

Market Comment | The euro's appreciation reins in the European equity rebound

Global Financial Markets Unit
26 Mar 2018

- **Trade concerns moderated as authorities are showing their disposition to negotiate.** China is willing to make some concessions. On the US side, the US Treasury secretary said that US is having “very productive conversations with Chinese officials, and that he is “cautiously hopeful” regarding a potential agreement ([see](#))
- Against this backdrop, **volatility receded in financial markets** (although it is still above 20 points) and equity indices recovered some ground across the board from last week's fall ([see](#)). The European indices were slightly dragged down by the euro's strength against the USD. The drop in core yields stopped today in the US and in Germany, but they still remain close to their recent lower bound. Sovereign risk premiums had a mixed performance.
- Spain's risk premium narrowed only slightly, after **S&P upgraded Spain's sovereign credit rating** one notch to A-, with a positive outlook, suggesting the possibility of a further rating increase in coming months ([see](#)). Minor changes in Spanish risk premium hinting at a rating upgrade had already priced-in. On the other hand Italy's risk premium increased on political concerns.
- **The weakness of the USD remains, and it depreciated against its main peers** (mainly EUR, GBP) while the JPY depreciated somewhat as the risk-off mood moderated today. EM currencies also appreciated against the US, favoured by the recent increase in oil prices, which remained hovering around US\$70 per barrel.

