

# Market Comment | Financial turmoil starts to ease

Global Financial Markets Unit  
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- **Financial markets showed signs of relief after several days of financial turbulence**, with stocks indices showing sharp declines around the world, accelerated by several VIX hedging products [\(see\)](#). The **VIX index declined to 20 levels**, while stock prices rose in the US and in Europe, especially in the banking sector. Nonetheless, emerging market stocks and Asian shares underperformed.
- **German negotiators agreed on government**, although the deal needs to be [approved](#) [\(see\)](#), contributing to the rise in German stocks. Nonetheless, **core sovereign bond yields continued their recent upward trend**, with the US 10Y yield heading towards the 3% level, as prospects of a less dovish monetary policy continued mounting. The Fed's Dudley said that the latest equity rout did not change his outlook [\(see\)](#). In this context, **European peripheral risk premiums continued to narrow**.
- The **USD continued the upward trend** which started recently ahead of a week of Fed speeches, leading to a depreciation of the EUR. A weaker EUR contributed to a widespread rise in European stocks. On the other hand, **ECB's Nowotny commented on USD exchange rate** political pressures by US administration [\(see\)](#).
- **Commodity prices were on the back foot**, especially oil prices, which suffered from higher than expected US oil crude inventories [and](#) a higher USD [\(see\)](#). Emerging currencies declined across the board.

