

Market Comment | Calm lingers on financial markets despite the drop in oil prices

Global Financial Markets Unit
23 Jun 2017

- **Financial markets remained calm** during this week (major developed country assets did not register significant changes), despite the sharp drop in oil prices sending oil into bear market territory according to some investors.
- Oil prices dropped on the back of increasing jitters about a supply glut in the oil market, as the increase in US oil production overshadowed the recent curb on OPEC oil production ([see](#)). Notably, the decline in oil prices sent **inflationary expectations** both in the EZ and the US to pre-US election levels. Moreover, oil prices dragged down energy stocks, which were the worst performers both in US and in Europe.
- The fall in oil prices also weighed on **EM currencies**, especially the RUB and the COP, both Russia and Colombia being important oil exporting countries. The ARS depreciated significantly after MSCI's decision not to upgrade Argentina to emerging market **status** ([see](#)), although it recovered partially afterwards. Meanwhile, the MXN barely moved after Banxico hiked interest rates by 25 bps ([see](#)).
- **Emmanuel Macron's Party secured a wide majority** in the French parliament to push long-awaited reforms ([see](#)). The market reaction was not significant: European sovereign bond yields declined mildly during the week, while the EUR and European equities remained unchanged. **Eurozone preliminary PMI data** also did not trigger market reaction, despite suggesting a lower-than-expected level in the composite index, on the back of lower activity in the services sector ([see](#)).
- A number of **Fed speakers showed a slightly hawkish tone**, as **Kaplan** considered the recent discouraging US economic data as transitory ([see](#)), **Dudley** laid out an upbeat assessment of the economy ([see](#)) and **Rosengren** said that low interest rates posed financial stability risks ([see](#)). However, US Treasury yields and the USD only inched up during the week, as investors remained concerned about the discouraging US economic data.
- **MSCI's** review process also covered **the inclusion of Chinese mainland stocks** in its global benchmark equity index ([see](#)), but market reaction was muted as they represent a very small proportion in the index and there is a long procedure to implement.
- **No important movements in UK's assets amid Brexit negotiations**, a two-year process to reach an agreement ([see](#)). For now, Theresa May promised that EU citizens can stay post-Brexit if they have lived in the UK for 5 years ([see](#)).

BBVA Research suggests the following reading list:

- Author's Note: Oil on Bearish Waters ([see](#))
- Agreement on emergency liquidity assistance ([see](#))

- Spain's reforms point the way for southern Europe ([see](#))
- Inevitable Chinese slowdown 'a myth' ([see](#))

