

Market Comment | The EUR inched up as German coalition talks improved

Global Financial Markets Unit
27 Nov 2017

- **Financial markets were broadly unchanged** amid a cautious tone triggered by the ongoing decline in **Asian stocks** (China and Korea). **Equity volatility rose** slightly during the session, as did gold prices. In the US, stocks inched up, while in Europe share prices fell slightly.
- The **EUR remained at 1.19 levels**, while European sovereign bond yields inched down, as **coalition talks in Germany improved** ([see](#)) with a possible coalition between CDU and CPD and led to a decrease in political uncertainty in the region.
- The **USD inched down**, with investors closely watching developments in the US, as the Senate will be voting on the **tax reform bill** on Thursday ([see](#)), with the possibility of its being approved before next year. US Treasury yields were steady during the session.
- **Chinese equities continued dropping**, setting a cautious tone in global markets, but the sovereign bond sell-off halted as yields momentarily closed to previous and lower levels. At the same time, China's government unveiled a new three-year plan to boost manufacturing activity ([see](#)).
- Oil prices inched down ahead of the **OPEC meeting** at the end of the [week](#) ([see](#)). Meanwhile EM currencies appreciated across the board, including the MXN despite uncertainty about the current Mexican finance minister ([see](#)). The Turkish lira appreciated sharply as the president said it would soon normalize - after the recent sharp increase in volatility- ([see](#)).

