

# Market Comment | Economic data overshadowed the impact of the Fed meeting

Global Financial Markets Unit  
22 Sep 2017

- The **FOMC maintained the Fed funds rate unchanged and announced the start of the balance sheet normalization process in October** ([see](#)). After that, Fed fund futures showed a 61% probability of a rate hike for this year end. **Market reaction was moderated and faded at the end of the week.** The USD strengthened by 1%, US Treasury yields rose moderately and the potential negative effect on EM currencies was offset by the increase in oil prices.
- During the week, **the USD remained almost unchanged as economic data and doubts about reforms** ([see](#)) overshadowed the positive FOMC effect. **The EUR inched up on the back of positive economic data** (EZ consumer confidence ([see](#)), strong German ZEW economic sentiment ([see](#)) and positive PMI). Meanwhile the GBP strengthened following the publication of bullish core retail sales in the UK ([see](#)).
- **Developed countries' sovereign bond yields rose during the week.** In the US they were driven by the FOCM, while in the EZ peripheral risk premiums narrowed, led by Portugal after S&P upgraded its credit rating to investment grade ([see](#)).
- **Stock prices performed well during the week.** US indices inched up, while in the EZ they rose appreciably, with the exception of IBEX, dragged down by tensions in Catalonia.
- The BoJ left its monetary policy unchanged ([see](#)). Nonetheless, there was a dovish surprise as one member voted for a more accommodative policy. The JPY depreciated during the week.
- S&P's rating agency revised China's credit rating down to A+ from AA-, with little impact on financial markets ([see](#)).

BBVA Research suggests the following reading list:

- Ideas aren't running out, but they are getting more expensive to find ([see](#))
- America's inflation enigma continues to confound ([see](#))

