

Market Comment | Positive mood in US markets ahead of new tax bill

Global Financial Markets Unit
20 Dec 2017

- **The US tax reform bill was approved by the US Senate and it will likely be approved during the session by the House** ([see](#)), this being Trump's major legislative victory until now. Nonetheless, US financial markets were little changed as a sizeable part of the reform's effect was already priced in (US sovereign bond yields rose slightly, while US stock indices were little changed at their record highest levels). While some assets have been pricing this move in previous sessions, the USD has still not taken account of the new tax bill.
- **European sovereign bond yields rose for a second day in a row**, following hawkish comments by ECB policy makers and improving prospects for growth for the euro area. Moreover, political uncertainty has contributed to widen peripheral risk premiums during the past few days (the announcement of Italian elections and tomorrow's Catalonia regional elections) with the exception of Portugal, favoured by an upgrade in its sovereign rating ([see](#)). In this context the EUR appreciated against its main peers.
- **Oil prices rose as US crude stocks** were lower than [expected](#) ([see](#)). Against this backdrop, EM currencies were mixed and little changed.

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Table 1

D&M markets (10Y % changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
Developed Markets						
US (2-yr)	1.85	0.0	7.8	10	64	
US	2.48	1.1	13.3	11	4	
GER (2-yr)	-0.67	1.6	6.5	-4	10	
Germany	0.41	2.6	9.1	-4	13	
France	0.72	2.8	7.5	4	8	
Spain	1.48	-0.9	-2.1	-4	4	
Italy	1.94	2.5	14.1	13	7	
Portugal	1.29	-3.7	9.2	-16	-210	
Greece	4.14	3.2	-12.3	-113	-274	
Japan (2-yr)	-0.14	0.6	1.0	5	5	
Japan	0.06	1.0	2.2	-1	-1	
Emerging Markets						
Brazil	10.51	-6.0	21.3	32	-90	
Chile	4.62	-0.3	-9.4	11	30	
Colombia	6.34	0.0	-19.4	-32	-76	
Mexico	7.55	-4.0	18.0	28	-9	
Peru	4.99	-2.5	11.2	-7	-148	
Poland	3.36	4.3	11.8	-8	-36	
Russia	7.62	-2.6	-1.8	-14	-82	
Turkey	11.79	-4.0	-6.0	-72	79	
India	7.22	4.2	4.7	33	84	
Indonesia	6.48	0.8	-5.2	-15	-137	
Country risk (bp changes in bp)						
Developed Markets						
10-yr sovereign spread vs Germany						
France	33	0.2	1.6	0	-36	
Italy	153	0.1	5.0	9	-9	
Portugal	139	-6.3	-18.3	-20	-216	
Spain	107	-3.5	-11.2	-8	-9	
2-yr sovereign spread vs Germany						
France	16	0.6	0.1	4	6	
Italy	40	-0.8	-4.4	1	-22	
Portugal	45	-2.2	-5.0	-6	-101	
Spain	29	-1.9	-11.5	-6	-19	
Emerging Markets						
5-yr sovereign CDS *						
Brazil	163	0.6	-4	-11	-109	
Chile	50	0.2	-6	-1	-32	
Colombia	107	-0.6	-5	-10	-56	
Mexico	106	1.3	1	-3	-51	
Peru	73	-3.4	1	3	-34	
Poland	49	-0.6	0	-2	-26	
Russia	119	-1.6	-9	-15	-57	
Turkey	171	1.8	-9	-35	-102	
China	51	-1.4	-3	-10	-66	
India	71	-0.1	-1	-2	-56	
Indonesia	89	-1.5	-2	-10	-67	
Risk indicators						
Volatility indicators (v)						
VIX	10	-4.9	-6	-10	-2	
VST OXX	13	11.7	-2	-9	-4	
EM EFT volatility index	14	-1.7	-5	-16	-30	
Dobrosrta volatility	6	2.9	-4	-19	-46	
EM FX volatility index	8	1.3	-1	-6	-32	
Credit spread (BAA) (bps)	179	-1.1	-5	-11	-48	
