

Market Comment | US yields at their highest in a month, favoured by inflation expectations

Global Financial Markets Unit
19 Apr 2018

- **Core interest rates continued to increase today and US treasuries rose to their highest level in one month.** Increasing inflation expectations favoured by the rally in oil prices were a key factor in this movement. The recent moderation of global concerns also eased some pressure on core sovereign yields and increased the market's expectations of four hikes during 2018. In this context, peripheral sovereign yields also went up, but with constant premiums relative to the Bund.
- **The recent positive mood in equity markets faded today after two days rising,** amid mixed earnings reports. The increasing yields and the warning from the Fed's Brainard about asset valuations ([see](#)) may also have weighed on their performance. Nonetheless, the positive trend in oil prices supported some related equities.
- **The oil price rally persisted today and drove it above US\$74** per barrel ahead of the meeting among the main producers ([see](#)). Other commodities also increased, but to a lesser extent ([see](#)). This was not enough to fuel further appreciation of EM currencies, which dropped across the board. The main developed currencies remained stable today.

Table 1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.44	0.6	0.3	9	52
US	2.92	5.2	8.9	3	46
GER (2-yr)	0.56	1.3	2.2	3	5
Germany	0.60	6.8	8.3	7	13
France	0.82	7.0	6.8	-1	0
Spain	1.28	6.7	3.0	-2	-41
Italy	1.76	6.4	-3.3	-12	40
Portugal	1.66	4.8	-4.3	-7	-35
Greece	4.04	4.2	2.9	-15	-7
Japan (2-yr)	-0.14	1.1	1.6	2	0
Japan	0.04	0.6	0.0	-5	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.75	1.8	-5.5	21	-51
Chile	4.38	0.0	-2.8	-12	-13
Colombia	6.39	-1.3	0.4	-11	-5
Mexico	7.41	4.8	8.3	-15	-16
Peru	4.81	-1.4	12.0	23	-7
Poland	3.05	2.8	3.7	-28	-26
Russia	7.36	-4.9	-11.9	16	-28
Turkey	12.25	-9.0	-27.0	-3	69
India	7.63	9.6	16.3	1	25
Indonesia	4.69	4.7	9.3	-5	39
Country risk (change in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	22	0.1	-1.7	-2	-7
Italy	118	-0.5	-11.8	-13	-47
Portugal	106	-2.3	-12.8	-9	-42
Spain	68	-0.2	-5.5	-4	-39
2-yr sovereign spread vs Germany					
France	8	-1.1	-1.7	-4	-8
Italy	25	-0.8	-5.1	-6	-12
Portugal	36	1.1	-4.8	-26	-32
Spain	25	0.8	0.3	-4	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	164	-1.8	-1	12	3
Chile	46	-0.7	1	0	-3
Colombia	97	-2.1	-2	-3	-8
Mexico	103	-1.6	2	-4	-4
Peru	69	-2.6	-4	-4	-3
Poland	48	0.7	0	-3	0
Russia	137	-4.2	-14	26	19
Turkey	194	-10.4	-17	13	29
China	59	0.1	-3	1	-2
India	73	-1.0	-2	6	4
Indonesia	96	0.2	-5	4	11
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	16	0.9	-2	-2	7
VST OXX	14	0.7	-2	-2	0
EM EFT volatility Index	19	0.5	-4	-4	2
Dollar/euro volatility	6	-0.1	0	-1	-1
EM FX volatility index	8	-0.1	0	0	0
Credit spread (BAA)(change in bps)	171	-2.2	-6	-6	-7
US bonds volatility index	50	1.7	-1	-8	1
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.47		2	1	15
EZ Inflation expectations (5Y5Y)	1.69		3	1	-5