Update 18 CET 23 June, 2017

Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.34	0.0	2.5	6	13
US	2.15	0.7	0.3	10	28
GER (2-yr)	-0.62	0.5	3.6	3	15
Germany	0.25	0.2	-2.2	-15	-2
France	0.60	0.4	-2.8	23	-21
Spain	1.38	-0.2	-7.2	-23	-13
Italy	1.92	1.2	-6.7	-22	5
Portugal	2.92	-3.3	0.4	31	-125
Greece	5.49	-8.0	-19.0	-57	-139
Japan (2-yr)	-0.10	0.1	1.6	6	9
Japan	0.06	0.1	0.4	1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.71	0.7	25.0	-25	-71
Chile	4.06	-0.5	0.0	6	26
Colombia	6.48	-0.1	6.1	15	61
Mexico	6.78	3.7	-8.1	-54	-86
Peru	5.38	0.0	-0.3	18	-109
Poland	3.23	1.7	8.0	-13	-49
Russia	7.88	-5.1	-11.2	12	-56
Turkey	10.17	3.0	-5.0	15	93
India	6.46	0.1	-2.9	-22	8
Indonesia	6.83	0.0	0.7	-12	-101
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	0.2	-0.6	8	-18
Italy	167	1.0	-4.5	-7	7
Portugal	267	-3.5	2.6	-16	-95
Spain	113	-0.4	-5.0	8	-3
2-yr sovereign spread vs Germany					
France	16	0.4	-2.7	5	6
Italy	43	0.0	-4.7	0	-19
Portugal	72	2.8	-3.1	-26	-75
Spain	34	-1.0	-4.7	-6	-14
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	239	-4.7	6	2	-33
Chile	67	-3.7	-1	4	-16
Colombia	135	-5.1	11	10	29
Mexico	112	-3.7	5	-1	-44
Peru	86	-2.1	1	9	-22
Venezuela	4,475	-40.1	-70	704	570
Poland	61	-0.7	-1	-4	-14
Russia	174	-0.3	10	25	-2
Turkey	188	3.8	4	-13	-84
China	71	1.9	4	7	-46
India	92	1.7	3	-5	-35
Indonesia	118	0.4	4	-6	-38
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	-1.4	0	3	-2
VSTOXX	14	2.7	5	4	-2
EM EFT volatility index	14	0.0	-11	-15	-32
Dollar-denominated volatility	6	-0.9	-1	26	-45
EM FX volatility index	8	-3.0	-1	8	-32
Credit spread (BAA) (bps)	216	-0.7	-4	-10	-12
US bonds volatility index	51	-1.0	-1	6	-33
Emerging 5y CDS (bps) *					
US	56	-0.4	-2	-1	-16
EZ	65	-4.8	-6	-13	-43
UK	45	-11.6	-13	-16	-45
Large Spanish	61	-6.8	8	19	-56
Medium Spanish	109	-3.4	-6	-44	-43
Corporate 5y CDS (bps) *					
US Non-financial	145	-0.4	-2	-1	-16
EZ Non-financial	81	-4.8	-6	-13	-43
UK Non-financial	113	0.7	0	-2	-11
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
LOMA 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	-0.16	0.00	0.0	0.0	0.1
Libor 3m	1.29	0.00	0.0	0.1	0.3
Libor 12m	1.74	0.00	0.0	0.0	0.0
EZ TED spread 3m	45.7	-4.70	-6.8	-7.7	-20.7
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,435	0.0	0.1	1	7
Dow Jones	21,370	-0.1	-0.1	2	7
Nikkei	20,133	0.1	0.9	2	3
FTSE 100	7,426	-0.2	0.5	-1	3
EuroStoxx 50	3,537	-0.5	-0.2	-1	7
IBEX	10,622	-0.8	-1.3	3	12
DAX	12,705	-0.7	-0.4	0	10
