

Market Comment | Fed Chair Powell's testimony drove US markets

Global Financial Markets Unit
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- **Fed Chair Powell's testimony drove US markets**, as **chances of a fourth rate hike this year inched up** ([see](#)). Consequently, **US yields rose significantly** - increasing the slope of the US sovereign bonds curve - while the **USD appreciated notably against its main peers**. On the other hand, **stock prices declined** (especially in the US) ([see](#)). Fed Chair Powell reaffirmed the need for gradual rate hikes and promised to balance between overheated economy and inflation near to the Fed's target ([see](#)).
- The EUR was especially weaker against the USD, as **preliminary German inflation (February) was lower than expected**. On the other hand, the **ECB's Weidmann** said that the bank could end QE this year ([see](#)), but this did not trigger any significant market reaction as this scenario is widely expected by markets.
- The USD strength led to **widespread depreciation in emerging currencies** as higher US rates may weigh on emerging countries. Emerging stocks also suffered. The Colombian peso and the Russian rouble were the worst performers, also dragged down by **declining oil prices**, as forecasts showed rising US crude oil inventories ([see](#)).

Table 1

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.27	4.4	4.7	15	35
US	2.91	4.6	2.0	20	45
GER (2-yr)	-0.52	1.3	-2.8	2	9
Germany	0.68	2.5	-5.8	5	21
France	0.95	1.5	-4.4	3	13
Spain	1.56	0.7	-4.8	7	-5
Italy	2.00	-1.5	-6.7	-1	9
Portugal	2.01	1.4	-3.6	17	0
Greece	4.38	-3.1	-2.0	72	27
Japan (2-yr)	-0.16	-1.4	-1.5	4	-3
Japan	0.05	-1.0	-3.1	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.61	2.2	-23.8	-10	-65
Chile	4.99	0.3	3.0	11	9
Colombia	6.51	1.8	-6.8	14	7
Mexico	7.64	1.1	-9.0	10	6
Peru	4.54	-3.4	-2.0	11	-34
Poland	3.39	-1.4	-13.2	-15	8
Russia	7.17	4.0	-0.6	-31	-47
Turkey	11.52	-2.0	-6.0	-3	16
India	7.67	-1.7	-0.2	36	29
Indonesia	6.52	4.3	5.2	30	23
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	27	-1.0	0.4	-1	-2
Italy	133	-4.0	-0.9	-5	-23
Portugal	133	-1.1	2.2	2	-14
Spain	89	-1.8	1.0	3	-19
2-yr sovereign spread vs Germany					
France	9	-0.5	1.9	-5	-7
Italy	36	-1.3	4.2	10	-1
Portugal	52	2.7	6.4	-11	-15
Spain	34	-1.3	2.6	16	7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	149	-4.5	-1	6	-11
Chile	44	-1.3	-2	1	-5
Colombia	97	-3.4	1	7	-8
Mexico	102	-0.9	2	4	-5
Peru	73	-1.5	1	6	1
Poland	48	0.1	0	0	-1
Russia	102	-6.3	-8	-9	-16
Turkey	166	5.0	4	3	2
China	36	2.1	1	4	6
India	69	-3.0	2	3	0
Indonesia	85	-3.0	0	5	0
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	1.4	3*	6	7
VSTOXX	18	0.8	-1	5	4
EM EFT volatility index	23	2.0	-1	4	6
Dollar/euro volatility	8	0.3	-1	0	1
EM FX volatility index	8	-0.1	0	0	0
Credit spread (BAA) (change in bps)	165	-4.8	-1	5	-13
US bonds volatility index	64	-0.3	3	8	15
EMFX volatility index (%)	level	Daily	Weekly	Monthly	YTD
US inflation expectations (5Y5Y)	2.41	-	5	1	9
EZ inflation expectations (5Y5Y)	1.23	-	1	0	-1
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	50	-1.7	8	7	8
EZ	50	-3.8	4	15	10
UK	43	0.8	3	4	4
Large Spanish	46	-2.6	3	16	9
Medium Spanish	68	-0.3	1	7	-6
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	146	-1.7	1	8	7
EZ Non-financial	64	-3.8	4	15	10
UK Non-financial	101	-1.0	3	6	9
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
COBIA Index	-0.37	0	0	-1	0
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	-1
Libor 3m	1.98	3	9	22	29
Libor 12m	2.47	1	7	23	36
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
Global indices					
