

Market Comment | Volatility receded, favoured by the expected fiscal boost in the US

Global Financial Markets Unit
05 Dec 2017

- **The likely US tax cut continued to have a positive effect on financial markets and volatility.** Mixed economic data in the euro zone and the US and latent uncertainties in the Brexit negotiations did not prevent the main equity indices from registering gains and reducing market volatility. Additionally, the recent sell-off of some technological companies seems to be moderating.
- Against this backdrop, the **US equity indices remained hovering around their highest historical levels**, as the recent sell-off in the technological sector seems to be fading and the sectors most sensitive to changes in fiscal policy outperformed. US rates were little changed, but continued their upward trend, with the sovereign spread between 10 Y and 2Y tenors narrowing.
- **There were no significant changes in European assets amid mixed economic indicators.** European retail sales dropped in October ([see](#)) while confidence data (final PMI for November) showed a mixed performance. In this context, equity indices and sovereign yields inched down today.
- The USD appreciated against its peers, while the **GBP remained very volatile** due to uncertainty regarding the Brexit negotiations ([see](#)).
- Brent crude prices increased despite the release of larger-than-expected weekly crude oil stocks in the US. Meanwhile, **metals, such as copper, went down despite positive Chinese services data**, dragging mining shares across the board. ([see](#))

Update 17.35 CET 5 December 2017
Table 1

D&K markets (10Y % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	1.83	2.4	8.5	22	62
US	2.38	0.5	5.0	5	6
GER (2-yr)	-0.73	-2.4	-2.8	3	5
Germany	0.32	-2.1	-1.6	-4	5
France	0.63	2.6	-4.5	-13	-18
Spain	1.41	0.1	-4.5	-6	-2
Italy	1.71	-0.9	-7.2	-9	-16
Portugal	1.88	-1.8	-4.0	-19	-201
Greece	4.84	-54.6	-49.7	-30	-205
Japan (2-yr)	-0.13	1.6	3.7	3	6
Japan	0.05	0.6	-0.9	2	-2
Emerging Markets					
Brazil	10.19	-5.2	5.0	3	-122
Chile	4.64	0.0	3.0	18	32
Colombia	6.47	-1.3	-8.3	-27	-63
Mexico	7.26	1.6	5.8	4	-36
Peru	4.99	0.0	3.1	-10	-148
Poland	3.28	-4.8	-3.9	-19	-44
Russia	7.67	0.3	-0.5	0	-78
Turkey	11.69	-5.0	-9.0	-21	69
India	7.06	-2.3	3.0	20	68
Indonesia	6.52	1.1	-6.6	-12	-132
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	30	-0.5	-2.9	-9	-39
Italy	138	1.2	-5.6	-4	-24
Portugal	156	0.3	-2.4	-14	-198
Spain	109	2.1	-3.0	-2	-7
2-yr sovereign spread vs Germany					
France	14	1.4	1.9	-3	3
Italy	38	1.5	2.1	-7	-23
Portugal	36	-9.4	-10.9	-24	-110
Spain	37	1.8	0.9	1	11
Emerging Markets					
5-yr sovereign CDS *					
Brazil	170	0.3	5	1	-102
Chile	55	-0.1	3	5	-27
Colombia	113	0.2	3	-2	-50
Mexico	102	-0.2	1	-5	-55
Peru	72	0.0	2	1	-36
Poland	51	1.1	0	1	-24
Russia	127	-4.5	-2	-3	-50
Turkey	198	-1.7	1	9	-74
China	57	0.4	-1	3	-60
India	71	-0.8	0	0	-56
Indonesia	93	-0.7	-3	-2	-63
Risk indicators					
Volatility indicators (v)					
VIX	11	-8.3	7	17	-1
VST OXX	13	-4.3	2	14	-3
EM EFT volatility index	18	-5.3	1	11	-11
