

Market Comment | Markets give Spanish assets a breath of fresh air

Global Financial Markets Unit
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- **Calm markets during the week**, in which political tension in Spain has been one of the main drivers of market movements although, after the fall the previous week, Spanish assets have recovered slightly. On the other hand, central banks have been another key factor in financial markets, pending the Communist party meeting in China.
- **Spanish political risk continues to take centre stage.** The Catalonian president's fudged intervention ([see](#)) has forced the Spanish government to ask for a formal clarification of whether this was indeed a unilateral declaration of independence ([see](#)). And depending on the answer (due next Monday), the government will respond accordingly. However, market reaction would appear to indicate that the tension has eased, at least momentarily.
- **Eventful week for monetary policy in the US** as most members offered their view on the Fed's next steps regarding rate hikes in the normalization process. **Kaplan** ([see](#)) said that more inflation signalling is needed before raise rates again, while **Evans**([see](#)) supports a more gradual increase in policy rates (in December) after an "honest discussion". The lack of inflation continues to be the main concern of Fed members according to the latest **FOMC minutes** (released on Thursday), but the Fed is holding onto its course for a December rate hike. ([see](#))
- **The EUR appreciated** on hawkish comments from the ECB's Lautenschlaeger ([see](#)), who called for a start on winding down QE. Meanwhile, Peter Praet ([see](#)) stuck to his dovish position, maintaining a cautious tone and defending the need for support on the monetary side. European equity indices also showed a positive performance on the back of positive economic data, especially in Germany ([see](#))
- **The TRY fell sharply on tensions between the United States and Turkey**, as both sides suspended visa services ([see](#)) [and](#) on top of this the main Turkish stock index also fell significantly ([see](#)). EM currencies fell across the board, despite oil prices rising above \$56 per barrel on Saudi Arabia cutting output in November and signs of an oil market rebalancing ([see](#)). The MXN in particular due to the NAFTA negotiation process.
- **Chinese assets outperformed this week as FX reserves showed a higher than expected figure** despite the disappointing Caixing Services PMI (September) ahead of next week's Communist party meeting, where the main policies for the next five years will be discussed ([see](#)).

BBVA Research suggests the following reading list:

- **World Economic Outlook** by the IMF ([see](#))
- **Rethinking Macroeconomic Policy** (The Peterson Institute will hold a conference coordinated by Olivier Blanchard and Lawrence H. Summers) ([see](#)).

- **Maintaining price stability with unconventional monetary policy measures** (Speech by Peter Praet)
([see](#))

