

Market Comment | European peripheral bond yields kept falling

Global Financial Markets Unit
07 Nov 2017

- Financial markets showed **slightly higher equity volatility** during today's session, especially in European stocks, whereas US stocks remained hovering around high levels. **Sovereign bond yields receded again in the European periphery** (Portugal 10Y yield fell below 2%, for the first time since April 2015), resuming last week's trend.
- In the US, both sovereign bond yields and stocks remained little changed, while **the USD recovered some ground after yesterday's fall**. Investors are waiting for further details on **US tax reform**, as the next four days' debate will be crucial for the reform [\(see\)](#). Moreover, the Fed's Janet Yellen is set to speak later today.
- **Mario Draghi's speech** [\(see\)](#), in which he talked about banks' profitability and interest rates, had little impact on financial markets. Moreover, the **QE Pledge may have been challenged by key ECB policy makers** [\(see\)](#). The EUR slightly depreciated, while the European banking sector outperformed the stock Index.
- China's financial markets were slightly positive after the release of FX reserves, which rose slightly higher than previously expected [\(see\)](#). Moreover, iron ore, closely related with the development of China's economy, kept rising after yesterday's significant rise, ahead of **tomorrow's China trade balance**.
- **Oil prices continued very volatile**, amid political uncertainty in **Saudi Arabia** [\(see\)](#). Oil prices declined slightly after yesterday's sharp increase, amid the publication of **OPEC World Oil Outlook** [\(see\)](#), which anticipates greater oil demand by 2022. Meanwhile, EM currencies depreciated, suffering from both a higher USD and lower oil prices.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.62	0.4	2.5	12	41
US	2.31	-0.2	-6.5	-1	12
GER (2-yr)	0.76	0.3	-1.0	6	1
Germany	0.33	-0.9	-3.6	-13	-3
France	0.69	-3.7	-6.6	-20	-38
Spain	1.41	-6.2	-5.5	-30	-7
Italy	1.70	-8.1	-12.3	-44	-20
Portugal	1.93	-9.6	-14.3	-48	-224
Greece	5.08	-3.9	-39.3	-53	-181
Japan (2-yr)	0.18	-0.1	-2.0	-4	1
Japan	0.03	-3.9	-2.4	-1	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.06	-4.1	18.4	33	-135
Chile	4.47	0.0	-1.7	-1	15
Colombia	6.68	-5.1	7.9	21	-41
Mexico	7.18	-1.2	-8.3	10	-46
Peru	5.02	-1.6	-8.6	14	-145
Poland	3.41	-3.6	-3.3	9	-31
Russia	7.68	0.7	2.3	1	-37
Turkey	11.89	6.0	39.0	109	89
India	6.93	3.6	6.7	17	55
Indonesia	6.64	2.3	-15.3	11	-120
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	-2.8	-3.0	-7	-33
Italy	138	-7.2	-8.7	-31	-25
Portugal	160	-8.7	-10.7	-35	-194
Spain	108	-5.3	-1.9	-17	-8
2-yr sovereign spread vs Germany					
France	15	-1.5	-1.0	-7	5
Italy	44	-1.6	-3.6	-4	-17
Portugal	57	-4.3	-4.2	-11	-89
Spain	39	-0.9	-2.1	-6	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	169	-3.3	2	-13	-102
Chile	51	-0.2	0	-5	-31
Colombia	116	-2.0	4	2	-48
Mexico	106	-2.1	-2	0	-50
Peru	72	-1.0	-1	-7	-36
Venezuela	13,996	3543.6	8091	7886	10091
Poland	51	0.4	2	2	-25
Russia	125	1.2	8	5	-42
Turkey	197	-1.6	15	24	-76
China	57	2.5	5	-2	-60
India	72	0.3	0	-4	-55
Indonesia	96	1.1	3	-4	-60
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	10	2.0	-6	-1	-2
