

Market Comment | USD weakness continues amid low trading volume

Global Financial Markets Unit
28 Dec 2017

- **Trading volumes in financial markets remained close to their lowest this year** ahead of the New Year holidays. In this context, movements in financial markets were very smooth: European equity indices remained almost unchanged (slight negative bias) while sovereign debt in Europe increased today (amid low trading volume). The dissolution of Italian parliament later today ([see](#)) paving the way for next year's elections.
- **The main mover in the US was the USD**, which depreciated against its peers and now stands at three-month lows after dropping for a third consecutive session. The relative weakness of the USD contrasts with the movements in US bonds, which continued their upward trend, mostly in the shorter term (2Y at 1.90%).
- **Commodities have been one of the most active markets during the past few days.** Oil prices retained the interest of investors after the release of new inventory [data](#) ([see](#)), while demand for gold (and other metals) also rose today ([see](#)).
- The ongoing weakness of the USD and the positive mood in commodity prices supported **EM currencies** in the final term of this year - TRY and MXN among others.

Update 17.35CET 28 December 2017
Table 1

Debt markets (10Y % changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
Developed Markets						
US (2-yr)	1.90	0.4	2.0	15	68	
US	2.42	1.9	-9.0	0	-2	
GER (2-yr)	-0.60	5.1	5.2	10	18	
Germany	0.43	-4.0	0.8	9	15	
France	0.77	4.9	3.1	10	4	
Spain	1.51	4.4	4.7	5	8	
Italy	1.95	2.9	4.2	17	8	
Portugal	1.90	5.4	12.1	-3	-200	
Greece	4.12	0.5	2.4	-122	-277	
Japan (2-yr)	-0.13	0.8	1.4	3	6	
Japan	0.06	-0.3	1.9	1	-1	
Emerging Markets						
Brazil	10.25	-7.1	-11.2	11	-116	
Chile	4.55	0.0	-9.5	-6	22	
Colombia	6.48	0.0	1.1	-7	-62	
Mexico	7.72	-2.7	-0.9	50	9	
Peru	4.89	0.8	-8.6	-7	-153	
Poland	3.30	1.3	-3.6	-1	-41	
Russia	7.69	1.9	6.4	2	-75	
Turkey	11.40	-20.0	-24.0	-79	40	
India	7.40	18.0	18.5	37	102	
Indonesia	6.34	1.0	-6.1	-25	-150	
Country risk (bp changes in bp)						
Developed Markets						
10-yr sovereign spread vs Germany						
France	34	0.9	2.3	1	-35	
Italy	152	-1.1	3.4	6	10	
Portugal	147	1.1	12.0	-12	-207	
Spain	109	0.4	3.9	-3	-7	
2-yr sovereign spread vs Germany						
France	15	-4.3	-1.0	3	5	
Italy	33	-3.7	-4.6	-3	-28	
Portugal	50	3.5	6.0	2	-97	
Spain	24	-3.7	-2.9	-12	24	
Emerging Markets						
5-yr sovereign CDS *						
Brazil	162	0.0	0	-3	-109	
Chile	49	0.4	-1	-3	-33	
Colombia	105	-0.2	-1	-5	-58	
Mexico	107	1.3	2	6	-49	
Peru	74	1.9	-1	4	-34	
Poland	48	0.1	0	-3	-27	
Russia	117	0.0	-2	-12	-59	
Turkey	165	-2.1	-5	-33	-108	
China	51	0.1	0	-7	-66	
India	70	0.1	0	-1	-57	
Indonesia	87	0.2	-2	-9	-69	
Risk indicators						
Volatility indicators (v)						
VIX	10	-1.2	7	3	-2	
VST OXX	14	7.2	16	6	-3	
EM EFT volatility index	15	2.3	11	-16	-26	
Dobrosrta volatility	6	2.5	1	-14	-44	
EM FX volatility index	8	-0.5	-1	0	-29	
Credit spread (BAA) (bps)	176	-1.3	-3	-15	-51	
US bonds volatility index	40	2.2	-6	6	-26	