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Table 1

Debt markets (10Y, % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	1.50	-1.6	-0.7	15	28
US	2.29	-2.9	-7.0	10	-15
GER (2-yr)	0.72	-1.3	-1.6	0	6
Germany	0.41	-3.1	-4.5	1	6
France	0.83	-3.7	-6.3	-1	-14
Spain	1.60	-3.4	-10.6	2	13
Italy	2.08	-4.3	-10.2	1	18
Portugal	2.32	0.0	-9.9	-50	-185
Greece	5.55	-3.4	-5.6	11	-134
Japan (2-yr)	0.14	0.1	-0.5	-1	5
Japan	0.06	0.8	3.0	0	0
Emerging Markets					
Brazil	9.78	-1.4	5.3	-10	-163
Chile	4.53	4.9	4.9	21	21
Colombia	6.39	0.0	-8.7	-16	-70
Mexico	7.17	4.8	8.9	39	-47
Peru	4.88	-0.1	0.0	-19	-159
Poland	3.31	-5.9	-18.7	9	-41
Russia	7.60	-0.4	-6.2	-4	-85
Turkey	10.94	-3.0	14.0	56	6
India	6.73	-1.9	-2.3	15	35
Indonesia	6.56	-0.5	3.4	12	-128
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	41	-0.6	-1.8	-3	-28
Italy	166	-1.2	-5.7	-1	4
Portugal	191	3.1	-4.8	-51	-164
Spain	119	-0.3	-6.1	1	3
2-yr sovereign spread vs Germany					
France	20	-0.5	-1.6	-1	10
Italy	49	-0.5	1.2	-4	-12
Portugal	70	1.8	2.1	1	-76
Spain	44	0.1	-0.9	3	-4
Risk Indicators					
Volatility indicators (%)					
VIX	10	-2.2	0	-8	-2
VSTOXX	12	-2.9	-4	-8	-4
EM EFT volatility Index	16	0.0	-2	5	-23
Dollar/euro volatility	7	-1.7	2	-9	-31
EM FX volatility Index	8	-1.1	3	5	-27
Credit spread (BAA) (bps)	203	2.9	4	-14	-24
US bonds volatility Index	52	-1.6	-6	1	-32
Banking 5y CDS (bps) *					
US	51	2.5	4	-3	-20
EZ	54	0.0	0	3	-54
UK	47	-0.7	0	0	-43
Large Spanish	53	-1.4	5	5	-64
Interbank markets (% changes in bp)					
EONIA Index	-0.36	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.18	0.00	0.0	0.0	-0.1
Libor 3m	1.36	0.00	0.0	0.0	0.4
Libor 12m	1.81	0.00	0.0	0.1	0.1
Stock markets (%)					
Main indices					
S&P500	2,551	0.0	0.1	2	12
Dow Jones	22,841	0.0	0.3	3	15
Nikkei	21,155	1.0	2.2	6	8
FTSE 100	7,542	0.2	0.3	2	5
Eurostoxx 50	3,606	0.0	0.1	2	9
IBEX	10,264	-0.1	0.8	-1	8
DAX	12,988	0.0	0.2	3	12
CAC	5,353	-0.2	-0.1	3	9
MIB	22,429	0.1	0.2	1	14
ASE Athens	763	1.6	2.3	-6	16
MSCI Latam *	86,372	-0.1	-0.2	2	18
Ibovespa (Brazil)	76,660	0.0	0.8	3	24
Mercol	49,963	0.0	-0.7	0	7
MSCI EM Europe *	5,252	0.1	1.3	1	4
Poland	2,535	-0.1	2.2	1	27
Micex (Russia)	2,100	0.2	0.3	2	-7
Ise 100 (Turkey)	106,076	0.1	1.9	-2	39
MSCI EM Asia *	906	0.4	1.9	3	30
Shanghai Com (China)	3,391	0.1	1.2	0	7
Jakarta (Indonesia)	5,924	0.7	0.4	1	12
Banking sector					
US banks					
JPM	131.2	0.0	-3.1	5	9
Citi	96.0	0.0	-1.0	5	10
Citi	72.4	0.0	-4.3	4	18
BoA	25.5	0.0	-2.9	5	11
MS	48.6	0.0	-2.4	5	11
GS	239.8	0.0	-2.5	6	-1
EZ banks	113.7	-0.9	-2.9	-1	8
BNP	66.0	-1.0	-3.6	-1	5
Crédit Agricole	14.8	-0.7	-4.3	-3	21
Deutsche Bank	14.0	-0.9	-4.6	-1	-14
ING	15.6	-0.4	-0.8	2	12
Intesa	2.9	0.1	-2.3	-1	13
SG	47.3	-2.3	-3.4	-3	-2
Unicredit	17.0	-0.4	-1.8	-4	21
UK banks	89.3	-0.5	-0.7	3	2
HSBC	743.4	-0.5	-1.8	-2	11
RBS	274.2	0.0	0.6	10	17
Barclays	190.5	-1.3	0.1	-1	-19
Lloyds	66.1	-0.3	-0.8	2	2
Large Spanish banks	87.3	0.6	-1.4	-1	12
Santander	5.6	-0.8	-3.2	0	11
BBVA	7.3	-0.4	0.2	-1	13
Medium Spanish banks	76.9	-0.3	0.4	-3	5
Cakabank	4.0	-1.0	-1.2	-7	23
Sabedell	1.7	0.4	1.4	-4	22
Bankinter	7.9	-0.5	0.8	-1	5
Bankia	4.0	0.0	0.8	0	-1
Currencies (% red for currency depreciation)					
Developed					
EURUSD	1.19	0.3	1.1	-0.2	13
GBPUSD	1.33	0.4	1.9	0.8	8
USDJPY	111.85	0.4	0.7	1.2	-5
DX1	92.86	0.2	-1.0	-0.4	10
Emerging					
USDARS (Argentina)	17.41	0.0	0.2	-2.1	-8
USDBRL (Brazil)	3.16	0.4	-0.1	-0.7	2
USDCLP (Chile)	621.10	0.5	1.8	1.0	8
USDCOP (Colombia)	2927	0.5	0.4	-0.5	1
USDMXN (Mexico)	18.90	0.0	-2.0	-6.5	12
USDPEN (Peru)	3.25	0.0	0.5	-0.4	4
IACI	65.03	0.2	-0.4	-2.6	6
USDPLN (Poland)	3.59	0.7	2.4	0.5	14
USDRUB (Russia)	57.35	0.6	1.4	1.0	5
USDTRY (Turkey)	3.64	0.4	-0.7	-5.2	-2
USD CNY (China)	6.58	0.1	1.1	-0.6	5
USDINR (India)	64.93	0.2	0.7	-1.5	5
USDIDR (Indonesia)	13,499	0.0	0.2	-2.2	9
ADXY	108.0	0.1	0.9	-0.3	5
Commodities (%)					
Brent	57.4	2.0	3.1	4	2
WTX	52	2.0	4.7	5	-3
Copper	311	0.2	3.2	5	-22
Gold	1300	0.5	1.9	-2	12
S&P Spot commodity *	398	-0.4	1.6	1	0
S&P Brent Spot *	477	-1.2	0.9	2	-1
S&P Metals Spot *	376	1.1	2.0	5	24
S&P Agricultural *	279	0.5	-0.2	-1	-7

Source: Bloomberg, Datastream and Haver

* With one day delay

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