

Market Comment | Steady markets ahead of central banks' meetings

Global Financial Markets Unit
12 Dec 2017

- **Financial markets remained little changed ahead of the important monetary policy meetings this week.** Equity markets were steady, while **sovereign bond yields increased across the board**, especially in the euro area, after ZEW economic sentiment current conditions revealed a higher than expected figure and stronger than expected PPI figures in the US.
- **Oil prices were very volatile** and rose above US\$65 per barrel after a shutdown of a North Sea pipeline, raising concerns about supply shortage ([see](#)). Later in the session, oil prices declined significantly. Nonetheless, EM currencies slightly depreciated, amid a stronger USD and expectations of higher US rates.
- The **USD was stronger ahead of the Fed monetary policy meeting** ([see](#)), as markets expect a rate hike with a 100% probability ([see](#)), on the back of the FOMC wording, recent robust employment data and recent developments regarding the US tax reform.
- The **GBP and UK sovereign bond yields remained stable**, despite the fact that UK inflation breached the 3% level ahead of this Thursday's monetary policy decision ([see](#)). On the other hand, the EUR depreciated mildly, before today's speech by Draghi and ahead of this Thursday's monetary policy meeting.

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Table 1

D&K markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.84	1.6	1.7	1.8	62
US	2.41	2.5	6.2	7	3
GER (2-yr)	-0.74	-0.1	-0.5	1	4
Germany	0.52	2.2	0.5	-10	4
France	0.64	2.0	2.0	-14	-17
Spain	1.46	4.9	4.9	-11	3
Italy	1.71	5.2	0.1	-14	-16
Portugal	1.84	4.6	-4.1	-22	-205
Greece	4.38	-13.9	-45.7	80	-250
Japan (2-yr)	-0.15	0.0	2.1	3	4
Japan	0.05	0.1	0.4	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.36	9.7	10.2	16	-106
Chile	4.67	-0.9	2.2	19	24
Colombia	6.63	3.4	16.8	-12	-46
Mexico	7.34	0.0	8.4	9	-30
Peru	4.92	0.0	-6.0	-8	-155
Poland	3.25	3.2	-3.0	-13	-47
Russia	7.66	-3.5	0.0	-6	-78
Turkey	11.74	8.0	5.0	-18	74
India	7.19	1.7	13.2	24	81
Indonesia	6.53	0.6	1.0	-13	-131
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	-0.2	2.5	-4	-36
Italy	139	3.0	0.6	4	23
Portugal	153	2.4	-3.9	-12	-202
Spain	115	2.7	5.4	-2	-1
2-yr sovereign spread vs Germany					
France	15	0.8	1.2	-2	5
Italy	38	1.1	0.5	-8	-23
Portugal	48	4.5	11.5	-11	-99
Spain	38	0.9	0.0	-3	-10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	166	0.1	0	-12	-106
Chile	57	0.8	3	3	25
Colombia	110	-0.2	1	-14	-53
Mexico	104	1.2	6	-6	-52
Peru	72	1.0	2	-3	-36
Poland	50	1.1	0	-2	-25
Russia	129	-0.9	-1	-10	-47
Turkey	183	-1.0	-6	-27	-89
China	55	-1.1	0	-6	-62
India	72	0.0	0	-2	-55
Indonesia	93	-1.6	0	-9	-63
Risk indicators					
Volatility indicators (v)					
level	Daily	Weekly	Monthly	YTD	
VIX	10	2.1	-16	-16	-2
VST OXX	12	-3.5	-5	-14	-4
EM EFT volatility index	15	-1.5	-16	-10	-25
Dobrosrta volatility	6	0.3	-6	5	43
EM FX volatility index	8	-1.4	-2	-4	-29
Credit spread (BAA) (bps)	183	-2.5	-2	-1	-44