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	52	1.1	-5	1	19
EZ	51	0.8	-6	1	12
UK	45	1.3	-4	-1	4
Large Spanish	43	0.8	-5	-1	7
Medium Spanish	67	1.2	-2	-1	-8
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	154	-1.1	-5	1	9
EZ Non-financial	95	0.8	-6	1	12
UK Non-financial	102	-0.2	-3	4	9
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	0
Libor 3m	2.36	0	2	14	66
Libor 12m	2.75	0	4	11	64
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,692	-0.6	1.0	0.9	0
Dow Jones	24,822	-0.5	0.6	0.4	-1
Nikkei	22,191	0.1	2.5	3.8	-3
FTSE 100	7,329	0.2	1.0	3.8	-4
Emerging 50	level	Daily	Weekly	Monthly	YTD
Brazil	3,487	-0.1	1.2	2.2	0
IBEX	9,868	0.1	1.2	1.9	-2
DAX	12,567	0.2	1.2	2.1	-2
CAC	5,392	0.2	1.6	2.7	-2
MIB	23,792	0.1	2.1	4.4	9
ASE Athens	849	0.8	5.3	5.4	4
MSCI Latam*	92,301	1.4	0.6	2.8	8
Ibovespa (Brazil)	85,574	0.2	0.2	1.7	10
Mexbol	48,851	0.5	0.1	3.8	-2
MSCI EM Europe*	5,476	2.0	2.7	1.0	2
Poland	2,325	0.4	0.8	2.3	-6
Micex 10 (Russia)	4,369	0.4	1.8	2.6	6
Ind 100 (Turkey)	112,122	0.0	1.7	3.7	-5
MSCI EM Asia*	931	0.7	-0.7	2.9	1
Shanghai Com (China)	3,117	0.8	2.0	-5.3	-7
Jakarta (Indonesia)	6,356	1.1	-0.1	1.1	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	level	Daily	Weekly	Monthly	YTD
JPM	111.0	1.6	2.1	-3.1	3
Ch	20.5	2.1	-2.3	-3.4	5
BofA	30.1	1.9	-1.8	-5.9	1
MS	54.4	2.1	1.0	-5.4	4
GS	255.6	0.6	-1.5	-2.9	0
EZ banks	level	Daily	Weekly	Monthly	YTD
BNP	108.7	0.4	1.8	0.1	-1
BP	62.6	0.6	2.2	1.6	1
Credit Agricole	13.5	0.4	1.2	-1.3	-3
Deutsche Bank	11.7	-0.3	0.2	-7.7	-27
ING	14.2	0.3	0.9	0.5	-7
Intesa	3.1	0.0	2.0	1.7	13
SG	45.3	0.7	2.4	0.4	5
Unicredit	17.9	0.6	3.6	3.7	14
UK banks	level	Daily	Weekly	Monthly	YTD
HSBC	690.7	2.1	1.3	-1.2	-10
RBS	272.2	0.4	2.8	3.3	-2
Barclay	214.2	0.1	-0.8	-0.8	5
Lloyds	66.1	-2.3	-3.0	-2.6	-2
Large Spanish banks	level	Daily	Weekly	Monthly	YTD
Santander	81.5	0.5	3.0	0.6	-4
BBVA	6.5	0.4	3.0	-1.2	-8
Medium Spanish banks	level	Daily	Weekly	Monthly	YTD
Celabank	78.2	1.4	0.8	0.4	2
Sabadell	4.0	0.2	2.0	2.2	1
Santitas	1.7	1.2	-2.9	2.2	3
Bankinter	8.7	1.9	3.5	0.3	9
Bankia	2.7	2.2	-0.9	-3.5	9
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.23	-0.3	0.1	0.8	2
GBP/USD	1.42	-0.1	0.3	1.4	4
USD/JPY	107.44	-0.2	-0.1	-0.9	4
DX	89.87	0.3	0.1	-0.6	-7
Emerging	level	Daily	Weekly	Monthly	YTD
USD/ARS (Argentina)	20.16	-0.2	0.2	0.5	-10
USD/BRL (Brazil)	3.40	-0.7	0.2	-2.8	-4
USD/CLP (Chile)	595.22	-0.1	0.3	2.5	-2
USD/COP (Colombia)	2726	-0.6	-0.7	5.0	7
USD/MXN (Mexico)	18.34	-1.4	0.8	2.3	6
USD/PER (Peru)	3.22	-0.3	0.2	1.4	0
LACI	63.82	-0.7	-0.1	0.6	0
USD/PLN (Poland)	3.38	-0.4	0.3	2.2	2
USD/RUB (Russia)	60.96	-0.2	1.6	-5.9	-6
USDTRY (Turkey)	4.65	-0.8	1.6	-2.8	-7
USD/CNY (China)	6.28	-0.1	0.2	0.9	3
USD/INR (India)	65.80	-0.2	-0.6	-0.9	-4
USD/IDR (Indonesia)	13,785	-0.1	-0.1	-0.3	-2
ADXY	111.5	-0.2	0.1	0.3	1
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	level	Daily	Weekly	Monthly	YTD
Brent	74.4	1.2	3.2	10	12
WTX	69	0.7	2.8	9	14
Copper	312	-1.1	2.0	3	4
Gold	1342	-0.5	0.6	2	2
S&P Spot commodity*	475	2.1	1.7	6	7
S&P Brent Spot*	620	2.6	2.0	9	9
S&P Metals Spot*	408	3.8	5.8	10	4
S&P Agri/Other*	303	0.7	-1.4	3	6

