

# Market Comment | Positive mood in markets: core yields and equity rise this week

Global Financial Markets Unit  
20 Apr 2018

- Positive mood in equity markets during the week, favoured by positive **US earnings** and decreasing global concerns (geopolitical and protectionism worries). In this context **equity volatility returned to hover around 15 points** and main equity indices registered gains during the week.
- **Oil prices stand close to their highest in three years** amid the expectation of an extension of the agreement between main powers to eliminate the oil glut ([see](#)). This fact boosted commodity related stocks as well as the inflation expectations, that benefited from the increase in oil prices, and other commodities (mainly metals).
- This movement is consistent with **increasing sovereign yields in main core countries** such as the US (at their highest level in one month, and progressively converging to 3% in the 10Y tenor) and in the EZ also supported by fading safe-haven flows. European risk premiums continued narrowing as they increased at a slower pace than the German Bund. Peripherals are taking advantage of the expected upgrade of Spain's sovereign rating by Moody's and the muted effect of political noise in Italy.
- **China's GDP growth** was also supportive. It reached 6.8% y/y, in line with the previous reading and the market expectation, ([see](#)). In this context of robust but moderating growth, the PBoC also decided to cut the reserve requirement ratio for banks but emphasized that it continued in a "prudent" monetary stance ([see](#)).
- Surprisingly low inflation in the UK, ([see](#)) decreased odds for an accelerated process of tightening in key rates. **This trend was reinforced today as Carney showed a very dovish tone**([see](#)). In this context, the GBP depreciated against its main peers. In the EZ, the final data on inflation also surprised downwards, but with muted impact on financial markets ([see](#)).
- The EURUSD remained broadly stable during the week while EM currencies do not benefited from increasing commodity prices. The TRY rose notably after **Turkey's government call for snap election** in June (from November 2019) ([see](#)) while RUB also was one of the winners this week as it recovered some ground after last week's sharp depreciation

