

Market Comment | Trade worries again hit financial market, triggering safe-haven appetite

Global Financial Markets Unit
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- **The US administration announced plans to impose tariffs on up to \$60bn in annual imports from China.** More than 1,000 products (that will be unveiled within 15 days) could be targeted by tariffs of 25% ([see](#)). Although the US administration granted an exemption from aluminium and steel tariffs to some allies, it might impose import quotas on them (among others, the European Union). 1 May is the deadline for negotiating “satisfactory alternatives.” ([See](#))
- **China responded early Friday with plans to roll out retaliatory tariffs** on \$3 billion worth of U.S. goods, but there may be more to come after these new US measures. A ministry commerce statement on Friday said the higher US tariffs “seriously undermine” the global trading system. “China doesn’t hope to be in a trade war, but is not afraid of engaging in one,” ([see](#))
- **The risk-off mood sharply depressed core yields today** as the market is reading this episode as a potential threat to the global economy. Consequently the **main equity indices dropped severely across the board**, also dragged down during the week by the technological sector fall after the Facebook issue ([see](#)). The cyclical sectors suffered the most. Moreover, volatility increased abruptly (VIX returned above 20 points). The sharp movement early this morning has been moderating as the session goes by. All in all, during the week yields remained almost unchanged in the US and showed a negative trend in Germany.
- In FX markets, **the JPY appreciated against its main peers, while the USD seems not to be acting as a clear safe-haven asset.** The GBP appreciated after Brexit uncertainty declined as **EU agreed Brexit transition** ([see](#)) The EM currencies remain broadly stable in this episode with some exceptions. The TRY underperformed during the week, while MXN appreciated amid positive news regarding NAFTA ([see](#)).
- Central banks meetings - in line with expectations- were overshadowed by trade concerns: **the FOMC increased the Fed funds rate to 1.5%-1.75%.** It increased GDP projection, while inflation was revised only slightly upwards. All in all, the more hawkish projections and even-handed press conference support our baseline projections for three more 25bp increases in 2018. _____ (see). **The Bank of England maintained its stance almost unchanged**([see](#)). It is expected to raise interest rates in upcoming meetings (markets are betting on May).

