

Market Comment | BoE increased rates while the Fed set the stage for December

Global Financial Markets Unit
02 Nov 2017

- The **FOMC statement (see)** was free of surprises and left rates unchanged at 1.25%. The FOMC showed a positive view of economic activity, although the temporary rise in inflation was not viewed as a sign of trend inflation picking up. Nonetheless concerns about persistently low trend inflation are unlikely to affect the **expected interest rate increase in December's meeting**. Moving the Fed off its target for three interest rate hikes this year would likely require a major destabilizing geopolitical or financial shock.
- **The Bank of England increased the bank rate after a decade by 0.25% to 0.50%(see)**. The movement was widely expected by markets, but the dovish tone in the statement: "future increases in Bank Rate would be expected to be at a gradual pace and to a limited extent" contributed to add **downward pressure to the GBP and yields after the decision**. The board sees inflation broadly under control in the medium term (see) and growth below 2% during the next few years. According to the statement, Brexit remains as the main source of uncertainty.
- **The USD was under pressure ahead of the confirmation of the next Fed Chair**, which may well be Powell (see), seen as the continuation of Yellen's mandate. On the other hand, US markets received with little optimism the tax-cut proposals unveiled by Republicans (see), as the US Treasury yield slightly dropped and US stocks declined mildly (see).
- **European assets (equities and bonds) remained almost unchanged today**. Spanish equities suffered slightly (IBEX declined), amid the recent developments related with Catalonia. In the same sense, Moody's sees recent Catalan events as credit-negative for Spain (see).
- **Oil prices** remained little changed, **hovering around maximum levels since early 2015** after the recent significant rises, amid signs of growing demand and output cuts by OPEC (see). Against this backdrop, EM currencies appreciated slightly, with some exceptions.