Dobrosrva volatility	7	-1.9	-4	16	-37
EM FX volatility index	8	-0.4	1	-3	-29
Credit spread (BAA) (bps)	186	-0.5	6	-5	-41
US bonds volatility index	49	-2.8	9	6	-26
Banking 5y CDS (bps) *					
US	45	-2.0	-4	-3	-27
EZ	40	-1.6	-1	-6	-68
UK	43	-2.1	0	1	-47
Large Spanish	37	-2.6	-1	-8	-80
Medium Spanish	76	-1.3	-2	-2	-75
Corporate 5y CDS (bps) *					
US Non-financial	146	-0.4	-4	-3	-27
EZ Non-financial	65	-1.6	-1	-6	-68
UK Non-financial	97	-0.1	-1	-1	-28
Interbank markets (% change in bp)					
EONIA Index	-0.32	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	1.51	0.01	0.0	0.1	0.5
Libor 12m	1.98	0.02	0.0	0.1	0.3
Stock markets (%)					
Main indices					
S&P500	2,648	0.3	0.8	2	17
Dow Jones	24,298	0.0	1.9	3	22
Nikkei	22,622	-0.4	0.6	0	15
FTSE 100	7,332	-0.1	-1.7	-3	2
EuroStoxx 50	3,577	0.0	-0.2	-3	8
IBEX	10,225	0.2	0.8	-1	8
DAX	13,073	0.1	0.1	3	13
CAC	5,382	-0.1	-0.2	-2	10
MIB	22,440	0.3	0.7	-2	14
ASE Athens	730	-1.5	0.6	-4	11
MSCI Latam *	81,863	0.5	-1.1	-2	12
Ibovespa (Brazil)	73,542	0.6	0.8	-1	19
Moexv	47,122	-0.1	-0.2	-3	1
MSCI EM Europe *	5,296	0.9	-1.1	0	4
Poland	2,408	0.1	-3.1	-3	20
Micos (Russia)	2,114	-0.3	-1.7	2	-7
Ise 100 (Turkey)	106,260	1.0	4.1	-5	40
MSCI EM Asia *	904	0.4	-2.2	-2	30
Shanghai Com (China)	3,304	-0.2	-0.9	-2	5
Jakarta (Indonesia)	6,000	0.8	-1.1	-1	14
Banking sector					
US banks					
JPM	107.2	0.2	5.7	6	23
Citi	77.0	-0.2	4.4	4	25
BofA	29.2	0.6	5.8	5	27
MS	52.7	0.1	4.6	5	21
GS	249.7	-0.4	4.3	2	3
EZ banks					
BNP	110.6	-0.5	0.3	-2	5
Crédit Agricole	63.7	-0.5	0.4	-3	1
Crédit Agricole	14.1	-1.1	0.2	-5	14
Deutsche Bank	16.0	-1.1	1.7	10	-2
ING	19.2	0.2	0.1	4	9
Intesa	2.8	-0.4	1.1	-2	10
SG	42.8	-0.4	0.5	-6	-11
Ungarbank	17.0	0.5	0.1	4	21
UK banks					
HSBC	88.7	-0.4	0.3	0	1
HSBC	732.1	-0.1	-1.8	-1	9
RBS	273.8	-0.1	1.0	-2	17
Barclays	192.1	-1.1	2.5	5	18
Lloyds	65.2	-0.2	0.6	-3	1
Large Spanish banks					
Santander	86.4	0.3	0.3	-2	11
BBVA	5.6	-0.2	0.6	-3	10
BBVA	7.2	0.7	1.1	-2	11
Medium Spanish banks					
CaixaBank	76.1	-0.7	0.9	0	4
Sabadell	3.9	0.2	-0.3	-2	19
Subcom	1.7	-1.3	0.2	-2	20
Bankinter	7.9	-1.1	0.7	2	5
Bankia	4.0	-0.8	3.2	0	-2
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1.18	-0.5	-0.2	1.8	13
GBPUSD	1.34	-0.3	0.8	2.8	9
USDJPY	112.85	-0.4	-1.2	-1.1	4
DXF	93.37	0.2	0.1	1.7	9
Emerging					
USDARS (Argentina)	17.32	0.2	0.3	1.8	8
USDBRL (Brazil)	3.23	0.3	0.6	2.4	8
USDCLP (Chile)	653.81	-0.8	-1.9	-3.0	3
USDCOP (Colombia)	2998	-0.2	0.0	1.3	-1
USDMXN (Mexico)	18.73	-0.6	-1.0	2.5	13
USDPEN (Peru)	3.24	0.9	-0.1	0.3	4
LACI	64.26	-0.2	-0.7	1.5	4
USDPLN (Poland)	3.56	-0.4	0.3	2.6	15
USD RUB (Russia)	58.69	0.2	-0.5	0.6	3
USDTRY (Turkey)	3.84	0.8	3.0	1.1	8
USDCNY (China)	6.62	0.0	-0.2	0.3	5
USDINR (India)	64.39	0.0	0.0	0.2	5
USDIDR (Indonesia)	13,519	0.1	-0.1	-0.2	-1
ADXY	108.6	-0.1	-0.1	0.8	5
Commodities (%)					
Brent					
WTX	62.6	0.3	-1.5	11	11
Copper	57	0.0	-0.9	3	8
Gold	294	-4.1	-4.4	-6	15
S&P Spot commodity *	1263	-1.1	2.4	1	9
S&P Spot commodity *	424	-1.4	-1.2	1	7
S&P Brent Spot *	531	-2.0	-1.2	1	11
S&P Metals Spot *	368	-0.5	-0.1	-3	21
S&P Agricultural *	284	-0.6	0.7	2	-5

