

# Market Comment | The USD continued its depreciation trend in the last week of the year

Global Financial Markets Unit  
29 Dec 2017

- Typical low trading volume between Christmas and New Year's holiday marked the evolution of main financial markets during this week. There were no significant changes, and this could be determined by the shortage of counterparties in some trades. Moreover, some of principal financial markets were closed on Monday and Tuesday this week.
- **The USD continued to depreciate against its peers and now stands at three-month lows** after dropping for a fourth 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%) despite the worse-than-expected consumer confidence figures released this week. ([see](#))
- In tepid trading, **European yields were up**, with the 10Y German yield rising above the 0.40% threshold, while the shorter term of the curve (2Y) also reacted. The increase was greater in the peripheral countries, so peripheral risk premiums increased, due among other things to the dissolution of the Italian parliament, paving the way for next year's elections (March). ([see](#))
- **European equity indices and US indices showed a mixed performance this week.** European indices showed a drop of around 1% in thin trading, while in the US, the main indices look set to end 2017 close to their historical highest levels after remaining unchanged this week.
- **The commodity market was one of the most active during these 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 this week ([see](#)).
- In this context of increasing commodity prices and USD weakness, **the EM currencies appreciated with some exceptions** such as ARS, CLP or PEN.

## BBVA Research suggests the following reading list:

- Guide to 2018, Quick takes explain the year ahead ([see](#))
- Central Banks' Year of Reckoning ([see](#))
- ECB Economic Bulletin ([see](#))

Happy New Year!