Table 1

Update 16.00 CET 23 March 2018

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.28	0.2	-1.1	1	-16
US	2.84	1.1	-0.9	-11	37
GER (2-yr)	-0.61	-0.3	-1.6	-10	0
Germany	0.54	1.1	-3.1	-16	7
France	0.77	0.4	-4.4	-22	-5
Spain	1.28	-1.5	-9.8	-32	-42
Italy	1.89	0.4	-9.3	-25	-30
Portugal	1.75	0.3	0.4	25	-26
Greece	4.39	9.6	20.2	6	28
Japan (2-yr)	-0.15	0.4	-0.9	0	-2
Japan	0.02	-1.4	-3.2	2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.44	-0.6	-0.3	-43	-81
Chile	4.50	0.1	-0.7	-6	-2
Colombia	6.74	0.0	4.4	17	30
Mexico	7.50	-1.4	-3.0	-19	-8
Peru	4.51	-0.1	-14.9	-7	-36
Poland	3.29	4.2	3.0	-21	-3
Russia	7.11	-1.9	-12.6	-2	-53
Turkey	12.33	21.0	-7.0	79	97
India	7.56	-0.1	-0.6	-15	17
Indonesia	6.91	11.8	17.5	48	61
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	23	-0.7	-1.3	-3	-5
Italy	135	-0.7	-6.2	-7	-30
Portugal	121	-1.4	2.7	-6	-26
Spain	74	-2.6	-6.7	-14	-34
2-yr sovereign spread vs Germany					
France	13	-0.4	0.9	4	-4
Italy	31	-2.4	-7.0	-3	-6
Portugal	48	1.9	0.5	-10	-20
Spain	30	1.3	-3.4	-3	3
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	166	6.8	21	11	6
Chile	54	3.1	10	7	5
Colombia	110	4.5	14	9	5
Mexico	114	4.1	9	9	7
Peru	85	4.4	14	10	13
Poland	52	4.0	4	3	4
Russia	121	3.6	15	9	3
Turkey	195	4.2	22	27	30
China	66	1.4	9	7	15
India	75	1.6	7	7	6
Indonesia	104	2.1	13	17	19
Risk indicators					
Volatility Indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	23	-0.6	7	13	13
VSTOXX	21	2.2	7	2	7
EM EFT volatility index	27	-0.7	7	4	10
Dolbeurs volatility	7	0.3	0	-2	0
EM FX volatility index	8	0.0	0	-1	0
Credit spread (BAA) (change in bps)	187	-1.1	8	21	10
US bonds volatility index	96	0.2	-3	5	7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)					
US Inflation expectations (5Y5Y)	2.38	-	-1	-5	6
EZ Inflation expectations (5Y5Y)	1.69	-	0	-3	5
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	2.4	7	6	15
EZ	59	3.6	10	11	20
UK	52	2.1	6	9	11
Large Spanish	54	3.7	10	9	18
Medium Spanish	74	2.3	5	6	0
Components by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	161	2.4	7	6	15
EZ Non-financial	69	3.6	10	11	20
UK Non-financial	104	1.2	6	5	12
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.27	0	9	37	58
Libor 12m	2.68	0	6	27	57
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,644	0.0	-3.9	-2	-2
Dow Jones	24,055	0.4	-3.6	-3	-3
Nikkei	20,610	-4.5	-4.9	-6	-9
FTSE 100	6,929	-0.3	-3.3	-5	-9
Euro Stoxx 50	3,310	-1.1	-3.7	-4	-5
BSE	9,394	-1.0	-3.8	-4	-7
DAX	11,943	-1.3	-3.6	-4	-7
CAC	5,107	-1.2	-3.3	-4	-3
MIIB	22,241	-0.4	-2.7	-2	2
ASE Athens	766	-0.1	-3.4	-6	-4
MSO Latam *	90,192	-0.4	-0.5	-2	5
Bovespa Brazil	84,855	-0.5	-0.6	-2	8
Nse100	47,502	0.3	0.1	2	5
MSO EM Europe *	5,573	1.2	0.0	-1	3
Poland	2,258	-0.7	-1.2	-6	-8
Moscow (Russia)	2,285	0.0	-0.4	-2	8
Hse 100 (Turkey)	116,543	-0.5	-0.6	0	-1
MSO EM Asia *	990	-1.1	-1.7	-1	3
Shanghai Com (China)	3,153	-3.4	-2.6	-1	-6
Jakarta (Indonesia)	6,211	-1.6	-1.8	-7	-2
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	110.2	0.2	-4.6	-4	2
CB	70.2	0.2	-4.5	-9	6
BaK	30.5	0.1	-5.1	-4	2
MS	54.4	-0.5	-5.5	-1	4
GS	252.4	-0.1	-9.7	-4	-1
EZ banks					
BNP	59.3	-1.4	-5.1	-9	-5
Credit Agricole	13.2	-1.6	-3.9	-6	-6
Deutsche Bank	11.2	-3.7	-12.6	-17	-10
ING	13.4	-1.5	-6.7	-9	-13
Intesa	2.9	-1.4	-4.3	-5	7
SG	43.4	-1.4	-4.0	-7	-4
Unicredit	16.7	-0.4	-2.9	-5	-6
UK banks					
HSBC	668.5	-1.4	-5.5	-11	-13
RBS	254.3	-1.5	-2.4	-9	-8
Barclays	204.2	-1.4	-2.6	1	0
Lloyds	64.9	-1.7	-3.8	-7	-4
Large Spanish banks					
Santander	77.7	-1.5	-5.1	-9	8
BBVA	5.2	-0.4	-4.6	-8	-5
Caixa	6.3	-2.6	-5.8	-10	-11
Medium Spanish banks					
Cababank	74.9	-0.6	-3.9	-8	-2
Sabadell	3.8	-0.5	-2.1	-6	-4
Bankinter	1.7	0.9	-1.5	-9	-2
Banque	0.2	-1.5	-5.4	-8	4
Banque	3.6	-0.8	-6.2	-10	-10
Currencies (% red for currency depreciation)					
level	Daily	Weekly	Monthly	YTD	
Eurozone					
EURUSD	1.23	0.4	0.5	0.5	2
GBPUSD	1.42	0.5	1.6	1.8	4
USD JPY	105.13	0.1	0.8	2.5	6
DKK	69.60	-0.3	-0.7	-0.4	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.23	0.0	-0.2	-1.6	-10
USD BRL (Brazil)	3.30	0.5	-0.5	-1.0	-1
USD CLP (Chile)	608.19	-0.1	0.0	-2.2	0
USD COP (Colombia)	2852	0.3	0.1	1.1	3
USD MXN (Mexico)	16.54	0.3	0.0	1.6	5
USD PEN (Peru)	3.24	-0.1	0.9	0.4	0
LACI	63.85	0.3	0.1	-0.2	0
USD PLN (Poland)	3.42	0.4	0.4	-0.7	1
USD RUB (Russia)	57.15	0.2	0.6	-0.7	1
USD TRY (Turkey)	3.96	-0.6	-1.0	-4.5	-5
USD CNY (China)	6.32	0.3	0.3	0.4	3
USD INR (India)	65.01	0.1	0.1	0.4	2
USD IDR (Indonesia)	13,782	-0.2	-0.2	-1.2	-2
ADKY	11.14	0.2	0.0	0.3	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	70.0	1.6	5.8	7	5
WTX	65	1.3	4.5	6	8
Copper	301	-0.2	-2.8	-6	-8
Gold	1350	1.6	2.7	2	2
S&P Spot commodity *	450	-0.7	1.3	1	2
S&P Brent Spot *	582	-1.0	3.5	5	3
S&P Metals Spot *	368	-1.1	-1.8	-6	-7
S&P Agricultural **	294	0.3	-1.7	0	-3

