

Market Comment | Uncertainty continues in Spain with the impact restricted to equities

Global Financial Markets Unit
16 Oct 2017

- **Catalonia's President did not clarify the situation, next key-date: Thursday.** The lack of clear response by the President of Catalonia, has led the Spanish government to shift to a new deadline (Thursday). Puigdemont has three days to change his stance or, according to the Spanish government, it will take measures ([see](#))
- **The impact in markets is concentrated on equities:** Spanish equities underperformed their peers while risk premiums remained almost unchanged, as well as in other periphery countries. **Major sovereign yields in Europe inched down slightly** while the result of the Austrian general elections seems to have had a muted impact on financial markets ([see](#)).
- **Janet Yellen sees the lack of inflation in the US as transitory.** In yesterday's speech, the Fed chair said that "these soft readings will not persist, and with the ongoing strengthening of labour markets, I expect inflation to move higher next year" ([see](#)). Consequently, financial markets continue to price in a rate hike within this year (with the implied probability of a December rate hike at 80%). US yields remained unchanged while equity indices were up slightly ahead of this week's round of earnings publication (more than fifty companies listed on the S&P will report this week).
- **China released inflation data showing an unexpected increase in factory prices.** This data was attributable to the Authorities' commitment to cutting excess of capacity in some industrial sectors. ([see](#)). The inflation data is under control, producer prices have crept up and FX reserves have remained stable ahead of China's communist party congress this Wednesday ([see](#)).
- **Oil prices have bounced backed on increasing tension between Kurdistan and Iraq**([see](#)). Brent prices hovered around \$58 USD per barrel but it was not enough to cause any great appreciation of EM currencies, which remained almost stable against the USD, while the MXN suffered on uncertainty in the NAFTA negotiations as the only exception of note

