

Market Comment | Stocks hovering around record highs after the last FOMC meeting

Global Financial Markets Unit
27 Jul 2017

- **Financial markets were relatively stable today** after an **dovish reaction triggered by yesterday's FOMC statement on monetary policy**. Currently, financial markets are stable, as no further significant information affected investor behaviour.
- The **FOMC meeting was in line with our expectations**. The FOMC left key interest rates unchanged, while the statement was practically the same as the previous month. Yet the statement confirmed what Yellen had anticipated about the balance sheet: "FOMC will begin implementing its balance sheet normalization program relatively soon". The only wording changes other than the balance sheet indications were on recent inflation: headline and core "have declined" instead of "have declined recently" and are "running below 2 percent" rather than "running somewhat below 2 percent." (see). This might explain the slightly dovish reaction of financial markets to the FOMC statement.
- Following the FOMC statement, the **USD reached a 14-month low**, while the **EUR breached the 1.17 level**. In addition, **US stocks reached all-time highs**, while sovereign bond yields declined across the board, dragged down by US Treasury yields. However, the dovish reaction moderated somewhat during today's session.
- European stock prices remained steady amid **mixed company earnings results** published today which encouraged stock-picking equity strategies rather than clear trends in indices.

Update 18 CET 27 July, 2017
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.36	0.8	1.1	-1	15
US	2.32	2.9	5.2	1	12
GER (2-yr)	0.67	-0.8	-3.2	-11	10
Germany	0.53	-3.0	0.1	8	18
France	0.80	-1.9	2.2	6	-1
Spain	1.51	-3.8	2.4	1	0
Italy	2.10	-2.8	-1.3	4	23
Portugal	2.96	-1.1	-4.2	-11	-121
Greece	5.33	1.8	6.2	-16	-156
Japan (2-yr)	0.11	-0.6	0.4	0	8
Japan	0.07	-0.5	2.6	1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.95	-13.7	9.5	-81	-147
Chile	4.30	0.0	16.1	22	-2
Colombia	6.96	-1.4	29.5	56	-14
Mexico	6.84	-0.2	1.0	12	-80
Peru	5.40	2.2	2.0	4	-107
Poland	3.31	-1.3	3.1	3	-41
Russia	7.84	-3.6	-3.2	0	-60
Turkey	10.34	0.0	13.0	18	-66
India	6.44	-0.4	-1.2	-2	6
Indonesia	6.95	-0.1	1.2	12	-89
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	1.1	8.7	-2	-19
Italy	157	0.2	6.2	-4	5
Portugal	243	1.9	3.3	-19	-111
Spain	98	-0.8	9.9	-7	-10
2-yr sovereign spread vs Germany					
France	25	-0.9	0.6	7	15
Italy	47	0.3	0.8	3	-14
Portugal	78	-0.4	3.1	-1	-69
Spain	38	-3.7	2.9	6	10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	211	-3.0	-1	-22	-61
Chile	67	-1.1	1	1	-15
Colombia	130	-4.3	-2	0	-33
Mexico	104	-3.7	-2	-6	-52
Peru	83	-1.9	-1	-1	-25
Venezuela	5,023	-17.7	804	591	1118
Poland	59	0.1	-1	-2	-16
Russia	163	-3.3	-1	-4	14
Turkey	182	-4.0	-2	-4	-90
China	64	-1.4	-3	-3	-53
India	83	-0.5	-3	-5	-44
Indonesia	112	-3.6	-4	-2	-44
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	9	-4.4	-4	-17	-3
VSTOXX	13	-2.0	-3	-14	4
EM EFT volatility Index	14	-1.7	-2	-13	-31
