

# Market Comment | Global trade talks drove the markets during the week

Global Financial Markets Unit  
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- **Stock markets were wobbly across the board** as major sources of uncertainty continued in the spotlight, especially when it comes to global trade.
- The **US administration gave mixed signals about trade policy**. On the one hand, the **possibility of trade talks** ([see](#)) was raised by US officials. On the other hand, **Trump announced even higher tariffs on imports from China** ([see](#)). China announced potential tariffs on products such as aircraft, soybeans, cars and other related products ([see](#)). Besides, the tech sector rebounded as **Facebook's Zuckerberg's comments reassured** the markets regarding the recent misuse of data ([see](#)).
- Despite temporary market shocks, **stock markets recovered partially as investors may be expecting potential trade talks**. Sovereign bond yields increased during the week, especially in the US and in the European periphery. The VIX index remained hovering around the 20 level, after temporary spikes.
- The **USD recovered some ground**, despite the release of **US employment data which showed a worse than expected figure**, with no increase in salaries and lower job creation than previously estimated ([see](#)). The EUR was weaker amid lower than expected PMI data.
- **Oil prices showed significant volatility** during the week due to the fact that Russian output rose significantly ([see](#)). Meanwhile, emerging currencies showed a marked decline, especially the TRY, RUB and MXN. The **Turkish lira weakened close to record lows amid interest rate worries** ([see](#)).
- **Commodity prices also reacted to the tariffs announcement**, especially soybeans and metals, but the movement eased as the week went by.

BBVA Research suggests the following reading list:

- Trump Wanted a Trade War. Here's What One Looks Like ([see](#))
- A trade war between America and China takes shape ([see](#))

