

Market Comment | Risk-off trade after geopolitical tension rekindled

Global Financial Markets Unit
29 Aug 2017

- **Geopolitical tensions rekindled after North Korea launched a missile that flew over Japan** [\(see\)](#). Financial markets showed higher **risk aversion during the session**, as safe-haven assets (gold, JPY and safer bonds) rose across the board, while risk asset prices declined significantly.
- Following an increase in equity volatility, **share prices declined across the board**, especially in Europe and with higher intensity in the banking sector. **Safe-haven assets appreciated**, including gold, JPY, CHF, US Treasury and German Bund. **The main exception was the USD, which continued its depreciation trend in a controversial political environment.** In this regard, lower inflation expectations also dragged down US yields. Other sovereign bond yields declined with less intensity.
- The downward trend continued in the USD, sending the **EUR to the 1.20 level during the session**, for the first time since 2014. A **higher EUR also played a role in the widespread decline of sensitive European exporters' shares** (DAX). The CNY also reached its highest level in 14 months, coinciding with a weak USD.
- The **GBP declined momentarily** during the session and ended up flat after European Commission President Jean-Claude Juncker said that the UK's position in talks on Britain's exit were not satisfactory, highlighting the **ambiguity of Britain's position and fanning tension at the talks.**
- **Energy markets continue to process the impact of Hurricane Harvey.** Prices of gasoline and oil were little changed despite the potential damage to infrastructure which could affect the US's supply in the short and medium term [\(see\)](#). Meanwhile, EM currencies were mixed and little changed during the session despite the risk-aversion in financial markets, which was offset by the weakness of the USD.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.31	-1.2	-0.8	-3	10
US	2.12	-3.5	-9.1	-17	32
GER (2-yr)	0.72	2.5	0.1	-4	5
Germany	0.34	-3.3	-5.7	-20	-1
France	0.66	-3.8	-4.7	-15	15
Spain	1.56	-3.8	-0.9	-6	-1
Italy	2.07	-1.5	-3.5	-5	20
Portugal	2.85	-0.7	7.7	-7	-132
Greece	5.53	-1.0	-3.7	15	-135
Japan (2-yr)	-0.15	0.1	2.4	-4	4
Japan	0.01	-3.4	-6.7	-6	6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.09	-1.6	6.5	7	-133
Chile	4.37	-1.6	3.1	6	9
Colombia	6.74	1.8	2.7	9	-35
Mexico	6.84	-0.3	3.0	-3	-30
Peru	5.14	-3.5	-10.0	-24	-133
Poland	3.27	-1.3	-5.8	-6	-44
Russia	7.80	-6.1	-9.2	-7	-45
Turkey	10.33	4.0	-2.0	-2	-67
India	6.54	-3.3	0.0	7	15
