

Market Comment | ECB minutes left the EUR at its 3-year highest level

Global Financial Markets Unit
12 Jan 2018

- The EUR reached the 1.21 level against the USD after **the publication of ECB minutes** ([see](#)). German bond yields also rose. The ECB minutes hinted at a forward guidance change as soon as early 2018 ([see](#)), amid a QE debate in which ECB hawks may be taking the lead ([see](#)). Nonetheless, ECB members pointed out that the communication should be gradual, while they were confident about European economic growth.
- The EUR also could be supported by positive economic data and politics. Eurozone industrial production (November) beat estimates ([see](#)), while **Germany edged closer to forming a government** ([see](#)) and favourable comments by Berlusconi regarding Italy's membership of the euro area temporarily eased political worries ([see](#)).
- Bond yields rose across the board, led by the US, after **Japan's central bank trimmed its long-term bond purchases** ([see](#)) and news suggesting that China officials may slow or halt purchases of US Treasuries ([see](#)), although China dismissed the information later ([see](#)). US bond yields also rose due to a higher than expected US Core CPI.
- Despite the increasing yields, the USD was also hit against the JPY amid BoJ and China jitters ([see](#)). FOMC member comments also moved the USD. Loretta Mester suggested from 3 to 4 rate hikes this year ([see](#)), due to better economic activity and the positive impact of the tax reform, while the Fed's Bostic ([see](#)), argued for a slow tightening.
- **Stock prices continued in upbeat mood**, with US stocks marking new record highs ([see](#)) and European stocks continuing to trend higher, amid better-than-expected economic data. In Europe, the financial sector rose amid higher yields and gains in the Italian banking sector due to a decrease in the stock of bad bank loans ([see](#)).
- **Oil prices continued to rise**, supported by even bigger OPEC-led production cuts than promised ([see](#)) and positive economic data in China. A lower USD and higher oil prices led to an appreciation of EM currencies, with the exception of the MXN amid NAFTA jitters ([see](#)).

BBVA Research suggests the following reading list:

- Economists grapple with the future of the labour market ([see](#))

- Can secular stagnation morph into secular expansion? ([see](#)