Table1

Update 16.30 CET 20 April

Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.44	1.7	0.9	1.1	5.3
US	2.94	2.6	10.9	5	4.7
GER (2-yr)	-0.56	-0.2	2.5	3	5
Germany	0.60	0.1	9.0	1	1.3
France	0.82	-0.1	7.7	-1	-1
Spain	1.29	0.8	5.4	-4	-4.0
Italy	1.79	1.2	0.4	-14	-3.9
Portugal	1.67	1.1	1.3	9	-3.4
Greece	4.06	2.0	5.2	-16	-5
Japan (2-yr)	-0.13	1.1	2.5	3	1
Japan	0.06	2.2	1.2	3	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.76	1.1	-14.6	33	-5.0
Chile	4.38	0.1	-3.2	-12	-1.3
Colombia	6.45	6.0	3.9	-25	1
Mexico	7.49	5.4	14.9	6	-9
Peru	4.78	0.9	9.4	18	-9
Poland	3.09	3.8	5.9	-29	-2.3
Russia	7.37	1.8	-17.3	21	-26
Turkey	12.25	0.6	-47.0	8	69
India	7.68	4.7	24.8	9	29
Indonesia	6.80	11.4	23.2	3	5.0
Country risk (change in bp)	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	22	-0.2	-1.3	-2	-7
Italy	119	1.1	-9.4	-15	-46
Portugal	107	1.0	-7.7	-10	-41
Spain	69	0.7	-3.6	-5	-3.9
2-yr sovereign spread vs Germany					
France	8	0.0	-1.4	-4	-8
Italy	24	-0.5	-4.6	-9	-13
Portugal	41	4.7	2.3	-28	-27
Spain	25	0.3	0.1	-4	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	166	2.8	2	3	6
Chile	47	0.9	1	-4	-2
Colombia	99	2.5	0	-9	-6
Mexico	106	3.0	3	-10	-1
Peru	71	1.3	-2	-11	-1
Poland	48	-0.2	0	0	0
Russia	135	-1.8	-7	13	17
Turkey	195	1.4	-6	0	30
China	59	0.4	-2	-6	-9
India	73	-0.1	-2	-2	4
Indonesia	98	1.7	-3	-4	1.3
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	16	-0.2	-2	-2	6
VST OXX	14	-0.2	-2	-1	0
EM EFT volatility Index	19	0.0	-3	-3	2
Dollar/euro volatility	6	0.1	0	0	0
EM FX volatility index	8	0.0	0	0	0
Credit spread (BAA) (change in bps)	169	2.6	-9	-13	-8
US bonds volatility index	51	1.1	0	-5	2
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.47		2	11	15
EZ Inflation expectations (5Y5Y)	1.68		1	-1	-6
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	53	1.7	-2	-1	11
EZ	51	0.5	-4	-3	12
UK	45	-0.1	-3	-5	4
Large Spanish	45	1.2	-2	-5	9
Medium Spanish	69	1.7	-1	-1	-6
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	156	1.7	-2	-1	11
EZ Non-financial	66	0.6	-4	-3	12
UK Non-financial	103	1.0	-2	0	10
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	1	11	66
Libor 12m	2.75	0	3	10	64
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,694	0.0	1.4	0.7	0
Dow Jones	24,613	-0.2	1.9	0.3	-1
Nikkei	22,162	-0.1	1.8	3.7	-3
FTSE 100	7,353	0.3	1.2	4.5	-4
Euro Stoxx 50	3,494	0.2	1.3	2.7	0
