

Market Comment | Equity volatility spikes on geopolitical concerns

Global Financial Markets Unit
10 Aug 2017

- **Today's financial market pattern was fairly similar to yesterday's. Geopolitical concerns increased demand for safe-haven assets.** Sovereign bonds (US and German mainly) and gold prices increased, while safe-haven currencies such as the Japanese yen appreciated. On the other hand, equity markets declined across the board.
- **Market risk measures strained**, after US allies warned North Korea against an attack ([see](#)). The implied volatility in the S&P500 surged to 14, a level last reached in May on the back of political uncertainty in the US. Moreover, volatility of volatility also rocketed to levels last seen after the Brexit referendum.
- **Sovereign bond yields decreased not only due to geopolitical concerns but also because of the softer-than-expected producer prices in the US** ([see](#)), which increase the odds of lower-than-expected inflation figures tomorrow. Market-implied probability of a Fed rate hike in 2017 fell below 40%.
- **Oil prices swung between gains and losses, despite the slightly increase in global oil demand forecast by OPEC.** OPEC increased its forecast of world oil demand in 2017 by 1% to 96.49 mb/d, in line with the better growth performance of the world economy in the first two quarters of the year, and maintained it broadly stable in 2018 at 97.77mb/d. At the same time, forecast non-OPEC oil supply was revised downwards by 1% in both 2017 and 2018. ([see](#))

