

Market Comment | Moderate impact on markets of failed German coalition talks

Global Financial Markets Unit
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- Financial markets started the week slightly cautious, amid some sources of uncertainty: in Europe, the **political uncertainty in Germany weighed** (moderately), in the US markets the focus will be on the tax reform agenda, and the main tailwinds for major EM continue to lose force (lower oil prices and higher USD). Nonetheless, **equity volatility declined today**.
- The **EUR depreciated after German coalition talks collapsed** ([see](#)), thereby increasing political uncertainty in the euro zone, with possible new elections on the table ([see](#)). The **Dax also showed high volatility during the session**, although it ended up higher in line with its European peers. Sovereign bonds remained steady, as did peripheral risk premiums.
- **ECB president Draghi's speech** also had a muted impact on financial variables, as he did not give any new clues on monetary policy. During the speech he admitted that salaries in the euro area may be stable for the foreseeable future ([see](#)).
- The **USD appreciated slightly ahead of the US tax vote**, likely during this week, although markets expect a hard legislation process ([see](#)).
- **Brent oil prices declined**, but remained above the US \$60 level, amid uncertainty regarding expectations for an extension of OPEC-led oil production curbs ([see](#)). At the same time, EM currencies depreciated significantly, as lower oil prices and a higher USD weighed on them. The **TRY** also depreciated significantly during the session, along with Turkish stocks and bonds. In **Chile**, stock markets dropped significantly, along with CLP, after centre-right candidate had a **worse than expected result in the first round of presidential elections** ([see](#)).