IBEX	9,886	0.2	1.2	2.6	-2
DAX	12,544	0.2	0.8	1.9	-3
CAC	5,404	0.2	1.2	3.1	-2
MIB	23,840	0.2	2.2	4.5	9
ASE Athens	847	-0.2	4.4	5.9	3
MSCI Latam*	92,207	-0.1	0.3	2.6	8
Ibovespa (Brazil)	85,541	-0.3	1.4	0.7	10
Moex	48,745	0.0	0.0	2.6	-3
MSCI EM Europe*	5,467	-0.2	1.4	-1.8	-2
Poland	2,325	0.0	0.6	0.2	-6
Micro 10 (Russia)	4,367	0.1	2.8	-3.4	6
Nse 100 (Turkey)	111,034	-1.0	1.3	-5.6	-6
MSCI EM Asia*	940	0.9	0.4	2.4	2
Shanghai Com (China)	3,072	-1.5	2.8	-6.4	-8
Jakarta (Indonesia)	6,336	0.3	0.4	1.5	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	142.9	0.1	0.9	-4.1	0
JPM	112.2	0.5	1.7	-2.2	4
Ch	20.3	0.0	-1.0	-4.1	-5
BofA	30.3	0.3	1.6	-5.0	1
MS	54.7	0.0	3.2	-4.2	5
GS	254.7	0.2	-0.6	-2.7	0
EZ banks	109.1	0.4	1.9	1.6	0
BNP	63.1	0.8	2.7	3.0	2
Credit Agricole	13.6	0.5	1.3	-0.1	-3
Deutsche Bank	11.6	-1.1	-1.2	-3.8	-28
ING	14.2	0.3	0.7	1.5	-7
Intesa	3.1	0.7	2.2	3.1	14
SG	45.5	0.4	2.7	0.8	5
Unicredit	18.0	0.7	4.6	5.6	15
UK banks	89.8	0.5	0.6	1.0	-3
HSBC	700.1	1.4	2.2	0.9	-8
RBS	274.3	0.8	3.6	4.7	-1
Barclays	215.1	0.4	0.9	1.7	6
Lloyds	65.6	-0.8	-3.8	-2.4	-3
Large Spanish banks	81.7	0.2	2.3	1.8	-4
Santander	5.5	0.0	2.5	3.4	1
BBVA	6.5	0.4	2.1	0.2	-8
Mediam Spanish banks	77.7	-0.5	0.7	0.8	1
Celabank	4.0	-0.2	1.3	2.0	1
Sabotif	1.7	0.4	-0.4	3.4	3
Bankinter	8.6	-1.2	1.5	0.4	8
Bankia	2.7	-0.3	0.1	-2.6	9
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EUR/USD	1.23	-0.6	-0.5	-0.5	2
GBP/USD	1.40	-0.4	1.5	0.8	3
USD/JPY	107.76	-0.4	-0.4	-1.6	4
DXY	90.31	0.4	0.6	0.6	-7
Emerging	level	Daily	Weekly	Monthly	YTD
USD ARS (Argentina)	20.17	0.0	0.2	0.5	-10
USD BRL (Brazil)	3.41	0.6	0.5	-4.1	-4
USD CLP (Chile)	596.20	-0.1	-0.3	1.6	-2
USD COP (Colombia)	2796	-0.9	-1.6	-3.3	6
USD MXN (Mexico)	18.58	-0.7	-3.0	-0.8	5
USD PEN (Peru)	3.22	0.0	0.2	1.0	0
LACI	63.46	-0.5	-0.8	-1.0	0
USD PLN (Poland)	3.40	-0.7	-0.6	0.9	2
USD RUB (Russia)	61.49	-0.9	1.1	-8.1	-7
USD TRY (Turkey)	4.96	0.4	1.0	-3.8	-8
USD CNY (China)	6.29	-0.2	-0.3	0.5	3
USD INR (India)	66.31	-0.5	-1.4	-1.4	-4
USD IDR (Indonesia)	13,893	-0.8	-1.0	-1.0	-3
ADXY	111.2	-0.3	-0.4	-0.3	1
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	73.2	-0.9	0.8	5	10
WTX	68	-0.8	0.5	4	12
Copper	314	0.4	2.4	3	4
Gold	1337	-0.7	-0.6	0	1
S&P Spot commodity*	474	-0.2	1.2	5	7
S&P Brent Spot*	622	0.4	1.6	6	10
S&P Metals Spot*	403	-1.2	5.1	8	2
S&P Agri/Other*	303	0.0	-0.7	3	6

