

Market Comment | Lower UK yields and GBP on dovish tone from the BoE

Global Financial Markets Unit
03 Aug 2017

- **Bank of England also downplayed Sintra effect on yields as previously did the ECB.** The British pound depreciated significantly on dovish signals from the BoE, after the release of its monetary policy decision ([see](#)). The BoE kept its interest rates unchanged, and only two members voted for a rate increase, one fewer than in the previous meeting, and significantly fewer than investors had previously anticipated. Moreover, the BoE revised GDP growth for 2017 downwards to 1.7% (-0.2 pp) and for 2018 to 1.6% (0.1 pp) ([see](#)), while Mr Carney admitted that Brexit uncertainty was weighing on investment decisions. July's weak PMI figures in the UK ([see](#)) weighed on the GBP.
- **Sovereign bond yields decreased across the board, led by UK sovereign bond yields (-9 bps).** Moreover, weak economic data in the US (lower-than-expected ISM Non-Manufacturing for July) also contributed to lower US sovereign yields, despite the US Secretary of the Treasury's bringing forward the date on which the US debt limit will be reached, urging Congress to lift the debt ceiling by end-September.
- **The US dollar failed to find solid ground and inched down**, while the euro inched up. Oil prices also edged up on signs of a tighter-than-forecast US oil market, as strong US demand supported prices, although gains were limited due to higher-than-expected OPEC production ([see](#)). EM currencies were broadly steady as the slightly higher USD was offset by slightly higher oil prices.