Update 16.00 CET 29 December 2017  
Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.89	-1.6	0.0	13	68
US	2.43	0.5	-5.6	4	-1
GER (2-yr)	-0.62	-1.9	1.1	7	16
Germany	0.44	1.7	2.1	6	17
France	0.80	2.8	5.4	9	-1
Spain	1.55	3.4	8.2	7	12
Italy	1.99	3.8	8.2	20	13
Portugal	1.92	0.8	7.8	-2	-198
Greece	4.12	-0.6	-1.6	-136	-276
Japan (2-yr)	-0.13	0.0	1.3	4	6
Japan	0.05	0.0	1.8	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.41	-84.9	96.7	89	-201
Chile	4.56	0.8	-3.8	-7	24
Colombia	6.48	0.0	-1.2	-7	-62
Mexico	7.68	-1.7	-6.1	43	3
Peru	4.88	-0.1	-4.9	-11	-159
Poland	3.30	-0.2	-1.7	-4	-41
Russia	7.61	-8.0	-1.7	-7	-84
Turkey	11.35	-5.0	-32.0	-92	35
India	7.33	-7.0	5.5	30	94
Indonesia	6.32	1.8	-4.8	-21	-152
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	36	1.1	3.3	3	-33
Italy	155	2.1	6.1	15	-7
Portugal	148	-0.9	5.7	-7	-207
Spain	111	1.7	6.1	1	-4
<b>2-yr sovereign spread vs Germany</b>					
France	16	1.1	1.5	4	6
Italy	37	3.8	0.6	1	-24
Portugal	51	0.9	-2.3	7	-96
Spain	26	1.8	-0.2	8	22
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>					
Brazil	161	-0.9	-3	-3	-111
Chile	49	0.8	-1	-5	34
Colombia	105	-0.3	0	-5	-58
Mexico	107	0.4	0	7	-50
Peru	72	-0.8	-3	2	-36
Poland	50	-0.3	1	1	-26
Russia	118	-0.1	-1	-10	-58
Turkey	165	-3.8	-3	-38	-108
China	51	0.6	-1	-7	66
India	70	0.0	0	-3	-57
Indonesia	86	-1.0	-2	-8	-71
Risk indicators					
Volatility indicators (v)					
level	Daily	Weekly	Monthly	YTD	
VIX	10	-0.8	2	-6	-2
VST OXX	14	-0.2	13	0	-3
EM FTI volatility index	16	-0.1	14	-18	-23
Dobrosrta volatility	6	6.8	1.3	-7	39
EM FX volatility index	8	-0.1	-1	-1	-29
Credit spread (BAA) (bps)	175	0.5	-3	-15	-52
US bonds volatility index	46	-2.2	-6	1	-40
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	43	-0.1	0	-6	-29
EZ	39	-0.5	-1	-1	-69
UK	42	-0.7	0	-3	-48
Large Spanish	36	-1.0	-1	-3	-81
Medium Spanish	76	1.5	1	-1	-75
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	148	0.1	0	-5	-29
EZ Non-financial	64	-0.5	-1	-1	-69
UK Non-financial	92	0.1	-2	-6	-33
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0.00	0.0	-0.1	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	0.00	0.0	0.2	0.7
Libor 12m	2.11	0.00	0.0	0.2	0.4
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
<b>Main indices</b>					
S&P500	2,689	0.0	0.2	2	18
Dow Jones	24,842	0.0	0.4	4	25
Nikkei	22,765	-0.1	-0.6	-1	16
FTSE 100	7,688	0.9	1.3	4	7
EuroStoxx 50	3,513	-0.3	-1.1	-2	6
IBEX	10,963	-0.3	-1.2	-2	6
DAX	12,918	0.5	-1.2	-1	12
CAC	5,332	-0.1	-0.6	-1	9
MIIB	21,975	-0.7	-1.1	-2	12
ASE Athens	892	0.4	-0.2	9	22
MSCI Latam *	85,501	0.6	1.3	3	17
Ibovespa (Brazil)	76,402	0.0	1.6	5	24
Moex	48,988	0.3	1.2	3	5
MSCI EM Europe *	5,371	0.1	0.8	1	6
Poland	2,458	-0.9	0.5	1	23
Micos (Russia)	2,107	0.2	0.2	-1	-7
Ise 100 (Turkey)	115,521	0.9	4.0	13	52
MSCI EM Asia *	920	0.7	1.2	-1	32
Shanghai Com (China)	3,307	0.3	0.3	-1	5
Jakarta (Indonesia)	6,356	1.3	2.8	5	20
Banking sector					
level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>					
JPM	143.1	-0.2	-0.6	19	
Citi	108.0	0.2	0.5	4	24
Chf	75.1	0.0	-0.5	0	22
BofA	29.8	-0.1	-0.4	5	30
MS	52.6	-0.1	-0.2	3	21
GS	255.3	-0.5	-1.4	6	5
<b>EZ banks</b>					
BNP	109.2	-0.4	-1.4	-2	4
Crédit Agricole	62.3	-0.5	-1.0	-3	-1
Deutsche Bank	13.8	-0.4	-1.3	-3	12
ING	15.9	-0.4	-2.7	-1	-3
Intesa	15.4	-0.3	-1.0	0	11
Intesa	2.8	-0.6	-2.4	-2	9
SG	43.1	0.0	-0.8	0	-11
Ungarnto	15.7	-1.1	-1.5	-8	12
<b>UK banks</b>					
HSBC	92.4	0.5	0.8	2	5
RBS	766.9	0.6	0.7	3	14
Barclays	276.0	0.7	0.8	-1	19
Lloyds	203.1	0.1	0.5	5	14
<b>Large Spanish banks</b>					
Santander	85.2	-0.4	-1.9	-3	9
BBVA	5.5	-0.3	-1.9	-4	9
Mediana Spanish banks	7.1	-0.5	-2.1	-2	9
CaixaBank	75.7	-0.4	-1.3	-3	4
Sabadell	3.9	-0.1	-1.1	-4	19
Bankinter	1.7	-0.5	-2.2	-4	20
Banque	7.9	-0.7	-1.7	-2	5
Banque	4.0	-0.2	-0.3	-1	-2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
<b>Brent</b>					
WTX	66.5	0.4	1.9	5	18
Copper	60	0.6	3.0	5	13
Gold	32.7	-0.5	1.7	8	28
S&P Spot commodity *	130.2	0.6	2.1	1	12
S&P Brent Spot *	440	0.5	2.5	3	11
S&P Metals Spot *	563	0.3	2.2	6	17
S&P Energy Spot *	395	0.9	2.7	8	10
S&P Agricultural *	282	-0.3	0.8	-1	-6
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
<b>EURUSD</b>					
GBPUSD	1.20	0.4	1.1	1.2	14
USDJPY	1.35	0.6	1.2	0.9	10
USDJPY	112.52	0.3	0.7	0.5	4
DXY	92.28	-0.3	-1.1	1.0	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	18.84	1.8	4.2	-8.1	-17
USDBRL (Brazil)	3.31	0.8	-2.1	-3	-8
USDCLP (Chile)	614.72	0.0	1.3	4.5	8
USDCOP (Colombia)	2986	0.0	0.8	0.7	-1
USDMXN (Mexico)	19.69	0.1	0.3	-6.1	8
USDPEN (Peru)	3.24	-0.1	-0.2	-0.2	4
LACI	62.67	0.2	0.0	-2.8	2
USDPLN (Poland)	3.48	0.4	1.4	1.8	16
USD RUB (Russia)	57.68	-0.3	1.1	1.6	4
USDTRY (Turkey)	3.79	-0.4	0.5	4.4	6
USDCNY (China)	6.50	0.5	1.1	1.7	6
USDINR (India)	63.87	0.3	0.3	0.7	6
USDIDR (Indonesia)	13,555	0.0	0.0	-0.4	-1
ADXY	109.8	0.2	0.6	1.0	6

