

# Market Comment | Risk-off patterns have taken a breather as geopolitical tensions ease

Global Financial Markets Unit  
14 Aug 2017

- **Markets have paid little or no attention to weaker-than-expected macroeconomic developments** and remained focused on the tensions between North Korea and the US. Despite the harder tone adopted by both sides last week, today's comments seem to favour dialogue and goodwill (\_\_\_ see). □  
**Therefore the risk-off patterns seen last week have taken a breather today and markets have instead partially corrected previous movements in a session with very low volumes and a remarkable summer mood.**
- **Core sovereign bond yields have added some bps** (+3 bps in the case of the Bund), while equity indices have traded in the green today with the EuroStoxx adding 1.5% and the IBEX increasing 1.8%, with the banking sector slightly outperforming and the implied volatility in the S&P 500 (vix) decreasing.
- **Currency markets are also behaving this way**, with the EURUSD inching down 0.3% and the dollar as measured by the DXY index adding +0.3% (it is down by 9.3% YTD). Gold prices also inched down
- **Markets might have taken a breather from previous movements with the aim of taking some profits given the relatively calm market at present and ahead of more important events later in the month** such as the much-awaited Jackson Hole meeting (due to be held on 24-26 August).
- **China economic data grew below expectations**, with industrial production for July, fixed asset investment and retail sales all moderating more than expected (see)
- **In the EMU industrial production also fell slightly below expectations** coming out at -0.6% YoY, one tenth below expectations and coming from a 1.2% YoY increase previously (see)