Indonesia	6.27	-0.6	-10.2	-18	-107
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-0.5	1.0	5	-15
Italy	172	1.8	2.2	14	21
Portugal	251	2.6	13.4	13	-103
Spain	122	-0.5	4.8	12	-6
2-yr sovereign spread vs Germany					
France	21	-2.9	-2.5	-6	10
Italy	57	-2.9	1.2	10	-4
Portugal	74	-4.9	3.3	-7	-22
Spain	39	-2.1	0.1	-1	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	198	2.8	4	-15	-73
Chile	61	-0.4	-2	-7	-22
Colombia	128	2.2	-3	-2	-35
Mexico	107	-3.1	-2	2	-50
Peru	77	0.1	-1	-6	-31
Venezuela	6.707	584.6	508	1282	2802
Poland	56	-0.2	-3	-3	-20
Russia	145	0.0	-3	-15	31
Turkey	169	-0.4	-7	-11	-103
China	58	-0.9	-8	-6	-59
India	81	-1.7	-8	0	-47
Indonesia	103	-1.1	-8	-8	-53
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	12	6.7	6	17	0
VSTOXX	17	9.2	6	26	1
EM EFT volatility Index	18	4.3	4	20	-13
Dollar/reserve volatility	8	6.7	3	13	-20
EM FX volatility Index	7	1.0	-1	-4	-35
Credit spread (BAA) (bps)	217	3.5	8	7	-10
US bonds volatility index	49	-3.4	-5	1	-36
Banking Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	57	-0.4	-1	4	-15
EZ	58	-0.4	1	7	-49
UK	49	-0.3	-2	4	-42
Large Spanish	58	-0.4	2	9	-58
Medium Spanish	92	0.5	0	1	-59
Corporate Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	143	-0.4	-1	4	-15
EZ Non-financial	75	-0.4	1	7	-49
UK Non-financial	107	-1.1	-3	1	-17
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	1.32	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
S&P500	2441	0.1	0.5	2.6	7
Dow Jones	21,819	0.0	0.4	0	9
Nikkei	19,363	-0.4	0.1	-3	-1
FTSE 100	7,337	-0.9	-0.6	0	-2
EuroStoxx 50	3,388	-1.0	-1.9	-2	2
IBEX	10,193	-0.9	-2.1	-3	8
DAX	11,946	-1.5	-2.3	-2	3
CAC	5,032	-0.9	-1.9	-2	3
MIB	21,409	-1.5	-1.5	0	9
ASE Athens	823	-1.9	-1.2	0	25
MSCI Latam *	62,923	-0.1	2.1	5	13
Ibovespa (Brazil)	70,973	-0.1	1.4	8	15
Mercol	51,226	-0.1	0.2	0	10
MSCI EM Europe *	5,171	0.8	3.1	3	2
Pobor	2,498	-1.3	4.6	6	25
Micex (Russia)	1,989	0.1	2.1	4	-12
Ise TOI (Turkey)	110,423	0.1	1.7	3	45
MSCI EM Asia *	864	-0.3	1.3	1	24
Shanghai Com (China)	3,365	0.1	2.3	3	7
Jakarta (Indonesia)	5,888	-0.5	0.5	1	12
Emerging sector	level	Daily	Weekly	Monthly	YTD
US banks	121.2	-0.9	-1.0	-2	1
JPM	90.7	-1.0	-1.0	-1	4
CB	67.0	-1.3	0.2	-1	9
BofA	23.5	-1.0	-1.4	-2	2
MS	45.3	-0.5	-0.7	-3	4
GS	219.0	-0.6	-2.1	-2	-10
EZ banks	110.4	-1.8	-2.7	-5	5
BNP	63.2	-1.1	-2.9	-4	11
Crédit Agricole	14.6	-2.3	-4.2	-2	19
Deutsche Bank	13.3	-3.0	-3.2	-14	-18
ING	14.7	-1.4	-2.9	-7	6
Intesa	2.8	-1.8	-2.2	-3	11
SG	46.2	-1.1	-1.6	-7	-4
Unicredit	17.3	-2.6	-1.9	3	23
UK banks	97.0	-1.2	-1.0	-2	1
HSBC	742.6	0.0	0.1	0	11
RBS	250.8	-2.0	-1.3	2	7
Barclays	190.4	-2.0	-1.5	-7	-19
