

Market Comment | Trade concerns ease while geopolitics return to the spotlight

Global Financial Markets Unit
13 Apr 2018

- **The market's cautious mood moderated during the week** (VIX returned below 20 points) after US-China trade worries eased, especially after Xi Jinping's keynote speech in which he promised a reduction in tariffs ([see](#)). Nonetheless some assets suffered due to geopolitical concerns about the Middle East. No news in minutes of the main Central Banks.
- **In this context, US sovereign bond yields increased from** their recent lower bounds. The short term also reacted to the Fed minutes ([see](#)) which suggested a potential acceleration in the pace of monetary policy normalization. ECB minutes were also released, showing a divergence in the board regarding the inflation outlook ([see](#)) but with muted effect on markets.
- **Peripheral risk premiums in the euro area continued decreasing** - within their lower bound - despite the political outlook in Italy after the recent elections. Markets will also be focused today on Moody's review of Spain's debt rating, which it is expected to revise upwards in line with recent decisions of S&P and DBRS.
- **Ups and downs in EUR/USD parity.** The EUR rose in the first part of the week after the ECB's Nowotny's comments on the ECB's exit strategy ([see](#)) while the Fed's minutes boosted the USD in the last part of the week. The JPY's recent appreciation halted as safe-haven flows eased during the week.
- **Oil prices rose significantly amid uncertainty in the Middle East** ([see](#)) and the announcement of sanctions on Russia. Some EM currencies benefited from the oil price trend (COP and CLP) while others suffered due to idiosyncratic factors: the Russian rouble ([see](#)) and the Turkish lira dropped significantly. On the other hand, the MXN remained in its upper bound due to better prospects in NAFTA negotiations in a week in which **Banxico kept the policy rate unchanged** at 7.5%, in line with expectations.

