

Market Comment | Steady markets after US inflation data

Global Financial Markets Unit
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- **Financial markets remained steady**, with a slightly negative bias in equity markets despite the lower equity volatility. Brent crude and the GBP were the main movers, while the **US showed better-than-expected inflation data in August**, slightly increasing market expectations of an additional rate hike by the Fed within this year.
- Higher-than-expected inflation figures in the US ([see](#)) contributed to fuel the upward trend in US yields from their lowest levels this year after adding downward pressure on US stock prices. The positive inflation data, a key variable for the pace of future Fed Fund increases, **raised rate hike expectations to almost 50%** for an extra hike within this year. US Treasury yields inched up after the announcement, while the USD did not register any gain.
- The **GBP appreciated significantly after the last BoE monetary policy meeting** ([see](#)) which, although it did not change the monetary policy stance, paved the way for upcoming interest rate hikes, saying that a normalization of monetary policy would be appropriate, unless there were a negative economic shock ([see](#)). UK sovereign bond yields also rose significantly.
- **Oil prices continued their upward trend on demand hopes triggered recently by IEA and OPEC reports**, both of which were bullish on oil demand ([see](#)). Against this backdrop, EM currencies remained mixed. Nonetheless, the TRY appreciated slightly after the Turkish Central Bank left its monetary policy unchanged ([see](#)).
- The **CNY depreciated against the USD on lower-than-expected** fixed asset investment and industrial production in China ([see](#)).

