

Market Comment | Politics in US weighed on markets this week ahead of Jackson Hole

Global Financial Markets Unit
25 Aug 2017

- In a context of **low trading volume**, **volatility in equities receded during this week** once the recent geopolitical tensions between the US and North Korea eased somewhat, and the market's attention focused again on the **long-term prospects for Donald Trump's reforms** (tax reform, infrastructure measures) and their impact on financial variables, along with the US administration's policy on NAFTA and a potential government shut-down ([see](#)).
- Markets remained in a wait-and-see mode as **no significant changes in wording are expected from major central bankers at the Jackson Hole Symposium later today**, despite the fact that **Janet Yellen's** and **Mario Draghi's** speeches will be closely watched ([see](#)). In this regard, Draghi did not give any hint on the ECB's exit strategy in his last intervention ([see](#)) before the Jackson Hole meeting.
- On the other hand, **positive economic data were released in the EZ during this week**, giving support to the EUR. The composite **PMI** for the EZ surprised to the **upside** ([see](#)). Moreover, a better-than-expected French PMI flash gave additional support to EZ assets and **IFO business climate** also surprised to the upside. Nonetheless, against this backdrop, peripheral risk premium rose during this week.
- The **USD remained weak on the back of uncertainty about US policies** and the US yield curve remained restrained, despite some expectations that Yellen's speech might slightly increase the prospects of an interest rate hike. Meanwhile, the **GBP remained at its weakest level since 2009 against the EUR**, as political uncertainty in the UK and the stronger EUR weighed on the currency.
- **Oil prices rose at the end of the week on the back of shutdown preparations for Hurricane Harvey** ([see](#)). Moreover, gasoline prices also surged. Thus, energy stocks rose while EM currencies linked to commodity prices also rose. Remarkably, the **MXN suffered only momentarily from Trump's comments on NAFTA** ([see](#)).

BBVA Research suggests the following reading list:

- Mobile phone price wars create a data puzzle for the Fed ([see](#))
- The external debt of the US is no cause for concern, yet ([see](#))

