

Market Comment | US markets added to the cautious mood as Korea tensions lingered

Global Financial Markets Unit
05 Sep 2017

- Investors remained cautious once again as political tensions between North Korea and the US lingered ([see](#)). **The risk-off mood continued in financial markets**, as reflected in the rise in equity volatility, higher safe-haven prices and lower risk asset prices.
- **Gold prices and the JPY increased substantially.** Meanwhile, in bond markets, higher risk aversion was also perceived, as shown in lower sovereign bond yields in most of them, **especially in US Treasuries**, close to pre-Trump levels ([see](#)). Key Fed speeches also could play a role in the performance of the US Treasury.
- **Financial markets in the US (which were closed yesterday), were declining today, adding to the underlying risk-averse sentiment** led by the financial sector and despite the significant increase of the energy sector on the back of oil prices. In Europe, stock prices were little changed after yesterday's significant fall.
- The **USD depreciated once again on higher tensions with North Korea.** Moreover, the **Fed's Brainard showed cautiousness on Fed interest rate hikes, as inflation remained subdued** ([see](#)), leading to an additional decrease of Fed Funds hike expectations within this year. Meanwhile, **the EUR inched up**, despite EZ composite and services PMI missing expectations ([see](#)), due to peripheral countries mainly, as German indicators rose higher than expected.
- **Risk-averse sentiment in developed markets**, as emerging markets benefited from the economic data from China (whose Caixin services PMI rose above expectations -[see](#)-) and a **significant increase in oil prices after Hurricane Harvey** ([see](#)), leading to widespread appreciation of EM currencies.

