

Market Comment | Higher volatility in European sovereign bonds

Global Financial Markets Unit
10 Nov 2017

- During this week, major financial markets were steady, amid sparse economic data and few market events. The major exception was the **European bond market, which registered higher volatility during the week.**
- **European peripheral sovereign bond yields were wobbly.** Early in the week, they receded again, resuming last week's trend, but in the last part of the week yields rose to finish the week slightly up. Against this backdrop, the QE pledge may have been challenged by key ECB policy makers (see). Meanwhile, European stocks declined (especially the banking sector), while the EUR appreciated slightly from levels hovering around 1.15 against the USD amid German criticism of ECB policy (see). At the same time, positive economic indicators, such as final PMI data for October (composite and services) were higher than expected.
- **In the US, stocks inched up**, held back by the US banking sector, while the USD edged down, amid disappointment over US tax reform, for which some delays may be on the horizon (see). On the other hand, US Treasury yields inched up, and it was announced that **William Dudley will retire next year as a FOMC member** (see). At the same time Trump met with China's president, seeking progress on trade relations (see).
- **The GDP appreciated slightly after Theresa's May clarification of the Brexit date** (see), which has been set at Friday 29 March 2019. UK banks declined slightly during the week.
- **Oil prices continued their positive trend**, amid political uncertainty in Saudi Arabia (see) and the publication of OPEC's World Oil Outlook (see), which anticipates greater oil demand by 2022. Meanwhile, EM currencies depreciated, suffering from the exhaustion of recent tailwinds (US Treasury yields and USD value). As we expected, but in an unexpected movement for the consensus, Peru's central bank reduced its interest rate, with a muted effect on the currency. (see).

BBVA Research suggests the following reading list:

- Global real interest rates since 1311: Renaissance roots and rapid reversals (see)