Update 18.00 CET 02 November 2017
Table 1

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.61	0.0	0.3	14	40	
US	2.35	-2.0	-10.9	3	9	
GER (2-yr)	0.75	0.0	0.9	-5	2	
Germany	0.37	-0.1	-6.3	-9	2	
France	0.76	-0.4	-6.4	-15	-21	
Spain	1.49	1.0	-5.2	-24	1	
Italy	1.80	-0.5	-15.1	-40	-10	
Portugal	2.30	-0.4	-13.7	-31	-207	
Greece	5.08	-18.6	-46.9	-52	-180	
Japan (2-yr)	0.16	-1.2	-1.8	-5	3	
Japan	0.99	1.5	-1.9	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.01	0.0	8.9	23	-140	
Chile	4.49	0.0	-0.3	6	17	
Colombia	6.74	-0.2	10.4	23	-35	
Mexico	7.25	0.0	-1.7	35	-39	
Peru	5.09	-1.8	5.7	23	-139	
Poland	3.48	3.4	2.7	10	-24	
Russia	7.65	-2.7	1.0	-4	-39	
Turkey	11.57	6.0	-2.0	85	57	
India	6.96	-3.1	6.2	21	48	
Indonesia	6.33	-4.3	-12.7	21	-112	
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	39	-0.3	-2.1	-5	-30	
Italy	143	-0.4	-10.8	-31	-20	
Portugal	173	-0.3	-9.4	-22	-181	
Spain	111	1.1	-0.9	-15	-4	
2-yr sovereign spread vs Germany						
France	16	-0.1	-1.0	-5	6	
Italy	45	-0.5	-3.4	-3	-16	
Portugal	62	0.6	-1.4	-7	-85	
Spain	40	1.1	-1.8	-5	-8	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	170	0.0	3	-20	-102	
Chile	50	-1.1	4	-7	-32	
Colombia	113	2.7	1	-4	-50	
Mexico	108	0.9	0	1	-49	
Peru	71	1.0	4	-10	-37	
Venezuela	5,581	-460.7	-780	-685	1676	
Poland	50	-0.6	1	-4	-26	
Russia	129	0.5	0	-6	-47	
Turkey	168	3.7	7	7	-85	
China	52	0.4	2	-10	-65	
India	71	-3.4	0	-6	-56	
Indonesia	93	0.7	0	-11	-63	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)						
VIX	10	-1.5	-1.1	6	-2	
VSTOXX	12	1.8	-7	2	-4	
EM EFT volatility index	16	-3.2	-10	1	-21	
Dollar/reserve volatility	6	0.4	-7	-19	-42	
EM FX volatility index	8	-1.0	-2	3	-28	
Credit spread (BAA) (bps)	194	2.0	3	-9	-33	
US bonds volatility index	50	-2.4	-13	-9	-35	
Banking Sy CDS (bps) *						
US	40	-0.7	-2	-2	-24	
EZ	45	-2.0	-9	-9	-63	
UK	42	-1.8	-7	-6	-49	
Large Spanish	45	-2.0	-8	-13	-23	
Medium Spanish	78	0.5	-8	-10	-73	
Corporate Sy CDS (bps) *						
US Non-financial	86	-0.7	-2	-2	-24	
EZ Non-financial	56	-2.0	-9	-9	-63	
UK Non-financial	74	-2.5	-29	-33	-51	
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD	
EDNA Index	-0.35	0.00	0.0	0.0	0.0	
Earbar 3m	-0.33	0.00	0.0	0.0	0.0	
Earbar 12m	-0.19	0.00	0.0	0.0	-0.1	
Libor 3m	1.38	0.00	0.0	0.0	0.4	
Libor 12m	1.86	0.01	0.0	0.1	0.2	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Indices						
S&P500	2,577	0.1	0.6	2	13	
