

# Market Comment | Investors turned cautious

Global Financial Markets Unit  
03 Apr 2017

- Financial markets showed a slight **risk aversion**, with investors turning to more safe-haven assets due to a number of lingering uncertainties. Investors perceived that the impact of the **US reflationary policy** on confidence may have reached a top, as March's US PMI, a current proxy for US reflation, slightly declined from high levels, in line with expectations but halting its upward trend since August 2016 ([see](#)). Moreover, **European political uncertainty** has increased, as the French elections approach, and recent polls suggest a narrowing margin between Marine Le Pen and Emmanuel Macron ([see](#)). In addition, investors remained cautious ahead of a number of important events during this week: **ECB accounts** of the March meeting, which could shed light on the ECB's incipient exit strategy debate, **FOMC minutes** and the meeting between Donald Trump and China's president Xi Jinping ([see](#)).
- In this context, global stocks declined across the board, led by the banking sector. Meanwhile, sovereign bond yields declined across the board. Gold inched down, while the JPY appreciated. Equity volatility also rose appreciably.
- In FX, currencies were mixed. Most G-10 currencies slightly appreciated against the USD, except the GBP and the commodity-linked currencies. On the other hand, EM currencies also showed mixed performances. Moreover, investors are also focused on a number of Fed speakers who are set to speak today, and who may give additional clues to the Fed's tightening path.
- The decline in **China's Caixin manufacturing PMI** from 51.7 in February to 51.2 in March may also have contributed to the increase in economic uncertainty, weighing on [markets](#) ([see](#)). In any case, China's markets were closed today due to a national holiday.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.24	-1.6	-1.5	-7	-7	
US	2.34	-4.5	-3.6	-14	-10	
GER (2-yr)	0.80	-6.4	-9.6	2	-3	
Germany	0.28	-5.1	-12.5	4	0	
France	0.95	-1.9	-2.3	2	14	
Spain	1.64	-2.4	-4.5	-14	13	
Italy	2.32	0.5	3.4	10	45	
Portugal	3.91	-5.9	-16.8	-32	-27	
Greece	7.01	2.7	-24.8	-3	13	
Japan (2-yr)	0.16	2.6	10.0	12	3	
Japan	0.08	1.9	0.6	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.04	-2.2	-3.6	-32	-157	
Chile	4.07	-0.7	-7.8	-13	-26	
Colombia	6.61	-4.6	-10.8	-51	-48	
Mexico	7.04	3.1	-3.6	-37	-60	
Peru	5.76	-3.2	-4.0	-41	-71	
Poland	3.43	-5.8	-10.9	-30	-28	
Russia	8.08	2.1	5.1	-23	-37	
Turkey	10.65	0.0	6.0	-13	-35	
India	6.65	-2.9	-6.0	-19	-27	
Indonesia	7.04	-0.5	-6.5	-48	-60	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>1-yr sovereign spread vs Germany</b>						
France	67	3.2	10.2	6	14	
Italy	205	5.6	25.1	22	45	
Portugal	363	-1.8	-4.3	-28	-27	
Spain	137	2.7	0.0	-10	13	
<b>2-yr sovereign spread vs Germany</b>						
France	47	1.6	6.5	12	37	
Italy	74	2.8	0.6	9	13	
Portugal	137	0.7	3.7	-16	-10	
Spain	60	2.2	9.7	-11	12	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS*</b>						
Brazil	222	0	-10	11	-49	
Chile	71	0	-4	2	-11	
Colombia	133	1	-2	0	-30	
Mexico	129	1	-4	-4	-27	
Peru	101	1	-3	5	-7	
Venezuela	3,944	382	576	641	39	
Poland	69	0	0	1	-7	
Russia	166	1	-5	0	-11	
Turkey	236	1	6	-6	-37	
China	82	0	-1	-7	-34	
India	100	0	-1	0	-27	
Indonesia	128	2	-1	2	-28	