Table 1

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Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.27	1.7	-3.7	2	35
US	2.82	1.1	-3.1	-10	36
GER (2-yr)	0.60	0.9	-0.9	-8	1
Germany	0.32	-0.2	-4.5	-18	6
France	0.76	-0.2	-6.0	-22	-7
Spain	1.26	-0.9	-8.1	-34	-43
Italy	1.91	3.5	-5.3	-25	-27
Portugal	1.72	-0.4	-2.5	-31	-29
Greece	4.43	4.6	23.4	5	32
Japan (2-yr)	-0.15	0.1	-0.7	0	-2
Japan	0.02	-1.9	-3.2	-2	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.49	-3.0	0.4	-34	-77
Chile	4.50	0.0	0.1	-6	-2
Colombia	6.72	-1.4	2.9	17	28
Mexico	7.46	-2.0	-7.3	-18	-12
Peru	4.54	-0.1	-7.9	-3	-33
Poland	3.23	-3.0	-4.1	-24	-8
Russia	7.14	3.6	-10.8	0	-49
Turkey	12.42	9.6	-10.0	85	107
India	7.62	6.4	1.4	-13	24
Indonesia	4.86	-2.9	13.2	25	56
Country risk (changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	23	0.1	-1.5	-4	-5
Italy	139	3.8	-0.8	-7	-26
Portugal	119	-0.1	2.0	-13	-28
Spain	74	-0.6	-3.6	-16	-34
2-yr sovereign spread vs Germany					
France	13	-0.8	1.5	3	-4
Italy	33	0.2	1.5	-2	-4
Portugal	47	0.3	0.6	-19	-21
Spain	28	-0.8	-2.9	-5	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	171	5.0	25	16	11
Chile	56	1.6	11	9	7
Colombia	113	3.2	19	11	8
Mexico	117	3.0	12	13	10
Peru	87	2.0	17	12	15
Poland	49	-3.6	0	1	-0
Russia	122	0.9	14	11	4
Turkey	198	3.1	22	32	33
China	68	2.8	12	10	18
India	76	1.0	8	6	7
Indonesia	107	3.1	17	19	22
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	24	-1.0	5	5	14
VST OXX	22	1.0	6	3	9
EM EFT volatility Index	29	-0.5	7	6	13
Dollar/euro volatility	7	0.3	0	-2	0
EM FX volatility index	8	0.1	0	-1	0
Credit spread (BAA)(change in bps)	187	-1.1	7	19	9
US bonds volatility index	56	0.2	-4	-5	7
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.37		-2		5
EZ Inflation expectations (5Y5Y)	1.69		3		-4
Ranking 5y CDS (bps)	level	Daily	Weekly	Monthly	YTD
US	59	2.0	9	8	17
EZ	62	2.4	13	13	22
UK	53	1.1	9	10	13
Large Spanish	57	2.7	15	12	21
Medium Spanish	76	1.7	8	7	2
Corporate 5y CDS (bps)	level	Daily	Weekly	Monthly	YTD
US Non-financial	164	2.0	9	8	17
EZ Non-financial	71	2.4	13	13	22
UK Non-financial	105	1.0	7	5	13
Interbank markets (% changes 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	-1
Libor 3m	2.29	1	9	27	60
Libor 12m	2.67	-1	5	24	56
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,609	0.8	-3.8	-3	-3
Dow Jones	23,834	1.3	-3.2	-5	-4
Nikkei	20,766	0.7	-3.3	-4	-9
FTSE 100	6,886	-0.5	-2.2	-5	-10
Emerging 50	level	Daily	Weekly	Monthly	YTD
Brazil	3,274	-0.7	-3.6	-5	-6