Banking 5y CDS (bps) *						
US	43	0.0	0	-6	-29	
EZ	40	-0.3	-1	-1	-68	
UK	43	1.1	1	-1	-48	
Large Spanish	37	-0.3	0	-2	-80	
Medium Spanish	75	0.0	-2	-4	-76	
Corporate 5y CDS (bps) *						
US Non-financial	148	0.0	0	-3	-29	
EZ Non-financial	63	-0.3	-1	-1	-68	
UK Non-financial	92	0.0	-2	-6	-33	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
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	1.69	0.01	0.0	0.2	0.7	
Libor 12m	2.11	0.01	0.0	0.2	0.4	
Stock markets (%)						
	level	Daily	Weekly	Monthly	YTD	
Main indices						
S&P500	2,684	0.0	0.0	2	18	
Dow Jones	24,823	0.2	0.2	4	24	
Nikkei	22,704	0.6	0.4	1	16	
FTSE 100	7,618	0.0	0.2	2	6	
EuroStoxx 50	3,522	-0.8	-1.4	-2	6	
IBEX	10,080	-0.8	-2.2	-1	7	
DAX	12,976	-0.7	-1.0	-1	12	
CAC	5,334	-0.7	-1.0	-1	9	
MIB	22,109	-0.4	-0.6	-1	13	
ASE Athens	799	-1.3	0.7	10	22	
MSCI Latam *	85,017	0.4	2.0	3	16	
Ibovespa (Brazil)	76,269	0.3	1.5	3	24	
Moexv	48,930	0.6	0.9	4	5	
MSCI EM Europe *	5,365	0.5	0.7	1	6	
Poland	2,480	0.0	0.7	0	24	
Micos (Russia)	2,103	-0.2	0.5	-2	-7	
lse 100 (Turkey)	114,400	2.1	2.9	12	50	
MSCI EM Asia *	913	0.3	0.5	-1	31	
Shanghai Com (China)	3,296	0.6	-0.1	-1	4	
Jakarta (Indonesia)	6,314	1.5	3.2	4	20	
Banking sector						
	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	107.4	0.2	-0.4	6	24	
Citi	74.9	0.1	-1.2	2	22	
BaK	29.7	0.1	-0.4	7	29	
MS	52.5	-0.2	-0.8	4	20	
GS	255.2	-0.3	-2.2	7	5	
EZ banks						
109.6	-0.4	-1.7	0	4		
BNP	62.6	-0.2	-1.1	-1	0	
Crédit Agricole	13.9	-0.3	-1.7	-1	13	
Deutsche Bank	15.9	-1.0	-3.7	1	-2	
ING	15.4	0.3	-1.2	2	11	
Intesa	2.8	-0.8	-1.2	1	10	
SG	43.0	-0.5	-1.7	0	-11	
Unicredit	15.9	0.3	2.0	-7	13	
UK banks						
91.9	-0.1	-0.3	4	5		
HSBC	762.0	-0.2	0.5	2	14	
RBS	275.7	0.0	0.3	2	18	
Barclays	203.2	0.3	0.7	6	14	
Lloyds	67.5	-0.4	0.3	4	4	
Large Spanish banks						
85.5	-1.0	3.4	-1	10		
Santander	5.5	0.9	3.6	-2	9	
BBVA	7.1	-1.0	-3.2	0	10	
Medium Spanish banks						
76.0	-0.4	-3.1	1	4		
CaixaBank	3.9	-0.9	-4.4	0	19	
Sabadell	1.7	-0.4	-5.3	0	20	
Bankinter	7.9	-0.4	-2.1	1	5	
Bankia	4.0	0.0	-1.1	3	-2	
Currencies (% ind for currency depreciation)						
	level	Daily	Weekly	Monthly	Year	
Developed						
EURUSD	1.20	0.5	0.7	0.9	14	
GBPUSD	1.34	0.3	0.4	0.8	9	
USDJPY	112.86	0.4	0.4	1.2	4	
DXF	92.63	-0.4	-0.7	0.7	10	
Emerging						
USDARS (Argentina)	18.79	-1.9	4.7	-8.2	-17	
USDBRL (Brazil)	3.30	0.4	0.1	-2.8	-3	
USDCLP (Chile)	614.91	0.3	1.0	4.2	8	
USDCOP (Colombia)	2987	-0.4	-0.7	0.3	-1	
USDMXN (Mexico)	19.77	-0.4	-1.5	-6.6	8	
USDPEN (Peru)	3.24	0.0	0.8	-0.3	4	
LACI	62.67	-0.1	-0.8	-3.1	2	
USDPLN (Poland)	3.49	0.9	1.1	1.5	16	
USDRUB (Russia)	57.53	0.4	1.6	1.5	5	
USDTRY (Turkey)	3.77	1.1	1.2	4.8	6	
USDCNY (China)	6.53	0.3	0.8	1.1	6	
USDINR (India)	64.08	0.1	0.0	0.5	6	
USDIDR (Indonesia)	13,557	0.0	0.0	-0.3	-1	
ADXY	109.5	0.3	0.5	0.8	6	
Commodities (%)						
	level	Daily	Weekly	Monthly	Year	
Brent						
66.4	0.0	2.4	18			
WTX	60	-0.2	2.0	3	12	
Copper	330	1.2	3.2	7	29	
Gold	1295	0.6	2.2	0	11	
S&P Spot commodity *	438	0.1	2.3	2	10	
S&P Brent Spot *	562	-0.7	2.4	4	17	
S&P Metals Spot *	392	1.0	2.8	6	29	
S&P Agricultural *	283	0.8	0.7	0	-6	

