

Market Comment | Markets quiet ahead of Jackson Hole meeting later this week

Global Financial Markets Unit
21 Aug 2017

- Once the recent geopolitical tensions between the US and North Korea eased somewhat (for now), market attention focused again on the **long-term prospects for Donald Trump's reforms** (tax reform, infrastructure measures) and their impact on financial variables. The unexpected dismissal of Steve Bannon ([see](#)), chief strategist of US government with a markedly right-wing profile, seems to be another consequence of the Charlottesville episode, after the questioned positioning of the Trump Administration.
- Apart from this issue, this week's **Jackson Hole meeting**([see](#)), highly awaited by financial markets, is a key event to discover new hints about the route-map of the main central banks in their normalization process. Very relevant in a context in which markets are pricing in a very dovish strategy, especially in the US (as implied by futures, the probability of another Fed rate-hike within this year is below 45%).
- **The EUR appreciated markedly against the USD, while the USD continued to perform poorly against both its main peers and EM currencies**, which are benefiting from the USD's weakness and the positive trend in commodity prices. Oil prices lost part of last Friday's gains on the back of rumours of a shutdown of one of the main oil refineries in the US, ([see](#)) but Brent is still hovering around US\$52 per barrel.
- The other main markets remained quiet but with a slightly negative trend at the beginning of the week: **equity indices were little changed** across the board, with the exception of some European indices, especially the Dax - hit by the strength of the euro- and banking sector. Meanwhile, **sovereign yields remained stable**, with a slightly negative bias, following the recent trend that has taken 10Y US bonds below 2.20% and 10Y German bonds under the 0.40% threshold.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.31	0.0	-1.2	-5	-9	
US	2.19	-0.5	-3.0	-7	-25	
GER (2-yr)	0.72	-1.3	0.2	8	6	
Germany	0.40	-1.5	-0.7	-13	5	
France	0.70	-1.3	0.7	-8	-11	
Spain	1.54	-1.7	0.6	-4	-3	
Italy	2.03	-0.1	1.0	-8	16	
Portugal	2.95	-2.8	-6.6	-26	-143	