Table1

Update 16.00 CET 13 April

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.38	1.3	9.5	10	44
US	2.84	0.4	6.6	7	38
GER (2-yr)	-0.58	-0.2	0.9	0	3
Germany	0.53	1.0	2.3	-7	6
France	0.76	0.5	2.0	-8	-7
Spain	1.26	0.3	2.5	-14	-44
Italy	1.81	-0.3	2.5	-20	-37
Portugal	1.88	-2.1	-1.3	-13	-33
Greece	4.10	0.4	0.9	-7	-1
Japan (2-yr)	-0.15	0.2	-1.0	-1	-2
Japan	0.04	-0.8	-1.2	-1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.82	-2.0	4.7	33	-44
Chile	4.41	0.0	-4.8	-11	-11
Colombia	6.42	3.1	-1.9	-32	2
Mexico	7.29	-2.9	2.4	-26	-29
Peru	4.69	0.0	11.7	12	-19
Poland	3.03	1.9	-3.8	-28	-38
Russia	7.55	7.6	39.1	34	-9
Turkey	12.70	0.8	3.0	42	104
India	7.43	-3.9	25.4	-26	4
Indonesia	6.57	2.5	-6.7	-12	27
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	-0.5	-0.8	-1	-6
Italy	129	-1.3	-0.3	-14	-36
Portugal	115	-3.1	-4.1	6	-32
Spain	73	-0.7	-0.3	-15	-35
2-yr sovereign spread vs Germany					
France	9	-1.0	-2.0	-2	-8
Italy	28	-2.1	-2.4	-8	-9
Portugal	39	-1.6	3.9	-25	-18
Spain	24	-0.2	-2.3	-7	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	165	-0.1	3	21	4
Chile	46	0.7	-2	3	-3
Colombia	99	0.0	-2	4	-6
Mexico	103	1.9	0	-1	-4
Peru	73	-0.6	-4	2	1
Poland	48	0.0	1	2	0
Russia	142	-8.4	26	37	24
Turkey	201	-9.4	7	29	37
China	61	-0.3	0	6	18
India	75	-0.1	-3	7	6
Indonesia	101	-0.6	1	13	16
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	18	-0.9	-4	0	8
VST OXX	15	-0.7	-2	-2	2
EM EFT volatility Index	22	0.0	-4	2	6
Dollar/euro volatility	6	-0.1	0	0	-1
EM FX volatility index	8	-0.1	0	1	0
Credit spread (BAA) (change in bps)	175	-0.2	-6	-1	-2
US bonds volatility index	51	1.0	-5	-6	2
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.46	-	6	11	14
EZ Inflation expectations (5Y5Y)	1.68	-	-1	-2	-6
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	55	-1.1	-2	6	13
EZ	55	-2.1	-3	9	16
UK	48	-0.8	-2	6	7
Large Spanish	47	-1.2	-3	8	11
Medium Spanish	70	0.9	-2	3	-5
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	0	-1.1	-2	6	13
EZ Non-financial	0	-2.1	-3	9	16
UK Non-financial	0	-105.0	-106	-98	-93
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.34	0	1	22	65
Libor 12m	2.71	0	1	13	60
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,664	0.0	2.3	-3	-1
Dow Jones	24,503	0.4	2.7	-1	-1
Nikkei	21,779	0.5	1.0	0	-4
FTSE 100	7,271	0.2	1.2	2	-5
