

# Market Comment | Weak US data weigh on yields ahead of today's FOMC meeting

Global Financial Markets Unit

14 Jun 2017

- **US yields fell and the US dollar depreciated ahead of the FOMC meeting, underpinned by the release of worse-than-expected data in the US.** Weak US retail sales and inflation data in May could increase doubts about whether seasonal factors were the main driver behind 1Q's mild slowdown or whether "cyclical" reasons were behind it. In today's FOMC meeting - which is expected to raise interest rates - the monetary authority could comment on the recent slower pace of job creation and inflation prints, among others things. Furthermore markets are expecting some hints about the future pace of tightening and balance sheet normalization.
- **IEA updated its forecast and warned about excess oil inventories**, which are expected to last at least until 2018. Although global demand is likely to outpace supply during the second part of 2017, the large volume accumulated in inventories will persist. The organization revised upwards both demand (driven by China and India) and supply (mostly explained by production from the US and other non-OPEC countries). ([see](#))
- **The sharp drop in US yields (-10bps) also drove European yields lower across the board.** The US equity market opened broadly steady, close to a record high achieved yesterday ahead of today's FOMC meeting. On the other hand, the jump in the euro weighed on the European equity market, which trimmed early gains. The banking sector fell across the board, dragged by the weak data in the US.
- **EM currencies appreciated - despite the sharp fall in oil (-3%) - benefiting from the weakness of the USD.** The upward revision of China's GDP for this year (6.7%) by the IMF could also boost EM currencies ([see](#))

