

Market Comment | The EUR kept rising after the ECB meeting

Global Financial Markets Unit
25 Jan 2018

- As expected, the **ECB meeting did not change its monetary policy stance**, and forward guidance remained unchanged ([see statement](#)). The GC showed concerns over the recent EUR strength. Draghi stressed that if these developments lead to an unwanted tightening of their monetary policy, then they will have to rethink central bank monetary policy strategy. **He also criticised the strategy followed by other countries to target the exchange rate** ([see](#)). On economic outlook, the risks surrounding the euro area remained broadly balanced.
- Draghi took the opportunity to show the ECB's commitment to the sequence of monetary policy normalization, and hence interest rates will remain at the present levels well past the horizon of the net asset purchases. **The EUR registered a sharp appreciation against its main peers** (it even touched the level of US\$1.25). **Draghi's comments on the recent inflation path** ([see](#)) could also support this movement. **European sovereign bond yields also increased notably after the ECB meeting.**
- **FX markets seem to have played a significant role in stock markets**, as European stocks inched down as the EUR strength weighed, while US stocks were pushed up by a higher USD. Nonetheless, the European banking sector outperformed on the back of higher European yields.
- **EM stocks and currencies rose notably on the back of higher commodity prices** (backed by a lower USD) and the recent upward trend in the US currency ([see](#)).

