

# Market Comment | Significant risk-off sentiment amid increasing US political uncertainty

Global Financial Markets Unit  
17 May 2017

- Financial markets showed a **signal risk-off sentiment after bombshell revelations** about a memo apparently written by the recently dismissed FBI Director ([see](#)) added more uncertainty in US politics, and fuelled concerns about further delays in US reflationary policies. **VIX rocketed from its recent subdued level**, stock prices dropped sharply across the board - especially in the banking sector - while demand for gold, yen and core sovereign bonds increased.
- **US assets suffered signally** ([see](#)). The USD reached a fresh six-month low, while UST yields declined significantly and US stocks dropped sharply today. Moreover, Fed rate hike bets continued to recede (declining by nearly 10 pp), thereby also playing a role in the USD and UST yields decline.
- **European sovereign yields also declined**, but with less intensity, with stable peripheral risk premiums. European stocks declined sharply, especially the European banking sector. Nonetheless, the **EUR appreciated against the USD once again**, on the back of US political uncertainty.
- **Oil prices rose significantly today** ([see](#)) after US crude oil inventories declined for the sixth week in a row. Despite this increase in oil prices and the USD depreciation, EM currencies depreciated slightly on the back of today's lower investor risk appetite.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.25	-4.5	-10.1	5	-4	
US	2.24	0.2	17.1	-1	10	
GER (2-yr)	0.68	-2.4	2.0	18	9	
Germany	0.38	-5.9	4.6	19	10	
France	0.83	-5.9	-1.4	-9	2	
Spain	1.57	-6.3	-4.1	-14	5	
Italy	2.15	-0.3	9.6	16	29	
Portugal	3.21	-8.6	-18.3	-67	-96	
Greece	5.70	-0.9	6.0	-97	-118	
Japan (2-yr)	0.15	1.8	2.3	5	4	
Japan	0.05	0.4	3.8	-2	-2	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.50	-1.2	-25.6	-19	-151	
Chile	4.10	-3.4	10.8	20	-22	
Colombia	6.35	0.8	6.1	-27	-74	
Mexico	7.14	-2.2	12.4	-1	-50	
Peru	5.51	-1.3	-6.6	-28	-96	
Poland	3.32	-3.3	-9.8	-9	-40	
Russia	7.78	5.1	-1.0	-27	-67	
Turkey	10.43	6.0	9.0	-15	-57	
India	6.68	1.0	-26.4	-17	-30	
Indonesia	7.04	-0.8	-21.5	-3	-60	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
1-yr sovereign spread vs Germany						
France	46	0.0	3.2	-28	-8	
Italy	178	-2.3	-4.9	-35	19	
Portugal	284	-2.7	-13.7	-86	-78	
Spain	119	-0.4	0.5	-33	3	
2-yr sovereign spread vs Germany						
France	26	0.4	2.6	-28	15	
Italy	44	-1.5	0.0	41	-17	
Portugal	99	-0.4	-3.4	-27	-48	
Spain	37	-1.4	0.5	-30	-11	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	194	-2	-17	-29	-78	