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.33	-0.4	-0.4	-4	12
US	2.23	2.2	0.4	14	21
GER (2-yr)	0.69	-1.0	-1.3	-10	8
Germany	0.41	-1.4	-3.5	-14	8
France	0.71	0.5	0.7	-21	-10
Spain	1.45	2.2	0.0	-24	-6
Italy	2.03	1.4	3.9	-30	16
Portugal	2.86	1.9	0.2	-29	-131
Greece	5.51	0.3	0.5	13	-137
Japan (2-yr)	0.11	0.6	0.9	-1	8
Japan	0.06	0.6	-3.3	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.04	2.1	23.4	-46	-137
Chile	4.38	0.2	8.7	21	6
Colombia	6.81	2.0	9.5	4	-28
Mexico	6.88	-0.5	3.2	4	-76
Peru	5.28	-1.1	1.3	-39	-119
Poland	3.41	2.0	7.1	6	-31
Russia	7.81	-3.3	1.1	-21	-64
Turkey	10.51	2.0	15.0	-1	-49
India	6.48	1.7	5.3	0	10
Indonesia	6.38	-0.9	-3.9	-27	-86
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0.9	3.2	-7	-16
Italy	161	2.8	7.8	-16	10
Portugal	245	3.3	4.1	-15	-110
Spain	104	3.6	3.9	-11	-4
2-yr sovereign spread vs Germany					
France	22	0.7	2.7	-2	12
Italy	47	1.7	2.1	-1	-14
Portugal	74	0.9	7.0	2	-73
Spain	37	0.1	0.3	-2	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	198	-3.7	-2	-35	-74
Chile	63	1.5	0	-3	-19
Colombia	126	2.5	4	-13	-37
Mexico	102	2.5	4	-10	-54
Peru	76	1.8	1	-10	-32
Venezuela	5,861	423.1	-646	1678	1955
Poland	59	1.1	1	-2	-16
Russia	153	2.2	-5	-20	24
Turkey	173	-3.1	-4	-27	-99
China	66	2.3	3	-4	-51
India	85	0.3	-1	-6	-42
Indonesia	112	0.0	2	-9	-44
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	14	29.3	38	32	3
VSTOXX	19	26.0	38	28	2
EM EFT volatility index	20	16.6	31	21	-1
Dollar/reserve volatility	8	-1.3	4	26	-20
EM FX volatility index	8	5.0	3	-1	-30
Credit spread (BAA) (bps)	210	2.2	4	-1	-17
US bonds volatility index	50	4.9	4	-7	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	2.0	4	3	-16
EZ	56	2.3	5	-2	-51
UK	50	2.2	5	0	-40
Large Spanish	54	1.6	5	-7	-63
Medium Spanish	91	1.5	0	-9	-60
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	142	2.0	4	3	-16
EZ Non-financial	73	2.3	5	-2	-51
UK Non-financial	107	1.6	1	-7	-17
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 (%)					
Index	level	Daily	Weekly	Monthly	YTD
EU indices					
S&P500	2,454	0.8	0.1	2.9	8
Dow Jones	21,924	-0.6	0.5	2	10
Nikkei	19,730	0.0	-1.5	-2	1
FTSE 100	7,385	-1.5	-1.2	-1	-3
EuroStoxx 50	3,429	-1.1	-1.1	-1	3
IBEX	10,430	-1.6	-1.1	0	10
DAX	12,006	-1.2	-1.2	-3	4
CAC	5,108	-0.7	0.4	-1	4
MIB	21,689	-0.7	-0.5	3	11
ASE Athens	834	0.0	1.0	-1	27
MSCI Latam *	60,494	-0.2	0.4	-5	10
Ibovespa (Brazil)	67,000	-1.0	0.3	5	9
Mexbol	50,956	-0.5	0.7	1	9
MSCI EM Europe *	5,884	-0.7	1.2	4	1
Pobor	2,383	-1.1	0.7	4	19
Micex (Russia)	1,964	-0.6	-0.1	1	-13
Ise 100 (Turkey)	107,800	-0.8	0.6	4	42
MSCI EM Asia *	860	-0.7	0.9	-5	24
Shanghai Com (China)	3,262	-0.4	-0.3	2	3
Jakarta (Indonesia)	5,826	0.3	0.0	1	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	124.8	-1.5	0.0	-1	4
Citi	92.6	-1.0	0.1	0	7
BofA	67.6	-1.2	0.7	1	10
Wells Fargo	24.3	-1.6	-0.1	-1	6
MS	46.9	-1.6	0.8	3	7
GS	227.6	-1.5	1.6	0	-6
EZ banks					
RBS	114.6	-1.4	-1.3	-1	9
BNP	66.5	-1.1	-1.0	2	6
Crédit Agricole	15.2	-1.2	2.4	3	23
Deutsche Bank	14.4	-3.2	-5.7	-13	-12
ING	15.3	-1.7	-2.6	-2	10
Intesa	2.9	-0.4	-1.0	1	13
SG	47.7	-1.5	-2.0	-2	-1
Unicredit	17.7	-1.9	-0.9	3	26
UK banks					
HSBC	89.5	-2.0	1.5	0	2
HSBC	747.6	-2.2	-1.8	1	12
RBS	258.0	-0.4	0.7	1	10
Barclays	204.6	-2.0	-1.9	-1	-13
Lloyds	64.9	-3.1	-2.5	-1	0
Large Spanish banks					
Santander	88.8	-2.3	-3.1	-1	14
Banco Sabadell	5.6	-2.5	-3.0	-3	11
BBVA	7.6	-2.0	-3.2	-1	17
Medium Spanish banks					
Cabobank	81.6	-1.8	-1.9	-1	12
Sabadell	4.4	-1.2	-1.2	4	34
Banco Popular	1.9	-1.8	-2.1	1	35
Bankinter	8.2	-2.0	-1.1	-1	9
Banque	4.1	-2.5	-4.0	-9	1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.17	-0.1	-1.1	-2.4	12
GBPUSD					
GBPUSD	1.30	-0.2	-1.2	1.0	5
USD JPY					
USD JPY	109.36	0.6	0.6	-4.0	-7
DXY					
DXY	93.93	0.0	0.2	2.2	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)					
USDARS (Argentina)	17.73	-0.2	0.4	-4.3	-10
USDRLR (Brazil)					
USDRLR (Brazil)	3.15	0.1	-1.2	3.1	2
USDCLP (Chile)					
USDCLP (Chile)	647.39	0.1	0.1	2.9	4
USDCOP (Colombia)					
USDCOP (Colombia)	2995	0.3	-1.4	2.6	-1
USDMXN (Mexico)					
USDMXN (Mexico)	17.89	0.3	-0.2	0.1	17
USDPEN (Peru)					
USDPEN (Peru)	3.25	0.0	-0.3	0.3	4
LACI					
LACI	65.72	0.2	0.7	1.2	7
USDPLN (Poland)					
USDPLN (Poland)	3.64	-0.4	-2.0	1.4	13
USDRLR (Russia)					
USDRLR (Russia)	59.99	0.2	0.6	1.4	1
USDTRY (Turkey)					
USDTRY (Turkey)	3.53	0.2	0.3	2.3	1
USDCNY (China)					
USDCNY (China)	6.65	0.4	1.0	2.3	4
USDINR (India)					
USDINR (India)	64.08	-0.4	-0.6	0.8	6
USDIDR (Indonesia)					
USDIDR (Indonesia)	13,333	0.0	0.0	0.4	1
ADXY	107.2	0.0	0.1	1.2	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	52.6	-0.2	1.1	11	-7
WTX	49	-0.6	0.4	9	-8
Copper	291	-0.8	1.0	9	14
Gold	1284	0.6	1.3	5	10
S&P Spot commodity *					
S&P Spot commodity *	387	0.5	1.0	4	-2
S&P Brent Spot *	448	1.0	1.3	11	-7
S&P Metals Spot *	351	-0.2	3.4	8	15
S&P Agricultural *	294	0.7	2.3	5	-2

