

Market Comment | European banks rally

Global Financial Markets Unit

26 Jun 2017

- Financial markets started the week on a positive note in the Eurozone, on the back of positive confidence data and despite the liquidation of some Italian banks. Financial markets priced in the resolution of Italian banks positively.
- **Italian stocks outperformed, led mainly by the banking sector**, with major bank stocks rallying after the Italian government announced a EUR 17 bn rescue of two struggling banks: Banca Popolare di Vicenza and Veneto Banca. These banks would be acquired by Intesa bank ([see](#)). CDS markets also reflected the positive mood, with the CDS for both financial senior and subordinated debt narrowing across the board in Europe. Although the Italian Government will provide EUR 4.8bn in loans and EUR 12 bn in guarantees, the Italian risk premium slightly narrowed during the session.
- Regarding the political field, local Italian elections pointed to stronger-than-expected support for centre-right parties, ahead of that for Renzi's Democratic Party ([see](#)).
- **European stocks rose across the board**, reflecting the optimism injected by the Italian banking rescue plan, and also due to higher-than-expected German IFO confidence data ([see](#)). Reports on corporate transactions also boosted equities.
- **US Treasury yields inched down**, as investors started to have doubts about a potential Fed rate hike this year as US Core Durable Goods Orders missed expectations ([see](#)). Atlanta FED GDP now also left its forecast at 2.9% for the second quarter ([see](#)).
- **Oil prices were very volatile**, swinging between gains and losses and ending up higher, but hovering around low levels ([see](#)). In this sense, EM currencies appreciated across the board.