IBEX	9,373	-0.2	-3.0	-5	-7
DAX	11,767	1.0	-3.7	-6	-9
CAC	5,060	-0.7	-3.1	-5	-4
MIB	22,014	-1.2	-2.7	-2	1
ASE Athens	790	0.6	-2.2	-7	-3
MSCI Latam*	89,545	-0.7	-1.0	-3	4
Ibovespa (Brazil)	84,621	0.3	0.8	-2	9
Bovespa	45,968	-1.2	-3.2	-6	-8
MSCI EM Europe*	5,552	0.4	-0.7	-3	3
Poland	2,241	-0.7	-0.4	-7	-9
Micex 10 (Russia)	4,392	1.6	2.1	2	7
Hex 100 (Turkey)	116,420	-0.2	0.3	0	-1
MSCI EM Asia*	927	-2.4	-3.9	-2	1
Shanghai Com (China)	3,134	0.6	-4.4	-4	-6
Jakarta (Indonesia)	6,200	-0.9	-1.7	-2	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	level	Daily	Weekly	Monthly	YTD
JPM	139.7	1.7	-6.2	-6	-2
JPM	109.1	1.9	-4.8	-5	1
Ch	68.6	1.0	-5.7	-10	-8
BoA	29.8	2.1	-6.9	-6	0
MS	53.0	1.8	-6.9	-3	-2
GS	249.9	1.8	-4.8	-4	-2
EZ banks	level	Daily	Weekly	Monthly	YTD
BNP	103.1	-0.7	-4.8	-8	-6
BNP	59.9	-0.6	-4.6	-10	-5
Credit Agricole	13.1	-0.3	-3.6	-7	-6
Deutsche Bank	11.2	-1.1	-10.9	-17	-30
ING	13.4	-0.1	-4.7	-9	-13
Ineos	2.9	-1.1	-3.9	-4	-6
SG	43.3	-0.6	-5.0	-7	0
Unicredit	16.5	-2.3	-3.8	-4	5
UK banks	level	Daily	Weekly	Monthly	YTD
HSBC	665.1	-0.2	-4.4	-9	-13
RBS	258.6	1.6	0.4	-8	-7
Barclays	205.0	0.7	-5.2	-2	1
Lloyds	64.7	-0.1	-3.6	-7	-4
Large Spanish banks	level	Daily	Weekly	Monthly	YTD
Santander	77.7	0.2	-3.7	-9	-8
BBVA	6.3	-0.3	-4.5	-10	-12
Medium Spanish banks	level	Daily	Weekly	Monthly	YTD
Celabank	75.0	0.1	-2.9	-8	-2
Sabadell	3.8	-0.2	-1.2	-5	-4
Sabotell	1.7	-0.1	-0.2	-8	-1
Bankinter	8.3	0.7	-4.6	-9	4
Bankia	2.6	-0.5	-5.5	-11	-11
Currencies (%; red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.24	0.7	0.9	0.9	3
GBP/USD	1.42	0.6	1.5	2.0	5
USD/JPY	104.97	-0.2	1.1	1.7	7
DXY	89.05	-0.4	-0.8	-0.8	-3
Emerging	level	Daily	Weekly	Monthly	YTD
USD/ARS (Argentina)	20.17	0.1	0.2	-1.1	-10
USD/BRL (Brazil)	3.31	0.2	0.6	-1.7	-1
USD/CLP (Chile)	605.52	0.4	0.5	-1.9	0
USD/COP (Colombia)	2,818	0.8	1.3	1.5	4
USD/MXN (Mexico)	18.34	1.0	2.0	1.4	6
USD/PHP (Philippines)	3.22	0.2	1.8	0.9	0
LACI	64.16	0.4	0.5	-0.2	1
USD/PLN (Poland)	3.39	0.8	0.9	-0.1	2
USD/RUB (Russia)	57.36	-0.1	0.7	-1.5	0
USD/TRY (Turkey)	3.96	0.1	1.1	-5.1	-6
USD/CNY (China)	6.27	0.7	0.9	1.3	3
USD/INR (India)	64.87	0.2	0.5	0.3	-2
USD/IDR (Indonesia)	13,729	0.3	0.2	-0.4	2
ADXY	111.7	0.5	0.4	0.6	1
Commodities	level	Daily	Weekly	Monthly	YTD
Brent	70.2	-0.4	6.3	6	5
WTX	66	-0.5	5.7	4	9
Copper	297	0.4	-3.1	-8	-9
Gold	1355	0.6	2.9	2	3
S&P Spot commodity *	455	1.1	3.1	1	3
S&P Brent Spot *	594	2.1	6.1	6	5
S&P Metals Spot *	365	-0.8	-2.3	-7	-7
S&P Agri/Other *	294	0.2	0.7	-1	3