Euro Stoxx 50	3,462	0.5	1.6	-2	-1
IBEX	9,836	0.9	1.6	2	-2
DAX	12,504	0.7	2.1	2	-3
CAC	5,333	0.4	1.4	2	1
MIB	23,419	0.5	2.1	4	7
ASE Athens	809	0.4	1.0	-2	-1
MSCI Latam*	91,901	0.2	0.6	0	7
Ibovespa (Brazil)	85,073	0.4	0.3	-1	9
Mexbol	48,793	0.0	1.8	1	-3
MSCI EM Europe*	5,393	1.2	3.0	-5	0
Poland	2,314	0.3	2.4	-1	-6
Micex 10 (Russia)	4,260	0.7	4.2	-4	3
Net 100 (Turkey)	109,815	0.4	4.3	-7	-7
MSCI EM Asia*	936	0.1	2.0	-3	2
Shanghai Com (China)	3,159	-0.7	0.9	-4	-6
Jakarta (Indonesia)	6,270	1.4	1.4	-2	11
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	144.3	0.0	3.5	-4	1
JPM	113.4	0.0	3.9	-1	5
Ch	72.1	0.0	5.1	-2	-3
BofA	30.7	0.0	3.4	-5	3
MS	53.9	0.0	1.5	-6	3
GS	259.6	0.0	3.8	-2	2
EZ banks	108.4	1.5	2.6	1	-1
BNP	62.1	1.5	2.6	1	0
Credit Agricole	33.5	1.6	2.3	0	-3
Deutsche Bank	11.9	2.2	5.0	-6	-25
ING	14.3	1.5	4.0	2	-7
Intesa	3.1	1.8	3.6	4	13
SG	44.8	1.4	0.7	0	4
Unicredit	17.4	0.9	0.7	5	11
UK banks	50.1	0.8	3.3	2	2
HSBC	687.6	0.9	3.4	0	-10
RBS	267.3	1.0	2.4	4	-4
Barclays	217.0	0.8	4.0	5	7
Lloyds	68.5	0.5	3.3	3	1
Large Spanish banks	81.0	2.4	2.3	0	-4
Santander	5.5	2.3	2.4	2	0
BBVA	6.5	2.5	2.2	-1	-8
Medium Spanish banks	78.4	1.0	3.5	2	2
Celabank	-4.0	1.7	3.5	-4	1
Sabotef	1.8	-0.3	6.8	7	6
Bankinter	8.6	1.9	2.6	-1	8
Banque	2.7	0.4	1.9	-2	8
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EUR/USD	1.23	0.0	0.4	-0.4	2
GBP/USD	1.43	0.2	1.2	2.1	5
USD/JPY	107.67	-0.3	-0.7	-1.3	4
DX	89.84	0.1	-0.3	0.2	-7
Emerging	level	Daily	Weekly	Monthly	YTD
USD/ARS (Argentina)	20.22	0.0	-0.2	0.1	-10
USD/BRL (Brazil)	3.41	0.1	-1.1	-4.5	-4
USD/CLP (Chile)	594.74	0.3	1.7	1.1	2
USD/COP (Colombia)	2,688	0.7	3.8	5.5	8
USD/MXN (Mexico)	18.10	0.5	1.0	2.6	7
USD/PHP (Peru)	3.23	0.0	0.4	0.9	0
USD/PLN (Poland)	64.12	0.4	0.4	0.1	1
USD/PLN (Poland)	3.38	0.2	1.0	0.4	2
USD/RUB (Russia)	62.02	-0.1	-6.7	-8.9	-8
USD/TRY (Turkey)	4.98	0.4	-1.2	-5.5	-9
USD/CNY (China)	6.28	0.2	0.4	0.6	3
USD/INR (India)	65.22	0.1	-0.4	-0.6	-3
USD/IDR (Indonesia)	13,755	0.2	0.2	-0.2	2
ADXY	111.8	0.1	0.3	0.1	2
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	72.2	0.3	7.6	11	8
WTX	67	0.2	8.3	10	11
Copper	3.06	0.0	0.2	-3	-6
Gold	1341	0.5	0.6	1	2
S&P Spot commodity*	467	0.0	5.2	6	5
S&P Brent Spot*	698	-0.3	6.5	10	7
S&P Metals Spot*	386	-0.3	4.7	2	2
S&P Agri/Other*	307	0.3	2.4	1	8