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Table 1

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.34	-0.4	-2.0	4	12
US	2.12	1.8	-6.3	-13	-31
GER (2-yr)	0.62	0.4	3.3	5	15
Germany	0.25	-1.0	-3.6	-12	-33
France	0.60	-1.0	-3.2	-20	-21
Spain	1.38	-0.4	-7.1	-21	-14
Italy	1.90	-1.7	-5.5	-22	3
Portugal	2.93	0.7	5.8	-26	-124
Greece	5.42	-0.4	-21.4	-63	-147
Japan (2-yr)	0.10	-0.3	0.4	6	9
Japan	0.05	-0.1	0.4	1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.65	-5.2	27.4	-26	-77
Chile	4.05	0.0	-3.9	-6	-28
Colombia	6.47	0.0	4.9	12	62
Mexico	6.65	-6.5	21.9	-66	-99
Peru	5.36	-3.6	0.8	-18	-111
Poland	3.20	-3.7	3.5	-13	-51
Russia	7.86	4.3	115.3	13	-58
Turkey	10.16	0.0	-1.0	-13	-84
India	6.46	0.0	0.7	-20	8
Indonesia	6.83	0.6	4.1	-12	-101
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	0.0	0.4	-8	-18
Italy	165	-0.7	-1.9	-10	6
Portugal	269	1.7	9.4	-15	-93
Spain	113	0.6	-3.5	-9	-2
2-yr sovereign spread vs Germany					
France	16	-1.0	-2.2	-4	6
Italy	44	-0.9	-2.5	-6	-18
Portugal	75	2.6	8.9	-22	-72
Spain	34	-0.5	-2.8	-6	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	236	-2.2	1	4	-35
Chile	66	-0.8	-3	-4	-16
Colombia	132	-2.4	3	10	-31
Mexico	111	-1.4	0	-1	-46
Peru	84	-1.4	-1	-9	-24
Venezuela	4,443	-32.3	-115	925	538
Poland	62	0.5	0	-3	-13
Russia	169	-5.2	5	22	8
Turkey	187	-1.2	0	-11	-85
China	69	-2.1	2	-11	-48
India	91	-1.9	2	-7	-36
Indonesia	115	-3.4	0	-10	-41
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	1.0	-4	-1	-2
VST OXX	14	-4.0	5	-2	-3
EM EFT volatility Index	14	7.5	4	-9	-29
Dollar/Euro volatility	6	-0.6	-1	-20	-46
EM FX volatility index	7	-1.1	-1	-9	-33
Credit spread (BAA) (bps)	218	1.8	0	-8	-10
US bonds volatility index	51	0.1	-1	-6	-33
Downing 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	55	-0.6	-1	-1	-17
EZ	61	-4.2	-10	-18	-47
UK	40	-5.3	-18	-22	-50
Large Spanish	57	-3.8	-12	-26	-60
Medium Spanish	106	-2.4	-8	-50	-45
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	144	-0.6	-1	-1	-17
EZ Non-financial	80	-4.2	-10	-18	-47
UK Non-financial	113	-0.5	0	-2	-12
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	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.29	0.00	0.0	0.0	0.3
Libor 12m	1.73	0.00	0.0	0.0	0.0
EZ TED spread 3m	47.5	1.80	5.6	5.1	18.9
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,442	0.1	0.5	1	8
Dow Jones	21,833	0.2	0.4	2	7
Nikkei	20,153	0.1	0.4	2	3
FTSE 100	7,447	0.3	1.0	-1	-4
EuroStoxx 50	3,562	0.5	-0.5	-1	7
BSE	10,697	0.6	-1.4	-7	13
DAX	12,771	0.3	0.9	1	10
CAC	5,296	0.6	0.3	-1	8
IBEX	21,092	0.8	-0.1	-1	7
ASE Athens *	819	-0.2	0.3	6	25
MSCI Latam *	74,569	-0.2	0.8	-2	2
Ibovespa (Bovesp)	61,933	1.4	-0.1	-2	11
Moedex	49,188	0.4	0.0	0	6
MSCI EM Europe *	4,803	0.1	1.2	-3	-5
Poland	2,338	1.4	0.1	-1	17
Mircex (Russia)	1,860	-0.4	0.6	-4	-18
Ise 100 (Turkey)	99,639	0.0	0.3	2	31
MSCI EM Asia *	824	0.0	1.5	3	18
Shanghai Com (China)	2,165	0.9	1.3	2	1
Jakarta (Indonesia)	5,830	0.0	1.9	2	10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	118.4	0.9	2.8	1	-1
Citi	87.4	0.6	0.7	2	1
Chf	63.9	0.7	0.9	3	4
BoA	23.0	0.8	3.8	-1	0
MS	44.1	0.9	3.6	3	1
GS	220.2	1.4	-2.6	-1	-9
EZ banks					
BNP	109.4	1.2	0.2	-5	4
Credit Agricole	81.6	0.2	2.3	-7	-2
Deutsche Bank	13.9	0.7	-1.0	-4	-13
ING	15.0	0.9	-2.2	-11	-8
Intesa	15.0	0.5	-1.8	-1	8
SG	2.7	-3.5	6.4	2	7
Unicredit	46.6	1.1	-1.2	-7	-3
UK banks	16.1	2.2	2.3	-4	15
HSC	86.6	0.9	-1.8	-4	-1
HBS	688.9	1.2	0.4	3	3
RBS	249.8	1.7	-0.1	-6	7
Barclays	199.9	1.2	-3.3	-7	-15
Lloyds	66.5	-0.3	-3.2	-6	3
Large Spanish banks					
Santander	88.3	0.9	-1.4	-2	13
BBVA	5.8	0.9	-1.4	-1	14
Mediana Spanish banks	7.2	1.0	-1.3	-2	13
CaixaBank	77.9	0.8	-2.4	-6	7
Sabadell	4.1	1.1	-2.5	-4	24
Banqueparibas	1.7	1.5	-2.7	-6	26
Banque	8.0	0.4	-3.0	-3	6
Banque	4.0	0.4	-1.4	-3	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD					
EUR/USD	1.12	0.0	0.4	-0.1	-2
GBP/USD	1.27	0.1	-0.1	-1.2	3
USD/JPY	111.51	-0.2	0.0	-0.3	-5
DXY	97.28	0.0	-0.5	0.0	5
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)					
USDARS (Argentina)	16.26	-0.5	0.7	-1.1	-1
USD BRL (Brazil)					
USD BRL (Brazil)	3.21	0.9	-0.9	-1.1	-3
USD CIP (Chile)					
USD CIP (Chile)	660.95	0.1	0.1	1.3	2
USD COP (Colombia)					
USD COP (Colombia)	3022	0.0	-1.6	-3.6	-2
USD MXN (Mexico)					
USD MXN (Mexico)	17.89	0.6	0.4	3.3	17
USD PEN (Peru)					
USD PEN (Peru)	3.25	0.2	0.4	0.5	4
LACI					
LACI	65.00	0.6	0.3	0.6	6
USD PLN (Poland)					
USD PLN (Poland)	3.76	0.3	0.6	-0.9	10
USD RUB (Russia)					
USD RUB (Russia)	58.96	0.8	-0.8	-3.6	-2
USD TRY (Turkey)					
USD TRY (Turkey)	3.49	0.4	0.8	2.0	2
USD CNY (China)					
USD CNY (China)	6.84	-0.1	-0.3	0.4	1
USD INR (India)					
USD INR (India)	64.52	0.0	-0.1	0.2	5
USD IDR (Indonesia)					
USD IDR (Indonesia)	12,307	0.0	-0.2	-0.2	1
ADXY	106.0	0.0	-0.1	0.0	3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	45.9	0.8	-2.1	-11	-19
WTI	43	1.0	-1.7	-11	-18
Copper	262	-0.2	1.1	1	3
Gold	1245	-1.0	0.1	-1	7
S&P Spot commodity *	354	0.4	-2.1	-8	-11
S&P Brent Spot *	389	0.7	-2.9	-12	-19
S&P Metals Spot *	319	0.5	1.3	0	5
S&P Agricultural *	281	-0.1	-3.4	-2	6