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	2.09	1.4	4.7	19	88
US	2.64	-0.5	1.5	17	20
GER (2-yr)	0.57	1.8	1.6	6	20
Germany	0.61	2.4	1.9	19	27
France	0.89	-2.6	3.6	14	8
Spain	1.41	5.2	8.3	-6	-2
Italy	1.96	5.5	2.5	5	10
Portugal	1.91	0.7	-11.2	-16	-222
Greece	3.71	-1.2	9.3	-43	-318
Japan (2-yr)	0.13	0.5	0.1	2	6
Japan	0.09	0.1	3.6	2	2
Emerging Markets	level	Daily	Weekly	Monthly	Year
Brazil	9.23	0.6	9.9	56	-168
Chile	4.54	0.0	0.0	-3	22
Colombia	6.36	-0.9	8.0	-11	-73
Mexico	7.51	2.6	5.6	28	-13
Peru	4.41	-3.1	-1.4	-52	-207
Poland	3.38	3.1	3.6	6	-33
Russia	7.48	3.5	3.5	-18	-67
Turkey	11.51	-14.0	-24.0	-10	51
India	7.31	3.3	4.7	3	93
Indonesia	6.18	-1.4	0.6	-10	-166
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
1-yr sovereign spread vs Germany					
France	27	0.2	-0.3	-5	-19
Italy	135	3.1	6.4	-14	-17
Portugal	129	-1.7	-15.1	-13	-226
Spain	80	2.8	-12.2	-25	-29
2-yr sovereign spread vs Germany					
France	14	-0.6	-2.4	-1	3
Italy	27	-1.3	-1.2	-10	-35
Portugal	46	-0.8	-25.1	-25	-54
Spain	19	-2.0	-2.8	-8	-30
Emerging Markets	level	Daily	Weekly	Monthly	Year
5-yr sovereign CDS *					
Brazil	146	-8.9	1	-16	-126
Chile	43	-1.2	0	-6	-40
Colombia	91	-1.5	0	-14	-72
Mexico	98	-3.0	3	-9	-58
Peru	67	-1.1	0	-7	-41
Poland	46	0.1	-1	-1	-27
Russia	112	0.0	1	-5	-64
Turkey	164	-0.7	0	-1	-108
China	50	0.1	2	-1	-66
India	66	-0.7	-1	-4	-61
Indonesia	79	-1.2	-1	-7	-77
Risk Indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	12	12	5	13	0
VSTOXX	13	2.4	6	6	-4
EM EFT volatility Index	18	1.1	5	21	-12
Dollar/Euro volatility	8	-3.0	3	34	-27
EM FX volatility Index	8	-1.4	1	1	-28
Credit spread (BAA)(bps)	166	0.5	2	-12	-61
US bonds volatility Index	54	3.0	11	11	-29
Inflation expectations (%)	level	Daily	Weekly	Monthly	Year
US Inflation expectations (5YV)	2.37	-0.3	-2	5	-16
EZ Inflation expectations (5YV)	1.75	-1.6	1	4	-4
Emerging 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US	43	-0.3	0	0	-29
EZ	36	0.1	-1	-4	-72
UK	41	0.1	0	-1	-50
Large Spanish	31	-0.2	-4	-6	-86
Medium Spanish	63	-0.1	-4	-12	-88
Corporate 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US Non-financial	139	-0.3	0	0	-29
EZ Non-financial	50	0.1	-1	-4	-72
UK Non-financial	95	0.0	-1	3	-30
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
CONA Index	-0.26	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	1.75	0.01	0.0	0.1	0.8
Libor 12m	2.23	0.01	0.0	0.1	0.5
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	Year
S&P500	2,846	0.3	1.7	6	25
Dow Jones	26,414	0.6	1.5	7	32
Nikkei	23,669	-1.1	-0.4	3	21
FTSE 100	7,616	-0.4	-1.1	0	6
EuroStoxx 50	3,630	-0.4	0.3	2	9
IBEX	10,595	0.3	1.6	4	12
DAX	13,298	-0.9	0.1	2	15
CAC	5,481	-0.3	-0.2	2	12
MI8	23,720	0.4	0.4	7	21
ASE Athens	977	-0.7	4.8	9	33
MSCI Latam *	92,173	2.5	2.8	9	26
Ibovpa (Brazil)	83,680	0.0	3.4	11	36
Mobex	51,091	0.7	2.4	5	10
MSCI EM Europe *	5,828	0.3	1.9	9	15
Poland	2,589	-1.2	-0.1	6	29
Mosc (Russia)	2,320	0.6	1.0	11	2
He 100 (Turkey)	118,604	-0.9	1.5	6	56
MSCI EM Asia *	992	-0.2	2.4	8	43
Shanghai Com (China)	3,548	-0.3	2.1	7	12
Jakarta (Indonesia)	6,615	0.3	2.7	6	25
Banking sector	level	Daily	Weekly	Monthly	Year
US banks					
JPM	153.7	0.7	3.8	7	28
CIT	115.5	-0.2	2.0	8	33
ChF	80.4	-1.1	3.8	7	31
BoA	32.2	0.2	2.1	8	40
MS	57.2	0.0	2.5	9	31
GS	270.0	1.6	7.6	5	11
EZ banks					
BNP	118.9	0.9	1.5	7	13
BBP	68.0	1.2	2.1	8	8
Citib Agri/fo	15.5	-1.0	1.2	10	26
Deutsche Bank	15.8	-0.5	4.1	-3	-3
ING	16.3	0.2	-1.2	5	17
Intesa	3.1	1.3	0.9	10	23
SG	46.5	-0.9	3.0	7	-4
Unicredit	18.1	2.2	3.3	14	29
UK banks					
HSBC	95.6	-0.1	0.6	4	9
RSC	768.4	-0.4	2.5	1	15
RBS	299.1	0.5	0.6	8	28
Barclays	210.3	0.9	5.5	4	-11
Lloyds	71.3	-1.0	0.5	6	10
Large Spanish banks					
Santander	92.5	1.6	3.0	6	19
Santander	6.1	1.6	2.9	9	20
BBVA	7.6	1.6	3.0	5	17
Medium Spanish banks					
Caixa	86.1	3.0	4.8	12	18
Cakabank	4.4	3.0	4.2	13	36
Sabadell	1.9	1.6	4.5	14	40
Bankinter	9.1	5.3	6.7	14	21
Bankia	4.3	1.6	3.3	8	6
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.25	0.6	2.0	5.3	19
GBPUSD	1.43	0.1	2.7	6.6	16
USDJPY	108.70	0.5	2.2	4.0	7
DKK	88.70	-0.6	2.8	-4.9	-14
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)					
USDARS (Brazil)	19.51	0.8	-3.4	-6.4	-21
USD BRL (Brazil)	3.14	0.0	2.2	5.1	2
USD CLP (Chile)	598.82	0.7	1.1	3.2	11
USD COP (Colombia)	2789	0.9	1.9	6.0	6
USD MXN (Mexico)	18.49	0.0	0.6	6.9	14
USD PEN (Peru)	3.21	0.1	0.1	0.9	5
LACI	65.39	0.1	0.8	4.4	6
USD PLN (Poland)	3.31	1.0	2.6	6.4	20
USD RUB (Russia)	55.76	0.7	1.3	3.3	8
USD TRY (Turkey)	3.74	0.0	0.8	1.9	8
USD CNY (China)	6.33	0.5	1.5	3.3	9
USD INR (India)	63.54	0.2	0.5	0.8	7
USD IDR (Indonesia)	13,289	0.2	0.4	2.0	1
ADXY	112.2	0.4	1.3	2.7	9
Commodities (%)					
Brent	level	Daily	Weekly	Monthly	Year
WTX	70.9	0.5	2.3	6	25
Copper	66	0.7	3.3	10	24
Gold	320	-0.2	0.8	-2	26
S&P Spot commodity *	136.1	0.2	2.6	6	17
S&P Spot commodity *	461	1.2	1.8	6	16
S&P Brent Spot *	596	0.7	1.6	5	24
S&P Metals Spot *	396	2.2	1.4	3	30
S&P Agricultural *	263	1.2	1.2	1	6