Greece	5.63	-0.3	11.0	37	-125	
Japan (2-yr)	0.13	0.3	-2.5	-3	6	
Japan	0.03	-2.7	-4.7	-1	-3	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.08	-3.4	2.5	3	-134	
Chile	4.38	0.0	0.0	24	6	
Colombia	6.73	0.0	0.5	7	-36	
Mexico	6.78	-3.3	-4.2	-4	-35	
Peru	5.27	-0.1	0.7	-11	-120	
Poland	3.31	-1.5	9.7	3	-41	
Russia	7.81	2.2	1.9	-6	-63	
Turkey	10.36	-13.0	-18.0	15	-64	
India	6.51	-0.3	-1.0	6	13	
Indonesia	6.90	-0.6	-1.1	-4	-94	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	30	0.2	0.0	5	-16	
Italy	163	1.4	1.7	5	12	
Portugal	235	-1.3	-5.9	-13	-120	
Spain	115	-12.2	-0.7	7	-6	
2-yr sovereign spread vs Germany						
France	24	0.4	0.2	-1	13	
Italy	53	3.4	1.8	7	-8	
Portugal	77	2.5	-2.1	2	-90	
Spain	37	2.5	-0.8	2	-11	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	200	-3.0	2	-12	-71	
Chile	62	-1.6	-5	-5	-21	
Colombia	130	-3.5	0	2	-33	
Mexico	108	-1.6	2	3	-48	
Peru	77	-1.6	-2	-8	-31	
Venezuela	6.163	118.8	39	1944	2258	
Poland	58	0.7	-1	-2	-17	
Russia	150	1.4	-6	-13	-26	
Turkey	178	3.7	-2	-6	-95	
China	66	0.3	-3	-1	-51	
India	86	0.0	0	0	-41	
Indonesia	111	0.3	-5	-5	-45	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	14	-4.6	10	42	2	
VSTOXX	19	5.6	18	42	2	
EM EFT volatility Index	19	-3.4	10	34	-5	
Dollar/reserve volatility	8	6.4	2	22	-21	
EM FX volatility Index	7	-0.1	-5	0	-33	
Credit spread (BAA) (bps)	212	0.5	1	5	-15	
US bonds volatility index	50	2.7	2	7	-34	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	50	1.7	2	5	-14	
EZ	58	1.7	0	6	-50	
UK	50	0.1	-2	6	-40	
Large Spanish	56	2.9	1	5	-61	
Medium Spanish	92	0.1	0	-4	-50	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	144	1.7	2	5	-14	
EZ Non-financial	77	1.7	0	6	-50	
UK Non-financial	110	2.3	0	1	-15	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EDNA Index	-0.36	0.00	0.0	0.0	0.0	
Earlibor 3m	-0.33	0.00	0.0	0.0	0.0	
Earlibor 12m	-0.16	0.00	0.0	0.0	-0.1	
Libor 3m	1.31	0.00	0.0	0.0	0.3	
Libor 12m	1.33	-0.01	0.0	0.0	0.0	
Stock markets (%)						
Indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,426	0.0	1.6	2	7	
Dow Jones	21,680	0.0	1.4	0	9	
Nikkei	19,393	-0.4	0.7	-4	-1	
FTSE 100	7,319	-0.1	-0.5	-2	-2	
EuroStoxx 50	3,424	-0.6	0.8	-2	3	
IBEX	10,359	-0.3	-1.0	-2	9	
DAX	12,066	-0.8	-0.8	-3	4	
CAC	5,088	-0.9	0.7	-2	4	
MIB	21,753	-0.3	0.1	1	11	