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UK Non-financial	113	-0.5	0	-2	-12
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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	1.28	0.00	0.0	0.1	0.3
Libor 12m	1.73	0.00	0.0	0.0	0.0
EZ TED spread 3m	47.5	1.80	-5.6	-5.1	-18.9
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,442	0.1	0.5	1	8
Dow Jones	21,433	0.2	0.4	2	7
Nikkei	20,153	0.1	0.4	2	3
FTSE 100	7,447	0.3	-1.0	-1	4
EuroStoxx 50	3,562	0.5	0.5	-1	7
IBEX	10,697	0.6	-1.4	-2	13
DAX	12,771	0.3	-0.9	-1	10
CAC	5,296	0.6	-0.3	-1	8
MIIB	21,002	0.8	-0.1	-1	7
ASE Athens	819	-0.2	0.3	6	25
MSCI Latam *	74,569	-0.2	0.8	-2	2
Ibovespa (Brazil)	61,933	1.4	-0.1	-2	1
Mexbol	49,188	0.4	0.0	0	6
MSCI EM Europe *	4,803	0.1	1.2	-3	9
Poland	2,338	1.4	0.1	-1	17
Mixex (Russia)	1,860	-0.4	0.6	-4	-18
Isr 100 (Turkey)	99,039	0.0	0.3	2	31
MSCI EM Asia *	824	0.0	1.5	3	18
Shanghai Com (China)	3,185	0.9	1.3	2	1
Jakarta (Indonesia)	5,830	0.0	1.9	2	10
Emerging sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	87.4	0.6	-0.7	2	1
Citi	63.9	0.7	0.9	3	4
BofA	23.0	0.8	-3.8	-1	0
MS	44.1	0.9	-3.6	3	1
GS	220.2	1.4	2.6	-1	9
EZ banks					
BNP	109.4	1.2	-0.2	-5	4
Crédit Agricole	61.6	0.2	-2.3	-7	-2
Deutsche Bank	13.9	0.7	-1.0	-4	13
ING	15.0	0.9	2.2	-11	8
Intesa	15.0	0.5	-1.8	-1	8
Intesa	2.7	3.5	6.4	2	7
SG	46.6	1.1	-1.2	-7	-3
Unicredit	16.1	2.2	2.3	-4	15
UK banks					
HSBC	86.6	0.9	-1.8	-4	-1
RBS	688.9	1.2	-0.4	3	3
RBS	249.8	1.7	-0.1	-6	7
Barclays	199.9	1.2	3.3	-7	-15
Lloyds	66.5	-0.3	-3.2	-9	3
Large Spanish banks					
Santander	88.3	0.9	-1.4	-2	13
BBVA	5.8	0.9	-1.4	-1	14
CaixaBank	7.3	1.0	1.3	-2	13
Medium Spanish banks					
CaixaBank	77.9	0.8	-2.4	-6	7
Sabadell	4.1	1.1	-2.5	-4	24
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Bankinter	8.0	0.4	-3.0	-3	6
Bankia	4.0	0.4	-1.4	-3	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.12	0.0	0.4	-0.1	7
GBPUSD	1.27	0.1	-0.1	-1.7	3
USD JPY	111.51	-0.2	0.0	-0.3	-5
DKK	97.28	0.0	-0.3	0.0	5
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	16.26	-0.5	-0.7	-1.1	-1
USD BRL (Brazil)	3.31	0.9	0.9	-1.1	-3
USD CLP (Chile)	660.95	0.1	0.1	1.3	2
USD COP (Colombia)	3022	0.0	-1.6	-3.6	-2
USD MXN (Mexico)	17.89	0.6	0.4	3.3	17
USD PEN (Peru)	3.25	0.2	0.4	0.5	4
LACI	65.00	0.6	-0.2	0.6	6
USD PLN (Poland)	3.76	0.3	0.6	-0.9	10
USD RUB (Russia)	58.96	0.8	0.8	-3.6	2
USD TRY (Turkey)	3.49	0.4	0.8	2.0	2
USD CNY (China)	6.84	-0.1	0.3	0.4	1
USD INR (India)	64.52	0.0	-0.1	0.2	5
USD IDR (Indonesia)	13,307	0.0	0.2	-0.2	1
ADXY	106.0	0.8	-0.1	0.0	3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
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WTX	45.9	0.8	-2.1	-11	-19
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Source: Bloomberg, Datastream and Haver

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* With one day delay

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