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

Fuente: BBVA Research

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
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GER (2-yr)	-0.61	-0.3	-1.6	-10	0
Germany	0.54	1.1	-3.1	-18	7
France	0.77	0.4	-4.4	-22	5
Spain	1.28	-1.5	-9.8	-32	-42
Italy	1.09	0.4	-9.2	-25	-20
Portugal	1.75	-0.3	-0.4	-25	-26
Greece	4.39	9.6	20.2	-6	28
Japan (2-yr)	0.15	0.4	-0.9	0	2
Japan	0.02	-1.4	-3.2	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.44	-0.6	0.3	-43	81
Chile	4.50	0.1	0.7	-6	-2
Colombia	6.74	0.0	4.4	17	30
Mexico	7.50	-1.4	-3.0	-19	-8
Peru	4.51	-0.1	-14.9	-7	-36
Poland	3.28	4.2	3.0	-21	-3
Russia	7.11	-1.9	-12.6	-2	-53
Turkey	12.33	21.0	-7.0	79	97
India	7.56	-0.1	-0.6	-15	17
Indonesia	6.91	11.8	17.5	48	61
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	23	-0.7	-1.3	-3	-5
Italy	135	-0.7	6.2	-7	-30
Portugal	121	-1.4	2.7	6	26
Spain	74	-2.6	-6.7	-14	-34
2-yr sovereign spread vs Germany					
France	13	-0.4	0.9	4	4
Italy	31	-2.4	-7.0	-3	-6
Portugal	48	1.5	0.5	-18	-20
Spain	30	1.3	-3.4	-3	3
Emerging Markets					
5-yr sovereign CDS *					
level	Daily	Weekly	Monthly	YTD	
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Colombia	110	4.5	14	9	5
Mexico	114	4.1	9	9	7
Peru	85	4.4	14	10	13
Poland	52	4.0	4	3	4
Russia	121	3.6	15	9	3
Turkey	195	4.2	22	27	30
China	86	1.4	9	7	15
India	75	1.6	7	7	6
Indonesia	104	2.1	13	17	19
Risk Indicators					
Volatility Indicators (change in pts)					
level	Daily	Weekly	Monthly	YTD	
VIX	23	-0.6	7	3	13
VSTOXX	21	2.2	7	2	7
EM EFT volatility Index	27	-0.7	7	4	10
Dollar/Euro volatility	7	0.3	0	-2	0
EM FX volatility index	8	0.0	0	-1	0
Credit spread (BAA) (change in bps)	187	1.1	8	21	10
US bonds volatility index	56	0.2	-3	-5	7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (515Y)	2.38	-	-	-	8
EZ Inflation expectations (5Y2Y)	1.69	-	0	-3	5
Banking 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	2.4	7	6	15
EZ	59	2.6	10	11	20
UK	52	2.1	8	9	11
Large Spanish	54	3.7	10	9	18
Medium Spanish	74	2.3	5	6	0
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	161	2.4	7	6	15
EZ Non-financial	69	3.6	10	11	20
UK Non-financial	104	1.2	6	5	12
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EOANA Index	-0.37	0	0	0	0
Eurobor 3m	-0.33	0	0	0	0
Eurobor 12m	-0.19	0	0	0	0
Libor 3m	2.27	0	9	37	58
Libor 12m	3.68	0	8	27	57
Stock markets (%)					
Latin indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,644	0.0	-3.9	2	-2
Dow Jones	24,055	0.4	-3.6	-3	-3
Nikkei	20,618	-4.5	-4.9	-6	-9