ASE Athens	876	0.2	0.2	-3	26	
MSCI Latam *	81,175	0.7	1.7	3	11	
Ibovespa (Brazil)	69,005	0.4	1.1	6	12	
Mercol	51,257	0.4	0.2	0	10	
MSCI EM Europe *	2,495	-0.3	-0.2	-1	-1	
Pobor	2,377	0.7	0.0	1	19	
Micex (Russia)	1,938	0.4	-0.7	0	-14	
Ise TOI (Turkey)	108,615	1.3	-0.8	2	43	
MSCI EM Asia *	852	-0.4	1.6	0	22	
Shanghai Com (China)	3,287	0.6	1.5	1	4	
Jakarta (Indonesia)	5,861	-0.5	1.6	1	11	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	120.3	-1.1	-3.6	-2	0	
JPM	90.5	-0.3	-2.2	-1	4	
CB	66.1	-0.8	-2.7	0	8	
BofA	23.2	-1.7	-4.9	-3	11	
MS	45.0	-0.9	-3.3	-3	3	
GS	220.0	-1.0	-3.2	-1	-10	
EZ banks	113.3	-1.5	-1.6	-1	7	
BNP	64.7	-2.0	-3.0	1	3	
Crédit Agricole	15.1	-1.5	-0.7	4	23	
Deutsche Bank	13.8	-2.4	-6.1	-13	-16	
ING	15.1	-1.2	-1.2	-3	8	
Intesa	2.9	-0.7	1.1	1	14	
SG	47.2	-1.8	-2.4	-2	-2	
Unicredit	17.8	-1.1	-0.1	5	27	
UK banks	97.5	-0.3	-1.6	-3	0	
HSBC	733.9	-0.3	-1.2	-1	10	
RBS	255.2	-0.9	-1.7	2	9	
Barclays	193.3	-1.2	-3.3	-7	-18	
Lloyds	64.6	1.0	0.4	6	0	
Large Spanish banks	86.9	-0.9	-2.3	-3	11	
Santander	5.4	-0.9	-2.8	-5	8	
BBVA	7.4	-0.9	-1.9	-1	15	
Medium Spanish banks	80.8	-0.9	-1.6	-1	11	
Cababank	4.4	-1.2	-0.9	2	33	
Sabadell	1.9	-1.0	-1.7	3	35	
Bankinter	8.0	-0.7	-2.2	-2	6	
Banque	4.1	-0.8	-1.6	-6	1	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.18	0.5	0.3	1.6	13	
GBPUSD	1.29	0.3	0.5	0.5	5	
USD JPY	108.87	0.3	0.7	-2.7	-7	
DDX	93.09	-0.4	-0.3	1.3	9	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.26	0.0	0.7	-0.3	-7	
USD BRL (Brazil)	3.14	0.1	1.5	-0.7	2	
USD CLP (Chile)	642.45	0.6	0.9	1.4	4	
USD COP (Colombia)	2988	0.0	-0.7	0.4	-1	
USD MXN (Mexico)	17.64	0.4	0.7	-0.9	18	
USD PEN (Peru)	3.24	0.1	0.1	0.1	4	
LACI	66.31	1.4	0.9	0.4	8	
USD PLN (Poland)	3.62	0.4	0.5	0.1	13	
USD RUB (Russia)	59.02	-0.1	1.5	-0.2	2	
USD TRY (Turkey)	3.49	0.7	0.9	0.9	2	
USD CNY (China)	6.67	0.1	0.1	1.4	4	
USD INR (India)	64.14	0.0	0.0	0.5	6	
USD IDR (Indonesia)	13,351	0.1	0.0	0.1	1	
ADXY	107.2	0.1	0.1	0.4	4	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent	51.6	-2.0	1.8	5	9	
WTX	48	-1.8	0.1	2	-11	
Copper	300	1.9	3.0	11	18	
Gold	1290	0.5	0.6	4	11	
S&P Spot commodity *	381	1.5	0.7	1	-4	
S&P Brent Spot *	446	-3.3	3.5	6	-7	
S&P Metals Spot *	357	0.0	2.4	9	17	
S&P Agricultural *	279	0.4	-2.7	8	-7	