Update 18 CET 03 August, 2017
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.34	-2.0	-2.4	-7	13
US	2.24	3.2	-7.1	-11	20
GER (2-yr)	0.68	0.9	-1.0	-7	9
Germany	0.46	-3.0	-8.0	-2	10
France	0.72	-2.8	-8.3	-10	9
Spain	1.46	-0.2	-5.1	-7	-6
Italy	1.99	-2.3	-10.3	-12	12
Portugal	2.86	-0.3	-9.4	-11	-131
Greece	5.50	1.4	17.3	18	-139
Japan (2-yr)	0.12	-0.3	-0.5	1	7
Japan	0.07	0.4	-1.2	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.83	-5.4	-16.1	-71	-158
Chile	4.29	0.3	-1.2	4	-4
Colombia	6.92	1.1	-4.1	38	-18
Mexico	6.85	-0.7	-0.4	0	-39
Peru	5.26	-2.4	-11.3	-23	-121
Poland	3.33	-2.6	2.5	4	-38
Russia	7.80	-7.9	-7.6	-11	-65
Turkey	10.36	-4.0	2.0	-2	-64
India	6.43	-3.4	-1.0	-12	5
Indonesia	6.92	-0.6	-3.3	5	-92
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	0.2	-0.3	-8	-19
Italy	154	0.7	-2.3	-10	2
Portugal	241	2.7	-1.4	-9	-114
Spain	100	2.8	2.9	-5	-8
2-yr sovereign spread vs Germany					
France	19	-0.5	-6.1	-1	9
Italy	45	-1.0	-2.3	-1	-16
Portugal	79	-2.9	1.3	10	-68
Spain	35	-0.3	-4.8	0	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	200	-4.4	11	-37	-72
Chile	63	-1.1	-4	-2	-19
Colombia	122	-0.3	-8	-13	-41
Mexico	98	-1.7	-6	-14	-58
Peru	75	-3.7	-8	-10	-33
Venezuela	6,506	225.1	1483	2256	2601
Poland	59	2.5	-1	-2	-17
Russia	158	-3.2	-4	-10	-18
Turkey	177	-3.1	-5	-18	-95
China	63	-0.4	-1	-7	-54
India	86	-0.1	3	-4	-41
Indonesia	109	0.6	-3	-7	-47
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	10	-1.6	0	-10	-2
VSTOXX	14	-0.3	7	-5	-3
EM EFT volatility Index	15	3.4	1	-6	-26
Dollar/reserve volatility	8	0.7	8	19	-24
EM FX volatility Index	8	1.6	2	-2	-31
Credit spread (BAA) (bps)	208	3.2	0	-2	-19
US bonds volatility index	49	-2.5	1	-12	-36
Banking 5y CDS (bps) *					
US	52	-0.3	-1	0	-20
EZ	52	-0.6	-1	-5	-56
UK	45	0.0	0	0	-45
Large Spanish	49	0.0	-1	-8	-68
Medium Spanish	91	-0.5	-3	-6	-61
Corporate 5y CDS (bps) *					
US Non-financial	134	-0.3	-1	0	-20
EZ Non-financial	73	0.6	-1	-5	-56
UK Non-financial	107	0.5	0	-8	-18
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EDNA Index	-0.35	0.00	0.0	0.0	0.0
Earlibor 3m	-0.33	0.00	0.0	0.0	0.0
Earlibor 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	1.33	0.00	0.0	0.0	0.0
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
EU indices					
S&P500	2473	0.2	0.1	2	9
Dow Jones	22,017	0.0	1.0	3	10