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.75	2.5	6.6	22	53
US	2.37	2.3	3.9	1	-7
GER (2-yr)	-0.71	0.0	2.8	2	6
Germany	0.36	0.2	-5.4	-3	1
France	0.70	-1.0	-8.3	-27	-27
Spain	1.52	-4.0	-1.7	-12	4
Italy	1.81	-2.7	-2.5	-22	9
Portugal	1.95	-3.2	-4.1	-26	-222
Greece	5.27	4.9	19.9	-29	-161
Japan (2-yr)	-0.20	-0.1	-3.3	-5	-1
Japan	0.04	-1.2	-2.9	1	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.19	0.0	8.7	56	-123
Chile	4.49	-1.9	2.5	-5	17
Colombia	6.66	2.1	9.2	23	-43
Mexico	7.27	0.0	-0.1	22	-37
Peru	5.06	-0.1	5.3	13	-141
Poland	3.44	2.8	1.3	15	-27
Russia	7.76	4.3	-1.1	16	-69
Turkey	12.51	3.0	53.0	141	191
India	6.89	-16.0	-8.3	13	51
Indonesia	-0.02	0.0	-5.9	-1	-122
Country risk (bp changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets					
10-yr sovereign spread vs Germany					
France	33	-1.2	2.9	-24	-36
Italy	145	2.9	2.9	-19	18
Portugal	159	-3.4	1.3	-33	-196
Spain	115	-4.2	3.7	-9	0
2-yr sovereign spread vs Germany					
France	12	0.8	-4.1	-8	2
Italy	39	0.4	-7.0	-10	-22
Portugal	51	-0.3	-5.0	-21	-96
Spain	36	-2.1	-3.8	9	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	174	-3.5	-5	1	-98
Chile	51	-1.9	-2	-3	-31
Colombia	117	-4.5	-7	4	-46
Mexico	109	-3.2	-1	2	-47
Peru	71	-2.7	-4	-5	-37
Poland	51	-0.2	-1	2	-24
Russia	134	-0.3	-5	4	-42
Turkey	206	5.4	-7	33	-67
China	61	-1.5	-2	5	-66
India	73	-2.3	-2	-2	-54
Indonesia	99	0.3	-4	2	-57
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (v)					
VIX	11	-7.0	-8	6	-1
VST OXX	14	-7.0	-5	10	-3
EM EFT volatility index	16	-3.7	8	2	-22
Dobrosrta volatility	7	3.6	20	0	-33
EM FX volatility index	8	-0.9	-2	0	-28
Credit spread (BAA) (bps)	192	-2.3	0	-1	-35
US bonds volatility index	49	2.8	6	-5	-26
Banking CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	52	-1.1	-1	2	-20
EZ	44	-1.3	-3	-10	-64
UK	47	-1.5	0	-3	-43
Large Spanish	43	-0.8	-3	-12	-74
Medium Spanish	82	-0.8	0	-5	-69
Corporate CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	153	-1.1	-1	2	-20
EZ Non-financial	69	-1.3	-3	-10	-64
UK Non-financial	100	-0.7	-1	-3	-25
Interbank markets (% change 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	0.01	0.0	0.0	-0.1
Libor 3m	1.44	0.00	0.0	0.1	0.4
Libor 12m	1.91	0.01	0.0	0.1	0.2
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,583	0.2	-0.1	1	14
Dow Jones	23,450	0.4	0.0	1	18
Nikkei	22,262	0.6	0.5	4	14
FTSE 100	7,389	0.1	-0.3	-2	3
EuroStoxx 50	3,561	0.4	-0.4	-1	7
IBEX	10,026	0.2	0.2	-2	6
DAX	13,059	0.5	-0.1	1	13
CAC	5,340	0.4	0.0	-1	9
MIB	22,189	0.4	-1.1	0	13
ASE Athens	710	-0.9	-1.0	-5	8
MSCI Latam *	83,124	1.0	0.8	-4	13
Ibovespa (Brazil)	73,437	0.0	1.3	-4	19
Moexv	47,857	0.0	-0.3	-4	3
MSCI EM Europe *	5,269	0.4	-1.3	0	4
Poland	2,468	1.0	0.5	0	23
Micex (Russia)	2,130	-0.1	-1.7	3	-6
Ise 100 (Turkey)	103,912	-2.2	-4.5	-4	36
MSCI EM Asia *	925	0.6	0.1	2	33
Shanghai Com (China)	3,392	0.3	-1.6	1	7
Jakarta (Indonesia)	6,053	0.3	0.5	2	15
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	133.0	0.5	0.4	1	11
Citi	98.7	0.6	0.8	1	14
Chf	72.0	1.0	0.0	-1	17
BofA	26.7	0.4	1.3	1	16
MS	49.2	0.9	1.1	-1	13
GS	237.7	-0.1	-1.1	-1	-2
EZ banks					
BNP	110.1	-0.3	-1.0	-4	4
BNP	62.9	-0.5	-2.1	-7	0
Crédit Agricole	14.0	-0.4	-1.2	-6	14
Deutsche Bank	16.4	0.8	6.4	15	0
ING	19.2	0.8	-2.4	-4	9
Intesa	2.8	-0.1	-1.4	-3	9
SG	43.0	-0.6	-1.3	-10	-11
Unicredit	16.7	0.4	-1.5	0	19
UK banks					
HSBC	88.5	0.3	0.7	-2	1
RBS	729.5	-0.3	-0.6	-2	9
RBS	273.6	-0.3	-0.4	-2	17
Barclays	188.8	0.0	5.5	-2	20
Lloyds	66.1	0.2	0.5	-1	2
Large Spanish banks					
Santander	85.3	-0.4	0.4	-1	9
BBVA	5.5	0.3	0.7	-1	9
CaixaBank	7.1	-1.0	-0.1	-1	10
Medium Spanish banks					
CaixaBank	74.6	-0.8	-0.5	-2	2
Sabadell	3.9	-0.9	-0.3	0	19
Bankinter	1.6	-0.1	-1.3	0	19
Bankinter	7.7	-1.1	0.3	-4	2
Bankia	3.9	-1.1	-1.5	-4	-6
Currencies (% ind for currency depreciation)	level	Daily	Weekly	Monthly	Year
Developed					
EURUSD	1.17	-0.4	0.6	-0.9	12
GBPUSD	1.32	0.1	0.9	0.6	7
USDJPY	112.53	-0.4	1.0	0.0	4
DXF	94.03	0.4	0.5	-0.8	8
Emerging					
USDARS (Argentina)	17.48	0.0	0.1	-0.2	-9
USDBRL (Brazil)	3.36	0.1	0.7	-2.7	-1
USDCLP (Chile)	637.42	-1.7	-1.1	-1.9	5
USDCOP (Colombia)	3011	-0.3	-0.1	-3.1	-1
USDMXN (Mexico)	19.03	-0.6	0.5	-1.2	11
USDPEN (Peru)	3.24	0.0	0.0	-0.2	4
LACI	63.88	-0.4	0.2	-1.7	4
USDPLN (Poland)	3.61	-0.4	0.7	-0.9	13
USD RUB (Russia)	59.42	-0.7	0.0	-3.7	2
USDTRY (Turkey)	3.93	-1.3	-1.4	-7.7	-10
USDCNY (China)	6.64	-0.2	0.0	-0.4	4
USDINR (India)	65.10	-0.1	0.5	-0.1	4
USDIDR (Indonesia)	13,529	0.0	0.2	-0.1	-1
ADXY	108.0	-0.1	0.5	0.2	5
Commodities (%)	level	Daily	Weekly	Monthly	Year
Brent					
WTX	56	-1.1	-1.4	9	5
Copper	308	0.6	1.0	-2	21
Gold	1278	-1.3	0.0	-1	10
S&P Spot commodity *	425	1.6	-0.7	6	7
S&P Brent Spot *	532	2.1	-0.9	10	11
S&P Metals Spot *	369	0.6	-1.7	-2	21
S&P Agricultural *	285	1.1	0.3	2	-5

Fuente: BBVA Research

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* With one day delay

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Table 1