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

Fuente: BBVA Research

Debt markets (10Y, % changes in bp)					
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US (2-yr)	2.27	1.7	-3.7	2	35
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Germany	0.52	-0.2	-4.5	10	6
France	0.76	-0.2	-6.0	-22	-7
Spain	1.26	-0.9	-8.1	-34	-43
Italy	1.91	3.5	-5.3	-25	27
Portugal	1.72	-0.4	-2.5	-31	-29
Greece	4.43	4.6	23.4	5	32
Japan (2-yr)	0.15	0.1	-0.7	0	-2
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level	Daily	Weekly	Monthly	YTD	
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Peru	4.54	-0.1	-7.9	-3	-33
Poland	-3.23	-3.0	-4.1	-24	-8
Russia	7.14	-3.6	-10.8	0	-49
Turkey	12.43	9.0	-10.0	85	107
India	7.62	6.4	1.4	-11	24
Indonesia	6.86	-4.7	13.2	25	56
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	23	0.1	-1.5	-4	-5
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2-yr sovereign spread vs Germany					
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Italy	33	0.2	-1.5	-2	-4
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Spain	28	-0.2	-2.9	5	1
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level	Daily	Weekly	Monthly	YTD	
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Mexico	117	3.0	12	13	10
Peru	87	2.0	17	15	15
Poland	49	-3.6	0	1	0
Russia	122	0.9	14	11	4
Turkey	196	2.1	22	32	23
China	69	2.9	12	10	18
India	76	1.0	8	6	7
Indonesia	107	3.1	17	19	22
Risk indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	24	-1.0	5	5	14
VSTOXX	22	1.0	6	3	9
EM EFT volatility index	29	-0.5	7	6	13
Dollar/euro volatility	7	0.3	0	-2	0
EM FX volatility index	8	0.1	0	-1	0
Credit spread (BAA) (change in bps)	187	-1.1	7	19	9
US bonds volatility index	56	0.2	-4	-5	7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.47	-	-2	6	5
EZ inflation expectations (5Y5Y)	1.69	-	3	-5	-4
Banking CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	59	2.0	9	6	17
EZ	62	2.4	13	13	22
UK	53	1.1	9	10	13
Large Spanish	57	2.7	15	12	21
Medium Spanish	76	1.7	8	7	2
Corporate CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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EZ Non-financial	71	2.4	13	13	22
UK Non-financial	105	1.0	7	5	13
Interbank markets (% changes 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	-1
Libor 3m	2.29	1	9	27	60
Libor 12m	2.67	-1	5	24	56
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,609	0.8	-3.8	-3	-3
Dow Jones	23,834	1.3	-3.2	-5	-4
Nikkei	20,765	0.7	-3.3	-4	9
FTSE 100	6,886	0.5	-2.2	-5	-10
EuroStoxx 50	3,274	-0.7	-3.6	-5	-6
BSE	9,373	-0.2	-3.0	-5	-7
DAX	11,767	-1.0	-3.7	-6	-9
CAC	5,060	-0.7	-3.1	-5	-4
MB	22,014	-1.2	-2.7	-2	1
ASE Athens	790	0.6	-2.2	-7	-3
MSCI Latam *	89,545	-0.7	-1.0	-3	4
Bovespa Brazil	84,021	0.3	0.8	-2	9
Mumbai	45,963	-1.2	-3.2	-6	-8
MSCI EM Europe *	5,552	0.4	-0.7	-3	3
Poland	2,241	-0.7	-0.4	-7	-9
Moscú 10 (Russia)	4,392	-1.6	-2.1	-2	7
Ise 100 (Turkey)	116,420	-0.2	0.8	0	-1
MSCI EM Asia *	927	-2.4	-3.9	-2	1
Shanghai Com (China)	3,134	-0.6	-4.4	-4	6
Jakarta (Indonesia)	6,200	-0.9	-1.7	-7	-2
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	109.1	1.9	-4.8	-5	1
Citi	68.6	1.0	-5.7	-10	-8
BoA	29.8	2.1	-6.9	-6	0
MS	53.0	1.8	-6.9	-3	2
GS	249.9	1.9	-4.8	-4	-2
EZ banks					
BNP	103.1	-0.7	-4.8	-8	-6
BNP	98.9	-0.6	-4.6	-10	-5
Credit Agricole	13.1	-0.3	-3.6	-7	-6
Deutsche Bank	11.2	-1.1	-10.9	-17	-30
ING	13.4	-0.1	-4.7	9	-13
Intesa	2.9	-1.1	-3.9	-4	6
SG	43.3	-0.6	-5.0	-7	0
Unicredit	16.5	2.3	-3.8	-4	5
UK banks					
HSBC	665.1	0.2	-4.4	-9	-13
RBS	258.0	1.6	0.1	-8	-7
Barclays	205.8	0.7	-5.2	-2	1
Lloyds	64.7	-0.1	-3.6	-7	-4
Large Spanish banks					
Santander	77.7	0.2	-3.7	-9	-8
Santander	5.2	0.6	-2.7	-8	-4
BBVA	6.3	0.3	-4.5	-10	-12
Medium Spanish banks					
Cajabank	75.0	0.1	-2.9	-8	-2
Cajabank	3.8	-0.2	-1.2	-5	-4
Sabadell	1.7	-0.1	-0.2	-8	-1
Bankinter	8.3	0.7	-4.6	-9	-4
Banque	3.6	-0.5	-3.5	-11	-11
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.24	0.7	0.9	0.9	3
GBPUSD	1.42	0.8	1.5	2.0	5
USDJPY	104.97	-0.2	1.1	1.7	7
DKX	89.05	-0.4	-0.8	-0.8	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.17	0.1	0.2	-1.1	10
USD BRL (Brazil)	3.31	0.2	-0.6	-1.7	-1
USD CLP (Chile)	605.52	0.4	0.6	-1.9	0
USDCOP (Colombia)	2918	0.8	1.3	1.5	4
USDMXN (Mexico)	18.34	1.0	2.0	1.4	6
USD PEN (Peru)	3.22	0.2	1.6	0.9	0
LACI	64.16	0.4	0.5	-0.2	1
USD PLN (Poland)	3.39	0.8	0.9	-0.1	2
USD RUB (Russia)	57.36	-0.1	0.7	-1.5	0
USDTRY (Turkey)	3.98	0.1	1.1	-5.1	6
USD CNY (China)	6.27	0.7	0.9	1.3	3
USD INR (India)	64.87	0.2	0.5	0.3	-2
USD IDR (Indonesia)	13,730	0.3	0.2	-0.4	-2
ADXY	111.7	0.5	0.4	0.6	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	66	-0.5	5.7	4	9
Copper	297	-0.4	-3.1	-8	-9
Gold	1358	0.6	2.9	2	3
S&P Spot commodity *	455	1.1	3.1	1	3
S&P Brent Spot *	594	2.1	6.1	6	5
S&P Metals Spot *	365	-0.8	-2.3	7	-7
S&P Agricultural *	294	0.2	0.7	-1	3

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

Fuente: BBVA Research

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