Nikkei	20,029	-0.3	0.3	0	2
FTSE 100	7,476	0.9	0.4	-2	-4
EuroStoxx 50	3,468	0.2	0.7	0	5
IBEX	10,551	0.3	-0.5	0	11
DAX	12,157	-0.2	-0.4	-2	5
CAC	5,136	0.6	-1.0	-1	5
MIB	21,777	0.9	0.7	4	11
ASE Athens	876	0.0	0.9	0	26
MSCI Latam *	60,175	0.5	1.6	-5	9
Ibovespa (Brazil)	66,960	-0.3	2.6	6	9
Mexbol	51,249	0.1	0.0	2	10
MSCI EM Europe *	5,025	0.7	0.9	3	-1
Pobor	2,365	0.0	0.6	3	18
Micex (Russia)	1,966	0.0	1.1	3	-13
Ise TOI (Turkey)	107,154	0.6	-1.1	6	41
MSCI EM Asia *	860	0.1	0.5	-4	24
Shanghai Com (China)	3,273	-0.4	0.7	3	4
Jakarta (Indonesia)	5,781	-0.4	-0.3	-2	10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	125.6	0.4	1.4	1	5
Citi	92.5	-0.7	1.0	0	6
CB	68.5	-1.3	1.3	0	12
BofA	24.5	-0.5	1.4	-1	7
MS	47.5	0.4	0.9	4	9
GS	226.2	0.0	2.1	0	-7
EZ banks					
BNP	116.1	1.0	-0.6	1	10
Crédit Agricole	67.3	1.1	1.6	4	7
Crédit Agricole	14.8	0.1	-1.7	1	20
Deutsche Bank	15.3	0.9	-1.6	-7	-6
ING	15.7	-0.3	-1.5	-2	13
Intesa	2.9	-0.4	-0.6	1	14
SG	48.9	1.5	-2.9	1	1
Unicredit	17.8	7.3	5.3	3	27
UK banks					
RBS	256.6	2.3	2.1	0	9
Barclays	208.6	0.4	0.0	-1	-11
Lloyds	66.5	1.4	-1.5	0	3
Large Spanish banks					
Santander	5.7	0.6	-1.0	-2	14
BBVA	7.8	0.6	1.4	5	20
Medium Spanish banks					
Cababank	83.2	0.6	-0.1	1	14
Sabadell	4.4	0.3	2.0	2	36
Bankinter	1.9	0.8	2.5	3	38
Bankinter	8.3	0.8	-0.1	2	10
Banque	4.3	0.6	0.0	-4	6
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year
Developed					
EURUSD	1.19	0.2	1.8	4.7	13
GBPUSD	1.31	-0.6	0.6	1.7	7
USD JPY	110.09	0.6	1.1	-2.8	-6
DKK	92.73	-0.1	-1.2	3.6	10
Emerging					
USDARS (Argentina)	17.64	-0.3	0.1	-4.4	-10
USDRL (Brazil)	3.12	-0.2	1.0	5.7	3
USDCLP (Chile)	650.45	-0.1	-0.2	2.0	3
USDCOP (Colombia)	2953	0.4	2.0	3.1	1
USDMXN (Mexico)	17.88	-0.3	-0.9	1.8	17
USDPEN (Peru)	3.24	0.0	0.3	0.6	4
LACI	66.03	-0.2	0.4	2.6	7
USDPLN (Poland)	3.57	0.6	1.9	4.3	14
USDRL (Russia)	60.10	0.8	-1.0	-1.1	0
USDTRY (Turkey)	3.54	-0.2	0.0	0.6	1
USDCNY (China)	6.72	0.1	0.4	1.2	3
USDINR (India)	63.69	0.0	0.7	1.6	6
USDIDR (Indonesia)	13,327	0.0	0.1	0.3	1
ADXY	107.1	-0.1	0.0	1.1	4
Commodities (%)	level	Daily	Weekly	Monthly	Year
Brent					
WTI	50	0.5	1.6	6	-6
Copper	288	-0.1	0.2	7	13
Gold	1269	0.2	0.8	4	9
S&P Spot commodity *	386	0.7	0.5	2	-3
S&P Brent Spot *	446	1.1	1.6	5	-7
S&P Metals Spot *	340	0.5	0.1	3	12
S&P Agricultural *	290	0.5	-1.6	-5	-3