Table 1

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Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	2.12	1.6	1.3	16	91
US	2.61	6.6	10.3	33	177
GER (2-yr)	0.54	2.2	1.8	7	23
Germany	0.75	5.3	4.8	31	40
France	0.98	2.8	1.6	20	17
Spain	1.42	-1.1	-1.2	-7	-2
Italy	1.55	-3.8	-7.9	-3	8
Portugal	2.01	-4.6	4.9	-8	-211
Greece	3.69	-4.4	-5.2	0	-320
Japan (2-yr)	0.15	-0.9	-1.4	-2	5
Japan	0.08	-0.9	1.3	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
Brazil	9.28	-1.1	5.7	24	-104
Chile	4.57	-0.5	1.1	5	25
Colombia	6.47	0.7	7.3	13	-62
Mexico	7.60	-2.2	0.5	15	4
Peru	4.39	-0.3	-0.1	-29	-208
Poland	3.54	-0.2	-1.2	30	-17
Russia	7.20	-6.2	-14.4	-44	-124
Turkey	11.58	0.0	18.0	17	58
India	7.53	-3.7	10.1	19	115
Indonesia	6.37	-3.0	10.0	24	-143
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
<b>1-yr sovereign spread vs Germany</b>					
France	24	-2.5	-3.2	-12	-23
Italy	121	-9.1	-12.7	-35	-32
Portugal	127	-9.9	0.1	-17	-228
Spain	67	-6.4	-6.0	-38	-42
<b>2-yr sovereign spread vs Germany</b>					
France	14	-0.5	1.0	-1	3
Italy	22	-3.0	0.5	-7	-39
Portugal	45	-5.7	-17.4	-12	-55
Spain	31	10.0	14.1	9	-17
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
<b>5-yr sovereign CDS *</b>					
Brazil	154	-2.4	9	9	-118
Chile	46	-1.3	3	0	-36
Colombia	95	-1.1	3	-2	-68
Mexico	102	-1.3	4	5	-54
Peru	69	-1.0	0	1	-39
Poland	50	0.6	2	1	-25
Russia	110	-3.2	-1	-6	-66
Turkey	171	3.3	3	15	-101
China	59	1.3	4	12	-58
India	71	-1.2	4	2	-56
Indonesia	86	2.1	3	6	-70
Risk Indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	23	-24.7	67	137	11
VSTOXX	21	-29.2	41	86	5
EM EFT volatility Index	25	-3.0	20	54	23
Dollar/Euro volatility	8	-4.3	13	48	-19
EM EA volatility Index	9	1.9	7	18	-21
Credit spread (BAA)(bps)	159	-0.6	2	-15	-68
US bonds volatility Index	66	9.4	16	44	-14
Inflation expectations (%)					
level	Daily	Weekly	Monthly	Year	
US Inflation expectations (5YV)	2.45	1.9	-3	11	-9
EZ Inflation expectations (5YV)	1.77	1.3	3	5	-3
Emerging 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US	42	0.9	5	6	-25
EZ	42	2.1	5	6	-66
UK	43	0.9	3	4	-48
Large Spanish	37	-4.4	4	4	-80
Medium Spanish	65	2.2	2	-4	-86
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US Non-financial	149	0.9	5	6	-25
EZ Non-financial	61	-1.1	5	6	-66
UK Non-financial	97	1.2	2	7	-27
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
CONA 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	2.28	-0.01	0.0	0.1	0.6
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	Year
S&P500	2,716	0.8	-3.8	-1	20
Dow Jones	25,187	1.1	3.7	0	26
Nikkei	21,645	0.2	-6.3	-9	10
FTSE 100	7,279	1.9	-3.4	-5	1
EuroStoxx 50	3,455	1.8	-4.3	-4	4
IBEX	9,977	1.7	-4.5	-4	5
DAX	12,590	1.6	-4.5	-6	9
CAC	5,256	1.8	-4.1	-4	7
MIIB	22,986	2.9	-2.2	1	17
ASE Athens	850	-1.3	-3.3	2	29
MSCI Latam *	91,109	0.9	-1.6	3	24
Ibovpa (Brazil)	83,682	-0.3	-1.4	5	36
Nobel	49,256	-0.1	2.4	-1	6
MSCI EM Europe *	5,587	-2.0	-3.0	0	11
Poland	2,442	1.2	-4.4	-4	22
Mosc (Russia)	2,255	0.7	-1.5	2	0
He 100 (Turkey)	115,370	0.1	-3.1	-1	52
MSCI EM Asia *	930	-3.2	-5.7	-2	34
Shanghai Com (China)	3,309	-1.8	-4.9	-3	5
Jakarta (Indonesia)	6,535	-0.8	0.6	3	24
Banking sector					
level	Daily	Weekly	Monthly	Year	
<b>US banks</b>					
JPM	148.7	1.5	2.2	4	24
WFC	113.8	1.5	1.6	5	31
CIT	75.9	1.5	-3.2	2	24
BoA	31.7	1.5	-1.0	5	38
MS	55.5	2.1	-1.9	5	27
GS	260.6	0.7	2.7	3	7
EZ banks	113.0	1.8	-3.5	0	7
BNP	64.6	2.1	-3.1	0	3
Citibank	14.6	1.7	-3.9	-2	19
Deutsche Bank	13.1	-0.4	-11.4	-15	-20
ING	15.3	1.4	-3.3	-4	10
Intesa	3.2	3.4	1.6	14	26
SG	44.3	0.8	0.5	-2	8
Unicredit	17.5	2.8	-1.6	7	25
UK banks	90.2	1.9	-2.5	-2	3
HSC	739.3	1.7	1.6	-2	10
RBS	280.7	2.3	-2.4	1	20
Barclays	193.2	2.2	-3.4	-3	-18
Lloyds	67.4	1.8	-3.1	-1	4
<b>Large Spanish banks</b>					
Santander	87.7	-1.1	-4.4	0	12
Banque	5.7	2.2	4.2	1	13
BBVA	7.2	2.0	-4.5	0	11
<b>Medium Spanish banks</b>					
Cajabank	82.3	2.0	-3.1	4	13
Sabadell	4.2	2.1	-3.8	3	28
Bankinter	1.8	1.0	-3.7	5	34
Bankia	9.1	-3.5	-2.0	12	20
Banque	3.9	1.0	-3.6	-4	-4
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
<b>EURUSD</b>					
EURUSD	1.23	-0.8	-1.1	2.6	17
GBPUSD	1.39	-0.6	-2.3	2.2	13
USDJPY	109.49	0.1	-0.3	3.2	7
CHF	90.25	0.7	1.3	-2.3	-12
Emerging					
level	Daily	Weekly	Monthly	Year	
<b>USDARS (Argentina)</b>					
USDARS (BiaD)	19.67	-0.5	-0.2	-3.4	-22
USDARS (Ciba)	3.26	-0.8	-2.3	-0.8	-1
USDCLP (Chile)	594.97	0.8	1.1	1.7	11
USDCOP (Colombia)	2833	-0.1	-0.1	2.5	5
USDMXN (Mexico)	18.84	-0.2	0.2	3.0	13
USDPEN (Peru)	3.25	-0.2	-1.0	-1.0	-4
USDRUB (Russia)	64.30	-0.3	0.8	0.7	1
LACI	3.39	-1.0	-1.4	2.7	19
USDPLN (Poland)	57.38	-0.9	-2.1	-0.4	5
USDTRY (Turkey)	3.79	-0.5	0.9	-1.2	6
USDZNY (China)	6.28	0.2	0.2	3.4	9
USDINR (India)	64.29	-0.1	-1.1	-1.2	6
USDIDR (Indonesia)	13,555	-0.1	1.3	0.9	-1
ADXY	111.5	-0.2	0.4	1.3	8
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
<b>Brent</b>					
WTI	62	-2.4	-4.4	0	16
Copper	309	-2.7	-2.9	-3	21
Gold	1318	-0.5	2.0	0	13
S&P Spot commodity *	447	-0.9	-2.0	1	13
S&P Brent Spoz *	569	-1.1	-2.9	-1	18
S&P Metals Spoz *	389	-1.7	-1.4	0	28
S&P Agricultural *	286	1.1	0.2	2	9

Source: Bloomberg, Datastream and Haver

\* With one day delay

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Fuente: BBVA Research

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Table 1