Risk indicators						
Volatility indicators (%)						
VIX	13	4.9	4	10	1	
VST OXX	18	8.7	10	18	1	
EM EFT volatility index	17	7.3	5	-10	-15	
Bolivia's volatility	8	0.2	0	5	-19	
EM FX volatility index	9	0.4	2	-6	-19	
Credit spread (BAA) (bps)	231	4.5	8	9	4	
US bonds volatility index	61	0.4	-3	-13	-21	
Banking 5y CDS (bps)*						
US	65	-0.6	2	8	-7	
EZ	108	1.1	2	-2	0	
UK	78	0.7	3	4	-12	
Large Spanish	107	-0.9	-4	0	-10	
Medium Spanish	161	-1.8	2	0	10	
Corporate 5y CDS (bps)*						
US Non-financial	151	-0.6	-2	8	-2	
EZ Non-financial	102	1.1	2	-2	0	
UK Non-financial	127	0.8	0	10	-3	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EOBIA 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	-0.11	0.00	0.0	0.0	0.0	
Libor 3m	1.15	0.00	0.0	0.1	0.2	
Libor 12m	1.80	0.01	0.0	0.0	0.1	
EZTED spread 3m	48.7	-12.30	-13.8	-3.5	-12.7	
Stock markets (%)						
EU indices						
S&P500	2,332	0.5	0.4	-1	4	
Dow Jones	20,580	-0.4	0.1	-2	3	
Nikkei	18,983	0.4	0.0	-3	-3	
FTSE 100	7,283	-0.5	-0.1	-1	1	
EuroStoxx 50	3,473	-0.8	1.0	3	5	
IBEX	10,325	-1.3	0.2	6	9	
DAX	12,257	-0.5	2.2	2	6	
CAC	5,006	-0.7	1.4	2	4	
MIB	20,243	-1.2	0.6	4	3	
ASE Athens	667	0.2	3.2	2	1	
MSCI Latam*	77,053	-0.5	0.7	-1	5	
Ibovespa (Brazil)	64,997	0.0	1.1	-1	6	
MoBIEX	48,786	0.5	-1.1	3	5	
MSCI EM Europe*	4,814	-1.3	1.7	-2	-5	
Poland	2,220	2.0	0.8	-2	11	
Micex (Russia)	2,009	0.6	0.2	-2	-11	
Ne 100 (Turkey)	88,669	-0.3	-1.1	-1	16	
MSCI EM Asia*	758	-0.5	0.7	2	9	
Shanghai Com (China)	3,223	0.0	-1.4	0	2	
Jakarta Indonesia	5,607	0.2	0.7	5	6	
Banking sector						
level	Daily	Weekly	Monthly	YTD		
<b>US banks</b>						
JPM	87.0	-0.9	-0.3	-6	0	
Citi	59.1	-1.3	1.3	-3	-4	
BaK	23.3	-1.3	1.1	-8	1	
MS	42.4	-1.1	1.9	-8	-3	
GS	227.0	-1.2	0.7	-10	-7	
<b>EZ banks</b>						
BNP	104.0	-2.0	0.4	4	-1	
Crédit Agricole	12.5	-1.7	2.0	5	2	
Deutsche Bank	15.7	-2.5	1.3	-9	-4	
ING	14.0	-1.3	1.9	4	1	
Intesa	2.5	-1.6	-1.0	9	-1	
SG	46.3	-2.6	-1.7	5	-4	
Unicredit	14.1	-2.7	-1.2	4	0	
<b>UK banks</b>						
HSBC	646.6	-0.7	0.0	-3	-4	
RIS	239.9	-0.9	0.5	-2	2	
Barclays	221.5	-1.6	-1.2	-4	-6	
Lloyds	66.0	-0.4	-1.4	-4	2	
<b>Large Spanish banks</b>						
Santander	84.6	-3.2	2.0	8	8	
BBVA	6.9	-4.5	-3.4	9	7	
<b>Medium Spanish banks</b>						
Cáscar	79.4	-2.2	-1.0	10	9	
Poplar	0.8	-10.4	-9.0	-6	-17	
Sabadell	1.7	-2.7	-1.8	13	22	
Bankinter	7.8	-0.8	0.9	7	4	
BanKia	1.1	-1.0	-2.2	10	3	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.07	0.1	-1.8	1.5	2	
GBPUSD	1.25	-0.6	-0.6	1.7	1	
USDJPY	111.03	0.3	-0.3	-3.0	-5	
DKK	100.60	0.2	1.4	1.6	-2	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.40	-0.1	1.1	0.1	4	
USD BRL (Brazil)	3.12	0.2	0.3	1.2	3	
USD CLP (Chile)	658.50	0.2	0.9	-0.6	2	
USD COP (Colombia)	2866	0.3	1.8	3.9	3	
USDMXN (Mexico)	18.71	0.1	1.0	6.5	13	
USD PEN (Peru)	3.25	0.2	0.0	1.1	4	
LACI	65.89	0.2	0.6	2.9	7	
USD PLN (Poland)	3.98	-0.2	-1.9	2.7	4	
USD RUB (Russia)	56.27	0.0	1.1	4.4	7	
USD TRY (Turkey)	3.64	-0.2	0.7	2.3	-2	
USD CNY (China)	6.89	0.0	-0.2	0.0	1	
USD INR (India)	65.03	-0.3	0.0	2.5	4	
USD IDR (Indonesia)	13,325	0.0	-0.1	0.2	1	
ADXY	105.5	0.0	0.2	0.9	2	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
<b>Brent</b>						
WTX	50	-0.5	5.5	4	-5	
Copper	260	-1.8	-1.0	-3	2	
Gold	1252	0.2	-0.2	1	8	
S&P Spot commodity*	388	0.3	3.1	-2	-2	
S&P Brent Spoz*	456	0.8	5.2	-3	-5	
S&P Metals Spoz*	330	-1.5	1.4	0	8	
S&P Agricultural*	289	0.5	0.4	-6	-4	