Fuente: BBVA Research

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Mexico	6.79	-3.3	-4.2	-4	-85
Peru	5.27	-0.1	0.7	-11	-120
Poland	3.31	-1.5	-9.7	3	-41
Russia	7.81	2.2	1.9	-6	-63
Turkey	10.36	-13.0	-18.0	15	-64
India	6.51	-0.3	-1.0	6	13
Indonesia	6.90	0.6	-1.1	-4	-94
Country risk (bp, changes in bp)					
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Credit spread (BAA) (bps)	212	0.5	1	5	-15
US bonds volatility index	50	2.7	2	7	-34
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	58	1.7	2	2	14
EZ	58	1.7	0	6	-50
UK	50	0.1	-2	6	-40
Large Spanish	56	2.8	1	5	-61
Medium Spanish	92	-0.1	0	-4	-60
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	144	1.7	2	5	-14
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Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0.00	0.0	0.0	0.0
Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
Eurbor 12m	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.31	0.00	0.0	0.0	0.3
Libor 12m	1.73	-0.01	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,426	0.0	-1.6	-2	7
Dow Jones	21,680	-0.6	-1.4	0	9
Nikkei	19,393	-0.4	-0.7	-4	-1
FTSE 100	7,319	-0.1	-0.5	-2	2
EuroStoxx 50	3,424	-0.6	-0.8	-2	3
IBEX	10,359	-0.3	-1.0	-2	9
DAX	12,066	-0.8	-0.8	-3	4
CAC	5,088	-0.5	0.7	-2	4
MBI	21,753	-0.3	0.1	1	11
ASE Athens	826	0.2	-0.2	-3	26
MSCI Latam *	81,175	0.7	1.7	3	11
Ibovespa (Brazil)	69,005	0.4	1.1	6	12
Mobex (Russia)	51,257	0.4	0.2	0	10
MSCI EM Europe *	4,985	-0.3	-0.2	-1	-1
Poland	2,377	0.7	0.0	1	19
Micex (Russia)	1,538	0.4	-0.7	0	-14
Isr 100 (Turkey)	108,615	1.3	-0.8	2	43
MSCI EM Asia *	852	-0.4	1.6	0	22
Shanghai Com (China)	3,287	0.6	1.5	1	4
Jakarta (Indonesia)	5,861	-0.5	1.6	1	11
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	90.5	-0.3	-2.2	-1	4
CB	66.1	-0.8	-2.7	0	8
BoA	23.2	-1.7	-4.9	-3	1
MS	45.0	-0.9	-3.3	-3	3
GS	226.0	-1.0	-3.2	-1	-10
EZ banks					
BNP	113.3	-1.5	-1.6	-1	7
BNP	64.7	-2.0	-3.0	1	3
Credit Agricole	15.1	-1.5	-0.7	4	23
Deutsche Bank	131.8	-2.4	-6.1	-13	-16
ING	15.1	-1.2	-1.2	-3	8
Intesa	2.9	-0.7	1.1	1	14
SG	47.2	-1.8	-2.4	-2	-2
Unicredit	17.8	-1.1	-0.1	5	27
UK banks					
HSBC	87.5	-0.3	-1.6	-3	0
RBS	733.9	-0.3	-1.2	-1	10
HSB	255.2	-0.9	-1.7	-2	9
Barclays	193.3	-1.2	-3.3	-7	-18
Lloyds	64.6	1.0	-0.4	-6	0
Large Spanish banks					
Santander	86.9	-0.9	-2.3	-3	11
Santander	5.4	-0.9	-2.8	-5	8
BBVA	7.4	-0.9	-1.9	-1	15
Medium Spanish banks					
Cabobank	80.8	-0.9	-1.6	-1	11
Cabobank	4.4	-1.2	-0.9	2	33
Sabadell	1.9	-1.0	-1.7	3	35
Bankinter	8.0	-0.7	-2.2	-2	6
Bankinter	4.1	-0.8	-1.6	-6	1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.18	0.5	0.3	1.6	13
GBPUSD	1.29	0.3	-0.5	-0.5	5
USD JPY	108.87	0.3	0.7	-2.7	-7
USD ZAR	93.09	-0.4	-0.3	1.3	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS	17.26	0.0	-0.7	-0.3	-7
USD BRL (Brazil)					
USD BRL	3.14	0.1	1.5	-0.7	2
USD CUP (Cuba)					
USD CUP	642.45	0.6	0.9	1.4	4
USD COP (Colombia)					
USD COP	2988	0.0	-0.7	0.4	-1
USD MXN (Mexico)					
USD MXN	17.64	0.4	0.7	-0.9	18
USD PEN (Peru)					
USD PEN	3.24	0.1	0.1	0.1	4
LACI	66.31	1.4	0.9	-0.4	8
USD PLN (Poland)					
USD PLN	3.62	0.4	0.5	0.1	13
USD RUB (Russia)					
USD RUB	59.02	-0.1	1.5	-0.2	2
USD TRY (Turkey)					
USD TRY	3.49	-0.7	0.9	0.9	2
USD CNY (China)					
USD CNY	6.67	0.1	0.1	1.4	4
USD INR (India)					
USD INR	64.14	0.0	0.0	0.5	6
USD IDR (Indonesia)					
USD IDR	13,351	0.1	0.0	-0.1	1
ADXY	102.2	0.1	0.1	0.4	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	51.6	-2.0	1.8	5	-9
WTI	48	-1.8	0.1	2	11
Copper	300	1.9	3.0	11	18
Gold	1290	0.5	0.6	4	11
S&P Spot commodity *	381	1.5	0.7	1	-4
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S&P Metals Spot *	357	0.0	2.4	9	17
S&P Agricultural *	279	0.4	-2.7	-8	-7

Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

* With one day delay

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