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	2.01	3.5	5.4	24	80
US	2.58	4.1	10.1	24	14
GER (2-yr)	-0.55	1.8	5.2	18	22
Germany	0.60	1.8	9.0	22	25
France	0.87	0.6	7.2	21	6
Spain	1.53	-0.8	0.8	3	10
Italy	2.00	-4.8	-0.3	21	13
Portugal	1.82	-0.3	-11.9	6	-207
Greece	3.90	2.2	13.7	-36	-298
Japan (2-yr)	-0.13	-0.3	-0.9	2	6
Japan	0.00	1.5	2.8	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
Brazil	9.94	2.7	-13.3	-36	-147
Chile	-4.54	-1.7	0.5	-17	22
Colombia	6.35	0.1	0.1	-18	-75
Mexico	7.56	-1.6	11.3	19	-8
Peru	4.58	-11.8	-4.3	30	-189
Poland	3.34	-1.1	11.6	10	-38
Russia	7.54	-2.4	-9.8	-10	-91
Turkey	11.45	-3.0	1.9	-40	45
India	7.29	1.6	-0.8	11	20
Indonesia	6.22	-3.7	7.1	-31	-163
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
10-yr sovereign spread vs Germany					
France	27	-1.2	-1.8	-1	-19
Italy	140	-6.6	-9.3	-1	-12
Portugal	122	-2.1	-20.9	-28	-233
Spain	93	-2.6	-8.2	-18	-16
2-yr sovereign spread vs Germany					
France	14	-0.8	-0.9	-2	3
Italy	26	-2.1	-2.3	-18	-35
Portugal	30	-0.2	-18.4	-21	-52
Spain	18	-2.2	-4.4	-23	-30
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *					
Brazil	145	-1.7	-1	-21	-127
Chile	45	-1.5	-2	-12	-38
Colombia	93	-0.8	-3	-19	-70
Mexico	101	-0.1	3	-5	-56
Peru	67	-1.5	-1	-6	-41
Poland	49	2.7	3	-1	-26
Russia	111	-3.0	7	-17	-66
Turkey	160	-3.4	0	-19	-112
China	46	1.1	-2	-7	-70
India	69	0.8	-1	-3	-58
Indonesia	79	0.0	-5	-13	-77
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	Year	
VIX	10	2.0	9	-1	-2
VST OXX	11	-3.7	-2	-14	-6
EM ETT volatility index	15	0.0	-3	3	-24
Dollar/euro volatility	7	10.5	17	19	-33
EM FX volatility index	7	-1.8	-2	-2	-33
Credit spread (BAA) (bps)	170	-4.1	-5	-10	-57
US bonds volatility index	48	-2.0	5	7	-37
Banking 5y CDS (bps) *					
US	43	0.1	2	-2	-29
EZ	36	-2.5	1	-3	-72
UK	41	0.0	3	-1	-49
Large Spanish	34	-1.6	2	-3	-83
Medium Spanish	70	0.7	-4	-7	-81
Corporate 5y CDS (bps) *					
US Non-financial	142	0.1	2	-2	-29
EZ Non-financial	61	-2.5	1	-3	-72
UK Non-financial	90	0.2	-1	-4	-34
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
FOFA 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	1.71	0.00	0.0	0.1	0.7
Libor 12m	2.16	0.00	0.0	0.1	0.5
Stock markets (%)					
Main Indices					
level	Daily	Weekly	Monthly	Year	
S&P500	2,768	0.0	0.9	4	22
Dow Jones	25,575	0.0	1.1	4	28
Nikkei	23,654	-0.2	-0.3	4	21
FTSE 100	7,759	-0.1	0.4	3	8
EuroStoxx 50	3,600	0.1	0.2	1	9
IBEX	10,479	0.4	0.6	2	11
DAX	13,182	-0.2	-1.0	0	14
CAC	5,499	0.2	0.5	2	12
MIB	23,447	0.6	3.0	5	19
ASE Athens	853	0.7	2.8	14	30
MSCI Latam *	87,791	0.9	0.2	6	20
Ibovespa (Brazil)	78,967	-0.5	-0.1	8	28
Merckel	48,799	0.0	-2.2	1	5
MSCI EM Europe *	5,619	0.7	1.1	5	11
Poland	2,534	0.0	0.2	5	27
Micex (Russia)	2,250	0.2	2.0	6	-1
Ise 100 (Turkey)	114,904	0.2	-1.5	6	51
MSCI EM Asia *	953	-0.3	0.8	6	37
Shanghai Com (China)	3,429	0.1	1.1	4	9
Jakarta (Indonesia)	6,370	0.0	1.2	6	21
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks	145.6	0.0	0.8	2	21
JPM	110.8	0.0	2.3	5	28
Cit	75.6	0.0	0.2	1	23
BoA	30.7	0.0	1.1	6	34
MS	54.2	0.0	2.1	2	24
GS	255.1	0.0	-0.2	0	5
EZ banks	117.4	0.1	4.3	4	11
BNP	67.3	0.4	5.3	5	7
Credit Agricole	15.2	0.0	3.9	5	24
Deutsche Bank	15.3	-0.5	-1.4	8	-6
ING	16.6	0.1	4.7	6	19
Intesa	3.0	0.9	7.1	5	19
SG	46.2	-0.8	2.5	4	-4
Unicredit	17.5	1.3	7.9	6	25
UK banks	94.7	0.1	3.2	2	8
HSC	790.4	-0.7	3.5	3	18
RBS	301.1	1.4	9.0	7	28
Barclays	194.9	-0.6	-2.1	-4	-17
Lloyds	70.3	0.7	3.3	4	9
Large Spanish banks	90.3	0.7	3.4	4	16
Santander	5.9	0.6	4.8	5	18
BBVA	7.4	0.8	2.1	3	14
Medium Spanish banks	82.8	0.4	4.8	8	13
Cajabank	4.3	0.3	5.2	7	31
Sabadell	1.9	0.8	6.3	13	36
Bankinter	8.5	0.9	4.3	7	13
Bankia	4.3	-0.8	4.2	5	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.21	0.8	0.8	2.6	16
GBPUSD	1.37	0.9	0.7	1.8	11
USD/JPY	111.57	-0.3	1.3	-0.9	-5
DXF	91.49	-0.4	-0.5	2.1	11
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	18.75	-0.3	0.7	8.4	-17
USDBRL (Brazil)	3.23	-0.5	0.0	2.7	0
USDCUP (Cuba)	605.14	0.2	0.1	6.4	10
USDCOP (Colombia)	2863	-0.2	1.5	5.0	4
USDMXN (Mexico)	19.13	0.8	0.3	0.6	11
USDPEN (Peru)	3.22	0.1	-0.1	0.5	5
LACI	64.17	0.0	0.3	1.1	4
USDPIN (Poland)	3.44	0.7	0.4	3.6	17
USDRUB (Russia)	56.65	-0.3	0.5	3.3	6
USDTRY (Turkey)	3.77	0.3	-0.8	1.2	-6
USDCNY (China)	6.46	0.7	0.4	2.4	7
USDINR (India)	63.64	0.0	-0.4	1.2	6
USDIDR (Indonesia)	13,353	0.4	0.5	1.7	1
ADNY	130.4	0.1	0.0	1.6	7
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	68.9	-0.6	1.8	10	22
WTI	63	-1.0	2.8	12	19
Copper	321	0.0	0.2	6	26
Gold	1326	0.3	0.5	6	14
S&P Spot commodity *	451	0.2	1.7	9	14
S&P Brent Spot *	586	-0.1	1.8	11	22
S&P Metals Spot *	388	-0.1	-0.1	7	27
S&P Agricultural *	281	-0.2	-0.8	2	-6

