

# Market Comment | Higher yields following US tax bill and ECB comments

Global Financial Markets Unit  
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- **Global stocks showed gains during the week after the passage of the new US tax legislation** ([see](#)). US indices are hovering around all-time highs, while the banking sector was among the standout performers. US Treasury yields rose significantly during the week. Despite this environment, the USD depreciated, after the recent rally enjoyed during the last week. At the same time, global stocks showed declining volumes and volatility before the Christmas and New Year holidays.
- **Higher activity was seen in bond markets as European bond yields jumped as ECB policy makers** (Makuch, Weidmann and Hansson) called for an earlier QE exit ([see](#)). Italian sovereign bond yields led the rise amid political uncertainties in the country ([see](#)). The only exception was Portugal, after Fitch rating agency decided to upgrade Portugal's rating by one notch to BBB- ([see](#)), recovering investment grade, due to lower public debt.
- **Spanish markets fell after the results of the Catalonia election**, in which the pro-independency bloc obtained an absolute majority ([see](#)). The impact was concentrated in equity indices, with Catalanian banks suffering the most and without contagion to other surrounding areas. The movement in bond markets was smaller, Spanish sovereign yields only inched up.
- **Oil prices rose during the week as US crude stocks were lower than expected** ([see](#)), while the UK's Forties North Sea pipeline is close to restarting ([see](#)). The combination of lower USD and higher oil prices led to an appreciation of EM currencies, with some exceptions.
- **Political events weighed on some assets in LatAm**: the CLP appreciated after the outcome of the presidential election, ([see](#)) while the PEN suffered from the political uncertainty in the country ([see](#)), although it ended up higher.

BBVA Research suggests the following reading list:

- Eurozone Economic Watch ([see](#))
- Individualism and opposition to redistribution in the US: The cultural legacy of the frontier ([see](#))