Update 14:45 CET 10 November 2017
Table 1

Debt markets (% 10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.65	2.1	4.0	14	44
US	2.37	3.2	4.1	3	-7
GER (2-yr)	-0.75	0.2	0.4	-6	2
Germany	0.40	2.0	3.1	-7	4
France	0.77	1.6	1.4	-27	-20
Spain	1.53	-0.3	5.6	-11	6
Italy	1.81	-0.2	2.2	-35	-8
Portugal	2.03	-1.4	-3.7	31	214
Greece	5.18	1.9	3.8	-39	-170
Japan (2-yr)	-0.18	1.8	-1.7	4	1
Japan	0.04	-1.2	-3.3	2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.08	1.6	-8.1	28	-134
Chile	4.46	0.2	0.6	2	14
Colombia	6.70	-0.5	-3.8	26	-40
Mexico	7.23	0.3	-0.8	10	-41
Peru	5.06	-0.1	-3.0	20	-141
Poland	3.41	-0.7	-5.3	-1	-31
Russia	7.71	0.6	4.3	8	-74
Turkey	11.88	-2.0	-2.0	85	88
India	6.96	2.5	9.8	22	57
Indonesia	6.66	1.9	2.0	7	-118
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	37	-0.2	-1.7	-20	-32
Italy	142	-2.2	-0.9	-28	-20
Portugal	164	-3.4	-6.8	24	-191
Spain	114	-2.3	2.5	4	-2
2-yr sovereign spread vs Germany					
France	16	0.1	-0.4	4	6
Italy	45	-1.7	0.0	-3	-16
Portugal	58	0.6	-2.0	-9	-88
Spain	40	-3.4	1.7	4	-8
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	177	1.4	8	-8	-95
Chile	54	0.7	4	-3	-28
Colombia	124	3.2	9	7	-39
Mexico	110	1.8	3	-2	-46
Peru	75	1.6	4	-6	-33
Venezuela	22,187	3485.4	16524	16165	18282
Poland	52	-1.0	2	4	23
Russia	139	1.1	9	10	-37
Turkey	210	3.2	20	29	-62
China	61	2.2	7	2	-56
India	73	-0.1	2	-2	-54
Indonesia	102	1.2	7	1	-54
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	11	0.0	15	7	-1
VST OXX	14	0.9	21	11	-2
EM EFT volatility index	17	0.0	6	12	-14
Dollar/euro volatility	6	-0.3	1	-24	-45
EM FX volatility index	8	-0.7	-1	-2	-27
Credit spread (BAA) (bps)	187	-3.2	-5	-7	-40
US bonds volatility index	45	2.3	-2	-15	-41
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	2.2	5	5	-19
EZ	47	-0.1	1	-8	-60
UK	47	1.2	4	-1	-44
Large Spanish	45	-0.5	0	-11	-72
Medium Spanish	82	-0.1	3	-6	-70
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	90	2.2	5	5	-19
EZ Non-financial	60	-0.1	1	-8	-60
UK Non-financial	75	0.0	1	-30	-50
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	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.41	0.00	0.0	0.1	0.4
Libor 12m	1.87	0.00	0.0	0.1	0.2
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,585	0.0	-0.1	1	14
Dow Jones	23,462	0.0	-0.3	3	18
Nikkei	22,681	-0.8	0.6	9	16
FTSE 100	7,447	-0.5	-1.5	-1	4
EuroStoxx 50	3,608	-0.1	-2.2	0	9