Fuente: BBVA Research

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EZ	56	2.3	5	-2	-51
UK	50	2.2	5	0	-40
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Medium Spanish	91	1.5	0	-9	-60
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level	Daily	Weekly	Monthly	YTD	
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UK Non-financial	102	1.6	1	-7	-17
Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	0.0
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	1.73	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,454	-6.8	-0.7	1	8
Dow Jones	21,924	-6.6	-0.5	2	10
Nikkei	19,730	0.0	-1.5	-2	1
FTSE 100	7,385	-1.5	-1.2	1	3
EuroStoxx 50	3,429	-1.1	-1.1	-1	3
IBEX	10,430	-1.6	-1.1	0	10
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ASE Athens	834	0.0	1.0	-1	27
MSCI Latam *	80,494	-0.2	0.4	5	10
Ibovespa (Brazil)	67,000	-1.0	0.3	5	9
Minib	50,956	-0.5	-0.7	1	9
MSCI EM Europe *	5,084	-0.7	1.2	4	1
Poland	2,383	-1.1	0.7	4	19
Micex (Russia)	1,964	-0.6	-0.1	1	-13
Isx 100 (Turkey)	107,800	-0.8	0.6	4	42
MSCI EM Asia *	860	-0.7	0.0	5	24
Shanghai Com (China)	3,262	-0.4	-0.3	2	3
Jakarta (Indonesia)	5,826	0.3	0.0	1	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	124.8	-1.5	0.0	1	4
CB	92.6	-1.0	0.1	0	7
BoA	67.6	-1.2	-0.7	1	10
MS	24.3	-1.6	-0.1	-1	6
GS	46.9	-1.6	-0.8	3	7
W	227.6	-1.5	1.6	0	6
EZ banks					
BNP	114.6	-1.4	-1.3	-1	9
Credit Agricole	66.5	-1.1	-1.0	2	6
Deutsche Bank	15.2	-1.2	2.4	3	23
Diabete Bank	14.4	-3.2	-5.7	-13	-12
ING	15.3	-1.7	-2.6	-2	10
Intesa	2.9	-0.4	-1.0	1	13
SG	47.7	-1.5	-2.0	-2	-1
Unicredit	17.7	-1.9	-0.9	3	26
UK banks					
HSBC	89.5	-2.0	-1.5	0	2
RBS	747.6	-2.2	-1.8	1	12
HS	258.0	-0.4	0.7	-1	10
Barclays	204.6	-2.0	-1.9	-1	-13
Lloyds	64.9	-3.1	-2.5	-1	0
Large Spanish banks					
Santander	88.8	-2.3	-3.1	-1	14
Banco Sabadell	5.6	-2.5	-3.0	-3	11
BBVA	7.6	-2.0	-3.2	1	17
Medium Spanish banks					
Cajabank	81.6	-1.8	-1.9	-1	12
Caja de Pensiones	4.4	-1.2	-1.2	4	34
Sabadell	1.9	-1.8	-2.1	1	35
Bankinter	8.2	-2.0	-1.1	-1	9
Bankia	4.1	-2.5	-4.0	-9	1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.17	-0.1	-1.3	2.4	12
GBPUSD	1.30	-0.2	-1.2	1.0	5
USD JPY	109.36	0.6	0.6	-4.0	-7
USD AUD	93.53	0.0	0.7	2.2	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.73	-0.2	-0.4	-4.3	-10
USD BRL (Brazil)	3.15	0.1	-1.2	3.1	2
USD CUP (Cuba)	647.39	0.1	0.3	2.9	4
USDCOP (Colombia)	2995	0.3	-1.4	2.6	-1
USDMXN (Mexico)	17.89	0.3	-0.2	0.1	17
USD PEN (Peru)	3.25	0.0	0.3	0.3	4
LACI	65.72	0.2	-0.7	1.2	7
USD PLN (Poland)	3.64	-0.4	-2.0	1.4	13
USD RUB (Russia)	59.99	0.2	0.6	1.4	1
USD TRY (Turkey)	3.53	0.2	0.3	2.3	1
USDCNY (China)	6.65	0.4	1.0	2.3	4
USD INR (India)	64.08	-0.4	-0.6	0.8	6
USD IDR (Indonesia)	13,333	0.0	0.0	0.4	1
ADXY	102.2	0.0	0.1	1.2	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	52.6	-0.2	1.3	11	-9
WTI	49	-0.6	0.4	9	-8
Copper	291	-0.8	1.0	9	14
Gold	1284	0.6	1.3	5	10
S&P Spot commodity *	387	0.5	1.0	4	-2
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S&P Agricultural *	294	0.7	2.3	-5	-2

Fuente: BBVA Research

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Source: Bloomberg, Datastream and Haver

* With one day delay

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