Update 18.00 CET 16 October, 2017
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.52	2.5	1.4	16	30
US	2.29	1.4	-7.2	10	-15
GER (2-yr)	-0.74	-1.2	-3.4	2	4
Germany	0.37	-3.0	-7.1	-4	2
France	0.79	-2.9	-8.4	-6	-18
Spain	1.58	-2.8	-9.4	-2	11
Italy	2.04	-4.7	-10.7	-5	14
Portugal	2.34	0.6	-6.6	-48	-184
Greece	5.49	-5.1	-10.4	7	-139
Japan (2-yr)	-0.14	0.1	-0.4	-2	5
Japan	0.06	0.8	1.4	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.82	4.4	3.1	3	-159
Chile	4.57	0.7	9.2	25	25
Colombia	6.35	0.0	-12.1	19	-74
Mexico	7.27	7.8	19.1	47	-36
Peru	4.91	1.3	3.9	-14	-156
Poland	3.27	-3.4	-21.2	5	-44
Russia	7.63	4.5	-7.5	0	-82
Turkey	10.98	3.0	-23.0	53	-2
India	6.74	0.1	-4.5	15	35
Indonesia	6.56	-0.6	-0.1	2	-128
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	42	0.1	-1.3	-2	-27
Italy	166	-1.8	-3.7	-1	4
Portugal	197	3.6	0.5	-44	-158
Spain	121	0.2	-2.3	2	5
2-yr sovereign spread vs Germany					
France	21	0.5	-0.4	-1	10
Italy	51	0.1	3.3	-2	-10
Portugal	74	3.2	7.2	3	-72
Spain	45	-1.1	0.1	3	-3
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	2.2	-5	6	-2
VSTOXX	12	0.5	-6	-3	-5
EM EFT volatility Index	15	0.7	-9	4	-27
Dollar/euro volatility	7	1.1	3	7	-31
EM FX volatility index	8	0.6	0	6	-26
Credit spread (BAA) (bps)	196	-1.4	-3	15	-31
US bonds volatility index	51	-1.9	-8	0	-33
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	52	0.1	2	-2	-20
EZ	55	0.3	0	3	-53
UK	48	0.8	1	1	-42
Large Spanish	55	2.3	-2	7	-62
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
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	1.35	-0.01	0.0	0.0	0.4
Libor 12m	1.81	0.00	0.0	0.1	0.1
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,556	0.1	0.4	2	13
Dow Jones	22,909	0.2	0.7	3	15
Nikkei	21,256	0.5	2.7	7	8
FTSE 100	7,527	-0.1	0.3	3	5
EuroStoxx 50	3,606	0.0	-0.1	2	9
IBEX	10,181	-0.7	-0.5	-2	8
DAX	13,004	0.1	0.2	4	12
CAC	5,363	0.2	-0.1	3	9
MIB	22,428	0.1	-0.2	1	14
ASE Athens	766	0.6	2.1	-3	16
MSCI Latam *	86,672	0.3	0.6	2	18
Ibovespa (Brazil)	76,769	-0.3	1.4	3	25
Mediolan	50,109	0.3	0.1	0	6
MSCI EM Europe *	5,263	0.2	1.3	1	4
Poland	2,535	0.3	1.4	1	27
Moscú (Russia)	2,106	0.4	0.5	3	-7
Ise 100 (Turkey)	106,474	0.2	5.1	-2	40
MSCI EM Asia *	907	0.1	1.5	3	30
Shanghai Com (China)	3,378	-0.4	0.1	0	7
Jakarta (Indonesia)	5,950	0.4	0.8	2	13
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	132.3	0.8	-1.3	6	10
JPM	97.4	1.6	1.1	7	12
Cit	71.9	-0.2	-4.6	4	17
BoA	26.3	1.6	1.5	8	14
MS	48.6	0.6	-1.6	5	11
GS	241.3	1.1	-0.6	6	-1
EZ banks	113.7	0.1	-2.3	-1	6
BNP	66.2	0.2	-2.6	-1	5
Crédit Agricole	14.8	-0.2	-3.8	-3	20
Deutsche Bank	14.1	0.9	-1.8	0	-13
ING	15.5	-0.3	-1.5	1	12
Intesa	2.9	0.2	-1.6	-2	13
SG	47.5	0.3	-2.5	-3	-2
Unicredit	17.0	0.0	-1.6	-4	21
UK banks	89.0	-0.2	-0.7	2	1
HSBC	743.9	0.7	-1.5	3	11
HBS	274.1	-0.4	0.7	8	17
Barclays	189.3	-1.0	0.5	0	-19
Lloyds	65.6	-0.5	-1.4	-1	1
Large Spanish banks	86.3	-0.9	-2.0	-2	11
Santander	5.6	0.0	-3.7	-2	10
BBVA	7.2	-1.7	-0.4	-3	11
Median Spanish banks	75.9	-1.4	-1.7	-4	4
CaixaBank	4.0	-1.7	-4.1	-8	21
Sabadell	1.6	-2.8	-2.3	-8	19
Bankinter	7.9	-0.7	-0.5	0	4
Bankia	4.0	-0.5	0.0	1	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	-0.1	0.6	0.9	13
GBPUSD	1.33	0.0	1.1	-0.9	8
USDJPY	111.73	0.1	0.8	1.4	-5
DX	93.13	0.0	-0.6	-1.1	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.34	0.0	0.6	-2.0	-8
USDBRL (Brazil)	3.16	-0.6	0.8	-1.4	-2
USDCLP (Chile)	619.24	0.7	2.2	0.8	8
USDCOP (Colombia)	2934	0.0	0.7	-1.2	1
USDMXN (Mexico)	19.09	-1.0	-2.3	-8.1	11
USDPEN (Peru)	3.25	0.0	0.8	-0.3	4
USDLI (Lithuania)	64.83	-0.5	-0.1	-2.4	5
USDPLN (Poland)	3.58	0.3	2.2	0.2	14
USDRUB (Russia)	57.30	0.1	1.7	0.4	5
USDTRY (Turkey)	3.64	-0.3	1.6	-6.1	-2
USDCNY (China)	6.95	-0.2	0.5	-0.5	5
USDINR (India)	64.72	0.3	1.0	-0.9	5
USDIDR (Indonesia)	13,476	0.2	0.3	-1.7	0
ADXY	107.9	-0.2	0.7	-0.4	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	57.7	0.8	3.3	4	-2
WTX	52	0.5	4.3	4	-3
Copper	323	3.4	6.9	10	27
Gold	1304	-0.1	1.5	-2	12
S&P Spot commodity *	403	1.2	2.6	2	2
S&P Brent Spot *	485	1.6	2.3	3	-1
S&P Metals Spot *	375	-0.2	1.3	5	23
S&P Agricultural *	283	1.2	1.5	0	-6

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Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

* With one day delay

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