

Market Comment | Lower EUR and German yields in the wake of German elections

Global Financial Markets Unit
25 Sep 2017

- **Financial markets reacted cautiously to the results of German elections** ([see](#)). **European government bond yields declined, while the EUR decreased** ([see](#)). Stocks prices also inched down in Europe, especially among banks and energy companies. Uncertainties regarding the coalition-building process and new parties entering parliament may have dampened the risk-on mood among investors. □ **Peripheral risk premiums also rose.**
- **Mario Draghi's speech** ([see](#)), in which he delivered a bullish assessment on euro zone economic momentum, saying economic growth may exceed its historic average ([see](#)) seems to have had little impact in financial markets.
- The **USD gained some ground**, following **New York Fed president Dudley's remarks**, which reinforced expectations of a rate rise, saying that further interest rate hikes are likely as inflation weakness would be temporary ([see](#)). Janet Yellen is set to speak tomorrow. Against this backdrop, **US indices declined as a sell-off in the technological sectors was perceived** ([see](#)). Apart from this, investors are waiting for Trump's tax plan ([see](#)).
- Despite the fact that Japanese **Prime Minister Shinzo Abe called for snap elections** (potentially in October), the **JPY was unchanged against the USD during the session** ([see](#)).
- **Oil prices rose sharply and reached eight-month highs** as the oil market showed rebalancing signals and amid speculation on potential cuts in oil flows ([see](#)). Nonetheless, **EM currencies declined across the board, suffering from a higher USD.**