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.89	0.9	3.1	16	67
US	2.48	0.0	13.0	16	4
GER (2-yr)	-0.64	0.5	7.3	6	13
Germany	0.42	0.0	11.6	7	14
France	0.74	0.5	11.0	8	-7
Spain	1.47	0.2	1.0	2	4
Italy	1.91	0.2	9.7	14	4
Portugal	1.84	7.2	-0.2	-7	-206
Greece	4.13	4.1	16.4	-124	-275
Japan (2-yr)	-0.15	0.1	0.2	4	5
Japan	0.95	0.2	2.3	2	-2
Emerging Markets					
Brazil	10.35	-1.7	-4.0	26	-106
Chile	4.60	-0.9	-8.9	-2	68
Colombia	6.46	-0.1	-2.9	-12	-63
Mexico	7.73	-0.3	24.4	53	9
Peru	4.97	0.6	-20.9	-8	-150
Poland	3.32	-1.7	9.2	-7	-39
Russia	7.63	0.6	0.4	-6	-81
Turkey	11.70	-4.0	-39.0	82	70
India	7.27	5.7	13.7	31	89
Indonesia	6.37	2.1	-12.5	-22	-147
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	0.5	0.6	1	-36
Italy	149	0.2	-1.9	6	13
Portugal	142	7.2	-11.8	-14	-212
Spain	105	0.2	-10.6	-5	-11
2-yr sovereign spread vs Germany					
France	15	-1.3	-0.9	2	4
Italy	36	-1.8	-4.9	3	-25
Portugal	47	2.9	2.7	-1	-100
Spain	28	0.9	-9.0	6	20
Emerging Markets					
5-yr sovereign CDS *					
Brazil	163	1.5	-4	-8	-108
Chile	50	0.2	-5	-4	-33
Colombia	105	-1.0	-6	-9	-58
Mexico	107	1.9	2	0	-49
Peru	74	0.1	2	3	-33
Poland	48	-0.2	-1	-3	-27
Russia	119	0.0	-8	-14	-58
Turkey	168	-1.2	-12	-48	-104
China	52	0.5	-2	-8	-65
India	71	-0.2	-1	-3	-56
Indonesia	87	-1.6	-5	-11	-69
Risk indicators					
Volatility indicators (v)	level	Daily	Weekly	Monthly	YTD
VIX	9	-1.4	1	-4	-2
VST OXX	12	2.2	2	-7	-4
EM EFT volatility index	13	0.0	-5	-18	-33
Dobson's volatility	6	-1.7	1.1	-15	-45
EM FX volatility index	8	2.9	4	0	-29
Credit spread (BAA) (bps)	183	0.0	3	-8	-44
US bonds volatility index	52	2.3	1.1	10	22
Banking 5y CDS (bps) *					
US	43	0.0	-2	-7	-29
EZ	40	-0.5	0	-2	-68
UK	42	0.1	-1	-3	-49
Large Spanish	37	-0.1	-2	-4	-80
Medium Spanish	75	-1.2	-2	-4	-76
Corporate 5y CDS (bps) *					
US Non-financial	146	0.0	0	-2	-29
EZ Non-financial	64	-0.5	0	-2	-68
UK Non-financial	94	-0.3	-1	-4	-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	0.00	0.0	0.0	-0.1
Libor 3m	1.66	0.00	0.1	0.2	0.7
Libor 12m	2.08	0.00	0.0	0.2	0.4
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,685	0.0	0.3	3	18
Dow Jones	24,782	0.0	0.5	5	24
Nikkei	22,903	0.2	1.5	2	17
FTSE 100	7,593	-0.1	1.4	2	6
EuroStoxx 50	3,551	-0.6	-0.3	0	7
IBEX	10,184	-1.2	0.3	2	8
DAX	13,071	-0.3	-0.2	0	13
CAC	5,359	-0.5	0.2	0	9
MIB	22,160	-0.4	0.3	-1	13
ASE Athens	795	0.3	3.8	10	21
MSCI Latam *	84,404	1.3	2.8	1	15
Ibovespa (Brazil)	74,794	-0.5	3.0	0	21
Moexv	48,503	0.0	0.9	1	4
MSCI EM Europe *	5,327	0.0	0.9	0	5
Poland	2,457	-0.3	1.7	-1	23
Micos (Russia)	2,099	0.3	-2.1	-3	-7
Ise 100 (Turkey)	111,640	0.3	2.1	5	47
MSCI EM Asia *	909	0.0	0.2	-3	31
Shanghai Com (China)	3,297	-0.1	0.9	-4	4
Jakarta (Indonesia)	6,221	1.8	1.8	3	18
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	144.4	0.0	1.4	9	20
Wells Fargo	107.8	0.0	1.6	9	24
Citi	75.8	0.0	1.4	5	23
BaK	29.8	0.0	2.7	12	30
MS	52.9	0.0	0.4	8	21
GS	261.0	0.0	1.5	10	7
EZ banks					
BNP	110.6	-0.8	-0.2	1	5
Crédit Agricole	62.8	-0.8	-0.2	0	0
Crédit Agricole	14.0	-1.0	-1.3	0	13
Deutsche Bank	16.5	-0.4	-0.5	3	1
ING	19.5	-0.8	0.2	2	12
Intesa	2.8	-0.7	0.3	0	11
SG	43.5	-0.8	0.6	2	-10
Unicredit	16.1	-0.8	-0.6	-4	14
UK banks					
HSBC	91.7	-0.5	0.7	3	4
RBS	761.6	-0.5	1.3	3	14
NBS	275.8	-0.3	-0.2	2	18
Barclays	202.2	-1.2	0.9	7	14
Lloyds	67.2	-0.1	1.2	2	4
Large Spanish banks					
Santander	87.1	-1.6	0.8	3	12
BBVA	5.6	-2.0	0.4	2	11
BBVA	7.3	-1.2	1.9	3	12
Medium Spanish banks					
CaixaBank	76.8	-2.0	1.8	4	5
Sabadell	4.0	-3.2	1.4	1	21
Sabadell	1.7	-3.1	3.2	5	23
Bankinter	8.0	-1.1	1.9	4	6
Bankia	4.0	-1.1	1.1	5	-2
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.19	-0.2	0.9	0.3	13
GBPUSD	1.34	0.0	0.5	0.5	9
USDJPY	113.38	0.0	0.7	1.9	3
DXY	93.36	0.1	0.6	-0.2	9
Emerging					
USDARS (Argentina)	17.97	-0.1	2.6	-3.1	-12
USDBRL (Brazil)	3.32	-0.4	0.5	-2.9	-3
USDCLP (Chile)	621.92	-0.1	2.2	1.9	7
USDCOP (Colombia)	2969	-0.1	1.0	0.3	0
USDMXN (Mexico)	19.51	-0.2	-2.1	-4.7	9
USDPEN (Peru)	3.27	-0.8	0.9	-1.0	3
LACI	63.04	-0.2	-0.7	-2.6	2
USDPLN (Poland)	3.54	-0.2	1.1	0.6	15
USD RUB (Russia)	58.27	0.3	0.8	0.2	3
USDTRY (Turkey)	3.82	0.0	1.1	2.5	7
USD CNY (China)	6.58	0.1	0.5	0.5	5
USD INR (India)	64.05	0.0	0.0	1.4	6
USDIDR (Indonesia)	13,556	0.0	0.1	-0.2	-1
ADXY	109.0	0.1	0.3	0.4	6
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	64.5	-0.7	2.0	0	14
WTX	58	-0.7	1.1	0	9
Copper	318	-0.3	2.4	2	25
Gold	1268	0.1	1.0	-2	9
S&P Spot commodity *					
S&P Brent Spot *	428	0.4	1.9	0	8
S&P Metals Spot *	548	0.5	2.8	2	14
S&P Metals Spot *	381	0.7	2.8	2	25
S&P Agricultural *	280	0.6	1.6	-2	-7

Source: Bloomberg, Datastream and Haver

\* With one day delay

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Table 1