Lloyds	63.9	-1.6	-1.8	-4	-1
Large Spanish banks	85.6	-1.4	-2.3	-6	10
Santander	5.4	-1.4	-2.0	-7	6
BBVA	7.3	-1.5	-2.5	-3	13
Medium Spanish banks	78.7	-1.9	-2.8	-5	8
Cababank	4.3	-1.9	-3.0	-4	30
Sabadell	1.8	-2.9	-3.4	-5	30
Bankinter	7.8	-1.3	-2.4	-5	4
Banque	4.0	-1.8	-2.8	-8	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.20	0.4	2.2	2.3	15
GBPUSD	1.29	0.0	0.9	-1.5	5
USD JPY	108.99	0.2	0.5	-1.5	-7
DOY	91.92	-0.3	-1.7	1.4	10
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.32	-0.5	0.6	2.7	8
USDRL (Brazil)	3.16	0.1	-0.1	-1.1	2
USDCLP (Chile)	623.97	0.7	2.7	4.6	7
USDCOP (Colombia)	2935	0.4	1.7	2.2	1
USDMXN (Mexico)	17.86	0.1	-1.1	-0.5	17
USDPEN (Peru)	3.24	-0.1	0.1	0.2	4
LACI	66.21	0.4	0.0	0.4	7
USDPLN (Poland)	3.55	-0.1	2.4	2.0	15
USDRL (Russia)	58.70	-0.4	0.6	1.4	3
USDTRY (Turkey)	3.44	0.0	1.5	2.4	4
USDCNY (China)	6.60	0.3	1.0	2.1	5
USDINR (India)	64.02	-0.2	0.1	0.2	6
USDIDR (Indonesia)	13,340	0.0	0.0	0.1	1
ADXY	108.0	0.0	0.6	0.9	5
Commodities (%)					
Brent	level	Daily	Weekly	Monthly	Year
WTX	46	-1.5	-3.7	8	-14
Copper	309	0.9	3.6	8	21
Gold	1317	0.7	2.5	4	13
S&P Spot commodity *	377	-0.6	0.1	-2	-5
S&P Brent Spot *	438	-1.1	0.3	-2	-9
S&P Metals Spot *	361	0.0	0.0	7	19
S&P Agricultural *	277	-0.2	0.4	6	8

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Mexico	6.84	-0.3	3.0	-3	-80
Peru	5.14	-3.5	-10.0	-24	-133
Poland	3.27	-1.3	-5.8	-6	-44
Russia	7.80	-8.1	-9.2	-7	-65
Turkey	10.33	-4.0	-2.0	-2	-67
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Italy	57	-2.9	1.2	10	-4
Portugal	74	-4.9	-3.8	-7	-72
Spain	39	-2.1	0.1	-1	-10
Emerging Markets					
5-yr sovereign CDS *					
level	Daily	Weekly	Monthly	YTD	
Brazil	198	2.8	-4	-15	-73
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Peru	77	0.1	-1	-6	-31
Venezuela	6,707	504.6	508	1292	2802
Poland	86	-0.2	-3	-7	-20
Russia	145	0.0	-3	-15	-31
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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	2,441	-0.1	-0.5	-1	7
Dow Jones	21,819	0.0	0.4	0	9
Nikkei	19,363	-0.4	-0.1	-3	-1
FTSE 100	7,337	-0.9	-0.6	0	2
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Ibovespa (Brazil)	70,973	-0.1	1.4	8	15
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Shanghai Com (China)	3,365	0.1	2.3	3	7
Jakarta (Indonesia)	5,868	-0.5	0.5	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	121.2	-0.9	-1.0	-2	1
Citi	90.7	-1.0	-1.0	-1	4
CB	67.0	-1.5	0.2	-1	9
BoA	23.5	-1.0	-1.4	-2	2
MS	45.3	-0.5	-0.7	-3	4
GS	219.0	-0.6	-2.1	-2	-10
EZ banks	110.4	-1.8	-2.7	-5	5
BNP	63.2	-1.1	-2.9	-4	1
Credit Agricole	14.6	-2.3	-4.2	-2	19
Deutsche Bank	13.3	-3.0	-3.2	-14	-18
ING	14.7	-1.4	-2.9	-7	6