Dow Jones	23,475	0.2	0.3	4	18	
Nikkei	22,539	0.5	3.7	9	15	
FTSE 100	7,595	0.9	0.9	1	5	
EuroStoxx 50	3,689	-0.2	1.4	2	11	
DAX	10,458	-0.5	1.1	2	11	
CAC	13,441	-0.2	2.3	4	16	
MIB	5,511	-0.1	1.0	3	12	
IBEX	23,046	0.2	1.0	1	17	
ASE Athens	762	-0.6	3.1	1	16	
MSCI Latam *	63,967	-0.5	2.3	-1	15	
Ibovespa (Brazil)	73,824	0.0	-2.7	-4	20	
Mobol	48,334	0.0	-1.3	-5	4	
MSCI EM Europe *	5,291	1.1	2.5	2	5	
Pabest	2,501	-0.9	1.8	1	25	
Micex (Russia)	2,073	-0.5	1.3	0	-8	
Ise TOI (Turkey)	112,995	0.0	5.3	9	48	
MSCI EM Asia *	921	-0.6	1.7	-5	32	
Shanghai Com (China)	3,383	-0.4	-0.7	1	7	
Jakarta (Indonesia)	6,031	0.4	0.1	2	14	
Financial sector						
US banks	137.4	0.9	0.5	3	15	
JPM	101.4	0.5	0.3	4	17	
CB	74.5	0.7	1.0	1	21	
BofA	27.8	1.1	0.3	8	21	
MS	50.3	1.3	1.0	2	15	
GS	246.1	0.8	1.8	2	1	
EZ banks	114.7	0.3	-1.9	-3	9	
BNP	66.2	0.3	-1.1	-2	5	
Crédit Agricole	15.0	0.4	-2.0	-3	22	
Deutsche Bank	14.6	3.3	1.6	1	-10	
ING	15.8	-0.7	-1.0	1	14	
Intesa	2.9	-0.4	-2.0	-4	13	
SG	47.7	-0.3	-2.1	-4	-1	
Unicredit	16.8	1.8	-2.2	-6	19	
UK banks	89.5	-0.1	0.5	-1	2	
HSBC	737.2	0.6	-1.3	-1	10	
RBS	281.8	-0.9	0.3	4	20	
Barclays	185.0	0.5	1.4	-4	-21	
Lloyds	67.9	-1.0	-1.4	1	5	
Large Spanish banks	89.8	-0.2	0.6	0	15	
Santander	5.8	-0.2	0.1	0	15	
BBVA	7.5	-0.2	1.0	0	15	
Medium Spanish banks	77.3	-0.9	0.4	0	6	
Cabobank	4.0	-1.1	2.4	-2	23	
Sabadell	1.7	-0.5	3.9	3	26	
Bankinter	7.9	-1.7	-2.5	-1	4	
Banque	4.0	-0.1	-1.1	1	-1	
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.17	0.4	0.1	-0.7	11	
GBPUSD	1.31	-1.4	0.8	-1.3	6	
USD JPY	114.16	0.0	-0.2	1.2	-3	
DOY	94,270	-0.1	0.1	-1.2	8	
Emerging						
USDARS (Argentina)	17.56	0.3	0.5	-0.9	-9	
USDRL (Brazil)	3.27	0.0	0.9	-3.9	-1	
USDCLP (Chile)	628.89	0.9	0.5	0.6	6	
USDCOP (Colombia)	3039	0.9	0.8	2.9	-2	
USDMXN (Mexico)	18.97	0.5	1.2	-4.2	12	
USDPEN (Peru)	3.39	-4.2	-4.5	-3.7	0	
LACI	63.78	0.2	0.6	-3.1	4	
USDPLN (Poland)	3.63	0.3	0.5	1.1	13	
USDRL (Russia)	58.32	-0.2	-0.8	-0.7	3	
USDTRY (Turkey)	3.80	0.2	0.4	6.5	6	
USDCNY (China)	6.61	-0.1	0.5	0.7	5	
USDINR (India)	64.61	0.0	0.3	1.4	5	
USDIDR (Indonesia)	13,552	0.2	0.3	0.1	1	
ADXY	107.9	0.0	0.5	0.8	4	
Commodities (%)	level	Daily	Weekly	Monthly	Year	
Brent						
WTX	54	0.1	3.2	8	2	
Copper	313	0.0	-1.1	6	23	
Gold	1276	0.1	0.7	0	10	
S&P Spot commodity *	415	0.0	1.6	5	5	
S&P Brent Spot *	515	-0.7	2.5	8	7	
S&P Metals Spot *	381	1.4	0.2	4	25	
S&P Agricultural *	277	0.1	0.4	1	-8	

