

Market Comment | Spanish assets underperformed after events in Catalonia

Global Financial Markets Unit
02 Oct 2017

- In the **euro zone** confidence continues at very high levels (PMI [see](#)) and the positive trend continues in equity prices. The main exceptions were Spanish assets, hampered by the **Catalonian crisis** ([see](#)). Despite the political tensions S&P maintained the credit rating of Spanish debt unchanged after market closure last Friday. Today, the IBEX clearly underperformed its peers, while Spanish risk premiums widened, matching somewhat other peripheral countries. The **euro was also negatively affected**, losing some ground against its main peers, adding to last week's losses driven by the German elections.
- **US assets showed a positive performance** on the back of strong confidence data ([see](#)). Equity indices rose, breaking their highest historical levels waiting for Friday's payrolls data. US sovereign yields remained almost unchanged after last week's sharp rebound backed by the hawkish tone of some Fed officials and the much-awaited proposals for tax cuts. The **USD continued its upward trend**, amid EUR weakness, growing expectations of a rate hike in December and talk of a more hawkish successor to Fed Chair Janet Yellen ([see](#)).
- **Oil prices** declined significantly today, on signs of higher output ([see](#)) in the US and in OPEC countries. The combination of a higher USD and lower oil prices led to a depreciation in EM currencies across the board.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.48	0.0	0.0	16	27	
US	2.33	-0.5	10.8	21	11	
GER (2-yr)	0.71	-1.3	0.6	2	7	
Germany	0.45	-1.3	5.1	9	10	
France	0.74	-0.6	3.8	8	-7	
Spain	1.69	9.0	7.0	3	12	
Italy	2.16	4.5	4.9	11	29	
Portugal	2.43	4.0	-2	-40	-175	
Greece	5.59	-7.4	3.2	5	-130	
Japan (2-yr)	0.10	-1.0	2.0	6	9	
Japan	0.38	4.7	6.6	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.72	-1.0	5.5	-25	-169	
Chile	4.42	1.3	12.6	6	10	
Colombia	6.55	-2.4	3.0	-18	-54	
Mexico	6.85	-0.4	0.3	2	-38	
Peru	4.88	0.7	2.7	-28	-159	
Poland	3.36	-1.1	7.6	6	-35	
Russia	7.69	2.1	-1.9	-7	-36	
Turkey	10.69	1.0	-6.0	34	-31	
India	6.66	0.0	4.4	14	28	
Indonesia	6.51	1.1	22.0	-19	-133	
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	29	0.7	-1.3	-2	-17	
Italy	171	5.8	-0.2	2	19	
Portugal	198	5.3	-7.3	-49	-157	
Spain	124	10.3	1.9	-8	-3	
2-yr sovereign spread vs Germany						
France	21	0.2	1.3	0	11	
Italy	49	2.7	-0.2	-6	-12	
Portugal	69	1.2	0.2	-4	-38	
Spain	44	5.4	2.7	5	-5	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	193	-4.0	-6	-3	-79	
Chile	58	-1.3	-3	0	-24	
Colombia	121	-2.7	-6	-4	-42	
Mexico	110	-1.6	-3	8	-46	
Peru	82	-1.6	-2	7	-26	
Venezuela	6.236	-437.7	-33	-468	2330	
Poland	54	-0.8	0	-2	-22	
Russia	142	-2.4	-4	-1	-35	
Turkey	185	-2.5	2	19	-88	
China	62	-0.9	2	5	-54	
India	77	-0.6	0	-6	-50	
Indonesia	104	-1.4	1	2	-52	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)						
VIX	9	-0.7	-8	-11	-2	
VSTOXX	12	0.4	-2	-22	4	
EM EFT volatility Index	16	1.6	-8	-1	-20	
Dollar/reserve volatility	8	2.5	0	-7	-26	