Fuente: BBVA Research

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level	Daily	Weekly	Monthly	Year	
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Russia	7.48	3.5	-3.5	-10	-97
Turkey	11.51	-14.0	24.0	-10	81
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UK Non-financial	95	0.0	-1	3	-30
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
EURIBOR 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	1.75	0.01	0.0	0.1	0.8
Libor 12m	2.23	0.01	0.0	0.1	0.5
Stock markets (%)					
Market indices					
level	Daily	Weekly	Monthly	Year	
S&P500	2,845	0.3	1.7	6	25
Dow Jones	26,414	0.6	1.5	7	32
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IBEX	10,595	0.3	1.6	4	12
DAX	13,298	-0.9	0.1	2	15
CAC	5,481	0.3	0.2	2	12
MIB	23,720	0.4	0.4	7	21
ASE Athens	877	-0.7	4.8	9	33
MSCI Latam *	92,173	-2.5	2.8	9	26
Ibovespa (Brazil)	83,680	0.0	3.4	11	36
Mexcol	51,091	0.7	2.4	5	10
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Shanghai Com (China)	3,548	-0.3	2.1	7	12
Jakarta (Indonesia)	6,615	-0.3	2.7	6	25
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks					
JPM	115.5	-0.2	2.0	8	33
Citi	80.4	1.1	3.8	7	31
BoA	32.2	0.2	2.1	8	40
MS	57.2	0.0	2.5	9	31
GS	270.0	1.6	7.6	5	11
EZ banks					
BNP	118.9	0.9	1.5	7	13
Credit Agricole	68.0	1.2	2.1	8	8
Deutsche Bank	15.8	-0.5	4.1	-3	-3
ING	16.3	0.2	-1.2	5	17
Intesa	3.1	-1.3	0.8	10	23
SG	46.5	1.0	3.0	7	4
Unicredit	18.1	2.2	3.3	14	29
UK banks					
HSBC	95.6	-0.1	0.6	4	9
RBS	768.4	-0.4	-2.5	1	15
RBS	299.1	0.5	0.6	8	28
Barclays	210.3	0.9	5.5	4	-11
Lloyds	71.3	-1.0	0.5	6	10
Large Spanish banks					
Santander	92.5	1.6	3.0	6	19
BBVA	6.1	1.6	2.9	9	20
Caixa	7.6	1.6	3.0	5	17
Medium Spanish banks					
Cakobank	86.1	3.0	4.8	12	18
Sabadell	4.4	3.0	4.2	13	36
Banqueparibas	1.9	1.6	4.5	14	40
Banque	9.3	5.3	6.7	14	21
Banque	4.3	1.6	3.3	8	6
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.25	0.6	2.0	5.3	19
GBPUSD	1.43	0.1	2.7	6.6	16
USDJPY	108.70	0.5	2.2	4.0	7
DKY	88.70	-0.8	2.0	-4.9	-14
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	19.51	0.8	-3.4	-6.4	-21
USD BRL (Brazil)	3.14	0.0	2.2	5.1	2
USD CUP (Cuba)	598.82	0.7	1.1	3.2	11
USDCOP (Colombia)	2789	0.9	1.9	6.0	6
USDMXN (Mexico)	18.49	0.0	0.6	6.9	14
USD PEN (Peru)	3.21	0.1	0.1	0.9	5
LACI	65.38	-0.1	0.6	4.4	6
USD PLN (Poland)	3.31	1.0	2.6	6.4	20
USD RUB (Russia)	55.76	0.7	1.3	3.3	8
USD TRY (Turkey)	3.74	0.0	0.8	1.9	-5
USDCNY (China)	6.33	0.5	1.5	3.3	9
USD INR (India)	63.54	0.2	0.5	0.8	7
USD IDR (Indonesia)	13,289	0.2	0.4	2.0	1
ADXY	112.2	-0.4	1.3	2.7	8
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	70.9	0.5	2.3	6	26
WTX	66	0.7	3.3	10	24
Copper	3.20	-0.2	0.8	-2	26
Gold	1361	0.2	2.6	6	17
S&P Spot commodity *	461	1.2	1.8	6	16
S&P Brent Spot *	596	0.7	1.6	5	24
S&P Metals Spot *	396	2.2	1.4	3	30
S&P Agricultural *	283	1.2	1.2	1	-6

Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

* With one day delay

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