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France	0.76	-0.4	-6.4	-15	-21
Spain	1.49	1.0	-5.2	-24	1
Italy	1.80	-0.5	-15.1	-40	-10
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
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Chile	4.49	0.0	-0.3	6	17
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Mexico	7.25	0.0	-1.7	36	-39
Peru	5.09	-1.8	5.7	23	-139
Poland	3.48	3.4	2.7	10	-24
Russia	7.65	-2.7	1.0	-4	-79
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India	6.86	-3.1	6.2	21	48
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Poland	59	-0.6	1	-4	-26
Russia	129	0.5	0	-8	-47
Turkey	188	3.7	7	7	85
China	52	0.4	2	-10	-65
India	71	-0.4	0	-6	-56
Indonesia	93	-0.7	0	-11	63
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	1.5	-11	0	-2
VSTOXX	12	1.9	-7	2	-4
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US bonds volatility index	50	-2.4	-13	-9	-35
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	48	0.7	-2	-2	24
EZ	45	-2.0	-9	-9	-63
UK	42	-1.8	-7	-6	-49
Large Spanish	45	-2.0	-8	-13	-73
Medium Spanish	78	-0.5	-8	-10	-73
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	86	-0.7	-2	-2	-24
EZ Non-financial	58	-2.0	-9	-9	-63
UK Non-financial	74	-2.0	-9	-33	-51
Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	0.0
Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
Eurbor 12m	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.38	0.00	0.0	0.0	0.4
Libor 12m	1.86	0.01	0.0	0.1	0.2
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,577	-0.1	0.6	2	13
Dow Jones	23,475	0.2	0.3	4	18
Nikkei	22,539	0.5	3.7	9	15
FTSE 100	7,555	0.9	0.9	1	5
EuroStoxx 50	3,659	-0.2	1.4	2	11
IBEX	10,458	-0.5	1.1	2	11
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MBI	23,046	0.2	1.0	1	17
ASE Athens	762	-0.6	3.1	1	16
MSCI Latam *	83,967	-0.5	-2.3	-1	15
Ibovespa (Brazil)	73,824	0.0	-2.7	-4	20
Mumbai	49,334	0.0	-1.3	5	4
MSCI EM Europe *	5,291	1.1	2.5	2	5
Poland	2,501	-0.9	1.8	1	25
Moscow (Russia)	2,073	-0.5	1.3	0	8
Ise 100 (Turkey)	112,995	0.0	5.3	9	48
MSCI EM Asia *	921	0.9	1.7	5	32
Shanghai Com (China)	3,383	-0.4	-0.7	1	7
Jakarta (Indonesia)	6,021	0.4	0.5	2	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	137.4	0.9	0.5	3	15
Citi	101.4	0.5	-0.3	4	17
BoA	74.5	0.7	1.0	1	21
MS	27.8	1.1	0.3	8	21
GS	50.3	1.3	-1.0	2	15
Wells	246.1	0.8	1.8	2	1
EZ banks					
BNP	114.7	0.3	-1.9	-3	9
Credit Agricole	66.2	0.3	-3.1	-3	5
Deutsche Bank	15.0	0.4	-2.0	-3	22
Commerzbank	14.6	-3.3	1.6	1	-10
ING	15.8	-0.7	1.0	1	14
Intesa	2.9	-0.4	-2.0	-4	13
SG	47.7	-0.3	-2.1	-4	-1
Unicredit	16.8	1.9	-4.2	-6	19
UK banks					
HSBC	89.5	-0.1	-0.5	-1	2
RBS	737.2	0.6	-1.3	-1	10
Barclays	281.8	-0.9	0.3	4	20
Lloyds	185.0	0.5	1.4	-4	21
Large Spanish banks					
Santander	67.9	-1.0	-1.4	1	5
BBVA	89.8	-0.2	0.6	0	15
CaixaBank	5.8	-0.2	0.1	0	15
Medium Spanish banks					
Sabadell	7.5	-0.2	1.0	0	15
Bankinter	77.3	-0.9	0.4	0	6
Bankia	4.0	-1.1	2.4	-2	23
Bankia	1.7	-0.5	3.9	3	26
Bankia	7.9	-1.7	-2.5	-1	4
Bankia	4.0	-0.1	-1.3	1	-1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.17	0.4	0.1	-0.7	11
GBPUSD	1.31	-1.4	-0.8	-1.3	6
USDJPY	114.16	0.0	-0.2	1.2	3
USDY	94.70	-0.1	0.5	-1.2	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.56	0.3	0.5	-0.9	-9
USD BRL (Brazil)	3.27	0.0	0.9	-3.9	-1
USD CUP (Cuba)	629.89	0.9	0.5	0.6	6
USDCOP (Colombia)	3039	0.9	-0.8	-2.9	-2
USDMXN (Mexico)	18.97	0.5	1.2	-4.2	12
USD PEN (Peru)	3.39	-4.2	4.5	-3.7	0
LACI	63.78	0.2	0.6	-3.1	4
USD PLN (Poland)	3.63	0.3	0.5	1.1	13
USD RUB (Russia)	58.32	-0.2	-0.8	-0.7	3
USD TRY (Turkey)	3.80	0.2	0.4	-6.5	-6
USDCNY (China)	6.61	-0.1	0.5	0.7	5
USD INR (India)	64.61	0.0	0.3	1.4	5
USD IDR (Indonesia)	13,552	0.2	0.3	-0.1	-1
ADXY	102.9	0.0	0.5	0.8	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Wti	60.5	-0.1	1.9	8	7
Copper	313	0.0	-1.1	6	23
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Source: Bloomberg, Datastream and Haver

* With one day delay

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Table 1