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Table 1

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.30	-4.4	-1.8	-5	-8	
US	2.09	7.8	-4.2	-17	35	
GER (2-yr)	0.75	-1.6	-3.1	-6	2	
Germany	0.34	-2.9	-0.5	-13	-2	
France	0.65	-3.4	-1.0	-10	16	
Spain	1.33	-1.6	-2.9	-5	-4	
Italy	2.00	-3.9	-6.7	-2	13	
Portugal	2.94	0.6	-1.1	-3	-134	
Greece	5.50	-2.7	-3.3	4	-139	
Japan (2-yr)	0.15	0.4	0.8	-4	5	
Japan	0.01	0.3	-5.9	6	6	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.92	-7.5	-15.6	9	-149	
Chile	4.34	-3.2	-3.2	4	1	
Colombia	6.75	0.2	0.1	-17	-34	
Mexico	6.85	-0.6	1.2	-1	-39	
Peru	5.18	-2.4	2.2	-5	-129	
Poland	3.24	-4.4	-4.0	-12	-48	
Russia	7.61	-4	-10.6	-12	-63	
Turkey	10.38	3.0	5.0	-1	-62	
India	6.50	0.7	-3.0	6	12	
Indonesia	6.63	-7.1	-14.8	-29	-122	
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	31	-0.5	-0.5	3	-15	
Italy	166	-1.0	-6.2	11	15	
Portugal	250	3.5	-0.6	10	-104	
Spain	120	1.4	-2.3	6	-8	
2-yr sovereign spread vs Germany						
France	21	-0.1	0.0	-1	10	
Italy	55	-0.6	-2.1	7	-6	
Portugal	76	3.2	1.7	-1	-21	
Spain	41	3.1	3.5	4	-7	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	185	-4.4	-14	-12	-97	
Chile	55	-2.0	-5	-7	-27	
Colombia	120	0.3	-8	-4	-43	
Mexico	100	0.3	-7	0	-57	
Peru	74	0.2	-4	-1	-34	
Venezuela	6.457	0.0	-250	1020	2552	
Poland	54	0.2	-2	-5	-21	
Russia	140	1.3	-5	-15	-36	
Turkey	161	2.8	-8	-12	-112	
China	59	2.7	1	-4	-58	
India	80	-3.3	0	-5	-47	
Indonesia	102	0.0	-1	-7	-54	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)						
VIX	12	21.8	5	23	0	
VSTOXX	16	1.7	-5	26	0	
EM EFT volatility Index	17	10.9	-1	17	-15	
Dollar/reserve volatility	9	3.6	3	12	-18	
EM FX volatility Index	8	3.4	3	3	-31	
Credit spread (BAA) (bps)	222	7.8	7	9	-5	
US bonds volatility index	49	0.0	-4	5	-35	
Banking 5y CDS (bps) *						
US	56	-0.2	-1	3	-16	
EZ	56	0.6	-2	6	-51	
UK	49	0.6	0	4	-42	
Large Spanish	51	0.4	-7	3	-66	
Medium Spanish	88	0.6	-4	-3	-63	
Corporate 5y CDS (bps) *						
US Non-financial	137	-0.2	-1	3	-16	
EZ Non-financial	75	0.6	-2	6	-51	
UK Non-financial	106	-0.1	-2	-1	-19	
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	1.31	0.00	0.0	0.0	0.0	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Indices						
S&P500	2464	0.5	0.7	26	9	
Dow Jones	21,845	-0.6	0.1	-1	10	
Nikkei	19,386	-0.6	0.1	-3	-1	
FTSE 100	7,373	-0.7	0.5	-2	-3	
EuroStoxx 50	3,421	-0.3	1.0	-2	3	
IBEX	10,189	-0.5	0.0	-4	8	
DAX	12,124	0.2	1.5	-1	5	
CAC	5,087	-0.9	1.1	-2	4	
MIB	21,738	-0.2	1.5	-1	11	
ASE Athens	813	0.5	-1.2	-2	24	
MSCI LatAm *	63,299	-0.1	0.5	-4	14	
Ibovespa (Brazil)	72,318	0.3	1.4	8	17	
Mexbol	50,562	-0.5	-1.5	-1	9	
MSCI EM Europe *	5,173	-0.3	0.3	3	2	
Pabest	2,517	-0.1	0.8	-6	26	
Micex (Russia)	2,004	0.0	0.7	3	-11	
Ise TOI (Turkey)	108,873	-1.0	-1.4	0	43	
MSCI EM Asia *	863	-0.6	-0.1	1	24	
Shanghai Com (China)	3,384	0.1	0.6	4	7	
Jakarta (Indonesia)	5,830	-0.6	-1.2	1	11	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	121.3	-2.9	-0.3	-5	1	
CB	89.6	-2.2	-1.6	-4	3	
BaK	67.4	-1.7	0.1	-2	10	
MS	23.5	-2.5	-0.4	-6	2	
GS	45.2	-2.2	0.4	-6	4	
WFC	219.0	-3.1	-0.4	-5	-10	
EZ banks						
BNP	109.9	-1.5	-0.4	-6	4	
Crédit Agricole	62.7	-1.9	-0.9	-8	0	
Deutsche Bank	14.6	-1.8	-0.2	-3	19	
ING	13.2	-1.9	-0.7	-16	-19	
Intesa	14.7	-1.3	-0.4	-7	5	
SG	2.8	-0.7	0.1	-4	11	
Unicredit	46.3	-1.3	0.1	-7	-4	
RBS	16.9	-1.8	-2.1	-5	21	
UK banks						
HSBC	86.0	-1.0	-1.1	-6	2	
HBS	734.1	-1.5	-1.1	-5	10	
Barclays	248.4	-0.6	-1.0	-5	6	
Lloyds	187.9	-1.2	-1.3	-11	-30	
Large Spanish banks						
Santander	63.1	-0.5	-1.2	-6	-3	
BBVA	85.0	-1.7	-0.8	-8	9	
Medium Spanish banks						
Cababank	5.3	-1.7	-0.4	-8	6	
Sabobal	7.2	-1.8	-1.1	-8	12	
Bankinter	77.6	-2.3	-1.4	-7	6	
Sabobal	4.2	-2.5	-1.2	-6	29	
Bankinter	1.8	-2.3	-1.1	-7	29	
Bankinter	7.8	-1.7	-1.1	-7	3	
Bankia	3.9	-3.0	-2.4	-11	5	
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.19	0.1	0.5	1.2	14	
GBPUSD	1.30	0.6	0.8	0.2	6	
USD JPY	108.93	0.7	0.7	-1.6	-7	
DOY	92.35	-0.8	0.1	1.3	10	
Emerging						
USDARS (Argentina)	17.26	0.0	0.7	2.3	-7	
USDRL (Brazil)	3.12	0.5	1.3	0.3	3	
USDCLP (Chile)	622.39	0.3	0.5	4.3	7	
USDCOP (Colombia)	2919	0.4	0.6	2.3	2	
USDMXN (Mexico)	17.84	0.2	0.0	0.3	17	
USDPEN (Peru)	3.24	0.1	0.1	0.3	4	
LACI	66.61	0.3	0.5	1.7	8	
USDPLN (Poland)	3.56	0.2	0.1	1.3	15	
USDRL (Russia)	57.26	0.8	2.5	4.4	5	
USDTRY (Turkey)	3.43	0.1	0.4	2.7	4	
USDCNY (China)	6.54	-0.1	0.9	2.8	6	
USDINR (India)	64.13	-0.1	-0.2	-0.9	6	
USDIDR (Indonesia)	13,338	0.0	0.0	-0.2	1	
ADXY	108.3	0.0	0.4	1.1	5	
Commodities (%)	level	Daily	Weekly	Monthly	Year	
Brent						
WTX	49	3.2	5.1	-2	-8	
Copper	312	0.9	1.4	8	23	
Gold	1335	0.2	2.0	6	15	
S&P Spot commodity *	386	0.0	2.4	0	-2	
S&P Brent Spot *	449	0.0	2.1	1	-7	
S&P Metals Spot *	372	0.0	1.4	10	22	
S&P Agricultural *	279	0.0	1.5	-3	-7	