Chile	71	0	-5	-6	-12	
Colombia	125	-1	-8	-9	-38	
Mexico	114	-1	-5	-14	-42	
Peru	95	-1	-7	-7	-13	
Venezuela	3,668	-16	-283	178	-238	
Poland	66	-1	0	-2	-9	
Russia	149	-2	-7	-18	-27	
Turkey	201	-1	-3	-29	-71	
China	78	-1	-2	-10	-39	
India	96	0	0	-3	-31	
Indonesia	126	-2	2	-10	-30	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	13	23.2	29	-11	1	
VST OXX	16	19.2	15	-31	0	
EM EFT volatility index	19	13.3	19	-9	-8	
Dollar Euro volatility	8	7.1	15	-40	-22	
EM FX volatility index	7	-0.5	-11	-19	-33	
Credit spread (BAA) (bps)	233	8.2	11	-6	6	
US bonds volatility index	55	-2.2	1	-22	-27	
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	54	-0.4	2	-8	-18	
EZ	80	-1.4	0	-36	-28	
UK	61	-1.7	3	-20	-29	
Large Spanish	75	-1.8	3	-32	-42	
Medium Spanish	152	-2.4	4	-13	0	
Government S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	155	-0.4	2	-8	-18	
EZ Non-financial	89	-1.4	0	-36	-28	
UK Non-financial	115	-2.0	1	-8	-10	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.37	0.00	0.0	0.0	0.0	
Euribor 3m	-0.33	0.00	0.0	0.0	0.0	
Euribor 12m	-0.13	0.00	0.0	0.0	0.0	
Libor 3m	1.18	0.00	0.0	0.0	0.2	
Libor 12m	1.75	0.00	0.0	0.0	0.1	
EZ TED spread 3m	53.9	0.10	-0.7	6.7	-12.5	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
S&P500	2,374	1.1	11.1	1	5	
Dow Jones	20,729	-1.2	-1.0	0	4	
Nikkei	19,815	-0.5	0.4	8	1	
FTSE 100	7,503	-0.2	1.6	2	4	
EuroStoxx 50	3,585	-1.6	-1.7	4	8	
IBEX	10,786	-1.8	-2.3	4	14	
DAX	12,632	-1.4	-1.0	4	9	
CAC	5,318	-1.6	-1.5	5	9	
MIB	21,284	-2.3	-1.2	8	8	
ASE Athens	789	0.0	-0.4	15	20	
MSCI Latam *	80,046	0.0	2.3	6	9	
Ibovespa (Brazil)	67,761	-1.3	0.6	5	10	
Isibol	48,894	-1.1	2.1	0	5	
MSCI EM Europe *	4,993	-0.1	0.0	5	10	
Poland	2,302	-1.6	-3.3	3	15	
Micex (Russia)	1,994	0.1	-1.7	3	-12	
Ne 100 (Turkey)	95,725	-0.5	-0.5	6	26	
MSCI EM Asia *	800	0.4	1.4	5	15	
Shanghai Com (China)	3,104	-0.3	1.7	-4	-2	
Jakarta (Indonesia)	5,615	-1.3	-1.4	0	6	
Banking Sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	114.7	-4.0	-3.1	0	-4	
Citi	85.2	-2.7	-2.5	-1	-2	
Bank	60.5	-3.2	0.1	2	-2	
MS	22.9	-4.4	-5.1	1	0	
GS	41.5	-4.4	-3.8	0	-5	
GS	217.0	-3.8	-3.5	-4	-11	
EZ banks						
BNP	113.3	-2.7	-1.9	14	7	
Crédit Agricole	65.1	-3.1	2.5	12	4	
Diadaische Bank	14.1	-2.1	-1.8	18	14	
ING	16.9	-3.5	3.6	11	3	
Intesa	15.0	-2.7	-2.3	9	6	
Intesa	2.8	-1.5	-1.8	15	10	
SG	48.9	-2.8	-1.7	12	1	
Unicredit	16.4	-4.3	1.7	22	17	
UK banks						
HSBC	89.3	-0.5	0.6	7	2	
RIS	678.3	-1.3	1.1	5	1	
Barclays	256.6	-1.7	-1.7	13	10	
Barclays	209.5	-1.0	-0.2	-1	-11	
Lloyds	71.5	2.0	2.3	14	10	
Large Spanish banks						
Santander	89.1	-2.4	-3.1	7	14	
Santander	6.0	-2.9	-2.9	9	16	
BBVA	7.3	-1.9	-3.3	6	12	