Update 16 CET 14 June, 2017

Table 1

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.29	-6.9	-12.2	0	-9
US	2.11	-9.9	-6.1	-23	-33
Germany	0.69	1.1	3.3	-1	9
France	0.58	-2.5	-11.1	-30	-23
Spain	1.38	-5.5	-18.7	-25	-13
Italy	1.94	-4.1	-36.0	-34	7
Portugal	2.85	-10.3	-25.1	-53	-133
Greece	5.80	-3.8	-24.2	13	-108
Japan (2-yr)	0.11	-0.8	0.4	6	8
Japan	0.07	2.3	2.6	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.61	14.8	-22.5	58	60
Chile	4.08	0.2	3.5	-8	-25
Colombia	6.24	0.2	10.6	-11	-85
Mexico	7.01	-8.0	-10.0	-18	-63
Peru	5.42	-1.5	0.1	-8	-105
Poland	3.13	-4.5	-6.7	-23	-59
Russia	7.26	-0.9	-0.4	4	-68
Turkey	10.23	-9.0	0.0	-11	-77
India	6.47	-2.0	-9.3	-34	9
Indonesia	6.88	-2.5	-5.3	-17	-95
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	36	1.4	-6.9	-10	-18
Italy	171	-0.2	-31.8	-14	12
Portugal	262	-6.4	-20.9	-34	-100
Spain	115	-1.6	-14.5	-6	0
2-yr sovereign spread vs Germany					
France	20	-0.6	-1.3	-6	9
Italy	42	-1.7	-7.9	-10	-19
Portugal	76	-1.1	-18.6	-28	-71
Spain	40	-0.9	-6.0	-3	-8
Emerging Markets					
5-yr sovereign CDS *					
Brazil	233	-2.8	-1	33	-39
Chile	67	-1.0	-2	-6	-15
Colombia	122	-2.7	-2	-7	-41
Mexico	108	-2.2	-3	-11	-49
Peru	84	-2.8	-7	-15	-24
Venezuela	4,482	89.6	656	751	577
Poland	63	-0.1	-3	-4	-13
Russia	158	2.2	7	4	-18
Turkey	185	-2.1	-7	-21	-88
China	67	-2.4	-8	-12	-50
India	91	-0.8	-3	-6	-36
Indonesia	113	-4.2	-8	-15	-43
Risk indicators					
Volatility indicators (%)					
VIX	11	0.0	3	3	1
VST OXX	14	2.9	5	-2	-3
EM EFT volatility Index	15	-4.9	5	-5	-24
Dollar/Euro volatility	6	7.1	9	-12	-38
EM FX volatility index	8	-1.3	6	2	-31
Credit spread (BAA) (bps)	231	9.9	7	-4	4
US bonds volatility index	52	-1.2	-6	-9	-32
Defaulting 5Y CDS (bps) *					
US	56	-2.5	-5	1	-16
EZ	71	-3.4	-12	-11	-37
UK	58	-2.8	-10	-5	-32
Large Spanish	67	-5.6	-23	-10	-80
Medium Spanish	115	-2.5	-82	-40	-36
Corporate 5Y CDS (bps) *					
US Non-financial	149	-2.5	-5	1	-16
EZ Non-financial	83	-3.4	-12	-11	-37
UK Non-financial	114	-0.2	-2	-4	-11
Interbank markets (% changes in bp)					
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	-0.15	0.00	0.0	0.0	-0.1
Libor 3m	1.25	0.00	0.0	0.1	0.2
Libor 12m	1.74	0.00	0.0	0.0	0.0
EZ TED spread 3m	53.5	-0.60	1.8	0.3	-12.9
Stock markets (%)					
Main indices					
S&P500	2,438	-0.1	0.2	1	7
Dow Jones	21,340	0.1	0.8	2	7
Nikkei	19,884	-0.1	0.5	0	1
FTSE 100	7,474	-0.3	0.1	0	-4
EuroStoxx 50	3,548	-0.3	0.0	-3	7
BSE	10,776	-1.0	0.9	-2	14
DAX	12,806	0.3	1.1	0	11
CAC	5,243	-0.4	-0.4	-3	7
MIB	20,961	0.6	1.1	-3	7
ASE Athens *	801	0.5	3.4	2	22
MSCI Latam *	75,236	0.2	-1.2	-5	3
Bovespa (Braz)	62,079	0.4	-1.7	-8	11
Moex	49,255	0.5	0.0	-1	6
MSCI EM Europe *	4,814	-0.2	0.2	-3	-5
Poland	2,296	-0.3	-0.5	-3	15
Mircex (Russia)	1,838	-1.2	-1.6	-8	-19
Ise 100 (Turkey)	99,636	0.3	2.1	4	31
MSCI EM Asia *	815	0.2	0.1	3	17
Shanghai Com (China)	3,121	-0.7	-0.3	-1	-1
Jakarta (Indonesia)	5,793	1.8	1.5	2	10
Banking sector					
US banks					
JPM	119.5	-1.4	3.1	0	0
Citi	86.2	-1.9	2.7	1	-1
Chf	63.8	-1.4	3.1	4	4
BofA	23.3	-1.9	3.2	-3	2
MS	44.5	-1.5	2.7	2	2
GS	223.0	-0.5	3.3	-1	-8
EZ banks	108.8	-1.4	0.5	-7	3
BNP	62.4	-1.5	-1.7	-7	-1
Credit Agricole	13.9	-1.5	0.6	-4	13
Deutsche Bank	15.3	-1.9	-1.4	-13	-6
ING	15.0	-1.4	-0.1	-2	8
Intesa	2.6	-0.3	1.3	9	1
SG	46.4	-1.5	-1.6	-8	-4
Unicredit	15.9	-2.2	2.2	-7	13
UK banks	87.1	-1.1	-1.8	-2	-1
HSSC	680.7	-1.1	0.2	-1	2
RBS	249.9	-0.9	-2.0	-5	7
Barclays	203.5	-1.8	-2.2	-3	-13
Lloyds	67.9	-1.0	-3.1	-2	5
Large Spanish banks	88.9	-1.8	1.3	-3	14
Santander	5.9	-2.1	3.1	-3	16
BBVA	7.3	-1.4	-0.3	-2	13
Medium Spanish banks	78.1	-1.3	-2.8	-8	7
Cakabank	4.0	-2.2	-3.5	-6	22
Sabell	1.7	-0.6	-2.1	-7	26
Bankinter	8.1	-1.2	-1.1	-3	8
Banika	4.1	-1.5	-5.5	-8	0
Currencies (% red for currency depreciation)					
Developed					
EURUSD	1.13	0.6	0.2	2.7	8
GBPUSD	1.28	0.4	-1.2	0.7	4
USD JPY	109.16	0.8	0.6	-4.1	-7
DXY	96.41	-0.6	-0.5	2.5	6
Emerging					
USDARS (Argentina)	15.86	0.2	0.8	-2.1	1
USD BRL (Brazil)	3.27	1.2	-0.1	-5.3	-2
USD CLP (Chile)	659.97	0.2	1.4	1.2	2
USD COP (Colombia)	2925	0.3	-0.3	-1.1	2
USD MXN (Mexico)	17.93	0.7	1.6	4.1	16
USD PEN (Peru)	3.27	0.2	0.0	0.1	3
LACI	65.51	0.7	0.7	-0.3	6
USD PLN (Poland)	3.72	0.6	0.5	2.8	11
USD RUB (Russia)	57.13	-0.2	-0.1	-1.4	5
USD TRY (Turkey)	3.48	1.1	1.9	1.9	3
USD CNY (China)	6.79	0.1	0.1	1.5	2
USD INR (India)	64.30	0.1	0.1	-0.4	6
USD IDR (Indonesia)	12,277	0.1	0.2	0.2	1
ADXY	106.7	0.3	0.2	0.9	3
Commodities (%)					
Brent	46.9	-3.7	-2.4	9	-17
WTI	45	-3.8	-2.3	9	-16
Copper	258	-0.5	1.2	2	1
Gold	122.7	0.8	-0.8	-4	10
S&P Spot commodity *	370	0.4	0.8	-3	-7
S&P Brent Spot *	417	1.0	1.9	-6	-13
S&P Metals Spot *	313	0.5	0.6	-1	-3
S&P Agricultural *	290	0.9	0.8	0	-3