Debt markets (10Y, %, changes in bp)					
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Chile	4.34	-1.2	-3.2	4	1
Colombia	6.75	0.2	-0.1	-17	-34
Mexico	6.85	-0.6	1.2	-1	-79
Peru	5.18	-2.4	2.2	8	-129
Poland	3.24	-4.4	-4.0	-12	-48
Russia	7.61	-8.4	18.6	-12	-83
Turkey	10.38	-3.0	5.8	-1	-62
India	6.50	0.7	-3.0	6	12
Indonesia	6.63	-7.1	-14.8	-29	-122
Country risk (bp, changes in bp)					
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Mexico	100	0.3	-7	0	-57
Peru	74	0.2	-4	-1	-34
Venezuela	6.457	0.0	-250	1020	2552
Poland	94	0.2	-2	-5	-23
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Turkey	161	2.8	-8	-12	-112
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Interbank markets (% , changes in bp)					
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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	1.32	0.00	0.0	0.0	0.3
Libor 12m	1.71	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,464	-0.5	0.7	-1	9
Dow Jones	21,845	-0.6	-0.1	-1	10
Nikkei	19,386	-0.6	0.1	-3	-1
FTSE 100	7,373	-0.5	0.5	-2	3
EuroStoxx 50	3,421	-0.3	1.0	-2	3
IBEX	10,189	-0.5	0.0	-4	8
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MSCI Latam *	83,299	-0.1	0.5	4	14
Ibovespa (Brazil)	72,318	0.3	1.4	8	17
Merval	59,902	-0.5	-1.5	-1	9
MSCI EM Europe *	5,173	-0.3	0.1	3	2
Poland	2,517	-0.1	0.8	6	26
Mikex (Russia)	2,904	-0.0	0.7	-3	-11
Isr 100 (Turkey)	108,873	-1.0	-1.4	0	43
MSCI EM Asia *	863	-0.6	-0.1	1	24
Shanghai Com (China)	3,384	0.1	0.6	4	7
Jakarta (Indonesia)	5,830	-0.6	-1.2	1	11
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	89.6	-2.2	-1.6	-4	3
CB	67.4	-1.7	-0.1	-2	10
BoA	23.5	-2.5	-0.4	-6	2
MS	45.2	-2.2	-0.4	-6	4
GS	219.0	-3.1	0.4	-5	10
EZ banks	109.9	-1.5	0.4	6	4
BNP	62.7	-1.9	-0.9	-8	0
Credit Agricole	14.6	-1.8	-0.2	-3	19
Deutsche Bank	13.2	-1.9	-0.7	-16	-19
ING	14.7	-1.3	0.4	-7	5
Intesa	2.8	-0.7	0.1	-4	11
SG	46.3	-1.3	0.1	-7	-4
Unicredit	16.9	-1.8	2.1	-5	21
UK banks	86.0	-1.0	-1.1	-6	-2
HSBC	734.1	-1.5	-1.1	-5	10
RBS	248.4	-0.6	-1.0	-5	6
Barclays	189.9	-1.2	-1.3	-11	20
Lloyds	63.1	-0.5	-1.2	-6	-3
Large Spanish banks					
Santander	85.0	-1.7	0.8	-8	9
Banco Sabadell	5.3	-1.7	0.4	-8	6
BBVA	7.2	-1.8	-1.1	-8	12
Medium Spanish banks					
Cajabank	77.6	-2.3	-1.4	-7	6
Caja de Pensiones	4.2	-2.5	-1.2	-6	29
Sabadell	1.8	-2.3	-1.1	-7	29
Bankinter	7.8	-1.7	-1.1	-7	3
Bankia	3.9	-3.0	-2.4	-11	5
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.19	0.1	-0.5	1.2	14
GBPUSD	1.30	0.6	0.8	-0.2	6
USD JPY	108.93	0.7	0.7	-1.6	-7
DXY	92.35	-0.3	0.1	1.3	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.26	0.0	0.7	2.3	-7
USD BRL (Brazil)	3.12	0.5	1.3	0.3	3
USD CLP (Chile)	622.39	0.3	0.5	4.3	7
USD COP (Colombia)	2919	0.4	0.6	2.3	2
USD MXN (Mexico)	17.84	0.2	0.0	0.3	17
USD PEN (Peru)	3.24	0.1	0.1	0.3	4
LACI	66.61	0.3	0.5	1.7	8
USD PLN (Poland)	3.56	0.2	-0.1	1.3	15
USD RUB (Russia)	57.26	0.8	2.5	4.4	5
USD TRY (Turkey)	3.43	0.1	0.4	2.7	4
USD CNY (China)	6.54	-0.1	0.9	2.8	6
USD INR (India)	64.13	-0.1	-0.2	-0.9	6
USD IDR (Indonesia)	13,338	0.0	0.0	-0.2	1
ADXY	108.7	0.0	0.4	1.1	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	53.5	2.2	2.8	7	-6
Copper	49	3.2	5.1	-2	8
Gold	312	0.9	1.4	8	23
S&P Spot commodity *	1335	0.2	2.0	6	15
S&P Spot commodity *	386	0.0	2.4	0	-2
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Source: Bloomberg, Datastream and Haver

* With one day delay

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