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

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Greece	4.04	4.2	2.0	-15	-7
Japan (2-yr)	0.14	1.1	1.6	2	0
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.75	1.8	-5.5	21	51
Chile	4.38	0.0	-2.8	-12	-13
Colombia	6.39	-0.3	0.4	-31	-5
Mexico	7.41	4.6	9.3	-15	-16
Peru	4.81	-1.4	12.0	23	-7
Poland	-3.05	2.8	3.7	-28	-26
Russia	7.36	-4.9	-11.9	16	-28
Turkey	12.25	-9.0	37.0	-3	89
India	7.63	9.6	16.1	1	25
Indonesia	6.69	4.7	9.3	-5	39
Country risk (bp, changes in bp)					
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Peru	69	-2.6	-4	-1	-3
Poland	48	0.7	0	-1	0
Russia	137	-4.2	-14	26	19
Turkey	194	-10.4	-17	13	29
China	59	0.1	-3	1	8
India	73	-1.0	-2	6	4
Indonesia	86	0.2	-5	4	11
Risk indicators					
Volatility indicators (change in bp)					
level	Daily	Weekly	Monthly	YTD	
VIX	16	0.9	-2	-2	7
VSTOXX	14	0.7	-2	-2	0
EM EFT volatility Index	19	0.5	-4	-4	2
Dollar/euro volatility	6	0.1	0	-1	-1
EM FX volatility index	8	-0.1	0	0	0
Credit spread (BAA) (change in bps)	171	-5.2	-6	-8	-7
US bonds volatility index	50	1.7	-1	-8	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.47	-	2	-	15
EZ Inflation expectations (5Y5Y)	1.69	-	3	1	-5
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	52	1.5	-5	1	9
EZ	51	0.8	-6	1	12
UK	45	1.3	-4	-1	4
Large Spanish	43	0.8	-5	-1	7
Medium Spanish	67	1.2	-2	-1	8
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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UK Non-financial	102	-0.2	-3	4	9
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	0
Libor 3m	2.36	0	-2	14	66
Libor 12m	2.75	0	4	11	64
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,692	-0.6	1.0	-0.9	0
Dow Jones	24,622	-0.5	0.6	-0.4	-1
Nikkei	22,191	0.1	2.5	3.8	-3
FTSE 100	7,329	0.2	1.0	3.8	4
EuroStoxx 50	3,487	-0.1	1.2	2.2	0
BSE	9,668	0.1	1.2	1.9	2
DAX	12,567	0.2	1.2	2.1	2
CAC	5,392	0.2	1.6	2.7	2
MI8	23,792	0.1	2.1	4.4	9
ASE Athens	849	0.8	5.3	5.4	4
MSCI Latam *	92,301	1.4	0.6	2.8	8
Bovespa (Brazil)	85,374	-0.2	0.2	1.7	10
Mumbai	46,851	-0.5	0.1	3.8	2
MSCI EM Europe *	5,476	2.0	2.7	-1.0	2
Poland	2,325	0.4	0.8	2.3	6
