

Market Comment | The USD continued its rally ahead of the Fed minutes

Global Financial Markets Unit
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- **Financial markets were little changed and mixed waiting for the release of Fed minutes**, which will be public later today. In the US stock prices rose, while the **VIX Index continued receding below 20 levels**, as preliminary manufacturing PMI were above consensus. Meanwhile, in Europe stocks inched down following disappointing preliminary manufacturing PMI figures for February ([see](#)).
- **The recent volatility registered in sovereign bond yields receded and they were steady across the board**, as investors are cautious ahead of the release of minutes of main central banks (ECB and FED). Nonetheless US Treasuries remained hovering around their highest levels since 2014. Meanwhile the peripheral risk premiums in the euro zone remained unchanged.
- The **USD continued on its recent upward trend against its main peers amid upbeat confidence data, waiting for the release of Fed minutes** ([see](#)), with Janet Yellen warning that inflation is likely to rise this year. By now, the USD is not taking advantage of the recent rebound in sovereign yields but any hints on the path of tightening will be valuable to investors and could influence the performance of the USD in the short term.
- The GBP depreciated after UK unemployment data rose ([see](#)), undermining a potential BoE rate hike in the next policy meeting. Meanwhile, emerging currencies showed a mixed performance, amid stable oil prices ([see](#)). The TRY showed a partial recovery from yesterday's drop due to geopolitical tensions.

Table 1

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Fuente: BBVA Research

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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
UK	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)	-0.35	-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	13.72	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	6.8	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
VST OXX	31	-2.6	78	166	15
EM EFT volatility index	31	-12.0	36	90	55
Dollar Euro volatility	9	-1.1	22	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	-	-	-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	6	6	-63
UK Non-financial	97	0.5	2	7	-28
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	Year	
OMIA 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					
ING	109.8	-2.3	-4.6	-6	4
BNP	65.0	-2.2	-4.5	-5	0
Crédit Agricole	13.9	-2.9	-7.3	-8	13
Deutsche Bank	12.6	-1.7	-9.2	-19	23
ING	14.7	-2.7	-6.2	-11	6
Intesa	3.1	2.1	-1.1	4	21
SG	44.0	-2.4	-4.1	-5	-9
Unicredit	17.7	-0.9	0.6	4	26
UK banks					
Lloyds	89.3	-1.2	-2.7	-6	2
HSC	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
Large Spanish banks					
Santander	65.5	-1.6	-3.2	-4	3
BBVA	84.4	-1.8	-5.5	-5	8
Medium Spanish banks					
Cajabank	5.5	-1.8	-6.4	-6	9
Sabadell	-7.0	-1.7	-4.7	-5	8
CaixaBank	79.7	-2.0	-4.0	-2	9
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	63.9	-1.5	-6.9	-8	13
WTI	69	-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