Update 17.45 CET 27 November 2017
Table 1

D&K markets (10Y % changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
Developed Markets						
US (2-yr)	1.75	0.9	0.2	14	54	
US	2.33	1.1	-3.5	-13	111	
GER (2-yr)	-0.71	-1.0	0.7	4	7	
Germany	0.34	-1.9	-2.2	-7	-1	
France	0.87	-2.2	-2.3	-15	-29	
Spain	1.47	-1.4	-4.3	-6	0	
Italy	1.78	-2.8	-2.6	-17	-12	
Portugal	1.91	-2.5	-3.7	-22	-29	
Greece	5.37	-1.1	10.2	-18	-151	
Japan (2-yr)	-0.17	0.8	2.8	-3	2	
Japan	0.04	0.5	-2.7	-2	-2	
Emerging Markets						
Brazil	10.17	-0.6	-1.9	24	-124	
Chile	4.62	0.1	10.6	12	29	
Colombia	6.58	0.0	-7.5	-6	-51	
Mexico	7.21	-3.3	-5.6	-5	-43	
Peru	5.00	-2.0	-5.8	-3	-147	
Poland	3.34	0.5	-9.9	-11	-37	
Russia	7.68	-3.0	-8.3	3	-77	
Turkey	12.09	-2.0	-42.0	50	109	
India	7.06	5.3	16.6	26	67	
Indonesia	6.59	4.0	-3.0	-26	-125	
Country risk (bp, changes in bp)						
Developed Markets						
10-yr sovereign spread vs Germany						
France	33	-0.3	0.1	-8	-36	
Italy	144	0.8	0.3	9	18	
Portugal	157	-0.6	-1.5	-25	-197	
Spain	113	0.5	-2.1	1	-3	
2-yr sovereign spread vs Germany						
France	13	-0.7	0.5	-5	3	
Italy	37	2.2	-1.8	-11	-24	
Portugal	48	3.1	2.9	-15	-99	
Spain	38	2.1	2.0	-4	-10	
Emerging Markets						
5-yr sovereign CDS *						
Brazil	166	0.0	-8	-5	-106	
Chile	53	0.0	2	-1	-29	
Colombia	111	-0.1	-6	-2	-52	
Mexico	102	-0.1	-7	-6	-54	
Peru	70	0.1	-1	-5	-38	
Poland	51	0.1	0	2	-24	
Russia	130	0.6	-4	1	-46	
Turkey	205	2.2	0	24	-67	
China	59	0.3	-1	9	-57	
India	72	0.1	-1	0	-55	
Indonesia	97	-0.5	-2	4	-59	
Risk indicators						
Volatility indicators (v)						
VIX	10	3.4	-6	-12	-2	
VST OXX	14	5.3	-1	5	-3	
EM EFT volatility index	18	7.4	4	-1	-13	
Dobrosrva volatility	7	0.3	1	8	33	
EM FX volatility index	8	0.9	-2	-4	-29	
Credit spread (BAA) (bps)	191	1.1	0	-1	-36	
US bonds volatility index	46	-1.5	-4	-20	-40	
Banking 5y CDS (bps) *						
US	48	-1.1	-4	-2	-24	
EZ	41	-0.2	-3	-13	-67	
UK	44	0.8	-3	-4	-46	
Large Spanish	39	-1.4	-4	-14	-79	
Medium Spanish	79	-0.4	-3	-7	-72	
Corporate 5y CDS (bps) *						
US Non-financial	159	-1.1	-4	-2	-24	
EZ Non-financial	66	-0.2	-3	-13	-67	
UK Non-financial	98	-0.1	-2	-5	-27	
Interbank markets (% change in bp)						
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	1.47	0.01	0.0	0.1	0.5	
Libor 12m	1.94	0.01	0.0	0.1	0.2	
Stock markets (%)						
Main indices						
S&P500	2,601	-0.1	0.7	2	15	
Dow Jones	23,577	0.1	0.6	1	18	
Nikkei	22,496	-0.2	1.1	3	15	
FTSE 100	7,387	-0.3	0.0	-1	3	
EuroStoxx 50	3,565	-0.5	0.1	-2	7	
IBEX	10,966	0.1	0.4	-3	6	
DAX	12,995	0.5	-0.5	-1	12	
CAC	5,362	-0.5	0.4	-2	9	
MIIB	22,206	-0.9	0.1	-3	13	
ASE Athens	724	0.2	2.0	-2	10	
MSCI Latam *	83,189	-0.3	0.1	-3	14	
Ibovespa (Brazil)	73,364	-1.1	-0.1	-3	19	
Moexv	47,462	-1.0	-0.8	-3	2	
MSCI EM Europe *	5,325	0.0	1.1	3	5	
Poland	2,497	0.7	1.2	2	25	
Micos (Russia)	2,146	-0.7	0.7	5	-5	
Ise 100 (Turkey)	104,760	0.2	0.8	-2	38	
MSCI EM Asia *	936	0.2	1.2	3	35	
Shanghai Com (China)	3,322	-0.9	-2.1	-3	5	
Jakarta (Indonesia)	6,065	0.0	0.2	1	15	
Banking sector						
US banks						
JPM	98.4	0.1	-0.6	-3	13	
Citi	71.8	-0.3	-0.3	-3	17	
BaK	26.7	0.3	-0.3	4	16	
MS	48.8	-0.4	0.5	-4	12	
GS	235.4	-0.2	-1.2	-3	-3	
EZ banks						
BNP	110.0	-1.1	-0.1	-6	4	
Crédit Agricole	63.2	-0.7	0.5	-8	1	
Crédit Agricole	14.0	-0.7	0.2	-8	14	
Deutsche Bank	15.7	-2.0	3.8	9	-3	
ING	19.2	0.7	0.2	-5	9	
Intesa	2.8	-1.7	0.1	-5	9	
SG	42.9	-1.4	-0.3	-12	-11	
Unicredit	16.9	0.9	1.6	-3	21	
UK banks						
HSBC	88.1	-0.6	-0.5	-2	0	
HSBC	736.7	0.1	1.0	-1	10	
RBS	267.9	-1.1	-2.1	-5	14	
Barclays	187.5	-1.0	-0.7	3	20	
Lloyds	65.5	-0.9	-0.9	-5	1	
Large Spanish banks						
Santander	85.7	-0.1	0.5	-4	10	
BBVA	5.6	0.6	1.7	4	11	
BBVA	7.1	-0.6	-0.5	-4	9	
Medium Spanish banks						
CaixaBank	75.1	-0.5	0.6	-3	3	
Sabadell	3.9	-0.9	0.2	-1	19	
Bankinter	1.6	0.5	0.1	-2	19	
Bankinter	7.8	0.0	0.9	-3	3	
Banika	3.9	-0.7	1.3	-4	-5	
Currencies (% ind for currency depreciation)						
Developed						
EURUSD	1.19	-0.1	1.6	2.3	14	
GBPUSD	1.33	0.0	0.8	1.4	8	
USDJPY	110.92	0.5	1.5	-2.7	8	
DOXY	92.74	0.0	-1.4	2.0	10	
Emerging						
USDARS (Argentina)	17.32	0.2	1.0	1.9	8	
USDBRL (Brazil)	3.22	0.3	1.3	2.3	0	
USDCLP (Chile)	638.16	0.6	0.1	-0.8	5	
USDCOP (Colombia)	2989	-0.2	0.8	0.9	-1	
USDMXN (Mexico)	18.53	0.2	2.5	3.5	14	
USDPEN (Peru)	3.24	0.9	0.0	0.1	4	
LACI	64.78	0.1	1.3	2.2	5	
USDPLN (Poland)	3.53	0.0	2.1	3.3	15	
USD RUB (Russia)	58.32	0.2	1.8	-0.8	3	
USDTRY (Turkey)	3.90	1.4	0.8	-2.1	9	
USD CNY (China)	6.60	0.0	0.6	0.7	5	
USD INR (India)	64.50	0.3	0.9	0.5	5	
USDIDR (Indonesia)	13,508	0.0	0.2	0.6	-1	
ADXY	108.7	-0.1	0.6	1.3	5	
Commodities (%)						
Brent						
WTX	63.4	-0.7	1.9	1.2	12	
Copper	58	-1.7	3.3	10	9	
Gold	313	-1.0	1.4	-1	23	
Gold	1287	0.6	1.6	2	11	
S&P Spot commodity *	431	0.5	2.0	6	9	
S&P Brent Spot *	540	0.8	2.3	8	12	
S&P Metals Spot *	378	0.9	2.4	-1	24	
S&P Agricultural *	285	-0.3	0.4	2	-5	

Source: Bloomberg, Datastream and Haver

* With one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.

October, 2017
Table 1