Update 15 CET 22 September, 2017  
Table 1

Debt markets (% 10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.43	-0.7	5.1	13	22
US	2.25	-2.3	-1.1	9	-19
GER (2-yr)	-0.68	0.0	2.2	5	10
Germany	0.46	0.2	2.4	8	11
France	0.74	0.3	3.0	6	-7
Spain	1.62	-0.2	1.1	-5	5
Italy	2.11	0.0	3.2	-1	24
Portugal	2.43	0.4	-37.2	39	-174
Greece	5.58	2.2	14.3	2	-130
Japan (2-yr)	-0.13	0.0	0.9	1	7
Japan	0.03	0.5	-0.4	-3	-3
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.66	3.4	-15.1	-47	-176
Chile	4.32	0.0	0.7	-2	0
Colombia	6.53	0.0	4.8	-24	-56
Mexico	6.79	-0.8	-0.8	-2	-85
Peru	4.92	-0.1	-0.4	-10	-155
Poland	3.37	0.1	13.7	5	-34
Russia	7.68	0.3	10.6	-22	-77
Turkey	10.70	5.0	26.0	29	-30
India	6.66	-1.2	6.6	13	28
Indonesia	6.43	-1.9	-9.6	44	-142
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	0.0	0.5	-3	-18
Italy	165	0.2	0.8	-9	14
Portugal	197	0.2	-39.6	-47	-157
Spain	116	-0.4	-1.3	-15	-11
2-yr sovereign spread vs Germany					
France	21	0.2	-1.2	-2	10
Italy	45	-1.1	-6.7	-13	-16
Portugal	66	-1.1	-7.1	-13	-81
Spain	37	-1.9	-5.4	-2	-11
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	200	0.3	22	0	-71
Chile	61	0.2	6	-1	-21
Colombia	128	-2.4	15	-1	-36
Mexico	114	-2.3	15	6	-43
Peru	84	-1.5	14	7	-23
Venezuela	6,433	-116.2	286	223	2528
Poland	56	-0.5	1	-1	-19
Russia	150	0.8	17	3	-26
Turkey	188	4.5	26	15	-85
China	60	1.2	4	-4	-57
India	84	1.3	5	1	-43
Indonesia	102	1.9	6	6	-54
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	3.0	-2	19	-2
VSTOXX	12	4.9	-4	-28	-5
EM EFT volatility index	15	0.0	11	8	-24
Dollar/euro volatility	8	5.0	1	-5	-26
EM FX volatility index	8	1.8	2	8	-30
Credit spread (BAA) (bps)	209	2.3	-1	-6	-18
US bonds volatility index	48	-1.7	-5	-7	-37
Banking CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	56	0.0	3	2	-16
EZ	51	0.9	0	8	-57
UK	46	0.1	2	4	-44
Large Spanish	83	2.9	4	-5	-64
Medium Spanish	83	0.0	0	-9	-68
Corporate CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	150	0.0	3	-2	-16
EZ Non-financial	73	0.9	0	-8	-57
UK Non-financial	106	0.0	7	-2	-15
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 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	1.75	0.00	0.0	0.0	0.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,501	0.0	0.0	2	10
Dow Jones	22,359	0.0	0.4	3	12
Nikkei	20,296	-0.3	1.9	4	4
FTSE 100	7,272	0.1	0.8	-1	1
EuroStoxx 50	3,542	0.1	0.8	3	7
BSE	10,292	-0.1	-0.2	0	9
DAX	12,596	0.0	0.6	3	9
CAC	5,281	0.3	1.3	3	8
MIB	22,544	0.2	1.4	4	15
ASE Athens	773	0.9	-0.4	-7	18
MSCI Latam *	85,592	-0.2	1.1	4	17
Ibovespa (Brazil)	75,694	0.0	-0.2	7	23
Mexcl	50,546	0.0	1.2	-1	8
MSCI EM Europe *	5,159	-0.2	-0.8	2	2
Poland	2,462	-0.3	-1.4	3	23
Mosc (Russia)	2,054	-0.3	0.0	5	9
lse 100 (Turkey)	103,548	-0.4	-3.9	-5	36
MSCI EM Asia *	891	0.0	1.3	4	28
Shanghai Com (China)	3,353	-0.2	0.0	2	6
Jakarta (Indonesia)	5,912	-0.3	0.0	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	129.2	0.0	3.4	5	8
Cit	95.0	0.0	3.7	4	9
Ch	71.8	0.0	3.9	7	17
BoA	25.2	0.0	3.2	6	10
MS	48.3	0.0	3.6	5	11
GS	231.3	0.0	2.7	4	9
EZ banks					
BNP	115.0	0.1	1.2	3	10
BNP	67.1	0.5	1.6	4	7
Crédit Agricole	15.1	-0.2	-0.6	0	23
Deutsche Bank	13.8	-0.3	0.6	1	-15
ING	15.4	-0.1	1.6	2	10
Intesa	3.0	0.6	2.5	5	18
SG	48.8	0.1	1.1	4	1
Unicredit	17.9	0.3	1.3	3	27
UK banks					
HSC	87.8	-0.2	2.4	0	0
HSC	722.2	0.1	2.0	3	8
RBS	261.3	0.3	3.8	2	11
Barclays	189.3	-0.8	1.4	-2	-19
Lloyds	67.1	-0.6	2.6	3	4
Large Spanish banks					
Santander	89.2	0.1	1.9	3	14
Santander	5.7	0.4	2.3	5	13
BBVA	7.5	-0.1	1.6	1	15
Medium Spanish banks					
Cajabank	78.1	0.0	-0.7	-3	7
Cajabank	4.3	1.0	-0.8	-2	31
Sabadell	1.7	-0.6	-2.9	-7	25
Bankinter	7.8	-0.1	-0.1	-2	4
Bankia	4.0	-0.1	1.1	-2	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.20	0.2	0.2	1.4	14
GBPUSD	1.36	-0.1	-0.2	6.0	10
USDJPY	112.08	0.4	-1.1	2.8	-4
DKK	92.01	-0.3	0.2	1.2	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.27	0.0	-1.7	-0.2	-7
USD BRL (Brazil)	3.13	0.1	-0.8	0.3	3
USDCUP (Cuba)	623.01	0.3	0.4	2.6	7
USDCOP (Colombia)	2916	0.0	-0.6	2.2	2
USDMXN (Mexico)	17.78	0.6	-0.7	-0.5	17
USDPEN (Peru)	3.25	0.0	0.0	-0.3	4
LKR	65.58	-0.4	-0.4	0.4	8
USDPLN (Poland)	3.57	0.4	0.4	1.7	14
USD RUB (Russia)	57.58	0.6	-0.1	2.5	5
USDTRY (Turkey)	3.50	0.2	-1.7	-0.4	2
USDCNY (China)	6.59	0.0	-0.6	1.0	5
USDINR (India)	64.80	0.0	-1.1	-1.1	5
USDIDR (Indonesia)	13,312	0.2	-0.5	0.4	1
ADNY	108.1	0.0	-0.3	0.6	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	56.5	0.2	1.6	8	0
WTI	50	0.5	0.9	4	6
Copper	291	-0.1	-0.6	-2	14
Gold	1295	0.3	-1.9	0	11
S&P Spot commodity *	397	-0.4	0.3	5	0
S&P Brent Spot *	477	0.3	1.2	7	-1
S&P Metals Spot *	364	-0.5	1.9	1	20
S&P Agricultural *	283	0.0	-0.8	3	-6