US bonds volatility index	49	4.8	9	2	-26	
Banking 5y CDS (bps) *						
US	43	0.4	-1	-9	-29	
EZ	41	0.2	1	-3	-67	
UK	42	-0.9	-1	-5	-48	
Large Spanish	37	-0.2	0	-6	-80	
Medium Spanish	76	-0.6	0	-5	-75	
Corporate 5y CDS (bps) *						
US Non-financial	149	0.2	2	-1	-29	
EZ Non-financial	64	0.2	1	-3	-67	
UK Non-financial	94	0.0	-1	-6	-31	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	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	1.64	0.02	0.1	0.2	0.6	
Libor 12m	2.07	0.01	0.0	0.2	0.4	
Stock markets (%)						
	level	Daily	Weekly	Monthly	YTD	
Main indices						
S&P500	2,682	0.0	0.7	4	18	
Dow Jones	24,752	0.0	0.7	6	24	
Nikkei	22,092	0.1	0.6	-3	17	
FTSE 100	7,525	-0.3	0.4	2	5	
EuroStoxx 50	3,553	-0.8	-0.8	0	7	
IBEX	10,208	-0.3	0.5	2	8	
DAX	13,868	-1.1	-0.4	0	13	
CAC	5,353	-0.6	0.9	0	9	
MIIB	22,110	-0.7	-1.3	0	13	
ASE Athens	790	0.2	5.3	11	20	
MSCI Latam *	82,893	-0.5	0.3	0	13	
Ibovespa (Brazil)	73,388	1.0	0.6	0	19	
Moexv	48,446	0.1	0.4	1	4	
MSCI EM Europe *	5,342	0.5	0.0	1	6	
Poland	2,459	0.1	2.1	0	23	
Micos (Russia)	2,103	-0.7	-1.4	-1	-7	
Ise 100 (Turkey)	110,455	0.3	2.1	6	45	
MSCI EM Asia *	910	0.3	1.1	-2	31	
Shanghai Com (China)	3,288	-0.3	-0.5	-3	4	
Jakarta (Indonesia)	6,109	-0.4	1.3	1	16	
Banking sector						
	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	143.0	0.1	0.5	8	19	
Citi	106.6	0.1	1.1	8	23	
Chf	74.8	0.2	-0.4	4	22	
BofA	29.6	0.4	2.5	11	29	
MS	52.9	-0.1	-0.6	8	21	
GS	256.4	0.0	0.3	8	5	
EZ banks						
BNP	110.9	-0.7	-1.9	1	5	
Crédit Agricole	62.8	-0.4	-2.4	0	0	
EBS	14.2	-0.8	-2.5	1	15	
Deutsche Bank	16.6	-1.0	0.7	2	2	
ING	19.5	0.2	-0.4	2	12	
Intesa	2.8	-0.1	-2.9	1	10	
SG	43.4	-0.8	-2.6	1	-10	
Unicredit	16.1	2.9	-3.3	-4	14	
UK banks						
HSBC	91.4	-0.4	-1.2	3	4	
Barclays	758.3	0.3	-1.4	4	13	
Lloyds	274.7	-0.9	-2.2	0	17	
Large Spanish banks	203.6	-0.3	-0.1	8	13	
Santander	66.6	-0.9	-1.2	1	3	
BBVA	87.2	-0.4	0.4	2	12	
Medium Spanish banks	5.6	0.7	0.4	2	12	
CaixaBank	7.3	-0.1	1.1	2	12	
Sabadell	77.3	0.4	0.7	4	6	
Bankinter	4.0	0.9	0.2	2	22	
Banque	1.7	0.9	3.2	5	25	
Banque	8.0	0.3	1.0	3	6	
Banque	4.0	-0.3	-1.7	4	-2	
Currencies (% ind for currency depreciation)						
	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.19	0.3	0.4	1.2	13	
GBPUSD	1.34	0.1	0.1	1.3	9	
USDJPY	113.29	-0.4	0.7	0.6	3	
DXY	93.27	-0.2	-0.2	0.9	9	
Emerging						
USDARS (Argentina)	17.73	-0.6	2.5	-1.4	-10	
USDBRL (Brazil)	3.29	0.0	0.8	-1.1	-2	
USDCLP (Chile)	620.58	-0.1	4.0	2.6	8	
USDCOP (Colombia)	2962	0.3	1.7	1.8	0	
USDMXN (Mexico)	19.21	0.0	-1.1	-1.1	10	
USDPEN (Peru)	3.27	0.3	-1.2	0.0	3	
LACI	63.62	0.0	0.3	-0.5	3	
USDPLN (Poland)	3.54	0.2	0.7	1.8	15	
USDRUB (Russia)	58.71	0.1	-0.2	1.1	3	
USDTRY (Turkey)	3.82	0.4	0.1	2.8	7	
USDCNY (China)	6.58	0.4	0.6	0.9	5	
USDINR (India)	64.12	-0.1	0.5	1.5	6	
USDIDR (Indonesia)	13,579	0.0	0.1	0.4	-1	
ADXY	109.0	0.3	0.3	0.9	6	
Commodities (%)						
	level	Daily	Weekly	Monthly	Year	
Brent						
WTX	64.2	0.6	2.5	14	14	
Copper	58	0.8	2.3	3	9	
Gold	318	1.5	4.8	3	25	
S&P Spot commodity *	1265	0.3	0.8	-1	9	
S&P Brent Spot *	423	0.4	1.7	0	7	
S&P Metals Spot *	540	0.8	2.6	2	12	
S&P Energy Spot *	374	0.6	3.3	1	23	
S&P Agricultural *	277	0.4	0.2	-2	-8	