BSE	10,126	-0.1	-2.2	-1	7
DAX	13,186	0.0	-2.2	2	14
CAC	5,398	-0.2	-2.2	1	10
MIB	22,673	0.1	-1.5	1	16
ASE Athens	734	-1.0	-3.0	-2	12
MSCI Latam *	83,305	-1.2	-0.6	-4	14
Ibovespa (Brazil)	22,099	-1.1	-2.5	-6	17
Bovespa	48,714	0.0	0.4	3	5
MSCI EM Europe *	5,386	0.1	2.1	3	7
Poland	2,472	-0.2	-0.9	-3	24
Moscú (Russia)	2,177	-0.3	-4.6	4	4
Ise 100 (Turkey)	109,094	-1.0	-2.0	5	43
MSCI EM Asia *	927	0.1	0.9	3	33
Shanghai Com (China)	3,433	0.1	1.8	1	9
Jakarta (Indonesia)	6,022	-0.5	-0.7	-2	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	133.0	0.0	-2.8	-1	11
Cit	97.6	0.0	-3.7	1	12
Ch	72.4	0.0	-2.2	-3	18
BoA	26.5	0.0	-4.8	3	15
MS	48.8	0.0	-2.4	-1	12
GS	240.8	0.0	-1.5	-1	-1
EZ banks					
BNP	111.9	0.5	-1.0	-3	6
BNP	64.9	0.4	-1.4	-4	3
Crédit Agricole	14.2	0.5	-3.8	-5	16
Deutsche Bank	15.3	2.1	-3.4	7	6
ING	15.7	0.3	-0.7	-1	13
Intesa	2.9	0.1	0.1	-1	12
SG	44.0	0.1	-3.8	-10	-9
UK banks					
Unicredit	15.9	1.7	2.9	2	20
H8C	88.1	-0.2	-1.0	-2	0
H8C	739.8	0.3	0.2	2	10
RBS	274.8	0.4	-1.4	0	17
Barclays	178.6	-0.5	-2.5	-6	-24
Lloyds	66.6	-0.1	-1.2	0	3
Large Spanish banks					
Santander	86.5	0.5	-1.9	2	11
Santander	5.6	0.8	-1.9	-1	11
BBVA					
BBVA	7.2	0.3	-1.8	-2	11
Medium Spanish banks					
Cabobank	75.1	0.4	-1.5	-3	3
Cabobank	3.9	0.1	-2.1	-4	19
Sabadell	1.7	0.7	0.9	-1	22
Bankinter	7.7	0.4	-1.0	-3	2
Bankia	3.9	0.3	-2.1	-3	-4
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.16	0.0	0.3	-1.8	11
GBPUSD					
GBPUSD	1.32	0.4	0.9	-0.2	7
USDJPY					
USDJPY	113.42	0.0	0.6	0.8	-3
DXY					
DXY	94.48	0.0	-0.5	1.6	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.54	-0.2	0.6	-0.7	-9
USD BRL (Brazil)	3.27	-0.6	1.3	-3.1	-2
USDCUP (Cuba)	631.19	-0.1	0.5	0.7	6
USDCOP (Colombia)	3005	0.2	1.1	-1.7	-1
USDMXN (Mexico)	19.09	-0.2	0.6	-2.0	11
USDPEN (Peru)	3.24	0.0	0.1	0.5	4
LKR	63.80	-0.3	0.7	2.1	4
USDPLN (Poland)	3.63	0.1	0.7	-0.9	13
USD RUB (Russia)	59.28	0.0	-0.4	-2.5	2
USDTRY (Turkey)	3.87	0.0	0.5	-6.0	-8
USDCNY (China)	6.64	-0.1	-0.1	0.8	4
USDINR (India)	65.17	-0.3	-1.0	0.0	4
USDIDR (Indonesia)	13,543	-0.2	-0.3	-0.1	-1
ADNY	107.6	-0.1	-0.1	0.3	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	64.2	0.3	3.4	13	14
WTI	57	0.1	2.9	12	7
Copper	308	0.0	-1.0	0	21
Gold	1284	-0.1	1.1	-1	10
S&P Spot commodity *	429	0.4	2.0	7	8
S&P Brent Spot *	543	0.6	2.8	12	13
S&P Metals Spot *	371	-0.8	-2.1	0	22
S&P Agricultural *	282	-0.3	1.5	1	6