US bonds volatility index	47	-1.9	-5	-2	-29
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	45	-0.2	0	-8	-27
EZ	40	0.2	0	-8	-68
UK	42	0.4	-1	-4	-48
Large Spanish	37	0.6	-1	-9	-80
Medium Spanish	75	-0.6	-2	-6	-76
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	148	0.2	0	-3	-27
EZ Non-financial	64	0.2	0	-8	-68
UK Non-financial	94	0.0	-3	-6	-30
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.33	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	1.56	0.01	0.1	0.2	0.6
Libor 12m	2.01	0.00	0.0	0.1	0.3
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,668	0.3	1.5	3	17
Dow Jones	24,521	0.6	1.4	5	23
Nikkei	22,866	-0.3	1.1	1	17
FTSE 100	7,500	0.6	2.4	1	4
EuroStoxx 50	3,600	0.5	0.8	0	9
IBEX	10,288	-0.2	0.8	2	9
DAX	13,184	0.5	1.0	0	14
CAC	5,427	0.7	1.0	1	11
MIB	22,727	0.2	1.4	1	16
ASE Athens	738	0.0	1.1	1	12
MSCI Latam *	82,065	0.5	0.2	-1	12
Ibovespa (Brazil)	72,967	0.2	0.6	1	18
Moexv	47,699	0.0	0.5	-1	2
MSCI EM Europe *	5,319	1.1	1.0	1	5
Poland	2,414	1.1	0.2	-2	21
Micos (Russia)	2,161	0.6	2.2	0	-5
Ise 100 (Turkey)	109,050	-0.1	2.6	0	43
MSCI EM Asia *	907	0.8	0.3	-2	30
Shanghai Com (China)	3,281	-1.2	0.7	-4	4
Jakarta (Indonesia)	6,032	0.0	0.6	0	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	143.4	1.1	1.4	6	20
Citi	106.6	0.9	0.8	9	23
Chf	75.9	0.1	-0.8	5	24
BofA	29.3	1.3	1.3	11	28
MS	53.4	1.1	2.6	9	22
GS	255.2	2.0	2.8	6	5
EZ banks					
BNP	114.1	0.6	3.3	2	8
BNP	64.8	0.6	2.1	0	3
Crédit Agricole	14.7	0.4	4.2	3	19
Deutsche Bank	16.5	1.1	3.5	7	1
ING	19.6	0.0	3.0	0	12
Intesa	2.9	1.0	3.8	3	14
SG	44.5	1.3	4.2	2	-8
Unicredit	17.4	-1.0	2.1	-3	24
UK banks					
HSBC	91.7	0.8	3.5	4	4
HSBC	757.1	0.7	3.5	2	13
RBS	280.9	0.1	2.4	2	20
Barclays	200.6	1.0	4.6	12	15
Lloyds	67.4	1.1	3.5	1	4
Large Spanish banks					
Santander	87.2	0.3	1.3	2	12
CaixaBank	5.7	0.8	2.2	2	13
BBVA	7.2	-0.1	0.4	1	11
Medium Spanish banks					
CaixaBank	77.0	-1.0	1.4	3	5
Sabadell	4.0	-1.3	2.8	4	22
Sabadell	1.7	0.2	2.0	1	22
Bankinter	7.9	-0.3	0.1	3	5
Banque	4.1	-2.4	1.6	4	-1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	63.9	-1.2	1.7	13	13
Copper	57	-0.9	-0.3	1	8
Copper	299	0.0	2.3	-3	17
Gold	1238	-0.3	2.2	-3	6
S&P Spot commodity *	423	0.7	0.2	-1	7
S&P Brent Spot *	547	1.6	2.3	1	14
S&P Metals Spot *	361	1.3	0.6	-3	18
S&P Agricultural *	276	-1.0	2.8	-3	8
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
GBPUSD	1.17	-0.4	-0.9	0.5	12
USDJPY	1.33	-0.1	0.9	1.0	8
USDJPY	113.64	-0.1	0.9	0.1	3
DXY	94.19	0.3	0.9	0.2	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)					
USD BRL (Brazil)	17.29	-0.3	0.0	1.2	-8
USD BRL (Brazil)	3.33	-0.8	2.7	-1.4	-3
USD CLP (Chile)	653.92	0.3	0.0	-3.6	3
USD COP (Colombia)	3026	-0.4	-1.0	-0.6	-2
USD MXN (Mexico)	19.19	-0.7	-2.2	-0.5	11
USD PEN (Peru)	3.23	0.0	0.1	0.3	4
LACI	63.13	-0.5	-1.6	-0.9	2
USD PLN (Poland)	3.59	-0.7	0.9	0.9	14
USD RUB (Russia)	59.26	-0.6	-0.9	-0.2	2
USD TRY (Turkey)	3.85	-0.3	0.1	0.4	8
USD CNY (China)	6.62	0.0	0.0	0.3	5
USD INR (India)	64.40	-0.1	0.0	1.2	5
USD IDR (Indonesia)	13,574	-0.2	-0.4	-0.2	-1
ADXY	108.4	-0.2	-0.2	0.8	5