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.90	0.4	2.0	15	68	
US	2.42	1.3	-9.9	10	-2	
GER (2-yr)	-0.60	5.1	5.2	10	18	
Germany	0.43	4.0	0.8	9	15	
France	0.77	4.9	3.1	10	-4	
Spain	1.51	4.4	4.7	5	8	
Italy	1.95	2.9	4.2	17	8	
Portugal	1.90	5.4	12.1	3	-200	
Greece	4.12	0.5	2.4	-122	-277	
Japan (2-yr)	-0.13	0.8	1.4	3	6	
Japan	0.06	-0.3	1.8	-1	-1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.25	-7.1	-11.2	11	-116	
Chile	-4.55	0.0	-5.5	6	23	
Colombia	6.48	0.0	1.1	-7	-62	
Mexico	7.72	-2.7	-0.9	50	9	
Peru	4.89	0.8	-0.6	-7	-158	
Poland	3.30	1.3	-3.6	-1	-41	
Russia	7.69	1.9	6.3	2	-75	
Turkey	11.40	20.0	-34.0	-79	40	
India	7.40	19.0	19.5	37	102	
Indonesia	6.34	-1.9	-6.1	-25	-150	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	34	0.9	2.3	1	-35	
Italy	152	-1.1	3.4	8	-10	
Portugal	147	1.1	12.0	-12	-207	
Spain	109	0.4	3.9	-3	-7	
2-yr sovereign spread vs Germany						
France	15	-4.3	-1.0	3	5	
Italy	33	-3.7	-4.6	3	-28	
Portugal	50	3.5	6.0	2	97	
Spain	24	-3.7	-2.9	-12	-24	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	162	0.0	0	-3	-109	
Chile	49	-0.4	-1	-3	-33	
Colombia	105	-0.2	-1	-5	-58	
Mexico	107	1.3	2	6	-49	
Peru	74	1.9	-1	4	-34	
Poland	48	0.1	0	-3	-27	
Russia	117	0.0	-2	-12	-59	
Turkey	165	-2.1	-5	-33	-108	
China	51	0.1	0	-7	-66	
India	70	0.1	0	-1	-57	
Indonesia	67	0.2	-2	-9	-69	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	10	-1.2	7	3	-2	
VSTOXX	14	7.2	16	6	-3	
EM EET volatility index	15	2.3	11	-16	-26	
Dollar/euro volatility	6	2.5	1	-14	-44	
EM FX volatility index	8	-0.5	-1	0	-29	
Credit spread (BAA)(bps)	176	-1.3	-3	-15	-51	
US bonds volatility index	48	-2.2	-8	-6	-38	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	43	0.0	0	-6	-29	
EZ	40	-0.3	-1	-1	-68	
UK	43	1.1	1	-1	-48	
Large Spanish	37	-0.3	0	-2	-80	
Medium Spanish	75	0.0	-2	-4	-76	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	148	0.0	0	-6	-29	
EZ Non-financial	63	-0.3	-1	-1	-68	
UK Non-financial	92	0.0	-2	-6	-33	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
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	1.69	0.01	0.0	0.2	0.7	
Libor 12m	2.11	0.01	0.0	0.2	0.4	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
S&P500	2,684	0.0	0.0	2	19	
Dow Jones	24,823	0.2	0.2	4	24	
Nikkei	22,784	-0.6	-0.4	1	16	
FTSE 100	7,618	0.0	0.2	2	6	
EuroStoxx 50	3,522	-0.8	-1.4	-2	6	
IBEX	10,080	-0.8	-2.2	-1	7	
DAX	12,976	-0.7	-1.0	-1	12	