Intesa	2.8	-1.8	-2.2	-3	11
SG	46.2	-1.1	-1.6	-7	-4
Unicredit	17.3	-2.6	-1.9	-3	23
UK banks	87.0	-1.2	-1.0	-2	-1
HSBC	742.6	0.0	0.1	0	11
RBS	250.8	-2.0	-1.3	-2	7
Barclays	190.4	-2.0	-1.5	-7	-19
Lloyds	63.9	-1.6	-1.8	-4	-1
Large Spanish banks					
Santander	85.6	-1.4	2.3	6	10
Banque	5.4	-1.4	2.0	-7	6
BBVA	7.3	-1.5	-2.5	-5	13
Medium Spanish banks					
Cajabank	78.7	-1.9	-2.8	-5	8
Celabank	4.3	-1.9	3.0	-4	30
Sabadell	1.8	-2.9	-3.4	-5	30
Bankinter	7.8	-1.3	-2.4	-5	4
Bankia	4.0	-1.8	-2.8	-8	2
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.20	0.4	2.2	23	15
GBPUSD	1.29	0.0	0.9	-1.5	5
USDJPY	108.99	0.2	0.5	-1.5	-7
USDY	91.92	-0.3	-1.7	1.4	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.32	-0.5	-0.6	2.7	-8
USD BRL (Brazil)	3.16	0.1	-0.1	-1.1	2
USD COP (Chile)	623.97	0.7	2.7	4.6	7
USD COP (Colombia)	2935	0.4	1.7	2.2	1
USD MXN (Mexico)	17.86	0.1	-1.1	-0.5	17
USD PEN (Peru)	3.24	-0.1	0.1	0.2	4
LACI	66.21	0.4	0.0	0.4	7
USD PLN (Poland)	3.55	-0.1	2.4	2.0	15
USD RUB (Russia)	59.70	-0.4	0.6	1.4	3
USD TRY (Turkey)	3.44	0.0	1.5	2.4	4
USD CNY (China)	6.60	0.3	1.0	2.1	5
USD INR (India)	64.02	-0.2	0.1	0.2	6
USD IDR (Indonesia)	13,340	0.0	0.0	-0.1	1
ADXY	108.0	0.0	0.6	0.9	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	51.7	-0.4	-0.4	-2	9
WTI	46	-1.5	-3.7	-8	14
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Peru	5.14	-3.5	10.0	-24	-133
Poland	3.27	-1.3	-5.8	-6	-44
Russia	7.80	-8.1	-9.2	-7	-65
Turkey	10.33	4.0	2.0	-2	-67
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Indonesia	6.77	-0.6	10.2	-18	-107
Country risk (sp. changes in bp)					
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Russia	145	0.0	-3	-15	-31
Turkey	169	-0.4	-7	-11	-103
China	58	-0.9	-8	-6	-59
India	81	-1.7	-6	0	-47
Indonesia	103	-1.1	-8	-8	-53
Risk indicators					
Volatility indicators (v)	level	Daily	Weekly	Monthly	YTD
VIX	12	6.7	6	17	0
VSTOXX	17	9.2	6	26	1
EM EFT volatility index	18	4.3	4	20	-13
Duker euro volatility	8	-6.7	3	13	-20
EM FX volatility index	7	1.0	-1	-4	-35
Credit spread (GAA) (bps)	217	3.5	8	7	-10
US bonds volatility index	49	-3.4	5	1	-35
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	-0.4	-1	4	-15
EZ	58	-0.4	1	7	-49
UK	49	-0.3	-2	4	-42
Large Spanish	58	-0.4	2	9	-59
Medium Spanish	92	-0.5	0	1	-59
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	143	-0.4	-1	4	-15
EZ Non-financial	75	-0.4	1	7	-49
UK Non-financial	107	-1.1	-3	1	-17
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.26	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 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 (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,441	-0.1	-0.5	-1	7