Update 18 CET 25 September, 2017
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.42	-1.2	2.4	9	20
US	2.22	3.0	0.9	1	22
GER (2-yr)	0.71	-2.9	2.0	3	6
Germany	0.40	-4.7	-5.5	2	5
France	0.70	-3.3	-3.0	1	-11
Spain	1.62	-0.2	3.7	-7	5
Italy	2.11	0.0	3.5	0	24
Portugal	2.45	1.3	1.4	-42	-173
Greece	5.56	1.1	7.9	1	-133
Japan (2-yr)	0.12	0.1	1.0	1	7
Japan	0.03	-0.1	0.1	-4	4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.77	11.6	-1.0	-31	-165
Chile	4.30	-2.2	2.5	-4	2
Colombia	6.51	-1.0	2.1	-22	-58
Mexico	6.77	0.5	-5.3	-6	-37
Peru	4.54	0.6	-10.2	-40	-164
Poland	3.29	-5.1	1.9	-1	-43
Russia	7.71	5.3	0.8	-15	-34
Turkey	10.75	5.0	27.0	36	-25
India	6.62	-4.4	0.9	8	24
Indonesia	6.29	-3.9	-19.0	-58	-155
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	1.4	2.5	-1	-16
Italy	171	4.7	9.0	-3	19
Portugal	205	6.0	6.9	-44	-149
Spain	122	4.5	9.2	-12	-5
2-yr sovereign spread vs Germany					
France	20	-0.6	-2.1	-4	9
Italy	49	2.1	0.8	-10	-12
Portugal	69	1.4	0.1	-10	-38
Spain	41	4.3	1.5	1	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	199	-1.5	23	2	-73
Chile	61	-0.1	9	-1	-21
Colombia	127	-0.8	17	-1	-36
Mexico	113	-0.3	16	8	-43
Peru	84	-0.4	15	7	-24
Venezuela	6.269	-164.9	185	-331	2363
Poland	53	-3.0	2	-4	-22
Russia	146	-4.7	15	0	-21
Turkey	183	-5.0	22	11	-90
China	61	1.3	6	-3	-56
India	77	-7.4	-2	-6	-51
Indonesia	103	1.7	9	6	-53
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	11	13.3	7	-11	-1
VSTOXX	12	5.6	4	-21	4
EM EFT volatility Index	18	16.3	23	6	-12
Dollar/reserve volatility	8	1.2	-1	-3	-27
EMFX volatility Index	8	1.9	4	12	-28
Credit spread (BAA) (bps)	209	3.0	-1	-6	-18
US bonds volatility index	51	4.6	1	-4	-34
Banking Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	1.1	4	-1	-15
EZ	53	1.8	2	-8	-55
UK	47	0.4	-2	-3	-44
Large Spanish	55	2.2	6	-4	-62
Medium Spanish	84	0.1	0	-6	-68
Corporate Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	154	1.1	4	-1	-15
EZ Non-financial	74	1.8	2	-8	-55
UK Non-financial	109	-0.2	6	1	-15
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	1.33	0.00	0.0	0.0	0.3
Libor 12m	1.38	0.01	0.0	0.0	0.1
Stock markets (%)					
Euro indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,492	0.4	0.5	2	10
Dow Jones	22,257	-0.4	0.3	2	12
Nikkei	20,398	0.5	2.5	5	4
FTSE 100	7,301	-0.1	0.7	-1	-2
EuroStoxx 50	3,538	-0.1	0.3	1	7
IBEX	10,217	-0.9	-1.2	-1	8
DAX	12,595	0.0	0.3	3	9
CAC	5,267	-0.9	0.7	3	8
MIB	22,390	-0.6	0.1	3	14
ASE Athens	742	-4.1	-2.4	-11	13
MSCI Latam *	65,314	-0.3	-0.2	3	16
Ibovespa (Brazil)	74,608	-1.0	-1.8	5	21
Mexbol	50,278	-0.1	0.0	-2	8
MSCI EM Europe *	5,156	-0.1	-0.5	2	2
Rubor	2,453	-1.1	-1.9	0	23
Micex (Russia)	2,069	0.9	0.5	5	-9
Ise TOI (Turkey)	102,270	-1.8	-4.0	-6	34
MSCI EM Asia *	884	-0.8	0.4	-3	27
Shanghai Com (China)	3,342	-0.3	0.6	2	6
Jakarta (Indonesia)	5,895	-0.2	0.4	0	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	127.5	-1.0	0.4	-5	6
JPM	93.8	-1.1	0.9	2	8
CB	70.7	-1.1	0.1	4	15
BofA	24.7	-1.1	0.2	4	8
MS	47.7	-1.0	0.9	4	9
GS	229.1	-0.9	0.7	3	-6
EZ banks	114.4	-1.2	-0.2	2	8
BNP	66.3	-1.4	0.2	3	6
Credit Agricole	15.0	-1.4	-0.5	-1	22
Deutsche Bank	13.7	-1.7	-1.4	-1	-16
ING	15.2	-0.7	0.5	1	10
Intesa	3.0	-0.5	0.8	4	16
SG	48.1	-1.6	-0.8	2	0
Unicredit	17.6	-1.4	-1.4	0	25
UK banks	97.4	-0.9	1.2	-1	1
HSBC	721.2	-0.8	0.3	-3	8
RBS	261.4	-0.3	3.4	2	12
Barclays	188.7	-1.0	1.2	-2	-19
Lloyds	65.9	-1.6	0.9	2	2
Large Spanish banks	88.1	-1.5	0.0	1	13
Santander	5.7	-1.1	0.9	4	12
BBVA	7.4	-1.9	-0.6	1	13
Medium Spanish banks	76.5	-1.7	-2.8	-5	5
Cabobank	4.1	-3.8	3.7	-6	25
Sabadell	1.7	-1.2	-4.9	-8	24
Bankinter	7.7	-1.0	-1.9	-4	2
Banque	3.9	-1.0	-1.0	-4	4
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	-0.9	-0.9	0.4	13
GBPUSD	1.35	-0.3	0.2	5.2	9
USD JPY	111.64	0.3	-0.1	1.9	-5
DDX	92.64	0.5	0.6	0.7	10
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.44	-0.7	-1.9	-1.4	8
USD BRL (Brazil)	3.15	-0.8	0.4	-0.1	2
USD CLP (Chile)	628.52	-0.8	0.7	1.4	6
USD COP (Colombia)	2927	-0.7	-0.7	1.1	1
USD MXN (Mexico)	17.89	-0.8	-0.6	-0.9	17
USD PEN (Peru)	3.26	-0.3	0.4	-0.6	4
LACI	66.16	-1.0	0.8	0.3	7
USD PLN (Poland)	3.61	-1.3	0.7	-0.1	13
USD RUB (Russia)	57.64	-0.2	0.8	2.6	5
USD TRY (Turkey)	3.55	-1.5	1.6	1.8	1
USD CNY (China)	6.62	-0.5	-0.7	0.6	5
USD INR (India)	65.12	-0.5	-1.5	-1.7	4
USD IDR (Indonesia)	13,325	-0.1	0.5	0.2	1
ADXY	107.6	-0.4	-0.6	0.2	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	58.3	2.5	5.0	12	3
WTI	52	2.0	3.5	9	-3
Copper	291	-0.5	-1.3	-4	14
Gold	1305	0.6	0.2	1	12
S&P Spot commodity *	398	0.2	0.8	5	0
S&P Brent Spot *	480	0.6	2.1	9	0
S&P Metals Spot *	361	-1.0	0.3	-1	10
S&P Agricultural *	284	0.3	0.3	2	-5

