

# Market Comment | Equity sell-off and the spike in volatility continued

Global Financial Markets Unit  
06 Feb 2018

- **Equity markets continued to decline throughout the developed world** as the correction process to higher yields ([see BBVA Watch](#)) and fears of less dovish monetary policy continued ([see](#)). Volatility levels were at between 30 and 50, a level not seen since 2008, which also raised doubts about side-effects of trading on volatility ([see](#)).
- In Europe and Asia, stocks declined the most, as **yesterday US stocks registered their worst fall since August 2011** (around 4%) after a period of subdued volatility. **After yesterday's sell-off US stocks showed a slightly positive tone** and contributed to moderate the losses in European equity indices, although they had fallen by around 3-4% in early trade).
- **European sovereign bond yields declined**, especially in Europe, and a safe-haven flow was perceived as gold gained some ground early in the session and the USD appreciated for a second session in a row. ([see](#)). **On the other hand, US yields continued heading to 3% level.**
- The market rout triggered by positive US employment data spooked investors, who feared higher inflation and higher yields, although some FOMC members raised some doubts ([see](#)).
- **Although emerging market assets suffered from market correction, they outperformed developed markets.** Nonetheless emerging market equities and currencies declined slightly this week, also dragged down by a significant decrease in commodity prices. The only exception is the Chilean peso, favoured by stability in copper prices.

