clues on the Fed's interest rate path in the coming months after the recent tight tone of some Fed officials.
- Meanwhile, **France's election continued contributing to Eurozone bond volatility**. German bonds kept attracting safe-haven fresh flows due to French political concerns, with the 2Y yield breaching the -0.9% level intraday but ending above (-0.88%) as the Centrist French politician François Bayrou announced he would not run for the elections ([see](#)) while backing Macron, increasing the odds of a Macron win. The rest of Eurozone yields ended the session declining across the board, with **French yields leading the decline** ([see](#))
- The **EUR** ended broadly flat, although it broke the 1.05 levels intraday. On the other hand, the **JPY** slightly appreciated across the board, following comments by the BoJ's Mr Kuroda suggesting that further monetary policy easing was unlikely ([see](#)). Meanwhile, the **GBP** slightly depreciated, although the UK's 4Q17 GDP growth slightly beat estimates ([see](#)). Regarding EM currencies, **MXN** strongly appreciated yesterday and is currently extending its appreciation today, after Bank of Mexico announced a new FX hedging programme to avoid volatility on the currency market ([see](#)). Moreover, Mexico's 4Q16GDP grew slightly more than previous estimates (0.7% QoQ vs 0.6% QoQ)
- Inflationary expectations in Europe remained at recent high levels as **Eurozone inflation** was confirmed at a 4-year high (1.8% YoY) in January ([see](#)) due to energy prices, although core inflation lagged behind. On the other hand oil prices partly offset yesterday's significant gains. Furthermore, in Germany, **business confidence** improved as pointed to by the IFO Business Climate indicator, being at its highest level in four years ([see](#)).

Update 18:00 CET 22 February, 2017

Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.22	1.7	-2.2	8	8	1
US	2.44	1.9	5.5	4	4	0
GER (2-yr)	-0.88	-2.2	9.1	-20	-11	
Germany	0.28	-2.2	9.4	8	0	
France	1.02	-7.6	-3.7	16	21	
Spain	1.69	1.1	1.0	26	26	
Italy	2.19	-5.3	4.8	20	33	
Portugal	3.97	-6.9	-12.2	17	7	
Greece	7.29	7.3	-46.2	30	41	
Japan (2-yr)	0.26	-2.7	2.2	-3	-7	
Japan	0.08	-0.8	2.6	2	2	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
Brazil	10.21	0.6	3.1	53	-110	
Chile	4.22	0.0	6.6	2	-10	
Colombia	7.00	-1.5	16.9	16	-9	
Mexico	7.30	-5.6	8.3	29	-34	
Peru	6.15	0.6	0.8	5	-32	
Poland	3.89	2.5	0.0	20	18	
Russia	8.37	0.9	12.1	8	-8	
Turkey	10.48	-8.0	-21.0	-41	-52	
India	6.94	3.6	7.7	49	56	
Indonesia	7.58	-2.5	2.4	4	-27	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	74	-5.4	5.7	25	20	
Italy	192	-3.1	4.6	29	32	
Portugal	369	-4.7	-2.8	26	7	
