

Market Comment | Bond yields continued increasing while stocks bounced back

Global Financial Markets Unit
16 Feb 2018

- **Equity markets showed a rebound, after falling sharply last week** as concerns about inflation led to fears about a faster normalization of monetary policy. This week, **despite higher than expected inflation data in the US** ([see](#)) concerns seems to have faded somewhat and implied volatility in equities decreased to levels below 20 points. This improvement in market mood also encouraged the rebound of others risky assets.
- **In Europe, stocks also rose across the board despite the euro's appreciation**, amid strong earnings reports and very positive EZ industrial production figures for December. ECB members' speeches had a muted impact on financial markets: Coeuré said that the ECB is not concerned about recent market volatility ([see](#)).
- **The focus is now on inflation expectations and central banks**, particularly in the US after the budget deal and higher than expected inflation data ([see](#)). Against this backdrop, **US yields remained on track to reach the 3% level**, while the USD - after its short-lived appreciation due to safe-haven flows - continued to depreciate against its main peers as worries lingered over higher fiscal deficit ([see](#)).
European yields were little changed, with declining peripheral risk premiums. In the UK, sovereign bond yields inched up after UK inflation data (Jan) came in slightly above expectations ([see](#)).
- **Commodities continued on their recent upward trend**, even including oil prices, as US crude oil inventories showed a smaller than expected increase. In these circumstances, **emerging currencies appreciated during the week**, despite expectations of higher US interest rates, including the MXN as Mexico's Foreign Minister said that there were grounds for optimism regarding NAFTA ([see](#)) and taking advantage of the recent hike in the reference rate.

BBVA Research suggests the following reading list

- La teoría económica de las reformas fiscales: análisis y aplicaciones para España ([see](#))
- Equity melt up turns towards melt down ([see](#))