Debt markets (10Y, %, changes in bp)					
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EDNA Index	-0.32	0.00	0.0	0.0	0.0
Eurobor 3m	-0.33	0.00	0.0	0.0	0.0
Eurobor 12m	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.51	0.01	0.0	0.1	0.5
Libor 12m	1.98	0.02	0.0	0.1	0.3
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,548	0.3	0.5		17
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Mexbol	47,122	-0.1	-0.2	-3	1
MSCI EM Europe *	5,256	0.9	-1.1	0	4
Poland	2,408	0.1	-3.1	-3	20
Miloo (Russia)	2,114	-0.3	-1.7	2	-7
Ise 100 (Turkey)	106,260	1.0	4.1	-5	40
MSCI EM Asia *	904	0.4	2.2	-2	30
Shanghai Com (China)	3,204	-0.2	-0.9	2	5
Jakarta (Indonesia)	6,000	0.8	1.1	-1	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	142.6	0.1	4.8	4	19
JPM	107.2	0.2	5.7	6	23
Citi	77.0	-0.2	4.4	4	25
BoA	29.2	0.6	5.8	5	27
MS	52.7	0.1	4.6	5	21
GS	249.7	0.4	4.3	2	3
EZ banks	110.6	-0.5	0.3	-2	5
BNP	63.7	-0.5	0.4	-3	1
Credit Agricole	14.1	-1.1	0.2	-5	14
Deutsche Bank	16.0	-1.1	1.7	10	-2
ING	15.2	-0.2	0.1	-4	9
Intesa	2.8	-0.4	1.1	-2	10
SG	42.8	-0.4	0.5	-6	11
Unicredit	17.0	0.5	-0.1	4	21
UK banks	88.7	-0.4	0.3	0	1
HSBC	732.1	-0.1	1.8	-1	9
RBS	273.8	-0.1	1.0	-2	17
Barclays	192.1	-1.1	2.5	5	-18
Lloyds	65.2	-0.2	0.6	-3	1
Large Spanish banks	86.4	0.3	0.3	-2	11
Santander	5.6	-0.2	-0.6	-3	10
BBVA	7.2	0.7	1.1	-2	11
Medium Spanish banks	76.1	-0.7	0.9	0	4
Cajabank	3.9	0.2	-0.3	-2	19
Sabadell	1.7	-1.3	0.2	-2	20
Bankinter	7.9	-1.1	0.7	2	5
Bankia	4.0	-0.8	3.2	0	-2
Currencies (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	Year	
EURUSD	1.18	-0.5	-0.2	1.8	13
GBPUSD	1.34	-0.3	0.8	2.8	9
USD JPY	112.85	-0.4	-1.2	-1.1	-4
USDY	93.37	0.2	0.1	1.7	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.32	0.2	0.3	1.8	8
USD BRL (Brazil)	3.23	0.3	-0.6	2.4	0
USD CIP (Chile)	653.81	-0.8	-1.9	-3.0	3
USD COP (Colombia)	2998	-0.2	0.0	1.3	-1
USD MKN (Mexico)	18.73	-0.6	-1.0	2.5	13
USD PEN (Peru)	3.24	-0.1	-0.1	0.3	4
LACI	64.26	-0.2	-0.7	1.5	4
USD PLN (Poland)	3.56	-0.4	-0.3	2.6	15
USD RUB (Russia)	58.69	0.2	-0.5	0.6	3
USD TRY (Turkey)	3.84	0.8	3.0	1.1	8
USD CNY (China)	6.62	0.0	0.2	0.3	5
USD INR (India)	64.39	0.0	0.0	0.2	5
USD IDR (Indonesia)	13,519	0.1	-0.1	-0.2	-1
ADXY	108.6	-0.1	0.1	0.8	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	62.6	0.3	-1.5	-1	11
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S&P Agricultural *	284	-0.6	0.7	2	5

Source: Bloomberg, Datastream and Haver

* With one day delay

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