Dow Jones	21,819	0.0	-0.4	0	9
Nikkei	19,263	-0.4	-0.1	-3	-1
FTSE 100	7,337	-0.9	0.6	0	2
EuroStoxx 50	3,388	-1.0	-1.9	-2	2
IBEX	10,193	-0.9	-2.1	-3	8
DAX	11,946	-1.5	-2.3	-2	3
CAC	5,032	-0.9	-1.9	-2	3
MIB	21,409	-1.5	-1.5	0	9
ASE Athens	823	-1.9	-1.2	0	25
MSCI Latam *	82,923	0.1	2.1	5	13
Ibovespa (Brazil)	70,973	-0.1	1.4	8	15
Mexbol	51,226	-0.1	0.2	0	10
MSCI EM Europe *	5,171	0.8	3.1	3	2
Poland	2,498	-1.3	4.6	6	25
Moor (Russia)	1,989	0.1	2.1	4	-12
Ise 100 (Turkey)	110,423	0.1	1.7	3	45
MSCI EM Asia *	864	-0.3	1.3	1	24
Shanghai Com (China)	3,365	0.1	2.3	3	7
Jakarta (Indonesia)	5,888	-0.5	0.5	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	121.2	-0.9	1.0	-2	1
Citi	90.7	-1.0	-1.0	-1	4
BoA	67.0	-1.3	0.2	-1	9
MS	23.5	-1.0	-1.4	-2	2
GS	45.3	-0.5	-0.7	-3	4
Wells Fargo	219.0	-0.6	-2.1	-2	-10
EZ banks					
BNP	110.4	-1.8	-2.7	-5	5
Credit Agricole	63.2	-1.1	-2.9	-4	1
Deutsche Bank	14.6	-2.3	-4.2	-2	19
ING	13.3	-3.0	-3.2	-14	-18
Intesa	14.7	-1.4	-2.9	-7	6
SG	2.8	-1.8	-2.2	-3	11
Unicredit	46.2	-1.1	-1.6	-7	-4
UK banks	17.3	-2.6	-1.9	3	23
HSBC	87.0	-1.2	-1.0	-2	-1
RBS	742.6	0.0	0.1	0	11
Barclays	250.8	-2.0	-1.3	2	7
Lloyds	190.4	-2.0	-1.5	-7	-19
Large Spanish banks					
Santander	63.9	-1.6	-1.8	-4	-1
BBVA	85.6	-1.4	-2.3	-6	10
Cajamar	5.4	-1.4	-2.0	-7	6
Mediana Spanish banks	7.3	-1.5	-2.5	-9	13
Caja de Pensiones	78.7	-1.9	-2.8	-5	8
Caja de Pensiones	4.3	-1.9	-3.0	-4	30
Sabadell	1.8	-2.9	-3.4	-5	30
Banque	7.8	-1.3	-2.4	-5	4
Banque	4.0	-1.8	-2.8	-8	-2
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.20	0.4	2.2	2.3	15
GBPUSD	1.29	0.0	0.9	-1.5	5
USDJPY	108.99	0.2	0.5	-1.5	-7
DX	91.92	-0.3	-1.7	1.4	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.32	-0.5	-0.6	-2.7	6
USD BRL (Brazil)	3.16	0.1	-0.1	-1.1	2
USD CIP (Chile)	623.97	0.7	2.7	4.6	7
USD COP (Colombia)	293.5	0.4	1.7	2.2	1
USD MXN (Mexico)	17.86	0.1	-1.1	-0.5	17
USD PEN (Peru)	3.24	-0.1	0.1	0.2	4
LACI	66.21	0.4	0.0	0.4	7
USD PLN (Poland)	3.55	-0.1	2.4	2.0	15
USD RUB (Russia)	58.70	-0.4	0.6	1.4	3
USD TRY (Turkey)	3.44	0.0	1.5	2.4	4
USD CNY (China)	6.60	0.3	1.0	2.1	5
USD INR (India)	64.02	-0.2	0.1	0.2	6
USD IDR (Indonesia)	13.340	0.0	0.0	-0.1	1
ADXY	102.0	0.0	0.6	0.9	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	51.7	-0.4	0.4	-2	-9
WTX	46	-1.5	-3.7	8	-14
Copper	309	0.9	3.6	8	21
Gold	1317	0.7	2.5	4	13
S&P Spot commodity *	377	-0.6	-0.1	-2	-5
S&P Brent Spot *	438	-1.1	0.3	-2	-9
S&P Metals Spot *	361	0.0	0.0	7	19
S&P Agricultural *	277	-0.2	0.4	-6	-8

Source: Bloomberg, Datastream and Haver

* With one day delay

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