Spain	141	3.3	10.4	34	26	
2-yr sovereign spread vs Germany						
France	45	0.0	17.7	31	35	
Italy	93	2.6	16.0	34	32	
Portugal	94	0.2	11.1	17	12	
Spain	65	2.0	13.2	25	17	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
5-yr sovereign CDS*						
Brazil	221	-5	9	-29	-51	
Chile	78	-4	2	-5	-5	
Colombia	139	-6	3	-12	-24	
Mexico	148	-9	5	-24	-9	
Peru	103	-5	4	-5	-5	
Venezuela	3,572	-132	155	53	-333	
Poland	70	0	2	-1	-6	
Russia	175	-2	11	-7	-2	
Turkey	236	-2	2	-38	-36	
China	95	-4	-3	-18	-22	
India	104	-1	-4	-13	-23	
Indonesia	130	-4	-1	-17	-26	
Risk indicators						
level	Daily	Weekly	Monthly	YTD		
Volatility indicators (%)						
VIX	12	2.6	-1	1	0	
VST OXX	15	2.0	1	-13	-2	
EM EFT volatility index	17	4.2	5	-5	-17	
Dollars vs volatility	9	0.4	15	4	-15	
EM FX volatility index	10	-1.2	-1	-10	-12	
Credit spread (BAA) (bps)	219	-0.9	-1	-2	-8	
US bonds volatility index	69	1.5	5	-9	-10	
Banking 5y CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US	66	-0.1	-1	-7	-6	
EZ	117	-1.2	4	12	9	
UK	83	0.4	0	-6	-7	
Large Spanish	113	-0.2	1	1	-4	
Medium Spanish	162	1.3	8	5	11	
Corporate 5y CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US Non-financial	141	-0.1	-1	-7	-6	
EZ Non-financial	101	-1.2	4	12	9	
UK Non-financial	115	0.0	2	-6	-10	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.36	0.00	0.0	0.0	0.0	
Euribor 3m	-0.33	0.00	0.0	0.0	0.0	
Euribor 12m	-0.11	0.00	0.0	0.0	0.0	
Libor 3m	1.05	0.00	0.0	0.0	0.1	
Libor 12m	1.75	0.01	0.0	0.0	0.1	
EZTED spread 3m	50.9	-2.10	-3.9	-4.6	-15.5	
Stock markets (%)						
level	Daily	Weekly	Monthly	YTD		
Americas						
S&P500	2,261	0.2	0.5	4	4	
Dow Jones	20,760	0.1	0.7	5	4	
Nikkei	19,380	0.0	0.3	3	-1	
FTSE 100	7,302	0.4	0.0	2	2	
EuroStoxx 50	3,339	0.0	0.5	2	1	
IBEX	9,477	-0.9	-1.1	2	0	
DAX	11,999	0.3	1.7	4	4	
CAC	4,896	0.1	0.6	2	0	
MIB	18,885	-0.8	-0.9	-2	-4	
ASE Athens	647	-1.2	3.3	1	-2	
MSCI Latam*	79,024	0.7	2.1	5	5	
Ibovespa (Brazil)	68,453	0.9	0.7	4	11	
Isovdol	47,297	-0.7	0.3	0	2	
MSCI EM Europe*	5,035	-1.1	0.9	2	0	
Poland	2,251	0.1	3.1	13	13	
Micex (Russia)	2,106	-1.0	-1.4	-2	-7	
Ne 100 (Turkey)	88,531	-0.5	0.7	7	16	
MSCI EM Asia*	745	0.2	1.2	5	7	
Shanghai Com (China)	3,261	0.2	1.5	4	3	
Jakarta (Indonesia)	5,359	0.0	-0.4	2	7	
Banking sector						
level	Daily	Weekly	Monthly	YTD		
US banks						
JPM	125.1	0.0	0.4	9	4	
Citi	90.9	-0.1	0.4	9	5	
Chf	60.6	0.1	0.2	9	-1	
Bok	24.9	0.3	1.1	10	6	
MS	46.5	-0.1	0.1	11	7	
GS	251.3	-0.2	0.3	8	3	
EZ banks						
BNP	96.1	0.3	3.5	4	9	
Crédit Agricole	55.8	0.0	2.9	-6	-11	
Crédit Agricole	11.6	0.4	5.6	-4	-6	
Deutsche Bank	18.6	0.2	1.4	4	2	
ING	13.3	-0.6	-2.9	1	-4	
Intesa	2.1	-1.0	-2.3	-11	-16	
SG	41.8	0.1	-4.3	-7	-13	