Dollar/ peso volatility	7	7.1	10	16	-29
EM FX volatility Index	7	-0.9	0	0	-33
Credit spread (BAA) (bps)	204	-2.8	-2	-5	-23
US bonds volatility index	47	-4.6	1	-9	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	53	0.0	0	-1	-19
EZ	53	0.5	1	-5	-55
UK	45	0.4	1	7	-45
Large Spanish	50	0.4	-2	-5	-67
Medium Spanish	94	0.7	-1	-9	-58
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	134	0.0	0	-1	-19
EZ Non-financial	74	0.5	1	-5	-55
UK Non-financial	107	-1.4	-3	-5	-18
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EDNA 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	1.31	0.00	0.0	0.0	0.3
Libor 12m	1.34	0.00	0.0	0.0	0.0
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,462	0.2	0.3	3	9
Dow Jones	21,763	0.2	0.7	2	9
Nikkei	20,080	0.1	-0.3	-1	2
FTSE 100	7,440	-0.2	-0.6	0	-3
EuroStoxx 50	3,491	0.0	-0.3	-1	5
IBEX	10,585	0.1	0.2	-1	12
CAC	5,184	-0.1	0.3	1	6
MIB	21,635	0.3	0.9	4	10
ASE Athens	819	-1.4	-4.2	-1	24
MSCI Latam *	78,396	-0.6	0.4	5	8
Ibovespa (Brazil)	65,538	0.8	0.9	6	6
Moex	51,472	-0.2	0.6	5	10
MSCI EM Europe *	4,979	0.4	0.9	4	-1
Pabst	7,351	-0.4	0.3	1	18
Micex (Russia)	1,941	0.4	-0.3	3	-14
Ise 100 (Turkey)	108,392	1.1	1.6	9	42
MSCI EM Asia *	856	0.2	0.4	3	23
Shanghai Com (China)	3,250	0.1	0.2	2	3
Jakarta (Indonesia)	5,820	0.1	0.2	0	10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	124.5	0.2	1.4	5	4
JPM	91.6	-0.4	0.4	4	5
CB	68.3	0.4	2.8	6	11
BofA	24.3	0.4	1.5	4	6
MS	47.2	0.0	1.5	7	8
GS	221.9	-0.1	-0.2	1	-9
EZ banks	116.8	-0.2	2.4	5	11
BNP	66.0	0.2	2.7	5	5
Crédit Agricole	15.1	0.4	3.6	7	22
Deutsche Bank	15.6	-6.1	-1.5	0	-4
ING	15.9	0.7	2.4	5	14
Intesa	2.9	0.4	1.6	6	15
SG	50.2	0.3	4.3	6	4
Unicredit	16.9	-0.1	0.5	5	21
UK banks	90.5	-1.0	0.3	4	3
HSBC	752.8	-0.1	1.7	9	12
RBS	251.5	-0.3	0.9	0	7
Barclays	209.5	-0.8	0.6	3	-11
Lloyds	67.2	-2.7	-2.1	1	4
Large Spanish banks	91.1	0.1	1.8	2	17
Santander	5.8	-0.2	1.3	0	15
BBVA	7.7	0.4	2.3	4	19
Medium Spanish banks	83.1	0.6	2.0	5	14
Cababank	4.3	-0.2	2.1	3	33
Sabadell	1.9	1.4	6.7	9	41
Bankinter	8.3	0.9	1.7	4	10
Banque	4.3	0.3	2.2	3	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.17	-0.6	0.3	-2.9	11
GBPUSD	1.31	-0.3	0.8	2.1	6
USD JPY	111.62	-0.4	0.3	-0.6	-5
DXY	93.95	0.3	-0.4	2.5	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.62	-0.7	-2.4	-7.5	-10
USD BRL (Brazil)	3.16	-0.5	-1.1	4.6	2
USD CLP (Chile)	646.96	-0.2	0.4	2.0	3
USD COP (Colombia)	3006	0.4	-0.2	0.8	-1
USD MXN (Mexico)	17.68	-0.5	-1.1	1.7	18
USD PEN (Peru)	3.25	0.0	-0.1	0.3	4
LACI	65.96	-0.6	-0.9	1.7	7
USD PLN (Poland)	3.65	-0.8	-0.8	2.4	12
USD RUB (Russia)	59.41	0.0	-0.9	0.0	2
USD TRY (Turkey)	3.53	0.1	0.2	0.2	1
USD CNY (China)	6.74	0.2	0.2	1.0	3
USD INR (India)	64.11	0.4	0.5	0.7	6
USD IDR (Indonesia)	13,318	0.1	0.1	0.1	1
ADXY	107.1	0.0	0.3	1.0	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	51.0	0.1	3.4	9	-10
WTX	49	-0.3	3.8	10	-9
Copper	288	0.4	6.4	9	13
Gold	1258	-0.2	1.1	1	8
S&P Spot commodity *	381	1.2	1.2	6	-4
S&P Brent Spot *	435	1.5	3.2	9	-9
S&P Metals Spot *	340	0.8	4.0	5	12
S&P Agricultural *	292	1.0	-3.5	4	-3