Fuente: BBVA Research

Debt markets (10Y, %, changes in bp)					
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Greece	4.38	-13.9	-45.7	-80	-250
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Turkey	183	-1.0	-6	-27	-89
China	55	-1.1	0	-6	-62
India	72	0.0	0	-2	-55
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UK Non-financial	94	0.0	-3	-6	-30
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EDNA Index	-0.33	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	1.56	0.01	0.1	0.2	0.6
Libor 12m	2.01	0.00	0.0	0.1	0.3
Stock markets (%)					
Multi indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,568	0.3	1.5		17
Dow Jones	24,521	0.6	1.4	5	23
Nikkei	22,866	-0.3	1.1	1	17
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MI8	22,727	0.2	1.4	1	16
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MSCI Latam *	82,065	0.5	0.2	-1	12
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Mexbol	47,699	0.0	0.5	-1	2
MSCI EM Europe *	5,310	1.1	1.0	-1	5
Poland	2,414	1.1	0.2	-2	21
Miloo (Russia)	2,161	0.6	2.2	0	5
Ise 100 (Turkey)	109,050	-0.1	2.6	0	43
MSCI EM Asia *	907	0.8	0.3	-2	30
Shanghai Com (China)	3,281	-1.2	-0.7	-4	4
Jakarta (Indonesia)	6,032	0.0	0.6	0	14
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	143.4	1.1	1.4	8	20
JPM	106.6	0.9	0.8	9	23
Citi	75.9	0.1	0.8	5	24
BoA	29.3	1.3	1.3	11	28
MS	53.4	1.1	2.6	9	22
GS	295.2	2.0	2.8	6	5
EZ banks	114.1	0.6	3.3	2	8
BNP	64.8	0.6	2.1	0	3
Credit Agricole	14.7	0.4	4.2	3	19
Deutsche Bank	16.5	1.1	3.5	7	1
ING	15.6	0.0	3.0	0	12
Intesa	2.9	1.0	3.8	3	14
SG	44.5	1.3	4.2	2	8
Unicredit	17.4	-1.0	2.1	3	24
UK banks	91.7	0.8	3.5	4	4
HSBC	757.1	0.7	3.5	2	13
RBS	280.9	0.1	2.4	2	20
Barclays	200.6	1.0	4.6	12	-15
Lloyds	67.4	1.1	3.5	1	4
Large Spanish banks	87.2	0.3	1.3	-2	12
Santander	5.7	0.8	2.2	2	13
BBVA	7.2	-0.1	0.4	1	11
Medium Spanish banks	77.0	-1.0	1.4	3	5
Catalobank	4.0	-1.3	2.8	-4	22
Sabadell	1.7	-0.2	2.0	1	22
Bankinter	7.9	-0.3	-0.1	3	5
Bankia	4.1	-2.4	1.6	4	-1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	63.9	-1.2	1.7	-1	13
WTI	57	-0.9	-0.3	1	8
Copper	299	0.0	2.3	-3	17
Gold	1238	-0.3	-2.2	-3	6
S&P Spot commodity *	423	0.7	0.2	-1	7
S&P Brent Spot *	547	1.6	2.3	1	14
S&P Metals Spot *	361	1.3	0.6	-3	18
S&P Agricultural *	276	-1.0	-2.8	-3	8
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.17	-0.4	-0.9	0.5	12
GBPUSD	1.33	-0.1	0.9	1.0	8
USD JPY	113.64	-0.1	-0.9	0.1	-3
DX	94.19	0.3	0.9	0.2	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.29	-0.3	0.0	1.2	8
USD BRL (Brazil)	3.33	-0.8	-2.7	-1.4	-3
USD CNY (China)	65.92	0.3	0.0	-1.6	3
USD COP (Colombia)	3026	-0.4	-1.0	-0.6	-2
USD MXN (Mexico)	19.19	-0.7	-2.2	-0.5	11
USD PEN (Peru)	3.23	0.0	0.1	0.3	4
LACI	63.13	-0.5	-1.6	-0.9	2
USD PLN (Poland)	3.59	-0.7	-0.9	0.9	14
USD RUB (Russia)	59.26	-0.6	-0.9	-0.2	2
USD TRY (Turkey)	3.85	-0.3	0.1	0.4	-8
USD CNY (China)	6.62	0.0	0.0	0.3	5
USD INR (India)	64.40	-0.1	0.0	1.2	5
USD IDR (Indonesia)	13,574	-0.2	-0.4	-0.2	-1
ADXY	108.4	-0.2	0.2	0.8	5

Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

* With one day delay

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Table 1