CAC	5,260	-0.4	-0.1	-2	7
MIB	20,809	-0.6	-0.6	-3	6
ASE Athens	818	0.4	1.5	7	24
MSCI Latam *	74,693	0.4	-0.8	-1	2
Ibovespa (Brazil)	61,369	0.2	-0.4	-3	0
Ibex35	49,017	0.0	-0.4	-1	5
MSCI EM Europe *	4,799	0.1	1.1	-3	5
Poland	2,310	0.1	0.3	-1	16
Moscú (Russia)	1,866	0.3	2.4	-4	-18
Ise 100 (Turkey)	99,770	-0.3	1.6	1	31
MSCI EM Asia *	823	0.2	1.6	3	18
Shanghai Com (China)	3,158	0.3	1.1	3	0
Jakarta Indonesia	5,830	0.2	0.9	2	10
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	87.0	0.0	1.0	2	0
Cit	63.6	0.0	-0.4	2	4
BofA	22.9	0.0	-2.1	-2	0
MS	44.6	0.0	0.3	5	2
GS	219.8	0.0	-0.9	-2	-10
EZ banks					
BNP	106.1	-0.4	-0.3	-6	2
Crédit Agricole	13.8	-0.4	-0.3	-5	12
Deutsche Bank	15.0	-0.6	-0.3	-12	-8
ING	14.9	-0.1	-1.3	-1	7
Intesa	2.6	0.3	2.6	-2	3
SG	46.0	-0.9	-1.1	-8	-5
Unicredit	35.8	-0.6	0.4	-7	12
UK banks					
HSC	683.8	0.0	0.5	2	2
RBS	245.8	-0.4	-1.6	-8	5
Barclays	196.5	0.2	-3.3	9	-16
Lloyds	66.8	-0.3	-2.6	-8	3
Large Spanish banks					
Santander	87.5	-1.0	-1.0	-2	12
BBVA	5.8	-1.2	-1.1	-1	13
Cajabank	7.3	-0.8	-0.8	-3	12
Medium Spanish banks					
CaixaBank	77.3	-1.3	-1.3	-7	6
Subeol	4.0	-2.2	-1.7	-6	23
Bankinter	1.7	-1.9	-1.9	-8	25
Bankia	8.0	-0.5	-1.7	-4	6
Banque	4.0	-0.8	0.3	5	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.12	0.5	-0.1	-0.3	7
GBPUSD	1.27	0.3	-0.5	-2.0	3
USDJPY	111.26	0.1	-0.3	-0.2	-5
DKK	93.39	-0.2	0.2	-0.2	5
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS	16.13	0.1	-0.5	-0.3	0
USD BRL (Brazil)					
USD BRL	3.34	0.2	-1.3	-1.8	-4
USD CLP (Chile)					
USD CLP	662.70	0.1	0.2	1.4	1
USD COP (Colombia)					
USD COP	301.3	0.5	-1.3	-3.6	-1
USD MXN (Mexico)					
USD MXN	18.02	0.5	-0.6	-2.3	16
USD PEN (Peru)					
USD PEN	3.26	0.0	0.4	0.2	4
LAC					
LAC	64.73	0.1	-0.6	-0.2	5
USD PLN (Poland)					
USD PLN	3.78	0.4	-0.6	-1.6	9
USD RUB (Russia)					
USD RUB	59.67	0.5	-3.5	-5.6	1
USD TRY (Turkey)					
USD TRY	3.51	0.0	-0.2	1.4	2
USD CNY (China)					
USD CNY	6.84	0.0	0.4	0.8	1
USD INR (India)					
USD INR	64.52	0.1	-0.1	0.3	5
USD IDR (Indonesia)					
USD IDR	13,307	0.1	-0.1	0.0	1
ADNY	106.0	0.1	-0.3	0.1	3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	45.3	0.2	-4.3	-16	-20
WTI	43	0.2	-4.3	-17	-20
Copper	263	1.4	2.8	2	3
Gold	1257	0.5	0.3	0	8
S&P Spot commodity *					
S&P Spot commodity *	353	-0.1	-3.2	-10	-11
S&P Brent Spot *					
S&P Brent Spot *	386	0.8	-4.7	-16	-20
S&P Metals Spot *					
S&P Metals Spot *	318	0.4	1.9	0	4
S&P Agricultural *					
S&P Agricultural *	281	-1.5	-4.0	-2	6