Table 1

Update 18 CET 06 February 2018

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
US (2 yr)	2.07	4.5	5.6	11	85	
US	2.75	1.7	3.9	28	11	
GER (2 yr)	0.57	-0.8	-3.6	4	21	
Germany	0.69	-4.4	0.9	25	35	
France	0.96	-4.0	0.7	16	15	
Spain	1.43	-3.3	1.7	-10	-1	
Italy	1.59	-3.8	4.2	-2	12	
Portugal	2.06	1.6	10.3	-11	-207	
Greece	3.73	0.5	5.3	-3	-315	
Japan (2 yr)	0.14	-0.2	-0.9	-1	-1	
Japan	0.08	-1.9	1.5	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
Brazil	9.89	-6.9	1.4	-20	-162	
Chile	4.59	-2.2	4.4	5	26	
Colombia	6.48	-0.4	7.0	13	-61	
Mexico	7.61	2.6	-4.5	17	-2	
Peru	4.38	1.2	-5.0	-24	-209	
Poland	3.54	-0.8	-2.8	32	-17	
Russia	7.26	2.2	15.3	-37	-118	
Turkey	11.58	15.0	-1.0	14	58	
India	7.57	-3.4	13.7	28	119	
Indonesia	6.38	0.4	0.6	23	-147	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
<b>1-yr sovereign spread vs Germany</b>						
France	26	0.4	-1.6	-9	-20	
Italy	130	0.6	-5.1	-27	-23	
Portugal	137	6.0	9.4	-13	-218	
Spain	73	1.1	0.8	-35	-35	
<b>2-yr sovereign spread vs Germany</b>						
France	14	-0.2	1.6	0	4	
Italy	25	1.5	2.1	-3	-36	
Portugal	50	0.6	-11.2	-16	-49	
Spain	21	1.3	3.9	-1	-27	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
<b>5-yr sovereign CDS *</b>						
Brazil	156	4.8	12	10	-116	
Chile	47	1.0	4	0	-35	
Colombia	96	2.5	4	0	-67	
Mexico	104	3.3	6	6	-53	
Peru	70	1.6	2	2	-38	
Poland	49	1.0	1	3	-26	
Russia	107	1.2	-8	-11	-69	
Turkey	168	1.3	1	8	-104	
China	58	0.0	6	10	-59	
India	69	-2.5	3	0	-58	
Indonesia	84	0.4	4	1	-72	
Risk Indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year	
VIX	37	-1.2	149	309	25	
VSTOXX	30	60.0	104	171	14	
EM EFT volatility Index	28	1.1	33	79	40	
Dollar/Euro volatility	9	5.8	11	50	-14	
EM FX volatility Index	9	0.8	4	13	-27	
Credit spread (BAA)(bps)	165	-4.7	5	-6	-62	
US bonds volatility Index	60	0.1	5	31	-21	
Expectations (%)	level	Daily	Weekly	Monthly	Year	
US Inflation expectations (5Y)	2.46	2.1	5	10	-8	
EZ Inflation expectations (5Y)	1.75	-0.9	3	4	-4	
Emerging 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US	46	1.6	5	5	-26	
EZ	40	1.6	4	5	-68	
UK	42	0.9	2	4	-49	
Large Spanish	35	1.9	4	3	-62	
Medium Spanish	63	0.9	1	-11	-88	
Corporate 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US Non-financial	147	3.6	5	5	-26	
EZ Non-financial	50	1.6	4	5	-68	
UK Non-financial	96	0.6	1	5	-29	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	Year		
CONA Index	-0.37	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	1.79	0.00	0.0	0.1	0.8	
Libor 12m	2.29	0.00	0.0	0.2	0.6	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	Year	
S&P500	2,640	-0.3	-6.4	-4	16	
Dow Jones	24,469	0.5	6.2	-3	23	
Nikkei	21,610	-4.7	-7.2	-9	10	
FTSE 100	7,141	-2.6	-5.9	-8	-1	
EuroStoxx 50	3,395	-2.4	-5.9	-6	2	
IBEX	9,810	-2.5	-5.9	-6	4	
BUX	12,393	-2.3	-6.1	-7	7	
CAC	5,162	-2.3	-5.7	-6	5	
MI8	22,247	-2.1	-4.8	-2	14	
ASE Athens	829	-1.7	-3.4	1	28	
MSCI Latam *	90,270	-1.9	-2.8	3	23	
Ibovpa (Brazil)	83,009	1.4	-1.7	5	35	
Mib30	49,195	-2.4	-2.4	-1	6	
MSCI EM Europe *	5,699	-0.7	-1.7	3	13	
Poland	2,412	-3.7	-6.0	-5	21	
Mosc (Russia)	2,238	-1.7	-1.8	1	-1	
He 100 (Turkey)	119,497	-1.2	-3.2	-1	52	
MSCI EM Asia *	961	-1.4	-4.0	2	38	
Shanghai Com (China)	3,371	-3.4	-3.4	-1	7	
Jakarta (Indonesia)	6,479	-2.3	-3.0	3	-23	
Banking sector	level	Daily	Weekly	Monthly	Year	
<b>US banks</b>						
JPM	142.5	0.2	6.3	-1	19	
JPM	109.2	0.3	5.2	1	26	
CIT	73.2	-0.1	4.9	-3	19	
BofA	30.3	0.1	5.0	0	32	
MS	52.5	0.0	-7.2	-1	20	
GS	251.5	-1.0	6.5	-2	-3	
<b>EZ banks</b>						
BNP	63.3	-3.3	-5.9	-1	1	
Citibank	14.3	-3.3	-5.5	-2	17	
Deutsche Bank	13.2	-3.5	-11.0	-15	-19	
ING	15.1	-3.2	-6.0	-5	9	
Intesa	3.1	0.7	-1.3	10	22	
SG	43.9	-1.1	-6.1	-3	-9	
Unicredit	17.0	-1.2	-3.9	5	21	
<b>UK banks</b>						
HSBC	88.5	-2.8	-5.6	-4	1	
Barclays	727.0	-3.0	-4.4	-5	8	
RBS	274.4	-2.6	-6.0	-1	17	
Lloyds	189.1	-2.5	-6.3	-5	-20	
Large Spanish banks	66.2	-2.8	-6.2	-3	2	
Santander	85.9	-2.6	-5.9	-2	10	
BBVA	5.6	-2.9	-5.4	-1	11	
Santander	7.1	-2.3	-6.3	-2	9	
<b>Medium Spanish banks</b>						
Cajabank	80.6	-2.2	-4.8	2	10	
Cajabank	4.1	-2.0	-5.4	1	25	
Sabadell	1.8	-1.6	-4.8	3	33	
Bankinter	8.8	-3.1	-4.8	6	16	
Bankia	3.9	-1.8	-4.7	-6	-5	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.24	0.2	-0.1	3.0	13	
GBPUSD	1.40	0.1	-1.2	3.0	13	
USDJPY	109.19	-0.1	-0.4	3.4	7	
DXY	89.68	0.1	0.6	-2.5	-13	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	19.68	-1.1	-0.2	-4.2	-22	
USDBRL (Brazil)	3.25	0.2	-2.0	-0.5	-1	
USDCIP (Chile)	599.55	0.3	1.3	1.0	11	
USDCOP (Colombia)	2829	0.5	0.7	2.6	5	
USDMXN (Mexico)	18.67	0.6	0.5	2.7	13	
USDPER (Peru)	3.25	-0.3	-0.9	-1.1	-4	
LACI	64.36	0.2	-0.4	0.6	1	
USDPLN (Poland)	3.36	0.2	-0.1	2.8	19	
USD RUB (Russia)	57.07	0.4	-1.2	-0.2	5	
USDTRY (Turkey)	3.77	0.6	0.4	0.8	6	
USDCNY (China)	6.29	0.0	0.5	3.0	9	
USDINR (India)	64.25	-0.3	-1.0	-1.4	6	
USDIDR (Indonesia)	13,540	-0.1	-0.8	-0.9	-1	
ADXY	111.7	0.4	0.0	1.2	8	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent	67.0	-0.9	-2.9	-1	15	
WTX	64	-0.6	-1.2	4	20	
Copper	318	-1.0	0.1	-1	25	
Gold	1,329	-6.8	-0.7	1	14	
S&P Spot commodity *	452	-1.1	-1.1	2	14	
S&P Brent Spoz *	575	-1.4	-1.3	0	20	
S&P Metals Spoz *	396	0.9	1.3	2	30	
S&P Agricultural *	283	-0.6	1.6	0	6	



Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	2.07	4.5	-5.6	11	85
US	2.75	4.7	3.1	28	31
GER (2-yr)	-0.57	-0.8	-3.6	4	21
Germany	0.69	-4.4	0.9	25	35
France	0.96	-4.0	-0.7	16	15
Spain	1.43	-3.3	1.7	-10	-1
Italy	1.99	-3.8	-4.2	-2	12
Portugal	2.06	1.6	10.3	-11	-207
Greece	3.73	0.5	5.3	-3	-315
Japan (2-yr)	-0.14	-0.2	-0.9	-1	5
Japan	0.08	-1.9	1.5	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
Brazil	9.80	-6.9	1.4	-28	-162
Chile	4.59	-2.2	4.4	5	26
Colombia	6.48	-0.4	7.0	13	-61
Mexico	2.61	2.6	-4.5	17	-2
Peru	4.38	1.2	-5.0	-24	-209
Poland	3.54	-0.8	-2.8	32	-17
Russia	7.26	2.2	-15.5	-37	-118
Turkey	11.58	15.0	-1.0	14	58
India	7.57	-3.4	13.7	28	119
Indonesia	6.23	0.4	0.6	23	-147
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
<b>10-yr sovereign spread vs Germany</b>					
France	26	0.4	-1.6	-9	-20
Italy	130	0.6	-5.1	-27	-23
Portugal	137	6.0	9.4	-13	-218
Spain	73	1.1	0.8	-35	-35
<b>2-yr sovereign spread vs Germany</b>					
France	14	-0.2	1.6	0	4
Italy	25	1.5	2.1	-3	-36
Portugal	50	0.6	-11.2	-16	-49
Spain	21	1.3	3.9	-1	-27
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
<b>5-yr sovereign CDS *</b>					
Brazil	156	4.8	12	10	-116
Chile	47	1.0	4	0	-35
Colombia	96	2.5	4	0	-67
Mexico	104	3.3	6	6	-53
Peru	70	1.6	2	2	-38
Poland	40	0	1	3	-66
Russia	107	0.2	-8	-11	-69
Turkey	168	1.3	1	8	-104
China	58	0.0	6	10	-59
India	69	2.5	3	0	-58
Indonesia	84	0.4	4	1	-72
Risk indicators					
Velocity indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	37	-1.2	149	300	25
VSTOXX	30	60.0	104	171	14
EM EFT volatility index	28	1.1	33	79	40
Dobrosrta volatility	9	5.8	11	50	-14
EM FX volatility index	9	0.8	4	13	-22
Credit spread (BAA) (bps)	165	-4.7	5	-6	-62
US bonds volatility index	60	0.1	5	31	-21
Inflation expectations (%)					
level	Daily	Weekly	Monthly	Year	
US Inflation expectations (5Y5Y)	2.46	2.1	5	10	-8
EZ Inflation expectations (5Y5Y)	1.75	-0.9	3	4	-4
Banking 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US	46	3.6	5	5	-26
EZ	40	1.6	4	5	-68
UK	42	0.9	2	4	-49
Large Spanish	39	-1.9	4	3	-82
Medium Spanish	63	0.9	1	-11	-88
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US Non-financial	147	3.6	5	5	-26
EZ Non-financial	59	1.6	4	5	-68
UK Non-financial	96	0.6	1	5	-29
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
COBA Index	-0.37	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	1.79	0.00	0.0	0.1	0.8
Libor 12m	2.29	0.00	0.0	0.2	0.6
Stock markets (%)					
Index/Bases	level	Daily	Weekly	Monthly	Year
S&P500	2,640	-0.3	6.4	-4	16
Dow Jones	24,469	0.5	-6.2	-3	23
Nikkei	21,610	-4.7	-7.2	-9	10
FTSE 100	7,741	-2.6	-5.9	-6	-1
EuroStoxx 50	3,395	-2.4	-5.9	-6	2