Medium Spanish banks						
Cáscas	82.1	-3.2	-4.6	8	12	
Cáscas	4.2	-3.9	-2.3	11	27	
Poplar	0.7	-4.2	-20.9	9	-32	
Sabadell	1.8	-3.5	-3.7	13	30	
Bankinter	0.2	-1.6	-3.8	5	9	
Bankia	1.1	-4.3	-5.0	4	3	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.11	0.4	2.4	4.6	6	
GBPUSD	1.29	0.2	0.0	3.0	5	
USDJPY	111.44	1.5	2.5	2.3	-5	
DKK	57.69	-0.4	2.0	2.6	5	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)						
USDARS (Brazil)	15.62	-0.2	-0.7	-2.8	3	
USDRL (Chad)	3.10	-0.2	2.0	-0.1	4	
USDCLP (Chile)	668.51	-0.3	0.5	-3.5	0	
USDOP (Colombia)	2891	-0.3	1.8	-1.3	3	
USDMXN (Mexico)	18.63	0.0	2.0	0.7	13	
USDPEN (Peru)	3.27	-0.3	0.7	-0.6	3	
LACI	65.89	-0.1	1.5	-1.0	7	
USDPLN (Poland)	3.76	0.2	2.9	5.7	10	
USD RUB (Russia)	56.89	-0.5	1.0	-1.7	6	
USDTRY (Turkey)	3.56	0.6	0.7	3.8	0	
USD CNY (China)	6.88	0.1	0.4	0.0	1	
USDINR (India)	64.16	-0.1	0.7	0.6	6	
USDIDR (Indonesia)	13,324	-0.2	0.3	-0.3	1	
ADXY	105.8	-0.1	0.6	0.3	2	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTI	49	1.4	4.2	6	-7	
Copper	253	-0.5	1.8	-2	-1	
Gold	1256	1.6	3.0	-2	8	
S&P Spot commodity *	382	-0.2	1.7	-4	-4	
S&P Brent Spot *	442	-0.2	2.8	-7	-8	
S&P Metals Spot *	314	-0.1	1.2	-2	-3	
S&P Agricultural *	290	-0.2	0.3	-1	-3	



Debt markets (10Y % changes in bp)					
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France	0.83	-9.9	-1.4	9	2
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Portugal	3.21	-6.6	-19.3	-67	96
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Colombia	6.35	0.8	6.1	-27	-74
Mexico	7.14	-2.2	-12.4	-1	-50
Peru	5.51	-1.3	-6.6	-28	-96
Poland	3.32	-3.3	-9.8	-9	-40
Russia	7.78	9.3	-1.0	-27	-67
Turkey	10.43	6.0	9.0	-15	-57
India	6.68	1.0	-26.4	-17	30
Indonesia	7.04	-0.3	21.5	-3	-80
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	46	0.0	3.2	-28	-8
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Poland	66	-1	0	-2	-9
Russia	149	-2	7	-18	-27
Turkey	201	-1	3	-29	-71
China	78	-1	-2	-10	-39
India	96	0	0	-3	-31
Indonesia	120	-2	2	-10	-30
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	13	23.2	29	-11	1
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Credit spread (BAA) (bps)	233	8.2	11	-6	6
US bonds volatility index	95	-2.2	1	-22	-27
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	54	-0.4	-2	-8	-18
EZ	80	-1.8	0	-36	-28
UK	61	-1.7	3	-20	-29
Large Spanish	75	-1.8	3	-32	-42
Medium Spanish	152	-2.4	4	-13	0
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	155	-0.4	-2	-8	-18
EZ Non-financial	89	-1.4	0	-36	-28
UK Non-financial	115	-2.0	-1	-8	-10
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.13	0.00	0.0	0.0	0.0
Libor 3m	1.18	0.00	0.0	0.0	0.2
Libor 12m	1.75	0.00	0.0	0.0	0.1