FTSE 100	6,929	-0.3	-3.3	5	8
EuroStoxx 50	3,310	-1.1	-3.7	-4	-5
IBEX	9,394	-1.0	-3.8	-4	-7
DAX	11,943	-1.3	-3.6	-4	-7
CAC	5,107	-1.2	-3.3	-4	-3
MIB	22,241	-0.7	-2.7	-2	2
ASE Athens	786	-0.1	-3.4	6	4
MSCI Latam *	90,192	-0.4	0.5	2	5
Ibovespa (Brazil)	84,355	-0.5	-0.6	-2	8
Mobor	47,502	0.3	0.1	-2	5
MSCI EM Europe *	5,973	-1.2	0.0	1	3
Poland	2,258	-0.7	-1.2	-6	-8
Moox (Russia)	2,285	0.0	0.4	-2	8
Isr 100 (Turkey)	116,543	-0.5	-0.6	0	-1
MSCI EM Asia *	950	-1.1	-1.7	1	3
Shanghai Com (China)	3,153	-3.4	-3.6	-1	6
Jakarta (Indonesia)	6,211	-1.6	-1.8	-7	-2
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	142.7	-0.2	-5.2	-5	0
JPM	110.2	0.2	-4.6	-4	2
CB	79.2	-0.2	-4.5	9	6
BoA	30.5	-0.1	-5.1	-4	2
MS	54.4	-0.5	-5.5	-1	4
GS	252.4	0.1	-5.7	-4	-1
EZ banks	103.5	-1.6	-5.3	-8	-5
BNP	59.3	-1.4	-5.1	-9	5
Credit Agricole	13.2	-1.6	-3.9	-6	-6
Deutsche Bank	11.2	-3.7	-12.6	-17	-30
ING	13.4	-1.5	-6.7	-9	-13
Intesa	2.9	-1.4	-4.3	-5	7
SG	43.4	-1.7	-4.0	-7	0
Unicredit	16.7	-0.4	-2.9	-5	6
UK banks	85.9	-1.5	-3.8	-7	-7
HBC	688.5	-1.4	-5.5	-11	-13
RBS	254.3	-1.5	-2.4	-8	-8
Barclays	204.2	-1.4	-2.6	1	0
Lloyds	64.9	-1.7	-3.8	-7	4
Large Spanish banks	77.7	-1.5	-5.1	-9	8
Santander	5.2	-0.4	-4.6	-8	5
BBVA	6.3	2.6	-5.6	-10	-11
Medium Spanish banks	74.9	-0.6	-3.9	-8	-2
Casabank	3.8	0.5	-2.1	-6	4
Sabadell	1.7	0.5	-1.5	-9	-2
Bankinter	8.2	1.5	-5.4	-8	4
Banco	3.6	-0.8	-6.2	-10	-10
Currencies (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1.23	0.4	0.5	0.5	2
GBPUSD	1.42	0.5	1.6	1.8	4
USD JPY	105.13	0.1	0.8	2.5	6
USD Y	89.60	-0.3	-0.7	-0.4	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.23	0.0	-0.2	-1.6	-10
USD BRL (Brazil)	3.39	0.5	-0.5	-1.9	-1
USD CUP (Cuba)	608.19	0.1	0.0	-2.2	0
USD COP (Colombia)	2852	0.3	0.1	1.1	3
USD MXN (Mexico)	18.54	0.5	0.8	1.6	5
USD PEN (Peru)	3.24	0.1	0.9	0.4	0
LACI	63.85	0.3	0.1	-0.2	0
USD PLN (Poland)	3.42	0.4	0.4	-0.7	1
USD RUB (Russia)	57.15	0.2	0.6	-0.7	1
USD TRY (Turkey)	3.96	-0.6	-1.0	-4.5	-5
USD CNY (China)	6.32	0.3	0.3	0.4	3
USD INR (India)	65.01	0.1	-0.1	-0.4	-2
USD IDR (Indonesia)	13,782	-0.2	-0.2	-1.2	-2
ADXY	111.4	0.3	0.0	0.3	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	70.0	1.6	5.8	7	5
WTX	65	1.3	4.5	6	8
Copper	391	-0.2	-2.8	6	8
Gold	1350	1.6	2.7	2	2
S&P Spot commodity *	450	-0.7	1.3	1	2
S&P Brent Spot *	582	-1.0	3.5	5	3
S&P Metals Spot *	368	-1.1	-1.8	-6	-7
S&P Agricultural *	294	0.3	-1.7	0	3

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

Fuente: BBVA Research

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