

Market Comment | The ECB meeting and global trade concerns as main market drivers

Global Financial Markets Unit
08 Mar 2018

- **Volatility in financial markets faded (VIX below 17%) despite the eventful session.** The focus in financial markets was on the main central banks' stances (today's ECB and tomorrow's Bank of Japan meetings) and the ongoing trade concerns in the US.
- **As we expected**, at today's ECB monetary policy meeting there were no changes in the monetary policy stance, however, **it removed the easing bias on the APP** as the central bank dropped the reference to increasing the APP in terms of size and/or duration if necessary. The updated **Staff macroeconomic forecast showed minor changes for the short-run figures**: GDP growth forecast has been revised slightly upwards and inflation forecasts are broadly unchanged ([see](#)).
- After the meeting, **the main movement took place in the EUR**, which depreciated against its main peers. Meanwhile, sovereign yields decreased across Europe while the positive mood in equity markets was boosted by the EUR depreciation
- **US trade policy remained in the spotlight.** Despite growing pressure against the potential measures, they are expected to be announced very soon. The US government hinted at some temporary exceptions for its partners in NAFTA and with a potential extension depending on the final agreement in current negotiations.
- **Japan 4Q GDP growth was revised upwards ([see](#)) ahead of tonight's Bank of Japan meeting.** The positive revision is explained by gains in capital expenditure, among others, due to accommodative monetary policy not having a great impact on financial variables. Massive support to Japan's economy is expected to last, despite Koruda's hinting that discussion of the normalization process will be on the table during the next year ([see](#))
- The **negative trend in oil prices**, mostly driven by further increases in output from the US ([see](#)), and the USD appreciation **dragged down EM currencies**.