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UK Non-financial	113	0.7	0	-2	-11
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	0.26	0.00	0.0	0.0	0.0
Euribor 3m	0.33	0.00	0.0	0.0	0.0
Euribor 12m	0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.29	0.00	0.0	0.1	0.3
Libor 12m	1.74	0.00	0.0	0.0	0.0
EZ TED spread 3m	45.7	-4.70	-6.8	-7.7	-20.7
Stock markets (%)					
Main Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,435	0.0	0.1	1	7
Dow Jones	21,370	-0.1	0.1	2	7
Nikkei	20,133	0.1	0.9	2	3
FTSE 100	7,426	-0.2	0.5	-1	3
EuroStoxx 50	3,537	-0.5	0.2	-1	7
IBEX	10,622	-0.8	-1.3	-3	12
DAX	12,706	-0.7	-0.4	-1	10
CAC	5,260	-0.4	-0.1	-2	7
MIIB	20,809	-0.6	-0.6	-3	6
ASE Athens	818	0.4	1.5	7	24
MSCI Latam *	74,693	0.4	0.8	-1	2
Ibovespa (Brazil)	61,369	0.2	-0.4	-3	0
Mexbol	49,017	0.0	0.4	-1	5
MSCI EM Europe *	4,799	0.1	1.1	-1	5
Poland	2,310	0.1	0.3	-1	16
Miox (Russia)	1,866	0.3	2.4	-4	-18
Isr 100 (Turkey)	99,770	-0.3	1.6	1	31
MSCI EM Asia *	823	0.2	1.6	3	18
Shanghai Com (China)	3,158	0.3	1.1	3	0
Jakarta (Indonesia)	5,830	0.2	0.9	2	10
Emerging sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	87.0	0.0	1.0	2	0
Citi	63.6	0.0	-0.4	2	4
BofA	22.9	0.0	2.1	-2	0
MS	44.6	0.0	0.3	5	2
GS	219.8	0.0	0.9	-2	-10
EZ banks					
108.1	-0.4	-0.3	-6	-2	
BNP	61.4	-0.9	-1.1	-8	-2
Crédit Agricole	13.8	-0.4	-0.3	-5	12
Deutsche Bank	15.0	-0.6	0.3	-12	-8
ING	14.9	-0.1	-1.3	-1	7
Intesa	2.6	0.3	2.6	-2	3
SG	46.0	-0.9	-1.1	-8	-5
Unicredit	15.8	-0.6	0.4	-7	12
UK banks					
85.9	-0.1	-1.0	-5	-2	
HSBC	683.8	0.0	0.5	2	2
RBS	245.8	-0.4	-1.6	-8	5
Barclays	196.5	0.2	3.3	-9	-16
Lloyds	66.8	-0.3	-2.6	-8	3
Large Spanish banks					
87.5	-1.0	-1.0	-2	12	
Santander	5.8	-1.2	-1.1	-1	13
BBVA	7.3	-0.8	0.8	-3	12
Medium Spanish banks					
77.3	-1.3	-1.3	-7	6	
CajaBank	4.0	-2.2	-1.7	-6	23
Sabadell	1.7	-1.9	-1.9	-8	25
Bankinter	8.0	-0.5	-1.7	-4	6
Bankia	4.0	-0.8	0.3	-5	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
1.12	0.3	-0.1	-0.3	7	
GBPUSD					
1.27	0.3	0.5	-2.0	3	
USD JPY					
111.26	0.1	-0.3	-0.2	-5	
TRY					
97.39	-0.2	0.2	-0.2	5	
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
16.13	0.1	-0.5	-0.3	0	
USD BRL (Brazil)					
3.34	0.2	1.3	-1.8	-4	
USD CLP (Chile)					
662.70	0.1	0.2	1.4	1	
USD COP (Colombia)					
3013	0.5	-1.3	-3.6	-1	
USD MXN (Mexico)					
18.02	0.5	-0.6	2.3	16	
USD PEN (Peru)					
3.26	0.0	0.4	0.2	4	
LACI					
64.73	0.1	0.6	-0.2	5	
USD PLN (Poland)					
3.78	0.4	-0.6	-1.6	9	
USD RUB (Russia)					
59.67	0.5	-3.5	-5.6	1	
USD TRY (Turkey)					
3.51	0.0	-0.2	1.4	2	
USD CNY (China)					
6.84	0.0	0.4	0.8	1	
USD INR (India)					
64.52	0.1	-0.1	0.3	5	
USD IDR (Indonesia)					
13.307	0.1	0.1	0.0	1	
ADXY					
106.0	0.1	-0.3	0.1	3	
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
45.3	0.2	-4.3	-16	-20	
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263	1.4	2.8	2	3	
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S&P Agricultural *					
281	-1.5	-4.0	-2	-6	

Source: Bloomberg, Datastream and Haver

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* With one day delay

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