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Germany	0.28	-5.1	-12.5	-4	10
France	0.85	-1.9	-2.1	2	14
Spain	1.64	-2.4	-4.5	-14	13
Italy	2.32	0.5	-3.4	18	45
Portugal	3.81	-6.9	-16.8	-32	27
Greece	7.01	2.7	-24.8	-3	13
Japan (2-yr)	-0.16	2.6	10.0	12	3
Japan	0.08	1.9	0.6	1	1
Emerging Markets					
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Chile	4.07	0.7	7.8	13	-26
Colombia	6.61	-4.6	-10.8	-51	-48
Mexico	7.04	3.1	-3.6	-37	-60
Peru	5.76	-3.2	-4.0	-41	-71
Poland	3.43	5.8	-10.9	-30	-28
Russia	8.08	2.1	5.3	-23	-37
Turkey	10.65	0.0	6.0	-13	-35
India	6.65	-2.9	-6.0	-19	27
Indonesia	7.04	-0.5	-6.5	-48	-80
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	67	3.2	10.2	6	14
Italy	205	5.6	25.1	22	45
Portugal	363	-1.8	-4.3	-28	-27
Spain	137	2.7	8.0	-10	13
<b>2-yr sovereign spread vs Germany</b>					
France	47	1.6	6.5	12	37
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Turkey	236	1	6	-6	-37
China	82	0	-1	-7	-34
India	100	0	-1	0	-27
Indonesia	128	7	-1	2	-28
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	4.9	4	10	1
VSTOXX	18	8.7	10	18	1
EM EFT volatility index	17	1.3	5	-10	-15
Dollar/euro volatility	8	0.2	0	5	-19
EM FX volatility index	9	0.4	-2	-6	-19
Credit spread (BAA) (bps)	231	4.5	8	9	4
US bonds volatility index	61	0.4	-3	-13	-21
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	65	-0.6	-2	8	-7
EZ	108	1.1	2	-2	0
UK	78	0.7	3	4	-12
Large Spanish	107	-0.9	-4	0	-10
Medium Spanish	161	-1.8	-2	0	10
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	151	-0.6	-2	8	-7
EZ Non-financial	102	1.1	2	-2	0
UK Non-financial	122	0.8	0	10	-3
Interbank markets (% 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	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.15	0.00	0.0	0.1	0.2
Libor 12m	1.80	0.01	0.0	0.0	0.1
EZ TED spread 3m	48.7	-12.30	-13.8	-3.5	-17.7
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
<b>Main indices</b>					
S&P500	2,352	-0.5	0.4	-1	4
Dow Jones	20,580	0.4	0.1	-2	-3
Nikkei	18,983	0.4	0.0	-3	-3
FTSE 100	7,283	-0.5	-0.1	-1	1
Eurostoxx 50	3,473	-0.8	1.0	3	5
IBEX	10,325	-1.3	0.2	6	9
DAX	12,257	-0.5	2.2	2	6
CAC	5,006	-0.7	1.4	2	4
MBI	20,243	-1.2	0.6	4	3
ASE Athens	667	0.2	3.2	2	1
MSCI Latam *	77,053	-0.5	0.7	-1	5
Bovespa (Brazil)	64,987	0.0	1.1	-1	6