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.85	0.0	7.8	10	64
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Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.51	-6.0	21.3	32	90
Chile	4.62	-0.3	9.4	11	30
Colombia	6.34	0.0	-19.4	-32	-76
Mexico	7.55	4.0	18.0	28	9
Peru	4.99	-2.5	11.2	-7	-148
Poland	3.36	4.8	11.8	8	36
Russia	7.62	-2.6	-1.8	-14	82
Turkey	11.79	-4.0	-6.0	-72	79
India	7.22	4.2	4.7	33	84
Indonesia	6.48	-0.8	-5.2	-15	-137
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
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France	33	0.2	-1.6	0	-36
Italy	153	-0.1	5.0	9	9
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Chile	50	-0.2	-6	-1	-32
Colombia	107	-0.6	-5	-10	-56
Mexico	106	1.3	1	-3	51
Peru	73	-3.4	1	2	-34
Poland	49	-0.6	0	-2	-26
Russia	119	-1.6	9	-15	-57
Turkey	171	1.8	-9	-35	-102
China	51	-1.4	-3	-10	-66
India	71	-0.1	-1	-2	-56
Indonesia	89	-1.5	2	-10	-67
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	-4.9	-6	-10	-2
VSTOXX	13	11.7	-2	-9	-4
EM EFT volatility Index	14	-1.7	-5	-16	-20
Dollar/euro volatility	6	2.9	-4	-19	-46
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UK	42	0.8	-1	5	-48
Large Spanish	37	-0.2	0	-6	-80
Medium Spanish	76	-0.6	0	-5	-75
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
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EZ Non-financial	64	0.2	1	-3	-67
UK Non-financial	94	0.0	-1	-6	-31
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.35	0.00	0.0	0.0	0.0
Eurobor 3m	-0.33	0.00	0.0	0.0	0.0
Eurobor 12m	-0.19	0.01	0.0	0.0	-0.1
Libor 3m	1.64	0.02	0.1	0.2	0.6
Libor 12m	2.07	0.01	0.0	0.2	0.4
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Multi indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,582	0.0	0.7	4	18
Dow Jones	24,752	0.0	0.7	6	24
Nikkei	22,892	0.1	0.6	3	17
FTSE 100	7,525	-0.3	0.4	2	5
EuroStoxx 50	3,553	-0.8	-0.8	0	7
IBEX	10,208	-0.3	-0.5	2	8
DAX	13,069	-1.1	0.4	0	13
CAC	5,353	-0.6	0.9	0	9
MI8	22,110	-0.7	-1.3	0	13
ASE Athens	790	0.7	5.3	11	20
MSCI Latam *	82,953	-0.5	0.3	0	13
Ibovespa (Brazil)	73,388	1.0	0.6	0	19
Mercol	48,446	0.1	0.4	1	4
MSCI EM Europe *	5,342	-0.5	0.0	1	6
Poland	2,459	0.1	2.1	0	23