Update 18 CET 14 August, 2017  
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.31	1.2	-4.5	-6	9
US	2.21	2.3	-4.2	-13	23
GER (2-yr)	0.72	-0.2	-3.7	-11	6
Germany	0.41	2.6	-5.1	-20	6
France	0.70	2.6	3.4	-18	-11
Spain	1.43	-2.6	-2.7	-27	-8
Italy	2.02	-1.5	2.2	-32	15
Portugal	2.81	-4.3	-5.3	-39	-137
Greece	5.53	-2.5	7.6	19	-136
Japan (2-yr)	0.11	-0.2	-0.6	0	8
Japan	0.06	1.4	2.6	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.05	-6.4	16.6	29	-136
Chile	4.38	0.1	4.2	24	6
Colombia	6.72	-2.5	20.2	0	-37
Mexico	6.83	0.0	-3.6	0	-81
Peru	5.27	0.4	0.8	-20	-120
Poland	3.40	-3.6	3.1	6	-31
Russia	7.78	-2.4	2.0	-17	-67
Turkey	10.54	-1.0	15.0	11	-46
India	6.52	1.3	6.2	6	14
Indonesia	6.91	1.1	0.6	-7	-83
Country risk (bp, changes in bp)					
10-yr sovereign spread vs Germany					
level	Daily	Weekly	Monthly	YTD	
France	30	0.0	1.7	2	-16
Italy	161	-4.1	7.3	-12	9
Portugal	240	-6.9	-0.2	-19	-114
Spain	102	-5.2	2.4	-8	-6
2-yr sovereign spread vs Germany					
level	Daily	Weekly	Monthly	YTD	
France	22	-2.5	1.3	-1	12
Italy	50	-2.6	4.1	1	-11
Portugal	78	0.4	3.4	3	-69
Spain	36	-5.1	-2.5	-1	-12
Emerging Markets					
5-yr sovereign CDS *					
level	Daily	Weekly	Monthly	YTD	
Brazil	263	-2.4	8	-23	-69
Chile	66	1.0	4	1	-16
Colombia	130	-0.3	5	-6	-33
Mexico	106	0.0	7	-4	-50
Peru	78	-0.4	3	-7	-30
Venezuela	6,124	8.9	519	1925	2219
Poland	59	0.8	1	-2	-16
Russia	156	0.2	0	-9	21
Turkey	180	2.9	8	-15	-93
China	69	2.2	5	1	-48
India	87	0.5	2	-2	-40
Indonesia	116	0.8	6	-2	-40
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	-19.4	26	26	1
VSTOXX	16	-17.6	21	21	-1
EM EFT volatility Index	19	-9.8	25	29	-7
Dollar/reserve volatility	8	-0.8	0	27	-23
EM FX volatility Index	8	2.0	9	6	-27
Credit spread (BAA) (bps)	210	-2.3	3	3	-17
US bonds volatility index	52	0.1	11	0	-32
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	-0.3	4	3	-16
EZ	59	0.7	7	2	-50
UK	45	0.8	6	3	-36
Large Spanish	56	0.7	7	-2	-62
Medium Spanish	92	-0.1	3	-6	-60
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	144	-0.3	4	3	-16
EZ Non-financial	77	0.7	7	2	-50
UK Non-financial	110	0.0	5	-3	-14
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EDNA Index	-0.36	0.00	0.0	0.0	0.0
Earbar 3m	-0.33	0.00	0.0	0.0	0.0
Earbar 12m	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.32	0.01	0.0	0.0	0.3
Libor 12m	1.32	0.00	0.0	0.0	0.0
Stock markets (%)					
EU indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,466	1.0	0.6	1	9
Dow Jones	22,009	0.7	0.5	2	10
Nikkei	19,537	-1.0	-2.6	-3	0
FTSE 100	7,362	0.7	-2.3	-1	-2
EuroStoxx 50	3,457	1.5	-1.4	-2	4
DAX	10,469	1.8	-1.9	-2	11
IBEX	12,182	1.4	-0.6	-4	5
CAC	5,130	1.4	1.5	-2	5
MIB	21,727	1.7	-1.4	1	11
ASE Athens	828	0.5	0.0	-3	26
MSCI Latam *	79,336	0.0	-0.2	2	9
Ibovespa (Brazil)	68,252	1.3	0.5	5	11
Mexbol	51,120	0.9	0.5	0	10
MSCI EM Europe *	4,994	-1.0	-0.9	0	-1
Pobor	2,377	-0.2	0.5	1	19
Micex (Russia)	1,952	0.4	-0.9	0	-14
Ise TOI (Turkey)	109,537	2.4	-0.2	5	44
MSCI EM Asia *	836	-1.4	2.3	0	20
Shanghai Com (China)	3,237	0.9	-1.3	1	2
Jakarta (Indonesia)	5,801	-0.4	0.4	0	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	125.0	2.0	2.3	1	4
JPM	92.6	1.3	-1.5	-1	7
CB	67.9	1.7	-1.6	1	11
BofA	24.4	2.2	-2.3	-1	6
MS	46.6	2.1	-3.5	2	7
GS	229.0	2.2	-1.7	-1	-6
EZ banks	115.4	1.7	2.5	-1	9
BNP	66.9	1.9	2.3	0	7
Crédit Agricole	15.2	1.0	-0.1	2	24
Deutsche Bank	14.7	3.2	-5.1	-11	-10
ING	15.3	1.2	2.5	-3	10
Intesa	2.9	0.9	-1.9	1	13
SG	48.5	2.7	-3.6	-2	0
Unicredit	17.7	1.7	-3.4	2	26
UK banks	89.1	0.8	-2.7	-2	1
HSBC	744.4	1.0	2.9	0	11
RBS	260.6	1.4	-0.3	1	11
Barclays	200.4	0.5	-4.6	-5	-15
Lloyds	64.9	0.4	-2.4	-4	0
Large Spanish banks	89.1	2.2	-3.6	-2	14
Santander	5.6	2.5	-3.9	-4	11
BBVA	7.6	0.0	3.4	1	17
Medium Spanish banks	82.1	1.9	-2.7	-2	12
Cabobank	4.4	1.8	2.2	2	34
Sabadell	1.9	2.4	-1.0	0	37
Bankinter	8.2	1.2	-2.9	-2	9
Banque	4.2	1.3	4.8	-8	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	52.3	0.3	-0.2	8	-7
WTX	49	0.5	-0.7	6	-8
Copper	290	-0.3	-0.2	9	14
Gold	1284	-0.4	2.1	5	10
S&P Spot commodity *	383	0.3	0.5	3	-3
S&P Brent Spot *	442	0.3	0.8	7	-8
S&P Metals Spot *	350	-0.4	1.6	7	15
S&P Agricultural *	287	0.9	-1.4	-3	-4
Currencies (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	Year	
EURUSD	1.18	-0.3	-0.1	3.4	12
GBPUSD	1.30	-0.2	0.4	0.4	5
USD JPY	109.47	-0.3	1.2	-3.4	-7
DOY	93.34	0.3	-0.1	2.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.18	3.0	2.9	-1.3	-7
USD BRL (Brazil)	3.18	-0.4	-1.8	1.0	1
USD CIP (Chile)	647.42	-0.1	0.5	2.9	4
USD COP (Colombia)	2963	0.3	0.8	2.6	0
USD MXN (Mexico)	17.78	0.3	0.8	-0.5	17
USDRN (Peru)	3.24	0.0	-0.1	0.0	4
LACI	65.91	0.6	0.1	0.4	7
USD PLN (Poland)	3.63	-0.3	-0.8	2.0	13
USD RUB (Russia)	59.63	0.4	0.7	0.3	1
USD TRY (Turkey)	3.52	0.4	0.1	1.2	1
USD CNY (China)	6.67	-0.1	0.7	1.7	4
USD INR (India)	64.12	0.0	0.5	0.5	6
USD IDR (Indonesia)	13,349	0.1	0.2	0.0	1
ADXY	107.2	0.0	0.1	0.9	4