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.36	1.8	10.2	2	15	
US	2.19	0.4	15.3	6	25	
GER (2-yr)	0.72	0.3	4.3	-1	6	
Germany	0.41	1.3	10.7	-2	6	
France	0.70	1.4	8.5	-3	-11	
Spain	1.61	2.6	11.1	3	3	
Italy	2.06	2.4	14.0	2	20	
Portugal	2.92	0.4	7.3	-2	-135	
Greece	5.42	-2.6	-5.2	-15	-147	
Japan (2-yr)	0.13	0.9	2.0	-1	7	
Japan	0.95	4.0	0.0	2	2	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.81	-6.8	2.3	-23	-160	
Chile	4.32	0.0	0.6	-6	0	
Colombia	6.54	-0.7	-11.5	-20	-55	
Mexico	6.78	0.5	1.4	-9	-36	
Peru	5.07	-0.1	-8.6	-21	-140	
Poland	3.23	0.3	8.1	-18	-49	
Russia	7.62	-1.4	3.2	-19	-62	
Turkey	10.45	7.0	6.0	-13	-55	
India	6.59	0.4	7.4	7	21	
Indonesia	6.54	0.1	-1.7	-37	-131	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	29	0.1	-2.2	-1	-17	
Italy	165	1.1	3.3	4	13	
Portugal	241	-0.9	-3.4	0	-114	
Spain	119	1.3	0.4	3	9	
2-yr sovereign spread vs Germany						
France	22	0.8	1.3	-1	12	
Italy	54	0.7	1.5	4	-7	
Portugal	73	-4.0	-0.9	-4	-73	
Spain	43	1.2	2.4	5	-6	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	179	-3.1	5	-21	-92	
Chile	53	-1.6	-3	-12	-29	
Colombia	113	-1.0	-3	-14	-50	
Mexico	99	-1.3	1	-7	-58	
Peru	69	-0.5	-2	-7	-38	
Venezuela	6.107	-54.6	-92	112	2202	
Poland	55	0.1	1	-4	-20	
Russia	127	-1.0	4	-14	40	
Turkey	162	0.5	0	-12	-110	
China	57	-0.5	-4	-12	-60	
India	79	-0.3	-3	-7	-48	
Indonesia	96	0.5	-6	-18	-60	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	10	-1.0	-10	-14	-1	
VSTOXX	12	-5.9	-19	-16	4	
EM EFT volatility Index	14	-5.3	-15	-17	-31	
Dollar/reserve volatility	8	-2.6	-6	-5	-26	
EM FX volatility Index	8	0.9	0	2	-30	
Credit spread (BAA) (bps)	214	-0.4	-4	5	-13	
US bonds volatility index	51	-0.5	-5	6	-33	
Banking Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	53	-1.3	-5	-1	-19	
EZ	52	0.0	-3	-4	-56	
UK	47	0.3	0	-3	-43	
Large Spanish	48	0.5	-1	-5	-69	
Medium Spanish	84	0.1	1	-6	-67	
Corporate Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	138	-1.3	-5	-1	-19	
EZ Non-financial	70	-0.0	-3	-4	-56	
UK Non-financial	104	0.1	-1	-5	-21	
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	-0.17	0.00	0.0	0.0	-0.1	
Libor 3m	1.32	0.00	0.0	0.0	0.3	
Libor 12m	1.21	0.00	0.0	0.0	0.0	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
US indices						
S&P500	2497	0.1	1.3	1.0	10	
Dow Jones	22,176	0.1	1.8	1	11	
Nikkei	19,807	-0.3	2.1	0	1	
FTSE 100	7,285	-1.1	-4.4	-1	11	
EuroStoxx 50	3,526	0.1	-2.1	2	6	
IBEX	10,361	-0.1	2.3	-1	9	
DAX	12,540	-0.1	2.0	3	8	
CAC	5,225	0.1	2.2	2	7	
MIB	22,281	0.2	2.6	3	14	
ASE Athens	791	-2.3	-2.5	-4	20	
MSCI Latam *						
MSCI Latam *	64,800	0.0	1.0	5	16	
Ibovespa (Brazil)	74,722	-0.1	1.8	9	21	
Mexbol	50,161	0.0	0.2	-2	8	
MSCI EM Europe *						
MSCI EM Europe *	5,205	-0.3	0.4	3	-3	
Pobor	2,507	0.3	0.6	6	25	
Micex (Russia)	2,052	-0.1	2.1	5	-9	
Ise 100 (Turkey)	108,244	0.1	-1.4	1	42	
MSCI EM Asia *						
MSCI EM Asia *	876	0.0	1.9	4	26	
Shanghai Com (China)	3,371	-0.4	0.2	4	7	
Jakarta (Indonesia)	5,852	-0.3	0.5	1	11	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	125.6	0.5	5.7	1	5	
CB	91.0	-0.1	2.8	-2	5	
BaK	69.6	0.3	5.3	2	13	
BoK	24.4	0.3	6.2	0	6	
MS	46.6	0.9	5.6	0	7	
GS	227.5	0.4	5.4	0	-6	
EZ banks						
BNP	115.4	0.2	5.6	0	9	
BBVA	66.5	0.2	6.4	-1	6	
Crédit Agricole	15.3	-0.4	5.4	-1	24	
Deutsche Bank	14.0	-0.7	6.0	-4	-14	
ING	15.3	0.3	4.9	0	10	
Intesa	2.9	0.8	4.3	2	15	
SG	48.7	0.5	6.2	0	1	
Unicredit	17.7	0.0	7.1	0	26	
UK banks						
HSBC	97.0	0.1	2.6	-3	1	
RBS	720.8	-1.5	-0.4	-3	8	
NBS	253.3	1.5	5.0	-4	8	
Barclays	189.8	-0.9	3.2	-5	-19	
Lloyds	66.4	2.2	5.3	1	3	
Large Spanish banks						
Santander	88.5	0.6	5.1	-1	13	
Santander	5.7	1.1	7.2	1	12	
BBVA	7.4	0.1	3.4	-3	15	
Medium Spanish banks						
Cabobank	78.8	-0.5	3.4	-4	8	
Cabobank	4.3	-0.3	5.3	-2	32	
Sabadell	1.8	0.5	4.1	-7	29	
Bankinter	7.9	-0.7	2.5	-3	5	
Bankia	4.0	-1.6	2.3	-5	3	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.19	0.0	-1.2	1.3	13	
GBPUSD	1.34	1.4	2.2	4.0	9	
USD JPY	110.68	-0.2	-2.1	0.0	-6	
DKK	92.39	-0.2	0.2	1.7	10	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.02	0.2	1.1	0.3	-6	
USD BRL (Brazil)	3.13	0.2	0.9	1.3	3	
USD CLP (Chile)	629.95	0.2	-1.9	-3.6	7	
USD COP (Colombia)	2908	0.1	0.0	2.0	2	
USD MXN (Mexico)	17.73	0.1	-0.3	0.4	17	
USD PEN (Peru)	3.24	0.0	-0.2	0.2	4	
LACI	66.76	0.0	0.6	1.2	8	
USD PLN (Poland)	3.60	0.1	-1.8	1.6	14	
USD RUB (Russia)	57.46	0.8	-1.0	3.6	5	
USD TRY (Turkey)	3.44	0.4	-1.2	2.6	4	
USD CNY (China)	6.56	-0.2	-1.1	1.9	5	
USD INR (India)	64.13	-0.2	-0.1	0.0	6	
USD IDR (Indonesia)	13,251	-0.4	0.4	0.8	1	
ADXY	108.3	-0.1	-0.7	1.1	5	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	55.8	1.1	2.4	10	-1	
Copper	50	1.9	2.3	6	-6	
Gold	294	-0.8	-6.0	2	15	
S&P 500	1325	0.2	-1.8	4	14	
S&P Spot commodity *	392	1.0	0.0	4	-1	
S&P Brent Spot *	468	1.5	0.8	9	-3	
S&P Metals Spot *	359	-1.6	-3.0	2	10	
S&P Agricultural *	282	0.7	0.2	0	-6	

Source: Bloomberg, Datastream and Haver

* With one day delay

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- After yesterday's widespread positive mood after easing concerns over North Korea, **today financial markets were broadly steady**, with little variation among stock and bond prices.
- The **USD continued in its recent upward trend while the EUR continued eroding its recent high level**, as factors recently weighing on USD strength started to blur: geopolitical tensions, political uncertainty and hurricane effects, among others.
- **US Treasury yields inched up after the release of PPI inflation**, which rose on the back of **surging gasoline prices due to the effects of hurricanes** ([see](#)). Financial markets will be closely watching the developments of US inflation (tomorrow), a key variable for the Fed to design the path of US interest rate hikes onwards.
- Stock prices inched up in Europe, led by industrials and the finance sector. Meanwhile, US indices remained hovering around their highest levels despite the disappointment about the release date of the new Apple product, which affected suppliers ([see](#))
- **Oil prices increased after the IEA released its report** ([see](#)) pointing to lower inventories due to higher demand. Moreover, today's release of gasoline inventories, which dropped significantly more than expected, supported the increase in oil prices. EM currencies also benefited from the higher oil prices.