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Germany	0.53	-3.0	0.1	9	18
France	0.80	-1.9	2.2	6	-1
Spain	1.51	-3.8	2.4	1	0
Italy	2.10	-2.8	-1.3	4	23
Portugal	2.96	-1.1	-4.2	-11	-121
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Banking by CDS (bps) *					
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UK	45	0.4	1	7	-45
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Medium Spanish	94	-0.7	-1	-9	-58
Corporate by CDS (bps) *					
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UK Non-financial	102	1.4	-3	-5	-18
Interbank markets (% , changes in bp)					
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Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
Eurbor 12m	-0.15	0.00	0.0	0.0	-0.1
Libor 3m	1.31	0.00	0.0	0.0	0.3
Libor 12m	1.74	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,482	0.2	0.3	3	9
Dow Jones	21,963	0.2	0.7	2	9
Nikkei	20,080	0.1	-0.3	-1	2
FTSE 100	7,440	-0.2	-0.6	0	3
EuroStoxx 50	3,461	0.0	-0.3	-1	5
IBEX	10,585	0.1	0.2	-1	12
DAX	12,209	-0.8	-1.9	-4	5
CAC	5,184	-0.1	0.3	-1	6
MBI	21,635	0.3	0.9	4	10
ASE Athens	819	-1.4	-4.2	-1	24
MSCI Latam *	78,896	-0.6	0.4	5	8
Ibovespa (Brazil)	65,338	0.8	0.9	6	6
Mibol	51,472	-0.2	0.6	5	10
MSCI EM Europe *	4,979	0.4	-0.9	4	-1
Poland	2,351	-0.4	-0.3	0	18
Micex (Russia)	1,941	0.4	-0.3	3	-14
Ise 100 (Turkey)	108,392	1.1	1.6	9	42
MSCI EM Asia *	856	0.2	0.4	3	23
Shanghai Com (China)	3,250	0.1	0.2	2	3
Jakarta (Indonesia)	5,820	0.1	0.2	0	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	91.6	-0.4	0.4	4	5
CB	68.3	0.4	2.6	6	11
BoA	24.3	0.4	1.5	4	6
MS	47.2	0.0	1.5	7	8
GS	221.9	-0.1	0.2	1	-9
EZ banks	116.8	-0.2	2.4	5	11
BNP	66.0	0.2	2.7	5	5
Crédit Agricole	15.1	0.4	3.6	7	22
Deutsche Bank	15.6	-6.1	-1.5	0	-4
ING	15.9	0.7	2.4	5	14
Intesa	2.9	0.4	1.6	6	15
SG	50.2	0.3	4.3	6	4
Unicredit	16.9	-0.1	0.5	5	21
UK banks	90.5	-1.0	0.3	4	3
HSBC	752.8	-0.1	1.7	9	12
RBS	251.5	-0.3	0.9	0	7
Barclays	209.5	-0.8	0.6	3	-11
Lloyds	67.2	-2.7	-2.1	1	4
Large Spanish banks					
Santander	91.1	0.1	1.8	2	17
BBVA	5.8	-0.2	1.3	0	15
CaixaBank	7.7	0.4	2.3	4	19
Medium Spanish banks					
Celabank	83.1	0.6	2.0	5	14
Sabadell	4.3	-0.2	2.1	3	33
Bankinter	1.9	1.4	6.7	9	41
Bankia	8.3	0.9	1.7	4	10
Banco	4.3	0.3	2.2	3	5
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.17	-0.6	0.3	2.9	11
GBPUSD	1.31	-0.3	0.8	2.1	6
USDJPY	111.62	-0.4	0.3	-0.6	5
USDY	93.95	0.3	-0.4	2.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS	17.62	-0.7	-2.4	-7.5	-10
USD BRL (Brazil)					
USD BRL	3.16	-0.5	-1.1	4.8	2
USD COP (Colombia)					
USD COP	648.96	-0.2	0.4	2.0	3
USD MXN (Mexico)					
USD MXN	3006	0.4	-0.2	0.8	-1
USD PEN (Peru)					
USD PEN	17.68	-0.5	-1.1	1.7	18
USD PLN (Poland)					
USD PLN	3.25	0.0	0.1	0.3	4
USD RUB (Russia)					
LACI	65.96	-0.6	-0.9	1.7	7
USD TRY (Turkey)					
USD TRY	3.65	-0.8	-0.8	2.4	12
USD INR (India)					
USD INR	59.41	0.0	-0.9	0.0	2
USD IDR (Indonesia)					
USD IDR	3.53	0.1	-0.2	-0.2	1
USD CNY (China)					
USD CNY	6.74	0.2	0.2	1.0	3
USD AUD (Australia)					
USD AUD	64.11	0.4	0.5	0.7	6
USD ZAR (South Africa)					
USD ZAR	13.318	0.1	0.1	-0.1	1
ADXY	102.1	0.0	0.3	1.0	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	51.0	-0.1	3.4	5	-10
WTI	49	-0.3	3.6	10	9
Copper	288	0.4	6.4	9	13
Gold	1258	-0.2	1.1	1	8
S&P Spot commodity *	381	1.2	1.2	6	-4
S&P Brent Spot *	435	1.5	3.2	9	-9
S&P Metals Spot *	340	0.8	4.0	5	12
S&P Agricultural *	292	1.0	-3.5	4	-3

Source: Bloomberg, Datastream and Haver

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* With one day delay

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