Table 1

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Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.19	0.5	11.6	15	27
US	2.86	-4.7	1.1	67	40
GER (2-yr)	-0.57	-1.1	-0.1	1	4
Germany	0.72	-4.2	-2.8	16	25
France	0.96	-4.5	-2.2	13	14
Spain	1.47	-3.7	-1.0	-3	-14
Italy	2.00	-6.4	-4.8	0	9
Portugal	2.03	-3.6	-7.4	24	2
Greece	4.27	-14.5	16.4	50	17
Japan (2-yr)	-0.35	-0.2	-0.6	-3	-2
Japan	0.06	-0.7	-3.1	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.88	-1.2	-6.0	-2	-38
Chile	4.97	0.3	0.5	1	6
Colombia	6.54	-2.2	-0.4	11	10
Mexico	7.72	-1.7	-1.3	19	15
Peru	4.47	-0.1	-6.3	3	-40
Poland	3.50	-1.7	-9.2	21	18
Russia	7.15	-6.8	-7.7	-36	-49
Turkey	13.61	-8.0	-11.0	-16	25
India	7.58	0.6	8.9	36	19
Indonesia	6.43	0.0	5.3	23	13
Country risk (bp change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	25	0.2	0.6	-3	-4
Italy	128	1.7	-2.0	-15	-27
Portugal	131	1.1	-4.6	-16	-16
Spain	75	1.0	1.8	-19	-32
2-yr sovereign spread vs Germany					
France	14	-0.5	-0.7	0	-2
Italy	36	12.0	9.8	10	0
Portugal	51	0.1	2.7	-17	-16
Spain	37	0.1	-0.6	17	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	153	-9.5	-12	8	-8
Chile	51	-3.5	1	7	2
Colombia	103	-4.1	2	12	-2
Mexico	104	-3.3	-5	8	-2
Peru	78	-3.5	1	11	6
Poland	48	-1.6	-3	-1	-1
Russia	113	-4.5	1	4	-5
Turkey	173	-4.4	-1	12	9
China	58	-3.4	-6	11	8
India	74	-1.0	2	7	5
Indonesia	88	-3.1	-3	9	3
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (change in ppt)					
VIX	19	0.6	-11	7	9
VST OXX	18	-2.3	-17	6	5
EM EFT volatility index	24	-0.3	-8	7	7
Dollar Euro volatility	9	0.1	0	2	2
EM FX volatility index	9	-0.1	-1	1	1
Credit spread (BAA) (change in bps)	171	4.7	6	7	-7
US bonds volatility index	67	-2.8	-5	21	18
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.41	-	-4	9	9
EZ Inflation expectations (5Y5Y)	1.75	-	0	-1	1
Emerging 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	50	-1.4	6	8	
EZ	48	-2.0	3	12	8
UK	44	-1.7	0	4	3
Large Spanish	44	-2.8	2	11	8
Medium Spanish	68	-2.9	4	1	-6
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	149	-1.4	2	8	8
EZ Non-financial	64	-2.0	1	12	8
UK Non-financial	100	-3.2	3	4	7
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
COMIA Index	-0.36	0	0	0	1
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	-1	-1
Libor 3m	1.85	0	4	12	16
Libor 12m	2.34	0	4	14	23
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Index					
S&P 500	2,735	0.1	4.1	2	1
Dow Jones	25,198	0.0	4.2	-4	-2
Nikkei	21,720	1.2	1.6	9	-5
FTSE 100	7,283	0.7	2.7	6	5
EuroStoxx 50	3,419	0.5	2.8	-5	-2
IBEX	9,811	1.0	1.8	-6	-3
DAX	12,405	0.5	2.5	-6	-4
CAC	5,273	1.8	3.8	-4	0
MIIB	22,719	1.0	2.5	-3	4
ASE Athens	841	-0.2	1.5	0	3
MSCI Latam *	91,201	0.5	2.9	3	6
Ibovespa (Brazil)	84,072	-0.3	3.9	4	8
Mexbol	48,676	-0.3	1.8	-2	-3
MSCI EM Europe *	5,645	0.6	1.6	0	5
Poland	2,401	-0.9	0.8	-6	-2
Micex (Russia)	2,252	-0.6	2.5	-1	7
ISE 100 (Turkey)	116,431	0.2	2.5	0	-1
MSCI EM Asia *	942	1.0	2.1	3	2
Shanghai Com (China)	3,199	0.0	2.2	-7	-4
Jakarta Indonesia)	6,592	0.0	0.7	3	4
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
US Banc	150.6	-0.2	5.9	2	5
JPM	115.1	-0.4	4.6	2	7
Citi	77.0	-0.1	4.5	-1	4
BoA	32.1	-0.3	5.9	3	7
HS	55.3	-0.1	6.1	0	6
GS	267.3	-0.2	7.2	5	5
EZ banks					
BNP	111.3	0.5	1.2	-5	-2
Credit Agricole	64.6	1.0	2.1	-3	4
Deutsche Bank	12.9	-0.1	2.8	-15	-19
ING	14.7	-0.2	0.2	-11	-4
Intesa	3.1	1.2	1.7	3	14
SG	46.6	0.8	5.5	3	8
Unicredit	17.7	0.9	-0.3	2	13
UK banks					
Lloyds	91.4	0.6	2.4	-4	-1
HSSC	759.9	1.0	3.8	-4	-1
RBS	275.2	0.0	0.3	-7	-1
Barclays	198.7	0.1	3.0	0	-2
Large Spanish banks					
Santander	67.6	0.8	1.6	-4	0
BBVA	85.5	1.0	1.2	-5	1
Medium Spanish banks					
Cajabank	5.6	1.5	2.1	-5	3
Sabadell	7.0	0.7	0.4	-5	-1
Other banks					
Bankinter	80.6	0.5	0.8	-2	5
CaixaBank	4.0	0.8	0.3	-6	1
Sabadell	1.8	0.9	2.1	-1	8
Bankia	6.9	0.3	0.3	4	12
Bankia	3.9	0.3	1.0	-8	-4
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.24	0.5	1.5	2.1	3
GBP/USD	1.40	0.5	1.5	1.5	3
USD/JPY	106.28	-0.1	2.3	4.5	5
DKK	88.91	0.4	-1.7	-3.8	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USD/ARS (Argentina)	19.67	0.0	1.6	-4.3	-7
USD/BRL (Brazil)	3.25	-0.4	1.7	-0.7	0
USD/CLP (Chile)	593.20	0.0	1.7	2.1	2
USD/COP (Colombia)	2859	-0.1	2.8	-0.5	3
USD/MXN (Mexico)	18.48	0.1	1.2	1.3	5
USD/PEN (Peru)	3.24	0.2	1.1	-0.9	0
LACI	64.62	0.1	1.8	-0.2	2
USD/PLN (Poland)	3.35	-0.7	2.1	2.1	3
USD/RUB (Russia)	56.32	0.1	3.5	0.9	2
USD/TRY (Turkey)	3.75	0.3	1.8	1.8	0
USD/CNY (China)	6.34	0.0	0.6	1.4	2
USD/INR (India)	64.22	-0.5	0.3	-0.5	-1
USD/IDR (Indonesia)	13,524	0.3	0.8	-1.2	0
ADXY	131.8	-0.2	0.4	1.1	2
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	64.4	0.2	2.6	-7	-3
WTI	61	-0.2	3.4	-4	1
Copper	324	0.1	7.2	2	0
Gold	1352	0.1	2.8	2	3
S&P Spot commodity *	442	0.5	3.0	-2	10
S&P Brent Spot *	545	0.0	2.2	-7	-4
S&P Metals Spot *	394	0.1	4.8	2	0
S&P Agricultural *	296	0.7	2.6	6	4