EM FX volatility Index	8	2.5	0	5	-29	
Credit spread (BAA) (bps)	200	0.5	-6	-15	-27	
US bonds volatility index	53	2.0	3	3	-31	
Banking 5y CDS (bps) *						
US	51	-1.2	-5	-6	-21	
EZ	53	-0.2	1	-6	-54	
UK	47	0.2	1	-2	-43	
Large Spanish	55	-0.2	0	-1	-62	
Medium Spanish	87	2.4	3	-6	-64	
Corporate 5y CDS (bps) *						
US Non-financial	147	-1.2	-5	-6	-21	
EZ Non-financial	74	-0.2	1	-6	-54	
UK Non-financial	107	0.2	-2	0	-18	
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD	
EDNA Index	-0.36	-0.01	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	0.00	0.0	0.1	0.1	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
EU indices						
S&P500	2,525	0.2	1.1	2	11	
Dow Jones	22,512	0.5	1.0	3	13	
Nikkei	20,401	0.2	0.0	4	4	
FTSE 100	7,439	0.9	1.9	0	3	
EuroStoxx 50	3,603	0.2	1.8	5	9	
IBEX	10,256	-1.2	0.4	0	8	
DAX	12,903	0.6	2.4	7	11	
CAC	5,350	0.4	1.6	5	9	
MIB	22,811	0.5	1.9	5	16	
ASE Athens	746	-1.2	0.5	-10	14	
MSCI Latam *	64,710	-0.7	-0.7	2	16	
Ibovespa (Brazil)	74,163	-0.2	-0.4	5	20	
Mexbol	50,526	0.4	0.3	-1	8	
MSCI EM Europe *	5,158	0.3	0.0	-1	2	
Pabest	2,470	0.7	0.7	-2	23	
Micex (Russia)	2,076	-0.1	0.3	3	-8	
Ise 100 (Turkey)	103,931	1.0	1.6	-6	36	
MSCI EM Asia *	872	-0.7	-1.3	0	25	
Shanghai Com (China)	3,349	0.0	0.2	0	6	
Jakarta (Indonesia)	5,914	1.2	0.0	1	12	
Emerging sector						
US banks	132.0	1.0	3.3	7	10	
JPM	96.5	1.0	2.5	6	11	
CB	73.8	1.4	4.1	8	20	
BofA	25.6	1.0	3.4	7	12	
MS	48.6	0.9	1.8	7	11	
GS	238.9	0.7	3.8	7	-2	
EZ banks	117.9	0.2	3.0	6	12	
BNP	68.5	0.3	3.2	7	9	
Crédit Agricole	15.4	0.1	2.9	4	25	
Deutsche Bank	14.5	-1.0	6.0	8	-11	
ING	15.7	0.3	2.7	5	13	
Intesa	3.0	0.1	1.3	6	18	
SG	49.8	0.6	3.5	6	3	
Unicredit	18.0	0.0	2.6	5	28	
UK banks	89.4	-0.1	2.3	2	2	
HSBC	739.7	0.4	2.6	-1	10	
RBS	268.1	-0.1	2.6	6	14	
Barclays	192.7	-0.3	1.6	1	-18	
Lloyds	67.5	-0.3	2.5	6	4	
Large Spanish banks	89.2	-2.0	1.3	3	14	
Santander	5.8	-1.6	2.4	6	15	
BBVA	7.4	-2.4	0.2	-1	14	
Medium Spanish banks	76.7	-3.1	0.3	-5	5	
Cabobank	4.1	-4.4	-1.4	-7	24	
Sabidell	1.7	-4.5	-1.1	-9	23	
Bankinter	7.9	-1.0	2.7	-1	5	
Banque	3.9	-3.3	0.1	-4	4	
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.17	-0.6	-0.9	-1.4	12	
GBPUSD	1.33	-1.0	-1.5	2.6	8	
USD JPY	112.63	-0.1	-0.8	2.4	-4	
USDY	93.57	0.5	1.0	-1.0	9	
Emerging						
USDARS (Argentina)	17.43	-0.6	0.4	-0.5	8	
USD BRL (Brazil)	3.16	0.1	0.0	-0.3	2	
USD CLP (Chile)	638.79	0.1	-1.5	-1.9	5	
USD COP (Colombia)	2950	-0.4	-0.8	-0.1	1	
USD MXN (Mexico)	18.23	0.1	-1.7	-1.9	15	
USD PEN (Peru)	3.27	-0.2	-0.3	-1.0	3	
LACI	65.53	0.1	-1.0	-1.1	6	
USD PLN (Poland)	3.68	-0.7	-2.0	-3.1	12	
USD RUB (Russia)	57.88	-0.6	-0.6	0.3	4	
USD TRY (Turkey)	3.57	-0.1	0.5	-3.3	0	
USD CNY (China)	6.65	0.0	-0.5	-1.0	4	
USD INR (India)	65.28	0.0	-0.2	-2.1	4	
USD IDR (Indonesia)	13,540	-0.5	-1.6	-1.5	1	
ADXY	106.9	-0.3	-0.7	-1.0	4	
Commodities (%)	level	Daily	Weekly	Monthly	Year	
Brent	56.1	-2.5	-5.0	-7	-1	
WTX	51	-2.2	-3.2	7	-5	
Copper	294	0.0	0.7	-5	15	
Gold	1275	-0.4	2.7	-4	10	
S&P Spot commodity *	399	-0.2	-1.2	3	1	
S&P Brent Spot *	483	-0.6	-2.8	7	1	
S&P Metals Spot *	360	-0.6	-0.3	-2	18	