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Turkey	210	3.2	20	29	-62
China	61	2.2	7	2	-56
India	73	-0.1	2	-2	-54
Indonesia	102	1.2	7	1	-54
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
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VSTOXX	14	0.0	21	11	-2
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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	1.41	0.00	0.0	0.1	0.4
Libor 12m	1.87	0.00	0.0	0.1	0.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
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ASE Athens	734	-1.0	-3.9	-2	12
MSCI Latam *	83,305	-1.2	-0.6	-4	14
Ibovespa (Brazil)	22,099	-1.1	2.5	-6	17
Merck	49,314	0.0	0.4	3	5
MSCI EM Europe *	5,386	0.1	2.1	3	7
Poland	2,472	-0.2	-0.9	-3	24
Moex (Russia)	2,177	-0.3	4.6	-4	4
Isr 100 (Turkey)	109,094	-1.0	-2.0	5	43
MSCI EM Asia *	927	0.1	0.9	3	33
Shanghai Com (China)	3,433	0.1	1.6	1	9
Jakarta (Indonesia)	6,022	-0.5	-0.2	-2	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	97.6	0.0	-3.7	1	12
CB	72.4	0.0	2.2	-3	18
BoA	26.5	0.0	-4.8	3	15
MS	48.8	0.0	-2.4	-1	12
GS	240.8	0.0	-1.5	-1	1
EZ banks	111.9	0.6	-1.0	-3	6
BNP	64.9	0.4	-1.4	-4	3
Credit Agricole	14.2	0.5	-3.8	-5	16
Deutsche Bank	15.3	2.1	5.4	7	6
ING	15.7	0.3	0.7	-1	13
Intesa	2.9	0.1	0.1	-1	12
SG	44.0	0.1	-3.8	-10	9
Unicredit	16.9	1.7	2.9	-2	20
UK banks	88.1	-0.2	-1.0	-2	0
HSBC	739.8	-0.3	0.2	-2	10
RBS	274.8	0.4	-1.4	0	17
Barclays	178.6	-0.5	-2.5	-6	24
Lloyds	66.6	-0.1	-1.2	0	3
Large Spanish banks	86.5	0.5	-1.9	-2	11
Santander	5.6	0.8	-1.9	-1	11
BBVA	7.2	0.3	-1.8	-2	11
Medium Spanish banks	75.1	0.4	-1.5	-3	3
Cabobank	3.9	0.1	2.1	-4	19
Sabadell	1.7	0.7	-0.9	-1	22
Bankinter	7.7	0.4	-1.0	-3	2
Bankia	3.9	0.3	-2.1	-3	4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.16	0.0	0.3	-1.8	11
GBPUSD	1.32	0.4	0.9	-0.2	7
USDJPY	113.42	0.0	0.6	0.8	-3
USDY	94.46	0.0	-0.5	-1.6	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USDARS	17.54	-0.2	0.6	-0.7	-9
USD BRL (Brazil)					
USD BRL	3.27	-0.6	1.3	-3.1	-2
USD CLP (Chile)					
USD CLP	631.19	-0.1	0.5	-0.7	6
USD COP (Colombia)					
USD COP	3005	0.2	1.1	-1.7	-1
USD MXN (Mexico)					
USD MXN	19.09	-0.2	0.6	-2.0	11
USD PEN (Peru)					
USD PEN	3.24	0.0	0.1	0.5	4
LACI	63.80	-0.3	0.7	-2.1	4
USD PLN (Poland)					
USD PLN	3.63	0.1	0.7	-0.9	13
USD RUB (Russia)					
USD RUB	59.28	0.0	-0.4	-2.5	2
USD TRY (Turkey)					
USD TRY	3.87	0.0	0.5	-6.0	-8
USD CNY (China)					
USD CNY	6.64	-0.1	0.1	0.8	4
USD INR (India)					
USD INR	65.17	-0.3	-1.0	0.0	4
USD IDR (Indonesia)					
USD IDR	13,543	-0.2	-0.3	-0.1	-1
ADXY	102.6	-0.1	-0.1	-0.3	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	64.2	0.3	3.4	13	14
WTI	57	0.1	2.9	12	7
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Colombia	124	-3.2	9	7	-39
Mexico	110	1.8	3	-2	-46
Peru	75	1.6	4	-6	-33
Venezuela	22,187	3485.4	16524	16165	10282
Poland	52	-1.0	2	4	-23
Russia	139	1.1	9	10	-37
Turkey	210	3.2	20	29	-62
China	61	-2.2	7	2	-56
India	73	-0.1	2	-2	-54
Indonesia	102	1.2	7	1	-54
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	11	0.0	15	7	-1
VSTOXX	14	0.9	21	11	-2
EM EFT volatility index	17	0.0	6	12	-14
Dukereturn volatility	6	-0.3	1	-24	-45
EM FX volatility index	8	-0.7	-1	-2	-27