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

Fuente: BBVA Research

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France	0.76	0.5	2.0	-8	-7
Spain	1.26	0.3	2.5	-14	-44
Italy	1.81	-0.3	2.5	-20	-37
Portugal	1.68	-2.1	-1.3	-13	-33
Greece	4.10	8.4	8.9	-7	-1
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Poland	-3.03	1.9	3.8	-38	-28
Russia	7.55	7.6	39.1	34	-9
Turkey	12.70	8.0	3.0	42	134
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Country risk (bp, changes in bp)					
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Peru	73	-0.6	-4	2	1
Poland	48	0.0	1	3	0
Russia	142	-8.4	26	37	24
Turkey	201	-9.4	7	29	-37
China	61	-0.3	0	6	10
India	75	-0.1	-3	7	6
Indonesia	101	-0.6	1	13	16
Risk Indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	18	-0.9	-4	0	8
VSTOXX	15	-0.7	-2	-2	2
EM EFT volatility Index	22	0.0	-4	2	6
Dollar/euro volatility	6	-0.1	0	0	-1
EM FX volatility index	8	-0.1	0	1	0
Credit spread (BAA) (change in bps)	175	-0.2	-8	-4	-2
US bonds volatility index	51	1.0	-5	-6	2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.46	-	6	11	14
EZ inflation expectations (5Y5Y)	1.68	-	-1	-2	-6
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	55	1.5	-2	9	13
EZ	55	-2.1	-3	9	16
UK	48	0.8	-2	6	7
Large Spanish	47	1.2	-3	8	11
Medium Spanish	70	0.9	-2	3	-5
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	0	-1.1	-2	6	13
EZ Non-financial	0	-2.1	-3	9	16
UK Non-financial	0	-105.0	-106	-98	-93
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	0	1
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.34	0	1	22	65
Libor 12m	2.71	0	1	13	60
Stock markets (%)					
Main Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,664	0.0	2.3	-3	-1
Dow Jones	24,583	0.4	2.7	-1	-1
Nikkei	21,779	0.5	1.0	0	-4
FTSE 100	7,271	0.2	1.2	2	-5
EuroStoxx 50	3,462	0.5	1.6	2	-1
IBEX	9,636	0.8	1.6	2	-2
DAX	12,504	0.7	2.1	2	-3
CAC	5,333	0.4	1.4	2	1
MI8	23,419	0.5	2.1	4	7
ASE Athens	809	0.4	1.0	-2	-1
MSCI Latam *	91,901	0.2	0.6	0	7
Bovespa (Brazil)	85,023	-0.4	0.3	-1	9
Merval	46,783	0.0	1.8	1	-3
MSCI EM Europe *	5,393	1.2	-3.0	-5	0
Poland	2,314	0.3	2.4	-1	-6
Mosc 10 (Russia)	4,260	0.7	-4.2	-4	3
Ise 100 (Turkey)	109,815	-0.4	-4.3	-7	-7
MSCI EM Asia *	9,336	-0.3	2.0	-3	2
Shanghai Com (China)	3,159	-0.7	0.9	4	6
Jakarta (Indonesia)	6,270	-1.4	1.4	-2	-1
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	144.3	0.0	3.5	-4	1
Citi	113.4	0.0	3.9	-1	5
BoA	72.1	0.0	5.1	-2	-3
MS	30.7	0.0	3.4	-5	3
GS	59.9	0.0	1.5	6	3
Wells Fargo	259.6	0.0	3.8	-2	2
JP Morgan Chase	108.4	1.5	2.6	1	-1
BNP	62.1	1.5	2.6	1	0
Crédit Agricole	13.5	1.6	2.3	0	-3
Deutsche Bank	11.9	2.2	5.0	-6	-25
ING	14.3	1.5	4.0	2	-7
Intesa	3.1	1.8	3.6	4	13
SG	44.8	1.4	0.7	0	4
Unicredit	17.4	0.8	0.7	5	11
UK banks					
HSBC	90.1	0.8	3.3	2	-2
RBS	68.7	0.9	3.4	0	-10
Barclays	267.3	1.0	2.4	4	-4
Lloyds	217.9	0.9	4.0	5	7
Large Spanish banks	68.5	0.5	3.3	3	1
Santander	81.0	2.4	2.3	0	4
BBVA	5.9	2.3	2.4	2	0
Medium Spanish banks	6.5	2.5	2.2	-1	-8
Cáritas	78.4	1.0	3.5	2	2
Sabadell	4.0	1.7	3.5	8	11
Bankia	1.8	-0.3	6.8	7	6
Bankinter	8.6	1.9	2.6	-1	8
Banque	3.7	0.4	1.9	-2	-8
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Developed					
EURUSD	1.23	0.0	0.4	-0.4	2
GBPUSD	1.43	0.2	1.2	-2.1	5
USDJPY	107.67	-0.3	-0.7	-1.3	4
DX1	89.84	0.1	-0.3	0.2	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.22	0.0	-0.2	0.1	10
USDBRL (Brazil)	3.41	0.1	-1.1	-4.5	-4
USDCUP (Cuba)	594.74	0.3	1.7	1.1	2
USDCOP (Colombia)	2988	0.7	3.8	5.5	8
USDMXN (Mexico)	18.10	0.5	1.0	2.6	7
USDPEN (Peru)	3.23	0.0	0.4	0.9	0
LACI	64.12	0.4	0.4	0.1	1
USDPLN (Poland)	3.38	0.2	1.0	0.4	2
USD RUB (Russia)	62.02	-0.1	-6.7	-8.5	-8
USDTRY (Turkey)	4.08	0.4	1.2	-5.5	-9
USD CNY (China)	6.28	0.2	0.4	0.6	3
USDINR (India)	65.22	0.1	-0.4	-0.6	-3
USDIDR (Indonesia)	13,755	0.2	0.2	-0.2	2
ADX1	111.8	0.1	0.3	0.1	2
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	67	0.2	8.3	10	11
Copper	3.06	0.0	0.2	-3	-6
Gold	1341	0.5	0.6	1	2
S&P Spot commodity *	467	0.0	5.2	6	5
S&P Brent Spot *	608	-0.3	6.5	10	7
S&P Metals Spot *	356	-0.3	4.7	2	2
S&P Agricultural *	307	0.3	2.4	1	8

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Fuente: BBVA Research

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