Moscow 10 (Russia)	4,389	0.4	1.8	-2.6	6
Ise 100 (Turkey)	112,122	0.0	1.7	-3.7	5
MSCI EM Asia *	931	0.7	-0.7	-2.9	1
Shanghai Com (China)	3,117	0.8	2.0	-5.3	7
Jakarta (Indonesia)	6,356	1.1	-0.1	1.1	0
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	142.6	1.7	-12	-4.5	0
JPM	111.0	1.6	-2.1	-3.1	3
BoA	30.1	1.9	-1.8	-5.9	1
MS	54.4	2.1	1.0	-5.4	4
GS	255.6	0.6	-1.5	-2.9	0
EZ banks	108.7	0.4	1.8	0.1	-1
BNP	62.6	0.6	2.2	1.6	1
Credit Agricole	13.5	0.4	1.2	-1.3	-3
Deutsche Bank	11.7	-0.3	0.2	-7.7	-27
ING	14.2	0.3	0.9	0.5	7
Intesa	3.1	0.0	2.0	1.7	13
SG	45.3	0.7	2.4	-0.4	5
Unicredit	17.9	0.6	3.6	3.7	14
UK banks	89.4	0.2	0.0	-0.6	-3
HSBC	690.7	2.1	1.3	-1.2	-10
RBS	272.2	0.4	2.8	3.3	-2
Barclays	214.2	0.1	-0.8	-0.8	5
Lloyds	66.1	-2.3	-3.0	-2.6	-2
Large Spanish banks	81.5	0.5	3.0	0.6	4
Santander	5.9	0.7	3.0	2.6	1
BBVA	6.5	0.4	3.0	-1.2	8
Medium Spanish banks	78.2	1.4	0.8	0.4	2
Cadbank	4.0	0.2	2.0	2.2	1
Sabadell	1.7	1.2	-2.9	2.2	3
Bankinter	8.7	1.9	3.5	0.3	9
Banque	3.7	2.2	-0.9	-3.5	9
Commodities (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1.23	-0.3	0.1	0.8	2
GBPUSD	1.42	0.1	0.3	1.4	4
USD/JPY	107.44	-0.2	-0.1	-0.9	4
DKX	89.87	0.3	0.1	-0.6	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.16	-0.2	0.2	0.5	10
USD BRL (Brazil)	3.40	-0.7	0.2	-2.8	-4
USD CLP (Chile)	595.22	-0.1	0.3	2.5	2
USD COP (Colombia)	2726	0.6	0.7	0.0	7
USD MXN (Mexico)	18.34	-1.4	-0.8	-2.3	6
USD PEN (Peru)	3.22	-0.3	0.2	1.4	0
LACI	63.82	-0.7	-0.1	0.6	0
USD PLN (Poland)	3.38	-0.4	0.3	2.2	2
USD RUB (Russia)	60.96	-0.2	1.6	-5.9	-6
USD TRY (Turkey)	4.05	-0.9	1.6	-2.8	-7
USD CNY (China)	6.28	-0.1	0.2	0.9	3
USD INR (India)	65.80	-0.2	-0.8	-0.9	-4
USD IDR (Indonesia)	13,785	0.1	-0.1	-0.3	-2
ADXY	111.5	-0.2	-0.1	0.3	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	74.4	1.2	3.2	10	12
WTX	69	0.7	2.8	9	14
Copper	312	-1.1	2.0	3	-4
Gold	1342	-0.8	0.6	2	2
S&P Spot commodity *	475	2.1	1.7	6	7
S&P Brent Spot *	620	2.6	2.0	9	9
S&P Metals Spot *	408	3.8	5.8	10	4
S&P Agricultural *	303	0.7	-1.4	3	6

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Source: Bloomberg, Datastream and Haver

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