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EONIA Index	-0.36	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	1.71	0.00	0.0	0.1	0.7
Libor 12m	2.16	0.00	0.0	0.1	0.5
Stock markets (%)					
Multi indices					
level	Daily	Weekly	Monthly	Year	
S&P500	2,768	0.0	0.5	4	22
Dow Jones	25,575	0.0	1.1	4	28
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Poland	2,534	0.0	0.2	5	27
Mosc (Russia)	2,250	0.2	2.0	6	1
Ise 100 (Turkey)	114,904	0.2	-1.5	6	51
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Jakarta (Indonesia)	6,370	0.0	1.2	6	21
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks	145.6	0.0	0.8	2	21
JPM	110.8	0.0	2.3	5	28
Citi	75.6	0.0	0.2	1	23
BoA	30.7	0.0	1.1	6	34
MS	54.2	0.0	2.1	2	24
GS	295.1	0.0	0.2	0	5
EZ banks	117.4	0.1	4.3	4	11
BNP	67.3	0.4	5.3	5	7
Credit Agricole	15.2	0.0	3.9	5	24
Deutsche Bank	19.3	-0.5	-1.4	-8	-6
ING	16.6	0.1	4.7	6	19
Intesa	3.0	0.9	7.1	5	19
SG	46.2	-0.8	2.5	4	4
Unicredit	17.5	1.3	7.9	6	25
UK banks	94.7	0.1	3.2	2	8
HSBC	790.4	-0.7	3.5	3	18
RBS	301.1	1.4	9.0	7	28
Barclays	194.9	-0.6	-2.1	-4	-17
Lloyds	70.3	0.7	3.3	4	9
Large Spanish banks	90.3	0.7	3.4	4	16
Santander	5.9	0.6	4.8	5	18
BBVA	7.4	0.8	2.1	3	14
Medium Spanish banks	82.8	0.4	4.8	8	13
Catalobank	4.3	0.3	5.2	7	31
Sabadell	1.9	0.8	6.3	13	36
Bankinter	8.5	0.9	4.3	7	13
Bankia	4.3	-0.8	4.2	5	5
Commodities (%)					
Developed					
level	Daily	Weekly	Monthly	Year	
EURUSD	1.21	0.8	0.8	2.6	16
GBPUSD	1.37	0.9	0.7	1.8	11
USDJPY	111.57	-0.3	1.3	-0.9	5
DOY	91.48	-0.4	-0.5	-2.1	11
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	18.75	-0.3	0.7	-8.4	-17
USD BRL (Brazil)	3.23	-0.5	0.0	2.7	0
USD CNY (China)	605.14	0.2	0.1	6.4	10
USD COP (Colombia)	2863	-0.2	1.5	5.0	4
USD MXN (Mexico)	19.13	0.8	0.3	-0.6	11
USD PEN (Peru)	3.22	0.1	-0.1	0.5	5
LACI	64.17	0.0	0.3	1.1	4
USD PLN (Poland)	3.44	0.7	0.4	3.6	17
USD RUB (Russia)	56.65	-0.3	0.5	3.3	6
USD TRY (Turkey)	3.77	0.3	-0.8	-1.2	5
USD CNY (China)	6.46	0.7	0.4	2.4	7
USD INR (India)	63.64	0.0	-0.4	1.2	6
USD IDR (Indonesia)	13,353	0.4	0.5	1.7	1
ADXY	110.4	0.1	0.0	1.6	7
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	68.9	-0.6	1.8	10	22
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Source: Bloomberg, Datastream and Haver

* With one day delay

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