S&P500	2,770	-0.3	2.0	4	3
Dow Jones	25,664	-0.2	2.8	4	3
Nikkei	22,390	1.1	2.1	5	-2
FTSE 100	7,281	-0.1	0.5	5	-5
EuroStoxx 50	3,454	-0.3	0.6	-5	-1
IBEX	9,895	-0.1	0.0	-7	-2
DAX	12,479	-0.4	-0.1	-6	-3
CAC	5,337	-0.1	-0.9	-3	1
MIB	22,713	0.0	0.2	-5	4
ASE Athens	838	0.1	-0.5	-5	2
MSCI Latam *	92,859	0.0	1.8	1	8
Ibovespa (B3B2)	86,886	-0.9	1.3	2	12
Moolb	48,026	-0.9	-1.4	-6	-4
MSCI EM Europe *	5,788	0.6	2.9	0	7
Poland	2,422	0.5	0.3	-7	-2
Micex (Russia)	2,342	-0.5	3.2	2	11
Ise 100 (Turkey)	118,832	0.0	4.8	-2	1
MSCI EM Asia *	959	0.4	1.9	3	4
Shanghai Com (China)	3,292	-1.1	2.9	-7	-2
Jakarta (Indonesia)	6,599	0.3	-1.4	0	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPB	113.0	0.4	2.7	0	8
Citi	119.0	0.2	3.7	2	10
Ch	77.2	-0.5	1.0	-4	4
BoA	32.7	0.9	2.4	2	9
MS	57.6	1.0	4.6	0	10
GS	271.9	0.2	2.6	1	6
EZ banks	112.6	0.9	0.8	-5	3
BNP	65.5	1.0	0.7	-4	6
Credit Agricole	14.2	1.6	2.3	8	2
Deutsche Bank	13.4	0.8	0.2	-14	-16
ING	14.7	0.1	-0.1	9	-4
Intesa	3.1	0.8	0.7	-2	13
SG	46.9	1.2	1.5	0	9
Unicredit	17.5	1.6	-0.6	-3	11
UK banks					
HSBC	91.2	0.6	0.5	-5	-1
RBS	719.5	-0.3	-2.4	-7	-6
Banc	270.6	0.9	-1.6	-10	-2
Barclays	211.8	1.6	5.3	1	4
Ulyde	69.0	0.7	1.7	-3	2
Large Spanish banks					
Santander	85.9	0.3	-0.1	-7	1
Banco	5.7	0.6	0.8	-5	5
BBVA	7.0	-0.1	-1.0	9	-2
Medium Spanish banks					
Cabobank	81.1	0.1	-0.1	6	6
Sabadell	4.0	0.4	0.9	9	1
Sabadell	1.7	0.0	-4.8	-10	3
Bankinter	9.1	0.3	2.7	-1	15
Bankia	4.0	-0.2	1.4	-8	0
Currencies (% vol for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.22	0.6	-0.8	-1.5	2
GBP/USD	1.39	-0.5	-0.7	-1.8	2
USD/JPY	107.49	-0.5	-0.1	1.0	4
DKK	90.33	0.5	0.7	1.4	-2
Emerging	level	Daily	Weekly	Monthly	YTD
USD/ARS (Argentina)	20.16	0.1	-1.5	3.0	-10
USD/BRL (Brazil)	3.25	-0.7	0.2	-3.1	0
USD/CLP (Chile)	591.10	-0.7	0.7	1.8	3
USD/COP (Colombia)	2,859	-0.7	0.1	-1.6	2
USD/MXN (Mexico)	18.80	-0.6	-0.5	-1.7	4
USD/PEN (Peru)	3.25	-0.1	0.0	-1.1	-1
LACI	64.11	0.6	-0.2	-1.7	1
USD/PLN (Poland)	-3.41	-0.6	-1.3	-2.4	1
USD/RUB (Russia)	56.21	-1.0	0.6	0.1	2
USD/TRY (Turkey)	3.81	-0.5	-0.2	-1.5	-1
USD/CNY (China)	6.32	0.0	0.4	0.2	3
USD/INR (India)	64.89	-0.1	-0.1	-2.1	-2
USD/IDR (Indonesia)	13,679	-0.1	-0.5	-2.8	-1
ADXY	111.2	-0.4	0.8	-0.7	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTI	66.8	-1.1	2.4	-5	0
Copper	63	-1.2	2.1	4	5
Copper	315	-1.5	-1.3	-2	4
Gold	1316	-1.3	-1.0	-3	0
S&P Spot commodity *	454	0.5	2.1	-2	2
S&P Spot Spot *	573	0.4	3.4	-4	1
S&P Metals Spot *	390	0.4	-0.6	-1	-1
S&P Agricultural *	299	0.7	1.6	5	5

Fuente: BBVA Research

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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)	-0.15	-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	4.56	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	6.8	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
VSTOXX	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	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	
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
ISEQ100 (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
Chf	72.8	1.3	-5.5	-4	19
BoA	30.1	1.1	-5.9	-2	31
HS	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
Credit 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					
HSBC	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
Sabadell	1.8	-1.9	-3.3	-5	29
Banque	6.9	2.2	-3.5	7	17
Banla	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
USDY	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
USDRUB (Russia)	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)	6.30	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	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