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Debt markets : 10Yr. % changes in bps					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.25	-0.6	3.4	14	33
US	2.85	-2.9	4.6	5	39
GER (2-yr)	0.56	-1.2	-0.2	1	5
Germany	0.64	-1.7	-0.6	-5	17
France	0.87	-2.9	-3.9	-9	5
Spain	1.41	-4.5	-10.2	-10	-29
Portugal	1.98	-6.5	-5.7	-10	-21
Greece	1.82	-4.3	-13.1	-24	-19
Japan (2-yr)	0.15	0.5	0.5	2	2
Japan	0.05	1.1	-2.4	1	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.57	2.7	-1.3	-22	-69
Chile	4.93	1.4	-3.9	-6	0
Colombia	6.93	-1.5	-0.2	47	49
Mexico	7.53	-3.8	-9.7	-9	-5
Peru	4.48	0.3	-1.7	8	-40
Poland	3.26	2.6	-4.5	-28	-5
Russia	7.16	0.0	-2.5	-10	-47
Turkey	11.98	13.0	41.0	40	62
India	7.66	-1.5	-7.7	10	28
Indonesia	6.76	6.0	14.7	39	46
Country risk (bp. changes in bp)					
10-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	23	-1.2	-3.3	-3	-5
Italy	134	-4.8	-5.1	-4	-31
Portugal	118	-2.6	-12.5	-19	-29
Spain	77	-2.8	-9.6	-5	-31
2-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	10	1.2	0.3	-4	-6
Italy	33	-1.6	-4.4	7	-4
Portugal	45	1.9	-7.4	24	-23
Spain	31	0.0	-3.5	9	4
5-yr sovereign CDS *	level	Daily	Weekly	Monthly	YTD
Brazil	152	2.9	-4	-4	-9
Chile	44	0.8	-1	-3	-5
Colombia	103	1.5	2	7	-2
Mexico	108	3.5	2	4	1
Peru	75	0.4	0	6	-4
Poland	46	0.0	0	-3	-2
Russia	107	2.3	4	0	-11
Turkey	189	0.3	1	1	4
China	58	2.7	3	0	7
India	70	1.5	1	1	1
Indonesia	80	4.0	5	6	5
Risk indicators					
Volatility indicators (change in pct)	level	Daily	Weekly	Monthly	YTD
VIX	17	0.4	-5	-13	6
VSTOXX	17	-1.4	-4	-13	3
EM EFT volatility Index	22	-1.0	-4	-3	6
EM Europe volatility	7	-0.3	-1	-2	0
EM FX volatility Index	8	0.0	0	-1	0
Credit spread (GAA) (change in bps)	178	2.9	5	18	0
US bonds volatility index	63	-0.2	0	-3	14
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y)	2.40	-	2	-3	8
EZ Inflation expectations (5Y)	1.70	-	-1	-5	-3
Ranking by CDS (bps)	level	Daily	Weekly	Monthly	YTD
US	51	0.3	1	5	9
EZ	47	-0.8	-1	7	8
UK	44	-0.6	1	2	3
Large Spanish	42	-1.1	0	7	6
Medium Spanish	69	-0.4	0	6	-5
Commodity prices (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	147	0.3	1	5	9
EZ Non-financial	64	-0.8	-1	7	8
UK Non-financial	59	-0.3	0	3	6
Interest rate markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Eurobor 3m	-0.33	0	0	0	0
Eurobor 12m	-0.19	0	0	0	-1
Libor 3m	2.06	1	4	26	36
Libor 12m	2.52	1	2	23	41
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,729	0.1	1.9	1	1
Dow Jones	24,808	0.0	0.8	0	0
Nikkei	21,360	0.5	-1.6	-1	6
FTSE 100	7,193	0.5	0.2	1	-6