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.34	-2.0	-2.4	-7	13
US	2.24	3.2	-7.1	-11	20
GER (2-yr)	-0.68	0.9	-1.0	-7	9
Germany	0.46	-3.0	-8.0	-2	10
France	0.72	-2.8	-8.3	-10	9
Spain	1.46	-0.2	-5.1	-7	-6
Italy	1.99	-2.3	-10.3	-12	12
Portugal	2.86	-0.3	-9.4	-11	-131
Greece	5.50	1.4	17.3	18	-139
Japan (2-yr)	0.12	-0.3	-0.5	1	7
Japan	0.07	-0.4	-1.2	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.83	-5.4	-16.1	-71	-158
Chile	4.29	0.3	-1.2	4	4
Colombia	6.92	1.1	-4.1	38	-18
Mexico	6.85	-0.7	-0.4	0	-79
Peru	5.26	-2.4	-11.3	-23	-121
Poland	3.33	-2.6	2.5	4	-38
Russia	7.80	-7.9	-7.6	-11	-65
Turkey	10.36	-4.0	2.8	-2	-64
India	6.43	-3.4	-1.0	-12	5
Indonesia	6.92	-0.6	-3.3	5	-92
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	0.2	-0.3	-8	-19
Italy	154	0.7	-2.3	-10	2
Portugal	241	2.7	-1.4	-9	-114
Spain	100	2.8	2.9	5	8
2-yr sovereign spread vs Germany					
France	19	-0.5	-6.1	-1	9
Italy	45	-1.0	2.3	-1	-16
Portugal	79	-2.9	1.3	10	-68
Spain	35	-0.3	4.8	0	-13
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	200	-4.4	-11	-37	-72
Chile	63	-1.1	-4	-2	-19
Colombia	122	-0.3	-8	-13	-41
Mexico	93	1.7	6	-14	58
Peru	75	-3.7	-8	-10	-33
Venezuela	6,506	225.1	1483	2256	2601
Poland	59	2.5	-1	-1	-17
Russia	158	-3.2	-4	-10	-18
Turkey	177	-3.1	-5	-18	-95
China	63	-0.4	-1	-7	-54
India	86	-0.1	3	-4	-41
Indonesia	109	-0.6	-3	-7	-47
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	1.6	0	-10	-2
VSTOXX	14	-0.3	7	-5	-3
EM EFT volatility Index	15	3.4	1	-6	-26
Dollar/euro volatility	8	0.7	8	19	24
EM FX volatility index	8	1.6	2	-2	-31
Credit spread (BAA) (bps)	208	3.2	0	-2	-19
US bonds volatility index	49	-2.5	1	-12	-36
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	52	0.3	-1	0	20
EZ	52	-0.6	-1	-5	-56
UK	45	0.0	0	0	-45
Large Spanish	49	0.0	-1	-8	-68
Medium Spanish	91	-0.5	-3	-8	-61
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	134	-0.3	-1	0	-20
EZ Non-financial	73	-0.6	-1	-5	-56
UK Non-financial	102	0.5	0	-8	-18
Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	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	1.73	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,473	-0.2	-0.1	2	9
Dow Jones	22,017	0.0	1.0	3	10
Nikkei	20,029	-0.3	-0.3	0	2
FTSE 100	7,476	0.9	0.4	2	4
EuroStoxx 50	3,468	0.2	-0.7	0	5
IBEX	10,551	0.3	-0.5	0	11
DAX	12,157	-0.2	-0.4	-2	5
CAC	5,136	0.6	-1.0	-1	5
MBI	21,777	0.9	0.7	4	11
ASE Athens	826	0.0	0.9	0	26
MSCI Latam *	80,175	0.5	1.6	5	9
Ibovespa (Brazil)	66,960	-0.3	2.6	6	9
Minibol	51,249	0.1	0.0	2	10
MSCI EM Europe *	5,025	0.7	0.9	3	-1
Poland	2,365	0.0	0.6	3	18
Micex (Russia)	1,966	0.0	1.1	3	-13
Isr 100 (Turkey)	107,154	0.6	-1.1	6	41
MSCI EM Asia *	860	0.1	0.5	4	24
Shanghai Com (China)	3,273	-0.4	0.7	3	4
Jakarta (Indonesia)	5,781	-0.4	-0.3	-2	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	125.6	-0.4	1.4	1	5
CB	92.5	-0.7	1.0	0	6
BoA	68.5	-1.5	1.3	0	12
MS	24.5	-0.5	1.4	-1	7
GS	47.5	0.4	0.9	4	9
WFC	226.2	0.0	2.1	0	7
EZ banks					
BNP	116.1	1.0	-0.6	1	10
BNP	67.3	1.1	1.9	4	7
Credit Agricole	14.8	0.1	-1.7	1	20
Deutsche Bank	15.3	0.9	-1.6	-7	6
ING	15.7	-0.3	-1.5	2	13
Intesa	2.9	-0.4	-0.6	1	14
SG	48.9	1.5	-2.9	1	1
Unicredit	17.8	7.9	5.2	3	27
UK banks					
HSBC	90.9	0.7	0.3	2	3
RBS	761.4	-0.4	1.0	6	14
HSBC	256.6	-2.3	2.1	0	9
Barclays	208.6	0.4	0.0	1	-11
Lloyds	66.5	1.4	-1.5	0	3
Large Spanish banks					
Santander	91.5	0.7	0.3	2	17
Santander	5.7	0.6	-1.0	-2	14
BBVA	7.8	0.8	1.4	5	20
Medium Spanish banks					
Cajabank	83.2	0.6	-0.1	1	14
Cajabank	4.4	0.3	2.0	2	36
Sabadell	1.9	0.8	-2.5	3	38
Bankinter	8.3	0.8	-0.1	2	10
Bankia	4.3	0.6	0.0	-4	6
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.19	0.2	1.5	4.7	13
GBPUSD	1.31	-0.6	0.6	1.7	7
USD JPY	110.09	0.6	1.1	-2.8	-6
USD AUD	92.73	-0.1	-1.2	3.6	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.64	-0.3	-0.1	-4.4	-10
USD BRL (Brazil)	3.12	-0.2	1.0	5.7	3
USD CUP (Cuba)	650.45	0.1	-0.2	2.0	3
USDCOP (Colombia)	295.3	0.4	2.0	3.1	1
USDMXN (Mexico)	17.88	-0.3	-0.9	1.8	17
USD PEN (Peru)	3.24	0.0	0.1	0.6	4
LACI	66.03	-0.2	0.4	2.6	7
USD PLN (Poland)	3.57	0.6	1.9	4.3	14
USD RUB (Russia)	60.10	0.8	-1.0	-1.1	0
USD TRY (Turkey)	3.54	-0.2	0.8	0.6	1
USDCNY (China)	6.72	0.1	0.4	1.2	3
USD INR (India)	63.69	0.0	0.7	1.6	6
USD IDR (Indonesia)	13,327	0.0	-0.1	0.3	1
ADXY	102.1	-0.1	0.0	1.1	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTIX	52.8	0.8	2.5	6	-7
WTIX	50	0.5	1.6	6	6
Copper	288	-0.1	0.2	7	13
Gold	1269	0.2	0.8	4	9
S&P Spot commodity *	386	0.7	0.5	2	-3
S&P Brent Spot *	446	1.1	1.6	5	-7
S&P Metals Spot *	340	0.5	0.1	3	12
S&P Agricultural *	290	0.5	-1.6	-5	-3

Source: Bloomberg, Datastream and Haver

Source: Bloomberg, Datastream and Haver

* With one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

“BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance”.

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.