IBEX	9,810	-2.5	-5.9	-6	4
DAX	12,393	-2.3	-6.1	-7	7
CAC	5,162	-2.3	-5.7	-6	5
MIB	22,347	-2.1	-4.8	-2	14
ASE Athens	839	-1.7	-3.4	1	28
MSCI Latam *	90,270	-1.9	-2.8	3	23
Ibovespa (Brazil)	83,009	1.4	-1.7	5	35
Mexol	49,195	-2.4	-2.4	-1	6
MSCI EM Europe *	5,699	-0.7	-1.7	3	13
Poland	2,412	-3.7	-6.0	-5	21
Moor (Russia)	2,238	-1.7	-1.8	1	-1
Ise 100 (Turkey)	115,457	-1.2	-3.2	-1	52
MSCI EM Asia *	961	-1.4	-4.0	2	38
Shanghai Com (China)	3,371	-3.4	-3.4	-1	7
Jakarta (Indonesia)	6,479	-2.3	-3.0	3	23
Banking sector					
level	Daily	Weekly	Monthly	Year	
<b>US banks</b>					
JPM	142.5	0.2	6.3	-1	19
Citi	108.2	0.3	-5.2	1	26
Wells	73.2	-0.1	-6.9	-3	19
BoA	30.3	0.1	-5.0	0	32
MS	52.5	0.0	-7.2	-1	20
GS	251.5	1.0	-6.5	-2	3
<b>EZ banks</b>					
BNP	111.0	-2.5	-5.4	-1	5
Crédit Agricole	63.3	-3.3	-5.9	-1	1
Deutsche Bank	14.3	-3.3	-5.5	-2	17
ING	13.2	-3.5	-11.0	-15	-19
Intesa	15.1	-3.2	-6.0	-5	9
SG	3.1	0.7	-1.3	10	22
Unicredit	43.9	-3.1	-6.1	-3	9
UK banks	17.0	-1.2	-3.9	5	21
HSBC	88.5	-2.8	-5.6	-4	1
RBS	727.0	-3.0	-4.4	-5	8
Barclays	274.4	-2.6	-6.0	-1	17
Lloyds	189.1	-2.5	-6.3	-5	-20
<b>Large Spanish banks</b>					
Santander	66.2	-2.8	-6.2	-3	2
BBVA	85.9	-2.6	-5.9	-2	10
CaixaBank	5.6	-2.9	-5.4	-1	11
<b>Medium Spanish banks</b>					
Banco Sabadell	7.1	-2.3	-6.3	-2	9
Bankia	80.6	-2.2	-4.8	2	10
Cajabank	4.1	-2.0	-5.4	1	25
Banque Populaire	1.8	-1.6	-4.8	3	33
Banque Paribas	8.8	-3.1	-4.8	8	16
Bankia	3.9	-1.8	-4.7	-6	-5
Commodities (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
<b>Energy</b>					
Brent	67.0	-0.9	-2.9	-1	19
WTI	64	-0.6	-1.2	-4	20
Copper	318	-1.0	0.1	-1	25
Gold	1329	-0.8	0.7	1	14
S&P Spot commodity *	45.2	-1.1	-1.1	2	14
S&P Brent Spot *	57.5	-1.4	-1.3	0	20
S&P Metals Spot *	396	0.9	1.3	2	30
S&P Agricultural *	283	-0.6	-1.6	0	-6
Currencies (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
<b>Developed</b>					
EURUSD	1.24	0.2	0.1	3.0	18
GBPUSD	1.40	0.1	-1.2	3.0	13
USDJPY	109.19	-0.1	-0.4	3.4	7
DKX	89.66	0.1	0.6	-2.5	-13
<b>Emerging</b>					
USDARS (Argentina)	19.68	-1.1	-0.2	-4.2	-22
USDBRL (Brazil)	3.25	0.2	-2.0	-0.5	-1
USDCLP (Chile)	599.55	0.3	1.3	1.0	11
USDCOP (Colombia)	2829	0.5	0.7	2.6	5
USDMXN (Mexico)	18.67	0.6	0.5	2.7	13
USDPEN (Peru)	3.25	-0.3	-0.9	-1.1	4
LACI	64.36	0.2	0.4	0.5	4
USDPLN (Poland)	3.36	0.2	-0.1	2.8	19
USD RUB (Russia)	57.07	0.4	-1.2	-0.2	5
USDTRY (Turkey)	3.77	0.6	0.4	-0.8	-5
USDCNY (China)	6.29	0.0	0.5	3.0	9
USDINR (India)	64.25	-0.3	-1.0	-1.4	6
USDIDR (Indonesia)	13,540	-0.1	0.8	-0.9	-1
ADXY	111.7	0.4	0.0	1.2	8

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](http://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.

January 2018  
Table 1