VSTOXX	12	4.1	2	-2	-4
EM EFT volatility index	17	3.7	-3	4	-18
Dollar/reserve volatility	6	0.9	-8	-21	-47
EM FX volatility index	8	-0.6	-1	2	-27
Credit spread (BAA) (bps)	193	0.2	1	-7	-35
US bonds volatility index	45	-1.7	-12	-18	-41
Banking Sy CDS (bps) *					
US	49	0.6	-1	-1	-33
EZ	47	0.6	-3	-8	-61
UK	43	0.6	-2	-4	-47
Large Spanish	46	0.6	-3	-12	-71
Medium Spanish	80	2.1	-2	-8	-71
Corporate Sy CDS (bps) *					
US Non-financial	87	0.6	-1	1	-23
EZ Non-financial	58	0.6	-3	-8	-61
UK Non-financial	73	0.2	-28	-32	-52
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EDNA Index	-0.35	0.00	0.0	0.0	0.0
Earlibor 3m	-0.33	0.00	0.0	0.0	0.0
Earlibor 12m	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.40	0.01	0.0	0.0	0.4
Libor 12m	1.86	0.00	0.0	0.1	0.2
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
EU indices					
S&P500	2,591	0.0	0.6	2	14
Dow Jones	23,533	-0.1	0.7	3	18
Nikkei	22,938	1.7	4.2	11	17
FTSE 100	7,517	-0.6	0.3	0	5
EuroStoxx 50	3,661	-0.6	0.4	2	10
IBEX	10,231	-0.8	-2.8	0	8
DAX	13,389	-0.6	1.2	3	16
CAC	5,693	-0.4	0.4	2	12
MIB	22,994	0.0	0.9	3	17
ASE Athens	748	-1.8	-1.4	0	14
MSCI Latam *	64,487	0.7	-0.4	-2	15
Ibovespa (Brazil)	72,590	-2.3	-2.3	-5	18
Mexbol	49,204	0.5	1.2	-2	6
MSCI EM Europe *	5,287	0.7	1.4	2	5
Pobor	2,336	0.8	0.5	2	27
Micex (Russia)	2,156	3.6	4.4	3	-5
Ise TOI (Turkey)	112,272	-1.7	1.9	8	47
MSCI EM Asia *	924	0.3	1.8	-4	33
Shanghai Com (China)	3,414	0.7	0.6	2	8
Jakarta (Indonesia)	6,060	0.3	1.4	3	15
Banking sector					
US banks	135.7	-0.7	0.0	0	13
JPM	99.8	-1.0	0.8	3	15
CB	73.3	-0.7	0.3	-3	19
BaK	27.4	-1.2	0.1	5	19
MS	50.0	-0.3	0.0	1	15
GS	242.7	-0.3	0.1	-1	0
EZ banks	112.1	0.3	-2.1	-4	6
BNP	64.9	-0.1	-3.2	-5	3
Crédit Agricole	14.8	0.9	-1.4	-5	20
Deutsche Bank	14.6	0.3	4.3	-1	-11
ING	15.7	0.1	-0.8	0	13
Intesa	2.9	0.4	-1.2	-3	12
SG	44.3	0.6	-7.4	-9	-8
Unicredit	16.3	0.0	-0.8	-6	16
UK banks	88.4	-0.3	-1.4	-2	1
HSC	732.1	-0.1	-0.3	-3	9
RBS	275.8	-0.6	-2.4	1	18
Barclays	182.0	0.0	2.3	-4	-23
Lloyds	67.3	-0.7	-1.4	1	4
Large Spanish banks	86.9	-0.4	-3.6	-2	11
Santander	5.6	-0.2	-3.3	-2	11
BBVA	7.2	-0.6	-3.9	-1	11
Medium Spanish banks	75.3	-0.6	-3.5	-2	3
Cabobank	4.0	0.0	-1.3	-3	21
Sabotél	1.7	0.4	3.3	0	21
Bankinter	7.7	-1.1	-5.4	-2	2
Bankia	3.9	-0.8	-3.8	-1	4
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year
Developed					
EURUSD	1.16	-0.3	-0.7	-1.4	10
GBPUSD	1.31	-0.2	-1.1	0.6	7
USD JPY	114.07	-0.3	-0.4	1.3	-3
DKK	95.07	0.3	0.5	-1.4	7
Emerging					
USDARS (Argentina)	17.67	-0.2	0.1	-1.3	-10
USD BRL (Brazil)	3.28	-0.8	-0.2	-3.9	-2
USD CIP (Chile)	634.45	-0.2	0.1	-0.3	6
USD COP (Colombia)	3037	0.1	0.2	-3.3	-2
USD MXN (Mexico)	19.14	-0.7	0.0	-3.3	11
USDRN (Peru)	3.24	-0.3	0.2	0.8	4
LACI	63.56	-0.5	0.0	-2.6	3
USD PLN (Poland)	3.67	-0.5	0.8	0.2	12
USD RIL (Russia)	59.40	-1.9	-1.8	-2.2	2
USD TRY (Turkey)	3.89	-1.5	2.5	-7.5	9
USD CNY (China)	6.64	-0.1	-0.1	0.2	4
USD INR (India)	65.03	-0.5	0.4	0.5	4
USD IDR (Indonesia)	13,515	0.1	0.4	0.0	1
ADXY	107.6	-0.2	0.0	0.5	4
Commodities (%)	level	Daily	Weekly	Monthly	Year
Brent					
WTX	57	-0.5	4.9	16	7
Copper	309	-2.0	-0.2	2	21
Gold	1274	-0.6	0.3	0	10
S&P Spot commodity *	429	2.1	3.4	10	8
S&P Brent Spot *	547	3.5	5.5	16	14
S&P Metals Spot *	381	0.5	1.3	3	25
S&P Agricultural *	280	0.7	1.0	0	-7