EZ TED spread 3m	53.9	0.10	-0.7	6.7	-12.5
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,374	-1.1	-1.1	1	5
Dow Jones	29,729	-1.2	-1.0	0	4
Nikkei	19,815	-0.5	-0.4	8	1
FTSE 100	7,503	-0.2	1.6	2	4
Eurostoxx 50	3,505	-1.6	-1.7	4	8
IBEX	10,786	-1.8	-2.3	4	14
DAX	12,632	-1.4	-1.0	4	9
CAC	5,318	-1.6	-1.5	5	9
MBI	21,284	-2.3	-1.2	8	8
ASE Athens	789	0.0	-0.4	15	20
MSCI Latam *	80,046	0.0	2.3	6	9
Bovespa (Brazil)	67,261	-1.3	0.6	5	10
Moodi	48,894	-1.1	-2.1	0	5
MSCI EM Europe *	4,993	-0.1	0.0	5	-1
Poland	2,302	-1.6	-3.2	3	15
Misc (Russia)	1,994	0.1	-1.7	3	-12
Ise 100 (Turkey)	95,725	-0.5	-0.5	6	26
MSCI EM Asia *	800	0.4	1.4	5	15
Shanghai Com (China)	3,104	-0.3	1.7	-4	-2
Jakarta (Indonesia)	5,615	-1.3	-1.4	0	6
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	114.7	-4.0	-3.1	0	-4
JPM	85.2	-2.7	-2.5	-1	-2
Citi	60.5	-3.2	0.1	2	-2
BoA	22.9	-4.4	-5.1	1	0
MS	41.5	-4.4	-3.8	0	-5
GS	217.0	-3.8	-3.5	4	-11
EZ banks	113.3	-2.7	-1.9	14	7
BNP	65.1	-3.1	-2.5	12	4
Credit Agricole	14.1	-2.1	-1.8	18	14
Deutsche Bank	16.9	-3.5	-3.6	11	3
ING	15.0	-2.7	-2.3	9	8
Intesa	2.6	-1.5	-1.8	15	10
SG	48.9	-2.8	-1.7	12	1
Unicredit	16.4	-4.3	1.7	27	17
UK banks	89.3	-0.5	0.6	7	2
HSBC	678.3	-1.3	1.1	5	1
RBS	236.6	-1.7	-1.7	13	10
Barclays	209.5	-1.0	-0.2	-1	-11
Lloyds	71.5	2.0	2.3	14	10
Large Spanish banks	89.1	-2.4	-3.1	7	14
Santander	6.0	-2.9	-2.9	9	16
BBVA	7.3	-1.9	-3.3	6	12
Medium Spanish banks	22.1	-3.2	-4.6	8	12
Cajabank	4.2	-3.9	-2.3	11	27
Popular	0.7	-4.2	-20.9	9	-32
Sabadell	1.8	-3.5	-3.7	13	30
Banquepar	0.2	-1.6	3.8	5	9
Bankia	1.1	-4.3	-5.0	4	3
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD	1.11	0.4	2.4	4.6	6
GBP/USD	1.29	0.2	0.0	3.0	5
USD/JPY	111.44	1.5	2.5	2.3	-5
DX	97.69	-0.4	2.0	2.6	5
Emerging					
level	Daily	Weekly	Monthly	Year	
USD/ARS (Argentina)	15.62	-0.2	-0.7	-2.8	3
USD/BRL (Brazil)	3.10	-0.2	2.0	-0.1	4
USD/CLP (Chile)	668.51	-0.3	0.5	-3.5	0
USD/COP (Colombia)	2861	-0.9	1.8	-1.3	3
USD/MXN (Mexico)	18.63	0.0	2.0	-0.7	13
USD/PEN (Peru)	3.27	-0.3	0.7	-0.6	3
LACI	65.89	-0.1	1.5	-1.0	7
USD/PLN (Poland)	3.26	0.2	2.9	5.7	10
USD/RUB (Russia)	56.89	-0.5	1.0	-1.7	6
USD/TRY (Turkey)	3.56	-0.6	0.7	3.8	0
USD/CNY (China)	6.86	0.1	0.4	0.0	1
USD/INR (India)	64.16	-0.1	0.7	0.6	6
USD/IDR (Indonesia)	13,324	-0.2	0.3	-0.3	1
ADXY	105.8	-0.1	0.6	0.3	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	52.5	1.6	4.5	-5	-7
WTX	49	1.4	4.2	-6	-7
Copper	253	-0.5	1.8	-2	-1
Gold	1256	1.6	3.0	-2	8
S&P Spot commodity *	382	-0.2	1.7	-4	-4
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Source: Bloomberg, Datastream and Haver

\* With one day delay

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