Moodi	48,786	0.5	-1.1	3	5
MSCI EM Europe *	4,814	-1.3	-1.7	-2	-5
Poland	2,220	2.0	0.8	-2	11
Misc (Russia)	7,009	0.6	0.2	-2	-11
Ise 100 (Turkey)	88,669	-0.3	-1.1	-1	16
MSCI EM Asia *	758	-0.5	-0.7	2	9
Shanghai Com (China)	3,223	0.0	-1.4	0	2
Jakarta (Indonesia)	5,607	0.2	0.7	5	6
<b>Banking sector</b>					
level	Daily	Weekly	Monthly	YTD	
US banks	116.4	-1.2	1.2	-7	-3
JPM	87.0	-0.9	-0.3	-6	0
Citi	95.1	-1.3	1.3	-3	-4
BoA	23.3	-1.3	1.1	-8	1
MS	42.4	-1.1	1.9	-8	-3
GS	227.0	-1.2	0.7	-10	-7
EZ banks	104.0	-2.0	0.4	4	-1
BNP	61.2	-1.9	1.4	6	-3
Credit Agricole	12.5	-1.7	2.0	5	-2
Deutsche Bank	15.7	-2.8	1.3	9	4
ING	14.0	-1.3	1.9	4	1
Intesa	2.5	-1.6	-1.0	9	-1
SG	46.3	-2.6	-1.7	5	4
Unicredit	14.1	-2.7	-1.2	4	0
UK banks	86.3	-0.9	0.6	-3	-2
HSBC	646.6	-0.7	0.0	-3	-4
RBS	239.9	-0.9	0.5	-2	2
Barclays	221.5	-1.6	-1.2	-4	-6
Lloyds	66.0	-0.4	-1.4	-4	2
<b>Large Spanish banks</b>					
Santander	94.6	-3.2	2.0	8	8
Santander	5.6	-1.7	-0.4	8	10
BBVA	6.9	-4.5	-3.4	9	7
<b>Medium Spanish banks</b>					
Cajabank	79.4	-2.2	-1.0	10	9
Popubir	0.8	-10.4	-9.0	-6	-17
Sabadell	1.7	-2.7	-1.8	13	22
Banquepar	7.8	-0.8	0.9	7	4
Bankia	1.1	-1.0	-2.2	10	3
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD	1.07	0.1	1.8	1.5	2
GBP/USD	1.25	-0.6	-0.6	1.7	1
USD/JPY	111.03	0.3	-0.3	-3.0	-5
DKK	100.60	0.2	1.4	1.6	2
Emerging					
level	Daily	Weekly	Monthly	Year	
USD/ARS (Argentina)	15.40	-0.1	1.1	0.1	4
USD/BRL (Brazil)	3.12	0.2	0.3	1.2	3
USD/CLP (Chile)	658.58	0.2	0.9	-0.6	2
USD/COP (Colombia)	2866	0.3	-1.7	3.5	3
USD/MXN (Mexico)	18.71	0.1	1.0	6.5	13
USD/PEN (Peru)	3.25	0.2	0.0	1.1	4
LACI	65.99	0.2	0.6	2.9	7
USD/PLN (Poland)	3.98	-0.2	-1.9	2.7	4
USD/RUB (Russia)	56.27	0.0	1.1	4.4	7
USD/TRY (Turkey)	3.64	-0.2	-0.7	2.3	-2
USD/CNY (China)	6.89	0.0	-0.2	0.0	1
USD/INR (India)	65.03	-0.3	0.0	2.5	4
USD/IDR (Indonesia)	13,325	0.0	-0.1	0.2	1
ADXY	105.5	0.0	-0.2	0.9	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	53.3	0.8	5.0	-3	-6
WTX	50	-0.5	5.5	-4	-5
Copper	260	-1.8	-1.0	-3	2
Gold	1252	0.2	-0.2	1	8
S&P Spot commodity *	388	0.3	-1.1	-2	-2
S&P Brent Spot *	456	0.8	-1.2	-3	-5
S&P Metals Spot *	330	-1.5	1.4	0	8
S&P Agricultural *	289	0.5	-0.4	-6	-4

Source: Bloomberg, Datastream and Haver

\* With one day delay

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