Source: Bloomberg

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Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	2.11	0.6	-3.1	14	90
US	2.85	2.9	1.2	0	41
GER (2-yr)	-0.56	-1.0	-2.0	5	21
Germany	0.75	-1.4	-1.9	21	40
France	0.99	-1.1	-3.3	17	18
Spain	1.46	0.5	-1.7	-10	2
Italy	2.01	2.1	-3.6	-2	15
Portugal	2.07	4.1	5.5	0	205
Greece	4.10	28.1	42.3	39	-279
Japan (2-yr)	-0.15	-0.2	-2.0	-3	4
Japan	0.07	-2.0	-2.0	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
Brazil	9.91	5.3	11.3	-7	-150
Chile	4.96	0.0	0.3	2	24
Colombia	6.54	-0.1	17.8	19	-55
Mexico	7.68	4.2	9.4	12	4
Peru	4.46	2.5	8.9	-23	-201
Poland	3.59	0.5	0.9	26	-12
Russia	7.23	1.1	4.3	-33	-122
Turkey	11.72	11.0	32.0	27	72
India	7.49	2.1	-7.2	23	111
Indonesia	6.37	1.0	9.5	13	-142
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
10-yr sovereign spread vs Germany					
France	24	0.3	-1.4	-3	-23
Italy	127	3.5	-1.7	-23	-26
Portugal	132	5.5	7.4	3	-223
Spain	71	1.9	0.2	-30	-38
2-yr sovereign spread vs Germany					
France	14	0.2	0.1	0	4
Italy	24	-0.2	1.5	-8	-37
Portugal	48	0.2	17.3	-4	-52
Spain	36	0.4	15.9	13	-12
Emerging Markets					
level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *					
Brazil	165	13.5	20	20	-107
Chile	49	3.5	7	4	-33
Colombia	101	6.6	13	8	-62
Mexico	109	8.1	13	13	-47
Peru	77	6.6	11	10	-31
Poland	51	1.4	3	5	-25
Russia	113	6.4	8	-2	-64
Turkey	174	8.4	12	11	-98
China	64	5.4	10	21	-52
India	72	1.0	5	3	-55
Indonesia	91	6.0	10	14	-65
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	30	-9.4	75	209	18
VSTOXX	31	-2.6	78	166	15
EM EFT volatility index	31	-12.0	36	90	55
Dollar Euro volatility	9	-1.1	2.2	56	10
EM FX volatility index	9	5.4	9	23	-16
Credit spread (BAA) (bps)	161	2.9	3	9	66
US bonds volatility index	88	9.4	12	88	-11
Inflation expectations (%)					
level	Daily	Weekly	Monthly	Year	
US Inflation expectations (5Y5Y)	2.45	-	5	11	-9
EZ Inflation expectations (5Y5Y)	1.75	-	0	2	-5
Outgoing 5y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US	49	2.0	1	1	-23
EZ	45	4.6	8	6	-63
UK	44	2.5	5	3	-46
Large Spanish	42	5.8	10	6	-75
Medium Spanish	64	0.3	2	6	-87
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	Year	
US Non-financial	153	2.0	7	7	-23
EZ Non-financial	61	4.6	8	6	-63
UK Non-financial	97	0.5	2	7	-28
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
COMIA 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	1.80	0.00	0.0	0.1	0.8
Libor 12m	2.29	0.00	0.0	0.1	0.6
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	Year
US Indices					
S&P500	2,603	0.5	-3.8	5	15