Update 15.15 CET 25 August, 2017

Table 1

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.34	0.8	3.2	-2	12	
US	2.19	0.4	0.4	-10	25	
GER (2-yr)	0.72	1.7	-1.9	6	5	
Germany	0.40	2.0	-1.8	-17	4	
France	0.72	2.7	0.5	-10	-10	
Spain	1.63	2.8	6.5	-2	5	
Italy	2.12	1.1	9.0	-1	25	
Portugal	2.88	1.7	11.0	9	-129	
Greece	5.56	1.2	-7.3	25	-132	
Japan (2-yr)	0.15	-1.5	-1.5	5	4	
Japan	0.02	-1.4	6.0	5	5	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.07	-0.4	-4.2	-2	-134	
Chile	4.54	0.5	-4.0	4	2	
Colombia	6.72	-1.0	-1.6	-25	-38	
Mexico	6.83	-0.1	0.2	-2	-31	
Peru	5.21	-2.6	-5.5	-17	-126	
Poland	3.31	1.5	0.9	-1	-40	
Russia	7.82	-4.2	3.4	-11	-62	
Turkey	10.38	-1.0	-11.0	4	-62	
India	6.54	0.0	2.5	9	16	
Indonesia	6.81	5.9	-8.4	-15	-104	
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	32	0.7	2.3	6	-14	
Italy	173	0.9	10.8	16	21	
Portugal	249	-0.3	12.8	8	-106	
Spain	123	0.8	8.3	12	5	
2-yr sovereign spread vs Germany						
France	24	0.3	0.5	-2	13	
Italy	57	-1.2	7.7	11	-4	
Portugal	77	-2.7	2.6	-1	-90	
Spain	39	-0.1	4.9	-2	9	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	194	-2.3	9	-20	-77	
Chile	61	-0.8	-2	-7	-21	
Colombia	127	-0.9	-6	-7	-36	
Mexico	105	-1.3	-5	-3	-52	
Peru	77	0.5	-1	-7	-31	
Venezuela	6.488	-110.7	444	1448	2583	
Poland	56	-0.9	-1	-3	-19	
Russia	145	-0.5	-3	-21	-21	
Turkey	173	0.8	-1	-14	-100	
China	62	-2.4	-4	-4	-55	
India	84	1.8	-2	1	-48	
Indonesia	107	-1.2	-1	-6	-49	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)						
VIX	12	-2.8	-1.7	24	0	
VSTOXX	15	-3.7	-1.4	16	-1	
EM EFT volatility Index	17	0.0	-1.6	18	-18	
Dollar/reserve volatility	8	-1.2	0	12	-26	
EM FX volatility Index	7	-1.2	-3	-5	-36	
Credit spread (BAA) (bps)	210	0.4	-2	2	-17	
US bonds volatility index	52	0.8	5	11	-31	
Banking 5y CDS (bps) *						
US	50	-0.3	1	5	-14	
EZ	60	-1.0	3	8	-48	
UK	49	-0.1	-1	4	-41	
Large Spanish	59	0.1	6	10	-58	
Medium Spanish	92	0.6	1	-2	-59	
Corporate 5y CDS (bps) *						
US Non-financial	145	-0.3	1	5	-14	
EZ Non-financial	76	-1.0	3	8	-48	
UK Non-financial	109	0.2	1	0	-16	
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	0.00	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	
Indices						
S&P500	2,439	0.0	0.6	-2	7	
Dow Jones	21,783	0.0	0.5	0	9	
Nikkei	19,453	0.5	-0.1	-3	-1	
FTSE 100	7,433	0.3	1.5	0	-3	
EuroStoxx 50	3,452	0.2	0.2	-1	4	
DAX	10,397	0.4	0.1	-2	10	
CAC	5,126	0.3	0.2	-1	5	
MIB	21,813	0.4	0.0	1	11	
ASE Athens	835	-0.1	1.2	1	27	
MSCI Latam *	63,019	0.7	3.0	5	13	
Ibovespa (Brazil)	71,333	0.3	3.8	10	16	
Mercol	51,470	0.0	0.8	0	10	
MSCI EM Europe *	5,112	0.9	2.2	3	1	
Pabst	2,469	0.5	4.6	5	23	
Micex (Russia)	1,979	0.3	2.5	2	-13	
Ise TOI (Turkey)	109,867	0.7	2.5	2	44	
MSCI EM Asia *	865	0.4	1.2	1	24	
Shanghai Com (China)	3,332	1.8	1.9	3	5	
Jakarta (Indonesia)	5,915	0.0	0.4	2	12	
Banking sector						
US banks	123.0	0.0	1.1	-1	-3	
JPM	91.5	0.0	0.9	0	5	
CB	67.7	0.0	1.7	0	10	
BofA	23.8	0.0	0.9	-2	14	
MS	46.0	0.0	1.3	-3	5	
GS	223.0	0.0	0.4	0	-8	
EZ banks	112.9	0.2	-1.8	-4	7	
BNP	64.6	0.4	2.1	-2	3	
Credit Agricole	15.0	-0.7	-2.3	0	22	
Deutsche Bank	13.9	1.0	-1.1	-16	-14	
ING	15.0	0.1	-1.5	-5	8	
Intesa	2.9	0.4	-2.2	-2	12	
SG	47.1	0.0	-1.9	-6	-2	
Unicredit	17.8	1.3	-0.9	5	27	
UK banks	88.4	0.5	0.8	-3	1	
HSBC	747.5	0.7	1.5	-1	12	
RBS	256.6	0.3	-0.3	2	9	
Barclays	194.5	0.0	0.8	-8	-17	
Lloyds	65.2	0.8	2.0	-6	1	
Large Spanish banks	88.0	0.8	0.4	-3	13	
Santander	5.5	0.9	0.6	-5	9	
BBVA	7.5	0.7	0.2	-2	16	
Medium Spanish banks	81.1	0.3	-0.5	-2	11	
Cababank	4.4	0.1	-0.3	1	34	
Sabadell	1.9	0.5	0.4	-2	36	
Bankinter	8.0	0.4	-0.3	-2	7	
Banque	4.1	0.0	-1.0	-4	0	
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.18	0.1	0.4	0.7	13	
GBPUSD	1.28	0.3	0.3	-2.2	4	
USD JPY	109.66	-0.1	-0.4	-1.4	-6	
DKK	93.25	0.0	0.2	0.5	9	
Emerging						
USDARS (Argentina)	17.20	0.0	0.4	1.8	-7	
USDRL (Brazil)	3.15	0.1	0.0	-0.3	2	
USDCLP (Chile)	636.96	0.2	1.5	1.7	5	
USDCOP (Colombia)	2953	0.3	1.2	2.2	1	
USDMXN (Mexico)	17.68	0.3	0.2	-0.5	18	
USDPEN (Peru)	3.24	0.0	0.1	0.2	4	
LACI	66.43	0.2	1.6	0.1	8	
USDPLN (Poland)	3.80	0.2	0.8	0.5	13	
USDRL (Russia)	59.15	0.0	-0.3	0.5	2	
USDTRY (Turkey)	3.48	0.1	1.1	1.6	3	
USDCNY (China)	6.66	0.1	0.2	1.5	4	
USDINR (India)	64.03	0.0	0.2	0.5	6	
USDIDR (Indonesia)	13,344	0.0	0.1	0.0	1	
ADXY	107.5	0.1	0.3	0.4	4	
Commodities (%)	level	Daily	Weekly	Monthly	Year	
Brent						
WTX	48	0.4	-1.8	-2	-11	
Copper	305	0.6	3.8	6	20	
Gold	1292	0.4	0.6	-2	11	
S&P Spot commodity *	379	-0.3	0.4	-1	-4	
S&P Brent Spot *	440	-1.1	-1.4	-1	-9	
S&P Meats Spot *	365	1.0	2.3	8	20	
S&P Agricultural *	278	0.9	0.4	-5	-7	