Debt markets (10Y, %, changes in bp)					
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Germany	0.46	0.2	2.4	8	11
France	0.74	0.3	3.0	6	-7
Spain	1.62	-0.2	1.1	-5	5
Italy	2.11	0.0	3.2	-1	-24
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Peru	4.92	-0.1	-0.1	-30	-155
Poland	3.37	0.1	13.7	5	-34
Russia	7.68	0.3	10.6	-22	-77
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UK	46	0.1	-2	-4	-44
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Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index					
EONIA Index	-0.37	0.00	0.0	0.0	0.0
Eurobor 3m					
Eurobor 3m	-0.33	0.00	0.0	0.0	0.0
Eurobor 12m					
Eurobor 12m	-0.17	0.00	0.0	0.0	-0.1
Libor 3m					
Libor 3m	1.32	0.00	0.0	0.0	0.3
Libor 12m					
Libor 12m	1.75	0.00	0.0	0.0	0.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,501	0.0	0.0	2	10
Dow Jones	22,359	0.0	0.4	3	12
Nikkei	20,296	-0.3	1.9	4	4
FTSE 100	7,272	0.1	0.8	-1	1
EuroStoxx 50	3,542	0.1	0.5	-3	7
IBEX	10,292	-0.1	-0.2	0	9
DAX	12,596	0.0	0.6	3	9
CAC	5,281	0.3	1.3	3	8
MBI	22,344	0.2	1.4	4	15
ASE Athens	773	0.9	-0.4	-7	18
MSCI Latam *	85,592	-0.2	1.1	4	17
Ibovespa (Brazil)	75,604	0.0	-0.2	7	23
Mumbai	59,546	0.0	1.2	1	8
MSCI EM Europe *	5,159	-0.2	-0.8	2	2
Poland	2,462	-0.3	-1.4	3	23
Moscow (Russia)	2,054	-0.3	0.0	5	9
Ise 100 (Turkey)	103,548	-0.4	-3.9	-5	36
MSCI EM Asia *	891	0.0	1.3	4	28
Shanghai Com (China)	3,353	-0.2	0.0	2	6
Jakarta (Indonesia)	5,912	-0.1	1.0	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	129.2	0.0	3.4	5	8
CB	95.0	0.0	3.7	4	9
BoA	71.8	0.0	3.9	7	17
MS	25.2	0.0	3.2	6	10
GS	48.3	0.0	3.6	5	11
WFC	231.3	0.0	2.7	4	-5
EZ banks					
BNP	115.8	0.1	1.2	3	10
Crédit Agricole	67.1	0.5	1.6	4	7
Deutsche Bank	15.1	-0.2	-0.6	0	23
Commerzbank	13.9	-0.3	0.6	1	-15
ING	15.4	-0.1	1.6	2	10
Intesa	3.0	0.6	2.5	5	18
SG	48.8	0.1	1.1	4	1
Unicredit	17.9	-0.3	1.3	3	27
UK banks					
HSBC	87.8	-0.2	2.4	0	0
RBS	722.2	0.1	2.0	-3	8
HBS	261.3	0.3	3.8	-2	11
Barclays	189.3	-0.6	1.4	-2	-19
Lloyds	67.1	-0.6	2.6	3	4
Large Spanish banks					
Santander	89.2	0.1	1.9	3	14
Banco Sabadell	5.7	0.4	2.3	5	13
BBVA	7.5	-0.1	1.6	1	15
Medium Spanish banks					
Cajabank	78.1	0.0	-0.7	-3	7
Caja de Pensiones	4.3	1.0	0.8	-2	31
Caixa de Pensiones	1.7	-0.6	2.9	-7	25
Bankinter	7.8	-0.1	-0.1	-2	4
Bankia	4.0	-0.1	1.1	-2	2
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.20	0.2	0.2	1.4	14
GBPUSD					
GBPUSD	1.36	-0.1	-0.2	6.0	10
USD JPY					
USD JPY	112.08	0.4	-1.1	2.8	-4
DXY					
DXY	92.01	-0.3	0.2	1.2	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS (Argentina)	17.27	0.0	-1.7	-0.2	-7
USD BRL (Brazil)					
USD BRL (Brazil)	3.13	0.1	-0.8	0.3	3
USD COP (Colombia)					
USD COP (Colombia)	623.01	0.3	0.4	2.8	7
USD CLP (Chile)					
USD CLP (Chile)	2916	0.0	-0.6	2.2	2
USD MXN (Mexico)					
USD MXN (Mexico)	17.78	0.6	-0.7	-0.5	17
USD PEN (Peru)					
USD PEN (Peru)	3.25	0.0	0.0	-0.3	4
LACI					
LACI	66.58	-0.4	-0.4	0.4	8
USD PLN (Poland)					
USD PLN (Poland)	3.57	0.4	0.4	1.7	14
USD RUB (Russia)					
USD RUB (Russia)	57.58	0.6	-0.1	2.5	5
USD TRY (Turkey)					
USD TRY (Turkey)	3.50	0.2	-1.7	-0.4	2
USD CNY (China)					
USD CNY (China)	6.59	0.0	-0.6	1.0	5
USD INR (India)					
USD INR (India)	64.80	0.0	-1.1	-1.1	5
USD IDR (Indonesia)					
USD IDR (Indonesia)	13,312	0.2	-0.5	0.4	1
ADXY					
ADXY	100.1	0.0	-0.3	0.6	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	96.5	-0.2	1.6	8	0
Wti					
Wti	50	-0.5	0.9	4	6
Copper					
Copper	291	-0.1	-0.6	-2	14
Gold					
Gold	1295	0.3	-1.9	0	11
S&P Spot commodity *					
S&P Spot commodity *	397	-0.4	0.3	5	0
S&P Brent Spot *					
S&P Brent Spot *	477	0.3	1.2	7	1
S&P Metals Spot *					
S&P Metals Spot *	364	-0.5	1.9	1	20
S&P Agricultural *					
S&P Agricultural *	283	0.0	-0.8	3	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.