CAC	5,234	-0.7	-1.0	-1	9	
MIB	22,109	-0.4	-0.6	-1	13	
ASE Athens	799	-1.3	0.7	10	22	
MSCI Latam *	85,017	0.4	2.0	3	16	
Ibovespa (Brazil)	76,269	0.3	1.5	3	24	
Mercol	48,930	0.6	0.9	4	5	
MSCI EM Europe *	5,365	0.5	0.7	1	6	
Palae	2,480	0.0	0.7	0	24	
Mircx (Russia)	2,103	-0.2	0.5	-2	-7	
Ise 100 (Turkey)	114,480	2.1	2.9	12	50	
MSCI EM Asia *	913	0.3	0.5	-1	31	
Shanghai Com (China)	3,296	0.6	-0.1	-1	4	
Jakarta (Indonesia)	6,314	1.5	3.3	4	20	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	142.8	-0.1	-1.1	5	19	
Citi	107.4	0.2	-0.4	6	24	
BofA	74.9	0.1	-1.2	2	22	
BaA	29.7	-0.1	-0.4	7	29	
MS	52.5	-0.2	-0.8	4	20	
GS	255.2	0.3	-2.2	7	5	
EZ banks						
BNP	109.6	-0.4	-1.7	0	4	
Crédit Agricole	62.6	-0.2	-1.1	-1	0	
Deutsche Bank	13.9	-0.3	-1.7	-1	13	
ING	15.9	-1.0	-3.7	1	-2	
Intesa	15.4	-0.3	-1.2	2	11	
SSG	2.8	-0.8	-1.2	1	10	
SG	43.0	-0.5	-1.7	0	-11	
Unicredit	15.9	0.3	-2.0	-7	13	
UK banks						
RBS	91.9	-0.1	-0.3	4	5	
HSBC	76.0	0.2	-0.5	2	14	
RIBS	275.7	0.0	0.3	2	18	
Barclays	203.2	0.3	-0.7	8	-14	
Lloyds	67.5	0.4	0.3	4	4	
Large Spanish banks	85.5	-1.0	-3.4	-1	10	
Santander	5.5	-0.9	-3.6	-2	9	
BBVA	7.1	-1.0	-3.2	0	10	
Medium Spanish banks						
Cajabank	76.0	-0.4	-3.1	1	4	
Cálabank	3.9	-0.9	-4.4	0	19	
Sabadell	1.7	-0.4	-5.3	0	20	
Bankinter	7.9	-0.4	-2.1	1	5	
Bankia	4.0	0.0	-1.1	3	-2	
Currencies (% vol for Currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.20	0.5	0.7	0.9	14	
GBPUSD	1.34	0.3	0.4	0.8	9	
USD JPY	112.86	0.4	0.4	1.2	-4	
DXI	92.63	-0.4	-0.7	0.7	10	
Emerging						
USDARS (Argentina)	18.79	-1.9	-4.7	8.2	-17	
USDBRL (Brazil)	3.30	0.4	0.1	-2.8	-3	
USDCNY (China)	614.91	0.3	1.0	4.2	8	
USDCOP (Colombia)	2987	-0.4	-0.7	0.3	-1	
USDMXN (Mexico)	19.77	-0.4	-1.5	6.6	8	
USDPEN (Peru)	3.24	0.0	0.8	-0.3	4	
LACI	62.67	-0.1	-0.8	-3.1	2	
USDPLN (Poland)	3.49	0.9	1.1	1.5	16	
USDRUB (Russia)	57.53	0.4	1.6	1.5	5	
USDTRY (Turkey)	3.77	1.3	1.2	4.8	-6	
USDCNY (China)	6.53	0.3	0.8	1.1	6	
USDINR (India)	64.08	0.1	0.0	0.5	6	
USDIDR (Indonesia)	13,557	0.0	0.0	-0.3	-1	
ADXY	109.5	0.3	0.5	0.8	6	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent	66.4	0.0	2.4	4	18	
WTX	60	-0.2	2.0	3	12	
Copper	330	1.2	3.2	7	29	
Gold	1295	0.6	2.2	0	11	
S&P Spot commodity *	438	0.1	2.3	2	10	
S&P Brent Spot *	562	-0.7	2.4	4	17	
S&P Metals Spot *	392	1.8	2.8	6	29	
S&P Agricultural *	283	0.8	0.7	0	-6	

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.