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Colombia	116	-2.0	4	2	-48
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Peru	72	-1.0	-1	-7	-36
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Indonesia	96	1.1	3	-4	60
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Volatility indicators (%)					
VIX	10	2.0	-6	-1	-2
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EZ	47	0.6	-3	-8	-61
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EZ Non-financial	58	0.6	-3	-6	-61
UK Non-financial	73	0.2	-2	-3	-52
Interbank markets (% , changes in bp)					
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EONIA Index	-0.35	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.40	0.01	0.0	0.0	0.4
Libor 12m	1.86	0.00	0.0	0.1	0.2
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,591	0.0	0.6	2	14
Dow Jones	23,533	-0.1	0.7	3	18
Nikkei	22,938	1.7	4.2	11	17
FTSE 100	7,517	-0.6	0.3	0	5
EuroStoxx 50	3,651	-0.6	-0.4	2	10
IBEX	10,231	-0.8	-2.8	0	8
DAX	13,389	-0.6	1.2	3	16
CAC	5,483	-0.4	0.4	2	12
MBI	22,984	0.0	0.9	3	17
ASE Athens	748	-1.8	-1.4	0	14
MSCI Latam *	84,487	0.7	-0.4	-2	15
Ibovespa (Brazil)	72,590	-2.3	-2.3	-5	18
Mumbai	49,204	0.5	1.2	2	6
MSCI EM Europe *	5,287	0.7	1.4	2	5
Poland	2,536	0.8	0.5	2	27
Moscow (Russia)	2,156	3.6	4.4	3	5
Ise 100 (Turkey)	112,272	-1.7	1.9	8	47
MSCI EM Asia *	924	0.3	1.8	4	33
Shanghai Com (China)	3,414	0.7	0.6	2	8
Jakarta (Indonesia)	6,060	0.3	1.4	3	15
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	135.7	-0.7	0.0	0	13
CB	99.8	-1.0	-0.8	3	15
BoA	73.3	-0.7	-0.3	-3	19
MS	27.4	-1.2	0.1	5	19
GS	50.0	-0.3	0.0	1	15
WFC	242.7	-0.3	0.1	-1	0
EZ banks					
BNP	112.1	0.3	-2.1	-4	6
Credit Agricole	64.9	-0.1	-3.2	-5	3
Commerzbank	14.8	0.9	-1.4	-5	20
Deutsche Bank	14.6	0.3	4.3	-1	-11
ING	15.7	0.1	0.8	0	13
Intesa	2.9	0.4	-1.2	-3	12
SG	44.3	0.6	-7.4	-9	-8
Unicredit	16.3	0.0	0.9	-6	16
UK banks					
HSBC	88.4	-0.3	-1.4	-2	1
RBS	732.1	-0.1	-0.3	-3	9
Barclays	275.8	-0.6	-2.4	-1	18
Lloyds	192.0	0.0	-2.2	4	23
Large Spanish banks					
Santander	86.9	-0.4	3.6	-2	11
BBVA	5.6	-0.2	3.3	-2	11
Cajabank	7.2	-0.6	-3.9	-1	11
Medium Spanish banks					
Cajabank	75.3	-0.6	-3.5	-2	3
Sabadell	4.0	0.0	-1.3	-3	21
Bankinter	1.7	0.4	-3.3	0	21
Bankinter	7.7	-1.1	-5.4	-2	2
Bankia	3.9	-0.8	-3.8	-1	4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.16	-0.3	0.7	-1.4	10
GBPUSD	1.31	-0.2	-1.1	0.6	7
USDJPY	114.07	-0.3	0.4	1.3	-3
DXY	95.07	0.3	0.5	-1.4	7
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.67	-0.2	-0.1	-1.3	-10
USD BRL (Brazil)	3.28	-0.8	-0.2	-3.9	-2
USD CUP (Cuba)	634.45	-0.2	0.1	-0.3	6
USD COP (Colombia)	3037	0.1	0.2	-3.3	-2
USD MXN (Mexico)	19.14	-0.7	0.0	-3.3	11
USD PEN (Peru)	3.24	-0.1	0.3	0.8	4
LACI	63.56	0.5	0.0	-2.6	3
USD PLN (Poland)	3.67	-0.5	-0.8	0.2	12
USD RUB (Russia)	59.40	-1.9	-1.8	-2.2	2
USD TRY (Turkey)	3.89	-1.5	-2.5	-7.5	8
USD CNY (China)	6.64	-0.1	0.1	0.2	4
USD INR (India)	65.03	-0.5	-0.4	0.5	4
USD IDR (Indonesia)	13,515	0.1	0.4	0.0	-1
ADXY	102.6	-0.2	0.0	0.5	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	63.7	-0.9	3.8	14	13
WTI	57	-0.9	4.9	16	7
Copper	309	-2.0	0.2	2	21
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Source: Bloomberg, Datastream and Haver

* With one day delay

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Table 1