Euro Stoxx 50	3,406	0.8	0.2	0	-2
IBEX	9,624	0.3	-1.2	-2	-5
DAX	12,323	0.6	-1.1	-1	-4
CAC	5,245	1.1	-0.3	2	-1
MIB	22,677	0.9	1.0	1	4
ASE Athens	613	1.8	2.2	-3	-1
MSCI Latam *	90,974	-0.3	0.4	1	6
Bovespa (Brazil)	84,534	-1.0	-0.9	-1	9
Merckel	47,867	0.4	0.6	-3	-4
MSCI EM Europe *	5,631	-0.1	-1.0	-1	5
Poland	2,322	-1.6	-0.6	-4	6
Moscú (Russia)	2,291	0.0	-0.3	2	9
Indo 100 (T.India)	116,567	-0.2	-0.9	1	-1
MSCI EM Asia *	9,335	-0.5	-1.1	-3	-1
Shanghai Com (China)	3,288	0.5	0.4	-2	-2
Jakarta (Indonesia)	6,443	-0.9	-2.3	-2	1
Emerging sector	level	Daily	Weekly	Monthly	YTD
US banks	level	Daily	Weekly	Monthly	YTD
JPM	113.6	-1.0	0.1	1	5
Cit	73.3	-0.8	-0.5	-2	-1
BAC	31.9	-0.9	1.3	2	7
MS	56.3	-1.0	3.3	4	8
GS	265.0	-0.1	3.2	2	-4
EZ banks	level	Daily	Weekly	Monthly	YTD
BNP	109.5	0.2	-1.6	-1	0
Credit Agricole	62.9	0.7	-2.8	-1	1
Deutsche Bank	13.6	0.1	2.9	-5	-2
ING	14.4	1.0	-0.6	-5	-6
Jetix	-3.0	0.2	-1.4	2	10
SG	46.0	0.1	-1.3	5	7
Unicredit	17.2	0.0	-1.7	1	9
UK banks	89.5	0.5	-1.2	1	-3
HSBC	700.9	0.0	-2.6	-4	8
RBS	263.4	0.9	-0.9	-4	-5
Barclays	211.8	0.4	0.2	12	-4
Lloyds	67.7	0.6	-0.9	2	0
Large Spanish banks	level	Daily	Weekly	Monthly	YTD
Santander	81.9	0.0	-2.5	-5	-3
Banco	5.5	-0.1	-2.7	-3	0
Medium Spanish banks	level	Daily	Weekly	Monthly	YTD
BBVA	6.6	0.2	-2.2	-6	6
Casabank	77.4	-0.5	-2.4	-4	1
Sabell	3.9	0.1	-2.2	-5	-2
Bankinter	1.7	-0.3	-2.5	-9	-1
Banque	8.6	-1.1	-3.8	-2	8
Bankia	3.9	-0.3	-0.3	0	-4
Currencies (% vol for currency appreciation)	level	Daily	Weekly	Monthly	YTD
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.23	-0.7	0.5	-0.4	2
GBPUSD	1.38	-0.5	0.4	-0.9	2
USDJPY	106.07	0.0	0.2	3.2	6
DXF	90.00	0.4	-0.4	0.5	-2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	20.41	0.0	-1.9	-4.2	-11
USDBRL (Brazil)	3.26	-0.6	0.4	-0.9	0
USDCLP (Chile)	606.56	-0.6	-1.9	-1.2	0
USDCOP (Colombia)	2975	-2.3	0.1	-1.6	-2
USDMXN (Mexico)	18.70	0.1	0.8	-0.5	4
USDPEN (Peru)	3.26	-0.1	0.2	-0.3	-1
LACI	63.80	-0.3	-0.1	-1.1	0
USDPLN (Poland)	3.41	-0.7	0.0	-1.7	1
USDRUB (Russia)	57.05	-0.4	0.4	-0.3	1
USDTRY (Turkey)	3.92	0.6	0.4	1.4	-1
USDZNY (China)	6.34	-0.3	0.3	-0.8	2
USDINR (India)	65.15	-0.4	0.0	-1.4	-3
USDIDR (Indonesia)	13,816	-0.4	-0.5	-2.0	-2
ADXY	111.1	-0.3	0.1	-0.6	1
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	63.8	-0.8	0.0	-5	-4
WTX	60	-1.1	-0.9	-5	0
Copper	396	-1.8	-1.4	-4	6
Gold	1320	-0.5	0.2	0	0
S&P Spot commodity *	442	-1.5	0.1	-1	0
S&P Brent Spot *	547	-2.3	0.7	-4	-3
S&P Metals Spot *	376	-1.5	-1.4	-3	-4
S&P Agricultural *	306	-1.2	-1.3	7	7