Table 1

Update 18 CET 4 April 2018

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	2.28	-2.0	1.6	3	3	36
US	2.80	-3.2	0.0	8	3	4
GER (2-yr)	0.59	-0.6	1.4	-4	2	2
Germany	0.31	-1.6	1.1	-15	4	
France	0.74	-1.2	2.3	-16	8	
Spain	1.24	1.0	8.0	-29	-45	
Italy	1.80	0.5	1.3	-25	-39	
Portugal	1.70	2.6	8.8	-16	-31	
Greece	4.01	0.7	-30.3	-23	-9	
Japan (2-yr)	0.14	-1.0	0.7	2	-1	
Japan	0.05	-0.3	0.4	0	0	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
Brazil	9.29	4.2	29.4	25	-47	
Chile	4.46	0.0	-2.8	-7	-6	
Colombia	6.47	-1.0	-3.3	-47	3	
Mexico	7.25	-2.4	-7.2	-32	-33	
Peru	4.54	-0.4	0.4	6	-34	
Poland	3.09	-3.1	-8.4	-20	-22	
Russia	7.15	3.3	0.1	-2	-49	
Turkey	12.64	-8.0	52.0	79	128	
India	7.17	4.5	-22.7	-51	-21	
Indonesia	6.64	6.0	-4.0	-7	34	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>1-yr sovereign spread vs Germany</b>						
France	24	0.4	1.2	-1	-5	
Italy	129	2.1	0.2	-10	-36	
Portugal	119	4.2	7.8	-1	-28	
Spain	74	2.6	6.8	-14	-34	
<b>2-yr sovereign spread vs Germany</b>						
France	9	-0.9	-2.3	1	-7	
Italy	26	-0.4	1.5	6	-9	
Portugal	36	0.3	-5.3	-25	-31	
Spain	27	1.0	1.7	-4	0	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
<b>5-yr sovereign CDS *</b>						
Brazil	162	-4.0	-1	13	1	
Chile	48	-1.6	-3	4	-1	
Colombia	101	-2.2	-5	-1	-4	
Mexico	103	-1.3	-5	-1	-4	
Peru	77	-1.7	-4	2	5	
Poland	47	-0.6	-1	1	-1	
Russia	116	-6.8	-7	11	22	
Turkey	194	1.7	2	26	30	
China	61	-1.8	-2	6	11	
India	77	3.4	3	9	6	
Indonesia	100	-2.1	-1	13	14	
Risk Indicators						
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD	
VIX	20	1.4	0	3	11	
VSTOXX	17	0.0	-1	-1	-4	
EM EFT volatility Index	25	0.0	-1	2	9	
Dollar/Euro volatility	6	-0.2	0	-1	0	
EM FX volatility Index	8	-0.1	0	0	0	
Credit spread (BAA) (change in bps)	184	3.3	-1	6	6	
US bonds volatility Index	54	-1.6	-5	-10	5	
Inflation expectations (%)						
level	Daily	Weekly	Monthly	YTD		
US Inflation expectations (5Y5Y)	2.39	-	6	1	7	
EZ Inflation expectations (5Y5Y)	1.68	-	1	3	6	
Emerging 5Y CDS (bps) *						
level	Daily	Weekly	Monthly	YTD		
US	57	0.5	-1	7	15	
EZ	58	-2.7	-2	11	19	
UK	49	-2.1	-1	5	9	
Large Spanish	50	-3.2	-3	7	14	
Medium Spanish	72	-2.2	-2	3	-2	
Corporate 5Y CDS (bps) *						
level	Daily	Weekly	Monthly	YTD		
US Non-financial	0	-0.5	-1	7	15	
EZ Non-financial	0	-2.7	-2	11	19	
UK Non-financial	0	-107.8	-106	-100	-93	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
COXA Index	0.37	0	-2	0	0	
Euribor 3m	0.33	0	0	0	0	
Euribor 12m	0.19	0	0	0	-1	
Libor 3m	2.32	0	1	28	63	
Libor 12m	2.68	0	2	17	57	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,663	0.0	0.8	-2	-1	
Dow Jones	24,345	-0.7	1.0	-2	-2	
Nikkei	21,560	-0.4	0.5	1	-5	
FTSE 100	7,195	-0.1	2.0	1	-6	
EuroStoxx 50	3,409	-0.6	1.4	1	-2	
IBEX	9,707	-0.3	1.1	1	-4	
DAX	12,232	-0.6	1.1	0	5	
CAC	5,263	-0.3	1.8	1	0	
MIIB	22,916	-0.2	2.3	2	5	
ASE Athens	901	0.0	2.6	0	-2	
MSCI Latam *	91,334	1.0	1.3	0	7	
Ibovexa (Brazil)	84,729	-0.6	0.7	-1	9	
Merckel	47,952	0.0	4.0	1	-4	
MSCI EM Europe *	5,558	1.6	1.2	-1	3	
Poland	2,260	0.7	2.2	-4	-8	
Micex 10 (Russia)	4,465	0.1	1.0	0	8	
Isr 100 (Turkey)	114,998	0.0	0.1	-2	2	
MSCI EM Asia *	917	0.7	-0.8	-2	0	
Shanghai Com (China)	3,131	0.0	-1.2	-4	-6	
Jakarta (Indonesia)	6,175	-0.3	-0.2	-5	-3	
Banking sector						
level	Daily	Weekly	Monthly	YTD		
<b>US banks</b>						
JPM	143.2	0.0	2.0	-5	0	
CIT	110.8	-1.0	0.8	-3	-3	
ChF	70.2	0.0	4.0	-5	6	
BoA	30.3	0.0	1.1	-6	1	
MS	54.9	0.0	1.7	-4	5	
GS	255.8	0.0	1.6	-4	0	
<b>EZ banks</b>						
BNP	60.6	-0.8	0.7	-3	-2	
Credit Agricole	13.2	-1.3	0.2	-3	-5	
Deutsche Bank	11.4	-2.2	0.7	-13	-29	
ING	13.7	-0.9	0.2	-4	-10	
Intesa	3.0	-0.5	1.1	-1	8	
SG	44.6	-0.2	0.9	-3	3	
Unicredit	17.3	-0.3	1.8	1	10	
<b>UK banks</b>						
HSBC	87.4	-0.6	1.3	-2	-5	
RBS	664.7	-1.3	0.1	-5	-13	
RBS	261.3	-0.5	1.0	0	-6	
Barclays	210.4	-0.8	1.9	0	4	
Lloyds	66.4	0.3	2.7	-1	-2	
<b>Large Spanish banks</b>						
Santander	79.5	-1.4	0.2	-3	-6	
BBVA	5.4	-0.7	1.2	-2	-2	
Caixa	6.4	-2.1	-0.8	-4	-10	
<b>Medium Spanish banks</b>						
Cakabank	76.3	0.6	0.9	-2	-1	
Sabadell	3.9	-0.4	1.1	1	-1	
Bankinter	1.7	-0.3	0.9	0	0	
Bankia	8.4	-0.8	0.9	-3	-6	
Banque	3.7	-0.9	0.4	-6	-10	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
<b>EURUSD</b>						
EURUSD	1.23	0.3	0.4	-1.1	2	
GBPUSD	1.41	0.5	0.4	1.2	4	
USDJPY	107.16	0.2	-0.8	-1.0	5	
DKK	90.19	-0.3	0.2	0.6	-2	
Emerging						
level	Daily	Weekly	Monthly	YTD		
<b>USDARS (Argentina)</b>						
USDARS (Brazil)	20.21	-0.1	-0.4	0.9	-10	
USD BRL (Brazil)	3.35	-0.1	-1.3	-3.3	-3	
USD CLP (Chile)	694.59	-0.2	-0.1	-0.3	0	
USD COP (Colombia)	2785	0.2	0.3	2.8	5	
USD MXN (Mexico)	18.19	0.1	0.0	2.8	7	
USD PEN (Peru)	3.23	0.0	0.0	0.8	0	
LACI	64.00	0.3	0.5	0.1	1	
USD PLN (Poland)	3.42	0.3	0.0	-0.8	1	
USD RUB (Russia)	57.78	-0.1	-0.8	-1.6	0	
USD TRY (Turkey)	4.69	0.5	2.6	6.1	-7	
USD CNY (China)	6.30	0.0	-0.4	0.3	3	
USD INR (India)	64.98	0.0	0.3	-0.1	-2	
USD IDR (Indonesia)	13,778	-0.1	-0.4	-0.1	-2	
ADXY	111.6	0.0	0.2	0.2	1	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
<b>Brent</b>						
WTI	64	0.1	-2.0	4	5	
Copper	307	0.0	1.7	-1	-6	
Gold	1323	0.5	0.6	1	1	
S&P Spot commodity *	448	0.6	-1.0	2	1	
S&P Brent Spot *	582	0.5	-1.5	6	3	
S&P Metals Spot *	368	0.9	0.5	2	-7	
S&P Agricultural *	298	2.0	0.9	-3	5	

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