Credit spread (GAA) (bps)	187	-3.2	-5	-7	-40
US bonds volatility index	45	-2.3	2	-15	-41
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	2.2	5	5	-19
EZ	47	-0.1	1	-8	-60
UK	47	1.2	4	-1	-44
Large Spanish	45	-0.5	0	-11	-72
Medium Spanish	82	-0.1	3	6	-70
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	90	2.2	5	5	-19
EZ Non-financial	60	-0.1	1	-8	-60
UK Non-financial	75	0.0	1	-30	-50
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.26	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	1.41	0.00	0.0	0.1	0.4
Libor 12m	1.87	0.00	0.0	0.1	0.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,585	0.0	-0.1	1	14
Dow Jones	23,462	0.0	-0.3	3	18
Nikkei	22,681	-0.8	0.6	9	16
FTSE 100	7,447	-0.5	1.5	-1	4
EuroStoxx 50	3,608	-0.1	-2.2	0	9
IBEX	10,126	-0.1	-2.2	-1	7
DAX	13,186	0.0	-2.2	2	14
CAC	5,398	-0.2	-2.2	1	10
MIB	22,673	0.1	-1.5	1	16
ASE Athens	734	-1.0	-3.9	-2	12
MSCI Latam *	83,305	-1.2	0.6	4	14
Ibovespa (Brazil)	72,099	-1.1	-2.5	-6	17
Mexbol	48,714	0.0	0.4	-3	5
MSCI EM Europe *	5,386	0.1	2.1	3	7
Poland	2,472	-0.2	-0.9	-3	24
Moor (Russia)	2,177	-0.3	4.6	4	-4
Ise 100 (Turkey)	109,094	-1.0	-2.0	5	43
MSCI EM Asia *	927	-0.1	0.9	3	23
Shanghai Com (China)	3,433	0.1	1.8	1	9
Jakarta (Indonesia)	6,022	-0.5	-0.2	2	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	133.0	0.0	2.8	-1	11
Citi	97.6	0.0	-3.7	1	12
BoA	72.4	0.0	-2.2	-3	18
MS	26.5	0.0	-4.8	3	15
Wells	48.8	0.0	2.4	-1	12
GS	240.8	0.0	-1.5	-1	-1
EZ banks					
BNP	111.9	0.6	-1.0	-3	6
ING	64.9	0.4	-1.4	-4	3
Credit Agricole	14.2	0.5	-3.8	-5	16
Deutsche Bank	15.3	2.1	5.4	7	-6
ING	15.7	0.3	0.7	-1	13
Intesa	2.9	0.1	0.1	-1	12
SG	44.0	0.1	-3.8	-10	-9
Unicredit	16.9	1.7	2.9	-2	20
UK banks					
HSBC	88.1	-0.2	-1.0	-2	0
RBS	735.8	-0.3	0.2	-2	10
Lloyds	274.8	0.4	-1.4	0	17
Large Spanish banks					
Santander	178.6	-0.5	-2.5	-6	-24
BBVA	66.6	-0.1	-1.2	0	3
Mediobanca	86.5	0.5	-1.9	-2	11
CaixaBank	5.6	0.8	-1.9	-1	11
Sabadell	7.2	0.3	-1.8	-2	11
Medium Spanish banks					
Bankia	75.1	0.4	-1.5	-3	3
Cajamar	3.9	0.1	-2.1	-4	19
Bankinter	1.7	0.7	-0.9	-1	22
Banco Popular	7.7	0.4	-1.0	-3	2
Bankia	3.9	0.3	-2.1	-3	-4
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.16	0.0	0.3	-1.9	11
GBPUSD	1.32	0.4	0.9	-0.2	7
USDJPY	113.42	0.0	0.6	0.8	-3
DXU	94.46	0.0	-0.5	-1.6	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.54	-0.2	0.6	-0.7	9
USD BRL (Brazil)	3.27	-0.6	1.3	-3.1	-2
USD CIP (Chile)	631.19	-0.1	0.5	0.7	6
USD COP (Colombia)	3085	0.2	1.1	-1.7	-1
USD MXN (Mexico)	19.09	-0.2	0.6	-2.0	11
USD PEN (Peru)	3.24	0.0	0.1	0.5	4
LACI	63.80	-0.3	0.7	-2.1	-4
USD PLN (Poland)	3.63	0.1	0.7	-0.9	13
USD RUB (Russia)	59.28	0.0	0.4	-2.5	2
USD TRY (Turkey)	3.87	0.0	0.5	-6.0	-8
USD CNY (China)	6.64	-0.1	0.1	-0.8	4
USD INR (India)	65.17	-0.3	-1.0	0.0	4
USD IDR (Indonesia)	13,543	-0.2	0.3	-0.1	-1
ADXY	107.6	-0.1	-0.1	-0.3	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	64.2	0.3	3.4	13	14
WTI	57	0.1	2.9	12	7
Copper	308	0.0	-1.0	0	21
Gold	1284	-0.1	1.1	-1	10
S&P Spot commodity *	429	0.4	2.0	7	8
S&P Brent Spot *	543	0.6	2.8	12	13
S&P Metals Spot *	371	-0.8	-2.1	0	22
S&P Agricultural *	282	-0.3	1.5	1	-6

Source: Bloomberg, Datastream and Haver

* With one day delay

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Table 1