Dow Jones	24,040	0.8	-5.8	-5	21
Nikkei	21,383	2.3	-8.1	-10	9
FTSE 100	7,123	-0.7	-4.3	-8	-1
EuroStoxx 50	3,344	-1.0	-5.1	-7	1
IBEX	9,664	-0.9	-5.4	-7	2
DAX	12,174	0.7	-4.8	-8	5
CAC	5,108	-0.8	-4.8	-7	4
MIIB	22,263	0.9	-4.0	-4	13
ASE Athens	829	-1.5	-5.3	-1	26
MSCI Latam *	88,661	-1.8	-4.9	1	21
Ibovespa (Brazil)	81,606	0.1	-2.9	4	33
Mexbol	47,988	0.3	-4.8	-2	3
MSCI EM Europe *	5,558	-1.5	-4.1	-1	10
Poland	2,395	-0.5	-4.5	-5	20
Micex (Russia)	2,205	-1.0	-3.4	-1	-3
ISE 100 (Turkey)	113,590	0.6	-3.8	0	49
MSCI EM Asia *	922	-0.2	-6.3	4	32
Shanghai Com (China)	3,130	-4.1	-9.6	-9	-1
Jakarta Indonesia	6,506	-0.4	-1.4	2	23
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks					
JPM	141.1	0.5	-5.7	3	18
Citi	109.4	1.4	-4.2	-1	26
BofA	72.8	1.3	-5.5	-4	19
Wells	30.1	1.1	-5.9	-2	31
MS	51.9	0.2	6.5	-4	19
GS	248.0	0.7	-4.6	-2	2
EZ banks					
BNP	109.8	-2.3	-4.6	-6	4
Credit Agricole	65.0	-2.2	-4.5	-5	0
Deutsche Bank	19.9	-2.9	-7.3	-8	13
ING	12.6	-1.7	-9.2	-19	23
Intesa	14.7	-2.7	-6.2	-11	6
SG	3.1	2.1	-1.1	4	21
Ukrainbank	44.0	-2.4	-4.1	-5	-9
Unicredit	17.7	0.9	0.6	4	26
UK banks					
HSC	89.3	-1.2	-2.7	-6	2
HSSC	732.2	-0.2	-2.4	-8	9
RBS	275.6	-2.8	-3.8	-6	18
Barclays	192.6	-0.8	-1.5	-4	-18
Lloyds	65.5	-1.6	-3.2	-4	3
Large Spanish banks					
Santander	84.4	-1.8	-5.5	-5	8
BBVA	5.5	-1.8	-6.4	-6	9
Caixa	-7.0	-1.7	-4.7	-5	8
Medium Spanish banks					
Cajabank	79.7	-2.0	-4.0	-2	9
Sabadell	4.0	-1.6	-5.4	-6	22
Santitas	1.8	-1.9	-3.3	-5	29
Banque	6.9	2.2	-3.5	7	17
Banque	3.8	-2.3	-4.5	-10	-7
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.22	0.1	-1.8	-2.4	17
GBPUSD	1.38	0.8	-2.2	2.2	12
USDJPY	108.88	-0.1	1.2	2.3	7
DX	90.35	0.1	1.3	-2.1	-12
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	20.05	-0.5	-2.9	-7.6	-25
USDBRL (Brazil)	3.28	0.1	-2.0	-1.5	-2
USDCLP (Chile)	602.97	0.0	0.0	1.0	10
USDCOP (Colombia)	2892	-0.2	-1.8	0.1	3
USDMXN (Mexico)	18.78	0.6	-1.0	2.7	12
USDPEN (Peru)	3.27	-0.2	-1.7	-1.6	3
LACI	63.70	0.1	-1.5	-0.1	3
USDPOLN (Poland)	3.42	0.1	-2.2	2.1	18
USDRUB (Russia)	58.34	0.1	-3.2	-2.2	3
USDTRY (Turkey)	3.82	0.0	-1.4	-0.6	-7
USDCNY (China)	6.39	0.4	0.0	3.2	9
USDINR (India)	64.40	-0.2	-0.5	-1.3	5
USDIDR (Indonesia)	13,628	-0.2	-1.3	-1.5	-1
ADXY	111.2	0.5	-0.4	1.2	8
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	63.9	-1.5	-6.9	-8	13
WTI	60	-1.4	-7.8	-5	13
Copper	305	0.6	-3.9	-5	20
Gold	1312	0.5	-1.6	0	13
S&P Spot commodity *	438	-0.5	-4.0	-3	11
S&P Brent Spot *	550	-1.2	-7.7	-6	15
S&P Metals Spot *	382	0.2	-2.6	-2	25
S&P Agricultural *	290	0.0	1.7	3	-3