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Poland	3.30	-0.2	-1.7	-4	-41
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Turkey	11.35	-5.0	-32.0	-92	35
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China	51	-0.6	-1	-7	-66
India	70	0.0	0	-3	-57
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Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	-0.8	2	-6	-2
VSTOXX	14	-0.2	13	0	-3
EM EFT volatility Index	16	-0.1	14	-18	-23
Dollar/euro volatility	6	6.3	13	-7	-39
EM FX volatility index	8	-0.1	-1	-1	-29
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Eurobor 3m	-0.33	0.00	0.0	0.0	0.0
<b>Eurobor 12m</b>	0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.68	0.00	0.0	0.2	0.7
Libor 12m	2.11	0.00	0.0	0.2	0.4
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Multi indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,589	0.0	0.2		18
Dow Jones	24,842	0.0	0.4	4	25
Nikkei	22,765	-0.1	-0.6	1	16
FTSE 100	7,698	-0.9	1.3	4	7
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IBEX	10,063	-0.3	-1.2	-2	6
DAX	12,918	-0.5	-1.2	-1	12
CAC	5,332	-0.1	0.6	1	9
MI8	21,975	-0.7	-1.1	-2	12
ASE Athens	802	0.4	0.2	9	22
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<b>MSCI EM Europe *</b>	5,371	0.1	0.8	1	6
Poland	2,458	-0.9	0.5	1	23
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<b>MSCI EM Asia *</b>	920	0.7	1.2	-1	32
Shanghai Com (China)	3,207	0.3	0.3	-1	5
Jakarta (Indonesia)	6,356	1.3	2.8	5	20
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	143.1	-0.2	0.6	3	19
JPM	108.0	0.2	0.5	4	24
Citi	75.1	0.0	0.5	0	22
BoA	29.8	-0.1	-0.4	5	30
MS	52.6	-0.1	-0.2	3	21
GS	293.9	-0.5	1.4	6	5
<b>EZ banks</b>	109.2	-0.4	-1.4	-2	4
BNP	62.3	-0.5	-1.0	-3	-1
Credit Agricole	13.8	-0.4	-1.3	-3	12
Deutsche Bank	19.8	-0.4	-2.7	-1	-3
ING	15.4	-0.3	-1.0	0	11
Intesa	2.8	-0.6	2.4	-2	9
SG	43.1	0.0	0.8	0	-11
Unicredit	15.7	-1.1	-1.5	-8	12
<b>UK banks</b>	92.4	0.5	0.8	2	5
HSBC	766.9	0.6	0.7	3	14
RBS	278.0	0.7	0.8	-1	19
Barclays	203.1	-0.1	0.5	5	-14
Lloyds	68.1	0.7	1.3	1	5
<b>Large Spanish banks</b>	85.2	-0.4	-1.9	-3	9
Santander	5.5	-0.3	-1.8	-4	9
<b>BBVA</b>	7.1	-0.5	-2.1	-2	9
<b>Medium Spanish banks</b>	75.7	-0.4	-1.3	-3	4
Cajabank	3.9	-0.1	-1.1	-4	19
Sabadell	1.7	0.5	2.2	4	20
Bankinter	7.9	-0.7	-1.7	-2	5
Bankia	4.0	-0.2	-0.3	-1	-2
Currencies (% net for currency depreciation)	level	Daily	Weekly	Monthly	Year
Developed	level	Daily	Weekly	Monthly	Year
<b>EURUSD</b>	1.20	0.4	1.1	1.2	14
GBPUSD	1.35	0.6	1.2	0.9	10
USD/JPY	112.52	0.3	0.7	0.5	4
DKY	92.28	0.3	-1.1	1.0	10
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	18.84	1.8	4.2	-8.1	-17
USD BRL (Brazil)	3.91	0.0	0.8	-2.1	3
USD CNY (China)	614.72	0.0	1.3	4.5	8
USD COP (Colombia)	2986	0.0	-0.8	0.7	-1
USD MXN (Mexico)	19.69	0.1	0.3	-6.1	8
USD PEN (Peru)	3.24	-0.1	0.2	-0.2	4
LACI	62.67	0.2	0.0	-2.8	2
USD PLN (Poland)	3.48	0.4	1.4	1.8	16
USD RUB (Russia)	57.68	-0.3	1.1	1.6	4
USD TRY (Turkey)	3.79	-0.4	0.5	4.4	6
USD CNY (China)	6.50	0.5	1.1	1.7	6
USD INR (India)	63.87	0.3	0.3	0.7	6
USD IDR (Indonesia)	13,555	0.0	0.0	-0.4	-1
ADXY	109.8	0.2	0.6	1.0	6
Commodities (%)	level	Daily	Weekly	Monthly	Year
<b>Brent</b>	66.5	-0.4	1.5	5	18
WTX	60	0.6	3.0	5	13
Copper	327	-0.5	1.7	8	28
Gold	1302	0.6	2.1	1	12
S&P Spot commodity *	440	0.5	2.5	3	11
S&P Brent Spot *	563	0.3	2.2	6	17
S&P Metals Spot *	395	0.9	2.7	8	30
S&P Agricultural *	282	-0.3	0.8	-1	-6

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Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

\* With one day delay

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