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Russia	7.71	5.3	0.8	-16	-74
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Russia	146	-4.7	15	0	-31
Turkey	183	-5.0	22	11	90
China	61	1.3	6	-3	-56
India	77	-7.4	-2	-6	-51
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Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index					
EONIA Index	-0.36	0.00	0.0	0.0	0.0
Euribor 3m					
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m					
Euribor 12m	-0.17	0.00	0.0	0.0	-0.1
Libor 3m					
Libor 3m	1.33	0.00	0.0	0.0	0.3
Libor 12m					
Libor 12m	1.78	0.01	0.0	0.0	0.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,492	-0.4	-0.5	2	10
Dow Jones	22,857	-0.4	0.3	2	12
Nikkei	20,398	0.5	2.5	5	4
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Mumbai	59,278	-0.1	0.0	2	8
MSCI EM Europe *	5,156	-0.1	-0.5	2	2
Poland	2,453	-1.1	-1.9	0	23
Moscow (Russia)	2,069	-0.9	0.5	-5	9
Ise 100 (Turkey)	102,270	-1.8	-4.0	-6	34
MSCI EM Asia *	884	-0.8	0.4	3	27
Shanghai Com (China)	3,342	-0.3	-0.6	2	6
Jakarta (Indonesia)	5,895	-0.2	0.4	0	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	127.5	-1.0	0.4	4	6
CB	93.8	-1.1	0.9	2	8
BoA	70.7	-1.1	0.1	4	15
MS	24.7	-1.1	0.2	4	8
GS	47.7	-1.0	0.9	4	9
W	229.1	-0.9	0.7	3	6
EZ banks					
BNP	114.4	-1.2	-0.2	2	8
Credit Agricole	66.3	-1.4	0.2	3	6
ING	15.0	-1.4	-0.5	-1	22
Deutsche Bank	13.7	-1.7	-1.4	-1	-16
ING	15.2	-0.7	0.5	1	10
Intesa	3.0	-0.5	0.8	4	16
SG	48.1	-1.6	-0.8	2	0
Unicredit	17.6	-1.4	-1.4	0	25
UK banks					
HSBC	87.4	-0.9	1.2	-1	-1
RBS	721.2	-0.8	0.3	-3	8
HBS	261.4	-0.3	3.4	2	12
Barclays	189.7	-1.0	1.2	-2	19
Lloyds	65.9	-1.6	0.9	2	2
Large Spanish banks					
Santander	88.1	-1.5	0.0	1	13
Banco Sabadell	5.7	-1.1	0.9	4	12
BBVA	7.4	-1.9	-0.6	-1	13
Medium Spanish banks					
Cajabank	76.5	-1.7	-2.8	-5	5
Caja de Pensiones	4.1	-3.8	3.7	-6	25
Sabadell	1.7	-1.2	-4.9	-8	24
Bankinter	7.7	-1.0	-1.9	-4	2
Bankia	3.9	-1.0	-1.0	-4	4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.18	-0.9	-0.9	0.4	13
GBPUSD					
GBPUSD	1.35	-0.3	-0.2	5.2	9
USD JPY					
USD JPY	111.64	0.3	-0.1	1.9	-5
USD INR					
USD INR	92.64	0.5	0.5	-0.7	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS (Argentina)	17.44	-0.7	-1.9	-1.4	-8
USD BRL (Brazil)					
USD BRL (Brazil)	3.15	-0.8	-0.4	-0.1	2
USD COP (Colombia)					
USD COP (Colombia)	629.52	-0.8	-0.7	1.4	6
USD COP (Colombia)					
USD COP (Colombia)	2927	-0.7	-0.7	1.1	1
USD MXN (Mexico)					
USD MXN (Mexico)	17.89	-0.8	-0.8	-0.9	17
USD PEN (Peru)					
USD PEN (Peru)	3.26	-0.3	0.4	0.6	4
LACI					
LACI	66.16	-1.0	-0.6	-0.1	7
USD PLN (Poland)					
USD PLN (Poland)	3.61	-1.3	-0.7	-0.1	13
USD RUB (Russia)					
USD RUB (Russia)	57.64	-0.2	0.8	2.6	5
USD TRY (Turkey)					
USD TRY (Turkey)	3.55	-1.5	-1.6	-1.8	1
USD CNY (China)					
USD CNY (China)	6.62	-0.5	-0.7	0.6	5
USD INR (India)					
USD INR (India)	65.12	-0.5	-1.5	-1.7	4
USD IDR (Indonesia)					
USD IDR (Indonesia)	13,325	-0.1	-0.5	0.2	1
ADXY	102.6	-0.4	-0.6	0.7	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	58.3	2.5	5.0	12	3
WTI					
WTI	52	2.0	3.5	9	-3
Copper					
Copper	291	-0.5	-1.3	-4	14
Gold					
Gold	1305	0.6	-0.2	1	12
S&P Spot commodity *					
S&P Spot commodity *	398	0.2	0.8	5	0
S&P Brent Spot *					
S&P Brent Spot *	480	0.6	2.1	9	0
S&P Metals Spot *					
S&P Metals Spot *	361	-1.0	0.3	-1	18
S&P Agricultural *					
S&P Agricultural *	284	0.3	0.3	2	5

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.