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GER (2-yr)	-0.69	1.1	3.3	-1	9
Germany	0.23	-3.9	-4.2	-19	-5
France	0.58	-2.5	-1.1	-30	-23
Spain	1.38	-5.5	-18.7	-25	-13
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Poland	3.13	-4.5	-6.7	-23	-59
Russia	7.76	-0.9	0.4	4	-68
Turkey	10.23	-0.0	0.0	-11	-77
India	6.47	-2.0	-9.3	-34	9
Indonesia	6.89	-0.4	-5.3	-17	-95
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Euribor 12m	0.15	0.00	0.0	0.0	-0.1
Libor 3m	1.25	0.00	0.0	0.1	0.2
Libor 12m	1.74	0.00	0.0	0.0	0.0
EZ TED spread 3m	53.5	-0.60	1.8	-0.3	-12.9
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
<b>Main Indices</b>					
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Isr 100 (Turkey)	99,636	0.3	2.1	4	31
MSCI EM Asia *	815	0.2	0.1	1	17
Shanghai Com (China)	3,131	-0.7	-0.3	1	-1
Jakarta (Indonesia)	5,793	1.8	1.5	2	10
Emerging Sector					
level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>					
JPM	86.2	-1.3	2.7	-1	-1
Citi	63.8	-1.4	3.1	4	4
BofA	23.3	-1.9	3.2	-2	2
MS	44.5	-1.5	2.7	2	2
GS	223.0	-0.5	3.3	-1	-8
EZ banks	108.8	-1.4	-0.5	-7	3
BNP	62.4	-1.5	-1.7	-7	-1
Crédit Agricole	13.9	-1.5	-0.6	-4	13
Deutsche Bank	15.3	-1.9	-1.4	-13	-6
ING	15.0	-1.4	-0.1	-2	8
Intesa	2.6	-0.3	1.3	9	1
SG	46.4	-1.5	-1.6	-8	-4
Unicredit	15.9	-2.2	2.2	-7	13
UK banks	87.1	-1.1	-1.6	-2	-1
HSBC	680.7	-1.1	-0.2	-1	2
RBS	249.9	-0.9	-2.0	-5	7
Barclays	203.5	-1.4	-2.2	-3	-13
Lloyds	67.9	-1.0	-3.1	-2	5
Large Spanish banks	88.9	-1.8	1.3	-3	14
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CajaBank	4.0	-2.2	-3.5	-6	22
Sabobal	1.7	-0.6	-2.1	-7	26
Bankinter	8.1	-1.2	-1.1	-3	8
Bankia	4.1	-1.5	-5.5	-8	0
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.13	0.6	0.2	2.7	9
GBPUSD	1.28	0.4	-1.2	-0.7	4
USD JPY	109.16	0.8	0.6	-4.1	-7
DKK	96.41	-0.6	-0.3	2.5	6
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.86	0.2	0.8	-2.1	1
USD BRL (Brazil)	3.27	1.2	0.1	-5.3	-2
USD CLP (Chile)	659.97	0.2	1.4	1.2	2
USDCOP (Colombia)	2925	0.3	0.3	-1.1	2
USDMXN (Mexico)	17.93	0.7	1.6	4.1	16
USD PEN (Peru)	3.27	0.2	0.0	-0.1	3
LACI	65.51	0.7	0.7	-0.3	6
USD PLN (Poland)	3.72	0.6	0.5	2.8	11
USD RUB (Russia)	57.13	-0.2	0.1	-1.4	5
USD TRY (Turkey)	3.48	1.1	1.9	1.9	5
USDCNY (China)	6.79	0.1	0.1	1.5	2
USD INR (India)	64.30	0.1	0.1	-0.4	6
USD IDR (Indonesia)	13,277	0.1	0.2	0.2	1
ADXY	106.7	0.3	0.2	0.9	3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
<b>Brent</b>					
WTX	46.9	-3.7	-2.4	-9	-17
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Source: Bloomberg, Datastream and Haver

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\* With one day delay

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