S&P Agricultural *	281	0.1	0.7	0	6	

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Portugal	2.43	4.0	2.2	-40	-175
Greece	5.59	-7.4	3.2	5	-130
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level	Daily	Weekly	Monthly	YTD	
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Mexico	6.85	-0.4	8.3	2	-78
Peru	4.88	0.7	2.7	-28	-159
Poland	3.36	-1.1	7.6	6	-35
Russia	7.69	2.1	-1.9	-7	-76
Turkey	10.69	1.0	-6.0	34	-31
India	6.66	0.0	4.4	14	28
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UK	47	0.2	1	-2	-43
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Medium Spanish	87	2.4	3	-6	-64
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UK Non-financial	102	0.2	-2	0	-18
Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	-0.01	0.0	0.0	0.0
Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
Eurbor 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	1.78	0.00	0.0	0.1	0.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,525	0.2	1.1	2	11
Dow Jones	22,912	0.5	1.0	3	13
Nikkei	20,401	0.2	0.0	4	4
FTSE 100	7,439	0.9	1.9	0	3
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Minib	50,526	0.4	0.3	-1	8
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Ise 100 (Turkey)	103,931	1.0	1.6	-6	36
MSCI EM Asia *	872	0.7	-1.3	0	25
Shanghai Com (China)	3,349	0.0	0.2	0	6
Jakarta (Indonesia)	5,914	1.2	0.0	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	96.5	1.0	2.5	6	11
CB	73.8	1.4	4.1	8	20
BoA	25.6	1.0	3.4	7	12
MS	48.6	0.9	1.8	7	11
GS	238.9	0.7	3.8	7	2
WFC	117.9	0.2	3.0	6	12
EZ banks					
BNP	68.5	0.3	3.2	7	9
Credit Agricole	15.4	0.1	2.9	4	25
Deutsche Bank	14.5	-1.0	6.0	8	-11
ING	15.7	0.3	2.7	5	13
Intesa	3.0	0.1	1.3	6	18
SG	49.8	0.6	3.5	6	3
Unicredit	18.0	0.0	2.6	5	28
UK banks					
HSBC	739.7	0.4	2.6	-1	10
RBS	268.1	-0.1	2.6	6	14
Barclays	192.7	-0.3	1.6	1	-18
Lloyds	67.5	-0.3	2.5	6	4
Large Spanish banks					
Santander	89.2	-2.0	1.3	3	14
Banco Sabadell	5.8	-1.6	2.4	6	15
BBVA	7.4	-2.4	0.2	-1	14
Medium Spanish banks					
Cajabank	76.7	-3.1	0.3	-5	5
Caja de Pensiones	4.1	-4.4	-1.4	-7	24
Sabadell	1.7	-0.5	-1.1	-9	23
Bankinter	7.9	-1.0	2.7	-1	5
Bankia	3.9	-3.3	0.1	-4	4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.17	-0.6	-0.9	-1.4	12
GBPUSD	1.33	-1.0	-1.5	2.6	8
USDJPY	112.63	-0.1	-0.8	2.4	4
USDCHF	93.57	0.5	1.0	-1.0	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS	17.43	-0.6	0.4	-0.5	-8
USD BRL (Brazil)	3.16	0.1	0.0	-0.3	2
USD CLP (Chile)	630.79	0.1	-1.5	-1.9	5
USD COP (Colombia)	2950	-0.4	-0.8	-0.1	1
USD MXN (Mexico)	18.23	0.1	-1.7	-1.9	15
USD PEN (Peru)	3.27	-0.2	-0.3	-1.0	3
LACI	65.53	0.1	-1.0	-1.1	6
USD PLN (Poland)	3.68	-0.7	-2.0	-3.1	12
USD RUB (Russia)	57.88	-0.6	-0.6	0.3	4
USD TRY (Turkey)	3.57	-0.1	-0.5	-3.3	0
USD CNY (China)	6.65	0.0	0.5	-1.0	4
USD INR (India)	65.28	0.0	-0.2	-2.1	4
USD IDR (Indonesia)	13,540	-0.5	-1.6	-1.5	-1
ADXY	106.9	-0.3	-0.7	-1.0	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
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S&P Agricultural *	281	0.1	0.7	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.