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Venezuela	6,488	-110.7	444	1448	2583
Poland	86	-0.9	-1	-3	-19
Russia	145	-0.5	-3	-21	-31
Turkey	173	0.8	-1	-14	-100
China	62	-2.4	-4	-4	-55
India	84	1.3	-2	1	43
Indonesia	107	-1.2	-3	-8	-49
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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	1.32	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	2,439	0.0	0.6	-2	7
Dow Jones	21,983	0.0	0.5	0	9
Nikkei	19,453	0.5	-0.1	-3	-1
FTSE 100	7,433	0.3	1.5	0	3
EuroStoxx 50	3,452	0.2	0.2	-1	4
IBEX	10,397	0.4	0.1	-2	10
DAX	12,214	0.3	0.4	-1	5
CAC	5,126	0.3	0.2	-1	5
MBI	21,813	0.4	0.0	1	11
ASE Athens	835	-0.1	1.2	1	27
MSCI Latam *	83,019	0.7	3.0	5	13
Ibovespa (Brazil)	21,333	0.3	3.8	10	16
Mumbai	51,470	0.0	0.5	0	10
MSCI EM Europe *	5,112	0.9	2.2	3	1
Poland	2,469	0.5	4.6	5	23
Moscow (Russia)	1,979	0.3	2.5	-2	-13
Isr 100 (Turkey)	109,867	0.7	2.5	2	44
MSCI EM Asia *	866	0.4	1.2	1	24
Shanghai Com (China)	3,332	1.8	1.9	3	5
Jakarta (Indonesia)	5,915	0.0	0.4	-2	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	91.5	0.0	0.9	0	5
CB	67.7	0.0	1.7	0	10
BoA	23.8	0.0	0.9	-2	4
MS	46.0	0.0	1.3	-3	5
GS	223.0	0.0	0.4	0	8
EZ banks					
BNP	64.6	0.4	-2.1	-2	3
Credit Agricole	15.0	-0.7	-2.3	0	22
Deutsche Bank	13.9	1.0	-1.1	-16	-14
ING	15.0	0.1	-1.5	-5	8
Intesa	2.9	0.4	-2.2	-2	12
SG	47.1	0.0	-1.9	-6	-2
Unicredit	17.8	1.5	0.9	5	27
UK banks					
HSBC	88.4	0.5	0.8	-3	1
HSBC	747.5	0.7	1.5	-1	12
RBS	256.6	0.3	-0.3	-2	9
Barclays	194.5	0.0	0.6	-8	-17
Lloyds	65.2	0.8	2.0	-6	1
Large Spanish banks					
Santander	88.0	0.8	0.4	-3	13
Santander	5.5	0.9	0.6	-5	9
BBVA	7.5	0.7	0.3	-2	16
Medium Spanish banks					
Cabobank	81.1	0.3	-0.5	-2	11
Cabobank	4.4	0.1	0.3	1	34
Sabadell	1.9	0.5	0.4	-2	36
Bankinter	8.0	0.4	-0.3	-2	7
Bankia	4.1	0.0	-1.0	-4	0
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.18	0.1	0.4	0.7	13
GBPUSD	1.28	0.3	-0.3	-2.2	4
USD JPY	109.66	-0.1	-0.4	-1.4	-6
USD AUD	93.25	0.0	-0.2	0.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS (Argentina)	17.20	0.0	0.4	1.8	-7
USD BRL (Brazil)	3.15	0.1	0.0	-0.3	2
USD COP (Colombia)	636.96	0.2	1.5	1.7	5
USD COP (Colombia)	295.3	0.3	1.2	2.2	1
USD MXN (Mexico)	17.68	0.3	0.2	-0.5	18
USD PEN (Peru)	3.24	0.0	0.1	0.2	4
LACI	66.43	0.2	1.6	1.1	8
USD PLN (Poland)	3.60	0.2	0.8	0.5	13
USD RUB (Russia)	59.15	0.0	-0.3	0.5	2
USD TRY (Turkey)	3.48	0.1	1.1	1.6	3
USD CNY (China)	6.66	0.1	0.2	1.5	4
USD INR (India)	64.03	0.0	0.2	0.5	6
USD IDR (Indonesia)	13,344	0.0	0.1	0.0	1
ADXY	102.5	0.1	0.3	0.4	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	52.5	0.9	-0.4	-3	-7
WTI	48	0.4	-1.8	-2	-11
Copper	305	0.6	3.8	6	20
Gold	1292	0.4	0.6	2	11
S&P Spot commodity *	379	-0.3	-0.4	-1	-4
S&P Brent Spot *	440	-1.1	-1.4	-1	-9
S&P Metals Spot *	365	1.0	2.3	8	20
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Source: Bloomberg, Datastream and Haver

* With one day delay

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