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Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
<b>Eurbor 12m</b>	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.32	0.01	0.0	0.0	0.3
Libor 12m	1.72	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
<b>Main indices</b>					
S&P500	2,466	1.0	-0.6	1	9
Dow Jones	22,009	0.7	-0.5	2	10
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MBI	21,227	1.7	-1.4	1	11
ASE Athens	828	0.5	0.0	-3	26
<b>MSCI Latam *</b>	79,836	0.0	-0.2	2	9
Ibovespa (Brazil)	68,252	1.3	0.5	5	11
Mumbai	51,120	0.9	-0.5	0	10
<b>MSCI EM Europe *</b>	4,994	-1.0	-0.9	0	-1
Poland	2,377	0.2	-0.5	1	19
Moscow (Russia)	1,952	0.4	0.9	0	-14
Isr 100 (Turkey)	109,537	2.4	-0.2	5	44
<b>MSCI EM Asia *</b>	838	-1.4	-2.3	0	20
Shanghai Com (China)	3,237	0.9	-1.3	1	2
Jakarta (Indonesia)	5,801	-0.4	0.4	0	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>					
JPM	125.0	2.0	-2.3	1	4
CB	92.6	1.3	-1.5	-1	7
BoA	67.9	1.7	-1.6	1	11
MS	24.4	2.2	-2.3	-1	6
GS	46.6	2.1	-3.5	2	7
Wells Fargo	229.0	2.2	1.7	-1	6
<b>EZ banks</b>	115.4	1.7	-2.5	-1	9
BNP	66.9	1.9	-2.3	0	7
Credit Agricole	15.2	1.0	-0.1	2	24
Deutsche Bank	147	3.2	5.1	-11	-10
ING	15.3	1.2	-2.5	-3	10
Intesa	2.9	0.9	-1.9	1	13
SG	48.5	2.7	-3.6	-2	0
Unicredit	17.7	1.7	-3.4	2	26
<b>UK banks</b>	89.1	0.8	-2.7	-2	1
HSBC	744.4	1.0	2.9	0	11
RBS	260.6	1.4	-0.3	1	11
Barclays	200.4	0.5	-4.6	5	-15
Lloyds	64.9	0.4	-2.4	-4	0
<b>Large Spanish banks</b>	89.1	2.2	3.6	-2	14
Santander	5.6	2.5	3.9	-4	11
<b>BBVA</b>	7.6	2.0	3.4	-1	17
<b>Medium Spanish banks</b>	82.1	1.9	-2.7	-2	12
CaixaBank	4.4	1.8	2.2	2	34
Sabadell	1.9	3.4	-1.0	0	37
Bankinter	8.2	1.2	-2.9	-2	9
Bankia	4.2	1.3	-4.8	-8	2
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
<b>EURUSD</b>					
EURUSD	1.18	-0.3	-0.1	3.4	12
GBPUSD	1.30	-0.2	-0.4	0.4	5
USD JPY	109.47	-0.3	1.2	-3.4	-7
DXY	93.24	0.3	-0.1	2.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.18	3.0	2.9	-1.3	-7
USD BRL (Brazil)	3.18	0.4	-1.8	1.0	1
USD CUP (Cuba)	647.42	-0.1	0.5	2.0	4
USDCOP (Colombia)	2963	0.3	0.8	2.6	0
USDMXN (Mexico)	17.78	0.3	0.8	-0.5	17
USD PEN (Peru)	3.24	0.0	0.1	0.0	4
LACI	65.91	0.6	0.1	0.4	7
USD PLN (Poland)	3.63	-0.3	-0.8	2.0	13
USD RUB (Russia)	59.63	0.4	0.7	0.3	1
USD TRY (Turkey)	3.52	0.4	0.1	1.2	1
USDCNY (China)	6.67	-0.1	0.7	1.7	4
USD INR (India)	64.12	0.0	-0.5	0.5	6
USD IDR (Indonesia)	13,349	0.1	-0.2	0.0	1
ADXY	102.2	0.0	0.1	0.9	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
<b>Brent</b>					
Brent	52.3	0.3	-0.2	8	-7
WTI	49	0.5	0.7	6	-8
Copper	290	-0.3	-0.2	9	14
Gold	1284	-0.4	2.1	5	10
S&P Spot commodity *	383	0.3	-0.5	-3	-3
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S&P Agricultural *	287	0.9	-1.4	-3	-4

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Source: Bloomberg, Datastream and Haver

\* With one day delay

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