* With one day delay
Source: Bloomberg, Datastream and Haver

Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.25	0.6	3.4	11	33
US	2.85	-2.9	4.6	5	39
GER (2-yr)	-0.56	-1.2	-0.2	1	-5
Germany	0.64	-1.7	-0.6	-5	17
France	0.87	-2.9	-3.9	-9	5
Spain	1.41	-4.5	-10.2	-10	-29
Italy	1.98	-6.5	-5.7	-10	-21
Portugal	1.82	-4.3	-13.1	-24	-19
Greece	4.16	-8.0	-31.2	43	5
Japan (2-yr)	-0.15	0.5	0.5	-2	-2
Japan	0.05	1.1	-2.4	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.57	2.7	-1.3	-22	-69
Chile	4.51	-1.4	-3.9	-5	0
Colombia	6.93	-1.5	-0.2	47	49
Mexico	7.53	-3.4	-9.7	-9	-5
Peru	4.48	0.3	-1.7	8	-40
Poland	3.26	-2.6	-4.5	-28	-5
Russia	7.16	0.0	-2.6	-10	-47
Turkey	13.98	13.0	41.8	40	62
India	7.66	-1.5	-7.7	10	28
Indonesia	6.76	6.0	14.7	39	46
Country risk (log (GDPs) (1.2x))					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	-23	-1.2	-3.3	-3	-5
Italy	134	-4.6	-5.1	-4	-31
Portugal	118	-2.6	-12.5	-19	-29
Spain	77	-2.8	-9.6	-5	-31
2-yr sovereign spread vs Germany					
France	10	1.2	0.3	-4	-6
Italy	33	-1.6	-4.4	-7	-4
Portugal	45	1.9	-7.4	-24	-23
Spain	31	0.0	-3.5	9	4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS **					
Brazil	152	2.9	-4	-4	-9
Chile	44	0.8	-1	-3	-5
Colombia	103	1.5	2	7	-2
Mexico	108	3.5	2	4	1
Peru	75	0.4	0	6	4
Poland	46	0.0	0	-3	-2
Russia	107	2.3	4	0	-11
Turkey	169	0.3	1	1	4
China	58	2.7	3	0	7
India	30	1.5	1	1	1
Indonesia	90	4.0	5	6	5
Risk indicators					
Velocity indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	-0.4	-5	-13	3
VSTOXX	17	-1.4	-4	-13	3
EM EFT volatility Index	22	-1.0	-4	-3	6
Dollar Euro volatility	7	0.3	-1	-2	0
EM FX volatility Index	8	0.0	0	-1	0
Credit spread (BAA) (change in bps)	178	2.9	5	18	0
US bonds volatility index	63	-0.2	0	-3	14
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.40	-	2	-3	8
EZ inflation expectations (5Y5Y)	1.70	-	-1	-5	-3
Banking 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	51	0.3	1	5	9
EZ	47	-0.8	-1	7	8
UK	44	-0.6	1	2	3
Large Spanish	42	-1.1	0	7	6
Medium Spanish	69	-0.4	0	6	5
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	147	0.3	1	5	9
EZ Non-financial	64	-0.8	-1	7	8
UK Non-financial	69	-0.3	0	3	6
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.36	0	0	0	1
EURibor 3m	-0.33	0	0	0	0
EURibor 12m	-0.19	0	0	0	-1
Libor 3m	2.06	1	4	26	36
Libor 12m	2.52	1	2	23	41
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
S&P500	2,729	0.1	1.5	3	5
Dow Jones	24,808	0.0	0.8	0	0
Nikkei	21,368	0.5	-1.6	-1	-6
FTSE 100	7,193	0.5	0.2	1	-6
EuroStoxx 50	3,406	0.8	0.2	0	-2
IBEX	9,624	0.3	-1.2	-2	-5
DAX	12,323	0.6	1.1	-1	-4
CAC	5,245	1.1	0.3	2	-1
MB	22,677	0.9	1.0	1	4
ASE Athens	813	1.8	-2.2	-3	-1
MSCI Latam *	90,974	-0.3	0.4	1	6
Ibovespa (Brazil)	84,634	-1.0	-0.9	1	9
Mexbol	47,867	0.4	0.6	-3	-4
MSCI EM Europe *	5,631	-0.1	-1.0	1	5
Poland	2,322	-1.6	-0.6	-4	-6
Mosx (Russia)	2,291	0.0	0.3	2	9
he 100 (Turkey)	116,367	-0.2	-0.9	1	1
MSCI EM Asia *	933	-0.5	-1.3	-3	1
Shanghai Com (China)	3,288	0.5	-0.4	-2	-2
Jakarta (Indonesia)	6,443	-0.9	-2.3	-2	1
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	148.9	-0.7	1.8	2	4
JPM	113.6	-1.0	0.1	1	5
CB	73.3	-0.8	-0.5	-2	-1
BoA	31.9	-0.9	1.3	2	7
MS	56.3	-1.0	3.3	4	8
GS	265.0	-0.4	-2.2	7	4
EZ banks	109.5	0.2	-1.6	-1	0
BNP	62.9	0.7	-2.8	-1	1
Crédit Agricole	13.6	0.1	-2.9	-5	2
Deutsche Bank	13.0	-1.2	0.5	-1	-18
ING	14.4	1.0	-0.6	-5	-6
Intesa	3.0	0.2	-1.4	-2	10
SG	46.0	0.1	-1.3	5	7
Unicredit	17.2	0.0	-1.7	1	9
UK banks	89.5	0.5	-1.2	1	3
HSBC	700.9	0.2	-2.6	-4	-8
RES	263.4	0.9	0.9	-4	-5
Barclays	231.8	0.4	0.2	12	4
Lloyds	67.7	0.6	-0.9	2	0
Large Spanish banks	81.9	0.0	-2.5	-5	-3
Santander	5.5	-0.1	-2.7	-3	0
BBVA	6.6	0.2	-2.2	-6	-6
Medium Spanish banks	77.4	0.5	-2.4	-4	1
CásoBank	3.9	0.1	-2.2	-5	-2
Sabadell	1.7	-0.3	-2.5	-9	-1
Bankinter	8.6	-1.1	-3.8	-2	8
Bankia	3.9	-0.3	-0.3	0	-4
Currencies (% change for currency appreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.23	-0.7	0.5	-0.4	2
GBPUSD	1.30	-0.5	0.4	-0.9	2
USDJPY	106.07	0.0	0.2	3.2	6
DXF	90.00	0.4	-0.4	0.5	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.41	0.0	1.3	-4.2	-11
USD BRL (Brazil)	3.26	-0.6	-0.4	0.9	0
USD CLP (Chile)	606.56	0.6	1.9	-1.2	0
USD COP (Colombia)	2875	-0.3	0.1	-1.6	-2
USD MXN (Mexico)	18.70	0.1	0.8	-0.5	4
USD PEN (Peru)	3.26	-0.1	0.2	-0.3	-1
LACI	63.80	-0.3	0.1	-1.1	0
USD PLN (Poland)	3.41	-0.7	0.0	-1.7	1
USD RUB (Russia)	57.05	-0.4	-0.4	-0.3	1
USD TRY (Turkey)	3.62	0.6	0.4	1.4	-1
USD CNY (China)	6.34	-0.3	0.3	0.8	2
USD INR (India)	65.15	-0.4	0.0	-1.4	-3
USD IDR (Indonesia)	13,616	-0.4	-0.5	-2.0	-2
ADXY	111.1	-0.3	0.1	-0.6	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	63.8	-0.8	0.0	-5	4
WTX	60	-1.1	-0.9	-5	0
Copper	3.06	-1.8	-1.4	-4	-6
Gold	1320	-0.5	0.2	0	0
S&P Spot commodity *	442	-1.5	0.1	-1	0
S&P Brent Spot *	547	-2.3	0.7	-4	-3
S&P Windex Spot *	376	-1.5	-1.4	-3	-4
S&P Agricultural *	306	-1.2	-1.3	7	7

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Source: Bloomberg, Datastream and Haver

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