Miloo (Russia)	2,103	-0.7	-1.4	-1	7
Ise 100 (Turkey)	110,455	0.3	2.1	6	45
MSCI EM Asia *	910	0.3	1.1	-2	31
Shanghai Com (China)	3,228	-0.3	-0.5	-3	4
Jakarta (Indonesia)	6,109	-0.4	1.3	1	16
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	143.0	0.1	0.5	8	19
JPM	106.6	0.1	1.1	8	23
Citi	74.8	0.2	0.4	4	22
BoA	29.6	0.4	2.5	11	29
MS	52.9	-0.1	-0.6	8	21
GS	296.4	0.0	0.3	8	5
EZ banks	110.9	-0.7	-1.9	1	5
BNP	62.8	-0.4	-2.4	0	0
Credit Agricole	14.2	-0.8	-2.5	1	15
Deutsche Bank	16.6	-1.0	-0.7	2	2
ING	15.5	-0.2	-0.4	2	12
Intesa	2.8	-0.1	-2.9	1	10
SG	43.4	-0.8	-2.6	1	10
Unicredit	16.1	-2.9	-3.3	-4	14
UK banks	91.4	-0.4	-1.2	3	4
HSBC	758.3	0.3	1.4	4	13
RBS	274.7	-0.9	-2.2	0	17
Barclays	203.6	-0.3	-0.1	8	-13
Lloyds	66.6	0.9	-1.2	1	3
Large Spanish banks	87.2	-0.4	0.1	2	12
Santander	5.6	-0.7	0.4	2	12
BBVA	7.3	-0.1	1.1	2	12
Medium Spanish banks	77.3	0.4	0.7	4	6
Cajabank	4.0	0.9	0.2	2	22
Sabadell	1.7	0.9	3.2	5	25
Bankinter	8.0	0.3	1.0	3	6
Bankia	4.0	-0.3	-1.7	4	-2
Currencies (% net for category depreciation)	level	Daily	Weekly	Monthly	Year
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.19	0.3	0.4	1.2	13
GBPUSD	1.34	0.1	0.1	1.3	9
USD/JPY	113.29	-0.4	-0.7	0.6	3
DOY	93.27	-0.2	-0.2	0.9	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.73	-0.6	-2.5	-1.4	-10
USD/BRL (Brazil)	3.29	0.0	0.8	-1.1	-2
USD/CNY (China)	620.50	0.1	4.0	2.6	8
USD/COP (Colombia)	2962	0.3	1.7	1.8	0
USD/MXN (Mexico)	19.21	0.0	-1.1	-1.1	10
USD/PEN (Peru)	3.27	0.3	-1.2	-1.0	3
LACI	63.62	0.0	0.3	-0.5	3
USD/PLN (Poland)	3.54	0.2	0.7	1.8	15
USD/RUB (Russia)	58.71	0.1	-0.2	1.1	3
USD/TRY (Turkey)	3.82	0.4	-0.1	2.8	7
USD/CNY (China)	6.58	0.4	0.6	0.9	5
USD/INR (India)	64.12	-0.1	0.5	1.5	6
USD/IDR (Indonesia)	13,579	0.0	0.1	-0.4	-1
ADXY	109.0	0.3	0.3	0.9	6
Commodities (%)	level	Daily	Weekly	Monthly	Year
Brent	64.2	0.6	2.8	3	14
WTX	58	0.8	2.3	3	9
Copper	318	1.5	4.8	3	25
Gold	1265	0.3	0.8	-1	9
S&P Spot commodity *	423	0.4	1.7	0	7
S&P Brent Spot *	540	0.8	2.6	2	12
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Source: Bloomberg, Datastream and Haver

* With one day delay

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Table 1