Unicredit	12.3	-0.1	-4.8	-6	-12	
UK banks						
HSBC	91.0	1.6	-0.4	6	4	
RIS	679.7	2.1	-3.7	1	1	
RIS	251.5	-0.1	2.2	16	7	
Barclays	235.2	-0.3	-1.7	5	0	
Lloyds	69.7	4.4	3.3	8	8	
Large Spanish banks						
Santander	75.9	-1.2	3.2	1	-3	
Santander	5.1	-1.9	-3.0	1	-1	
BBVA	6.2	-0.5	-3.4	2	-5	
Medium Spanish banks						
Cáceres	71.0	-0.9	-2.1	0	-2	
Cáceres	3.3	-2.0	-2.1	1	2	
Poplar	0.8	-1.4	-3.6	-15	-17	
Sabadell	1.4	-1.1	-3.1	11	5	
Bankinter	7.3	0.7	1.5	-3	-3	
Bankia	0.9	-1.9	-1.5	-1	-8	
Currencies (% ind for currency depreciation)						
level	Daily	Weekly	Monthly	Year		
Eurozone						
EURUSD	1.06	0.2	0.4	-1.9	1	
GBPUSD	1.24	-0.2	-0.1	-0.7	1	
USD JPY	113.46	0.2	0.6	0.7	-3	
DKK	101.37	0.0	0.2	-1.2	1	
Emerging						
level	Daily	Weekly	Monthly	Year		
USDARS (Argentina)	15.53	0.4	-1.1	2.6	3	
USDBRL (Brazil)	3.08	0.5	-0.8	2.7	4	
USDCLP (Chile)	642.00	0.2	0.5	1.3	4	
USDCOP (Colombia)	2897	0.2	-0.9	1.1	2	
USDMXN (Mexico)	20.00	0.1	1.4	6.5	7	
USDPEN (Peru)	3.24	0.2	0.1	1.2	4	
LACI	64.91	0.3	0.0	3.8	3	
USDPLN (Poland)	4.07	0.1	-0.2	-0.3	2	
USD RUB (Russia)	57.95	-0.9	-1.3	2.7	4	
USDTRY (Turkey)	3.59	0.7	1.8	4.3	1	
USDCNY (China)	6.88	0.1	-0.1	-0.4	1	
USDINR (India)	66.97	-0.1	-0.1	1.8	2	
USDIDR (Indonesia)	13,368	0.0	-0.4	0.0	1	
ADXY	104.7	0.0	0.2	0.2	1	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	53.6	-0.9	0.9	2	1	
Copper	273	-0.6	-0.2	3	7	
Gold	1,233	-0.2	-0.1	1	6	
S&P Spot commodity*	405	0.4	-0.2	1	2	
S&P Brent Spoz*	483	1.2	1.2	2	1	
S&P Metals Spoz*	333	1.0	-0.7	3	9	
S&P Agricultural*	311	0.1	-2.0	1	4	

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Colombia	7.00	-1.5	16.9	16	-9
Mexico	7.30	-5.6	-8.3	-29	-34
Peru	6.15	0.6	0.8	5	-32
Poland	3.89	2.5	0.0	20	18
Russia	8.37	0.9	12.1	8	-8
Turkey	10.48	-0.0	21.0	-41	-52
India	6.94	3.6	7.7	49	56
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Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
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Mexico	148	-9	5	-24	-9
Peru	103	-5	4	-5	-5
Venezuela	5,172	-132	155	53	-333
Poland	70	0	2	-1	-6
Russia	175	-2	11	-7	-2
Turkey	236	-2	2	-38	-36
China	95	-4	-3	-18	-22
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Indonesia	130	-4	-1	-17	-26
Risk indicators					
Volatility indicators (%)					
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VSTOXX	15	2.0	1	-13	-2
EM EFT volatility index	17	4.2	5	-5	-17
Dollar/euro volatility	9	-0.4	15	4	-15
EM FX volatility index	10	-1.2	-1	-10	-12
Credit spread (BAA) (bps)	219	-0.9	-1	-2	-8
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Interbank markets (% changes in bp)					
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EONIA Index	-0.36	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.05	0.00	0.0	0.0	0.1
Libor 12m	1.75	0.01	0.0	0.0	0.1
EZ TED spread 3m	50.9	2.10	-3.9	-4.6	-15.5
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,361	-0.2	0.5	4	4
Dow Jones	29,760	0.1	0.7	5	4
Nikkei	19,380	0.0	-0.3	3	-1
FTSE 100	7,302	0.4	0.0	2	2
Euro Stoxx 50	3,339	0.0	0.5	2	1
IBEX	9,477	-0.9	-1.1	2	0
DAX	11,999	0.3	1.7	4	4
CAC	4,896	0.1	-0.6	2	0
MBI	18,885	-0.8	0.8	-2	-4
ASE Athens	647	-1.2	3.3	1	-2
MSCI Latam *	79,024	0.7	2.1	5	8
Bovespa (Brazil)	68,453	-0.9	0.7	-4	11
Bovespa	47,297	-0.7	0.3	0	2
MSCI EM Europe *	5,035	1.1	0.9	2	0
Poland	2,251	0.1	3.1	13	13
Mixx (Russia)	2,106	-1.0	-1.4	-2	-7
Ise 100 (Turkey)	88,531	-0.5	0.7	7	16
MSCI EM Asia *	745	0.2	1.2	5	7
Shanghai Com (China)	3,261	0.2	1.5	4	3
Jakarta (Indonesia)	5,359	0.0	0.4	2	2
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	125.1	0.0	0.4	9	4
JPM	90.9	-0.1	0.4	9	5
Citi	60.6	0.1	0.2	9	1
BoA	24.9	0.3	1.1	10	8
MS	46.5	-0.1	0.1	11	7
GS	251.3	0.2	0.8	8	3
EZ banks	96.1	-0.3	-3.5	-4	-9
BNP	55.8	0.0	2.9	6	-11
Credit Agricole	11.6	0.4	-5.6	-4	-4
Deutsche Bank	18.6	0.2	-1.4	4	2
ING	13.3	-0.6	-2.9	1	-4
Intesa	2.1	-1.0	-2.3	-11	-16
SG	41.8	0.1	-4.3	-7	-13
Unicredit	12.3	-2.1	-4.8	-6	-12
UK banks	91.0	1.6	-0.4	6	4
HSBC	679.7	-2.1	3.7	1	1
RBS	251.5	-0.1	2.2	16	7
Barclays	235.2	-0.3	-1.7	5	0
Lloyds	69.7	4.4	3.3	8	8
Large Spanish banks	75.9	-1.2	3.2	1	-3
Santander	5.1	-1.9	-3.0	1	-1
BBVA	6.2	-0.5	-3.4	2	-5
Medium Spanish banks	71.0	-0.9	-2.1	0	-3
Cabobank	3.3	-2.0	-2.1	1	2
Popular	0.8	-1.4	-3.6	-15	-17
Sabadell	1.4	-1.1	-3.1	11	5
Banquepar	7.3	0.7	1.5	3	3
Bankia	0.9	-1.9	-1.5	-1	-8
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	0.2	0.4	-1.9	1
GBPUSD	1.24	-0.2	-0.1	-0.7	1
USDJPY	113.46	0.2	0.6	0.7	-3
DKX	101.37	0.0	0.2	-1.2	1
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.53	0.4	-1.1	2.6	3
USDBRL (Brazil)	3.08	0.5	0.8	2.7	4
USDCLP (Chile)	642.08	0.2	-0.5	1.8	4
USDCOP (Colombia)	2987	0.2	0.8	1.1	2
USDMXN (Mexico)	20.00	0.1	1.4	6.5	7
USDPEN (Peru)	3.24	0.2	0.1	1.2	4
LACI	64.91	0.3	0.0	3.8	5
USDPLN (Poland)	4.07	0.1	-0.2	-0.3	2
USD RUB (Russia)	57.95	-0.9	-1.3	2.7	4
USDTRY (Turkey)	3.59	0.7	1.8	4.3	-1
USD CNY (China)	6.86	0.1	0.1	0.4	1
USDINR (India)	66.97	-0.1	-0.1	1.8	2
USDIDR (Indonesia)	13,368	0.0	-0.4	0.0	1
ADXY	104.7	0.0	-0.2	0.2	1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	55.9	-1.4	0.2	1	-1
WTX	53.6	-0.9	0.9	2	1
Copper	273	-0.6	-0.2	3	7
Gold	1,233	-0.2	-0.1	1	6
S&P Spot commodity *	485	0.4	-0.2	1	2
S&P Brent Spot *	483	1.2	1.2	2	1
S&P Metals Spot *	333	1.0	-0.7	3	9
S&P Agricultural *	311	0.1	-2.0	1	4

Source: Bloomberg, Datastream and Haver

* With one day delay

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