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



Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.44	1.7	0.3	14	53
US	2.94	2.6	10.9	5	47
GER (2-yr)	-0.56	-0.2	2.5	3	5
Germany	0.60	0.1	9.6	1	13
France	0.82	-0.1	7.7	-1	-1
Spain	1.29	0.8	5.4	-4	-40
Italy	1.79	1.2	0.4	-14	39
Portugal	1.67	1.1	1.3	-9	-34
Greece	4.06	2.0	-5.2	-16	-5
Japan (2-yr)	0.13	1.1	2.5	3	1
Japan	0.06	2.2	1.7	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.76	1.1	-14.6	33	50
Chile	4.38	0.1	-3.2	-12	-13
Colombia	6.45	6.0	3.9	-25	1
Mexico	7.49	5.4	14.9	-6	-9
Peru	4.78	0.9	9.4	18	-9
Poland	-3.09	2.8	5.9	-29	-23
Russia	7.37	1.8	-17.3	21	-26
Turkey	12.25	0.0	-47.0	8	89
India	7.68	4.7	24.8	9	29
Indonesia	6.80	11.4	23.2	3	50
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	22	-0.2	-1.3	-2	-7
Italy	119	1.1	-9.4	-15	-46
Portugal	102	1.0	-7.7	-10	-41
Spain	69	0.7	-3.6	-5	-39
2-yr sovereign spread vs Germany					
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
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Brazil	166	2.8	2	3	6
Chile	47	0.8	1	-4	-2
Colombia	99	2.5	0	-9	-6
Mexico	106	3.0	3	-10	-1
Peru	71	1.3	-2	-11	-1
Poland	48	-0.3	0	0	0
Russia	135	-1.8	-7	13	17
Turkey	195	1.4	-6	0	30
China	59	0.4	-2	-6	8
India	73	-0.1	-2	-2	4
Indonesia	88	1.7	-3	-4	13
Risk indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	16	-0.2	-2	-2	6
VSTOXX	14	-0.2	-2	-1	0
EM EFT volatility index	19	0.0	-3	-3	2
Dollar/euro volatility	6	0.1	0	0	0
EM FX volatility index	8	0.0	0	0	0
Credit spread (BAA) (change in bps)	169	-2.6	-9	-13	8
US bonds volatility index	51	1.1	0	-5	2
Inflation expectations (bps)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.47	-	2	11	15
EZ inflation expectations (5Y5Y)	1.68	-	1	-1	-6
Banking CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	1.7	-2	-4	11
EZ	51	0.5	-4	-3	12
UK	45	-0.1	-3	-5	4
Large Spanish	45	1.7	-2	-5	9
Medium Spanish	69	1.7	-1	-1	6
Corporate CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	156	1.7	-2	-1	11
EZ Non-financial	66	0.5	-4	-3	12
UK Non-financial	103	1.0	-2	0	10
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	1	11	66
Libor 12m	2.75	0	3	10	64
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,694	0.0	1.4	-0.7	0
Dow Jones	24,613	-0.2	1.0	-0.3	-1
Nikkei	22,162	-0.1	1.8	-3.7	-3
FTSE 100	7,353	0.3	1.2	4.5	4
EuroStoxx 50	3,494	0.2	1.3	2.7	0
IBEX	9,886	0.2	1.2	2.6	2
DAX	12,544	-0.2	0.8	1.9	3
CAC	5,404	-0.2	1.7	3.1	2
MIB	23,040	0.2	2.2	4.5	9
ASE Athens	847	-0.2	4.4	5.9	3
MSCI Latam *	92,207	-0.1	0.3	2.6	8
Bovespa Brazil	85,241	-0.3	1.4	0.7	10
Mumbai	48,745	0.0	0.0	2.6	3
MSCI EM Europe *	5,467	-0.2	1.4	-1.8	2
Poland	2,325	0.0	0.6	0.2	-6
Moscow 10 (Russia)	4,361	0.1	2.8	-3.4	6
Ise 100 (Turkey)	111,034	-1.0	1.3	-5.6	-6
MSCI EM Asia *	940	0.9	0.4	-2.4	2
Shanghai Com (China)	3,072	1.5	2.8	-4.4	-8
Jakarta (Indonesia)	6,338	0.3	0.4	1.5	0
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	142.9	0.1	0.9	-4.1	0
JPM	112.2	0.5	1.7	-2.2	4
BoA	70.3	0.0	-1.0	-4.1	-5
MS	54.7	0.0	3.2	-4.2	5
GS	254.7	0.2	-0.5	-2.7	0
EZ banks	109.1	0.4	1.9	1.6	0
BNP	63.1	0.8	2.7	3.0	2
Crédit Agricole	13.6	0.5	1.3	-0.1	-3
Deutsche Bank	11.6	-1.1	-1.2	-3.8	-28
ING	14.2	0.3	0.7	1.5	7
Intesa	3.1	0.7	2.2	3.1	14
SG	45.5	0.4	2.7	0.8	5
Unicredit	18.0	0.7	4.6	5.6	15
UK banks	89.8	0.5	0.6	1.0	-3
HSBC	700.1	1.4	2.2	0.9	-8
RBS	274.3	0.8	3.6	4.7	-1
Barclays	215.1	0.4	0.8	1.7	6
Lloyds	65.6	-0.8	-3.8	-2.4	-3
Large Spanish banks	81.7	0.2	2.3	1.8	4
Santander	5.9	0.0	2.5	3.4	1
BBVA	6.5	0.4	2.1	0.2	8
Medium Spanish banks	77.7	-0.5	0.7	0.8	1
CásoBank	4.0	0.2	1.1	2.0	1
Sabadell	1.7	0.4	-0.4	3.4	3
Bankinter	8.6	-1.2	1.5	0.4	8
Banque	3.7	-0.1	0.1	-2.6	-9
Commodities (% change in price)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.23	-0.6	-0.5	-0.5	2
GBPUSD	1.40	0.4	1.5	-0.8	3
USDJPY	107.76	-0.4	-0.4	-1.6	4
DX1	90.31	0.4	0.6	0.6	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.17	0.0	0.2	0.5	10
USD BRL (Brazil)	3.41	0.6	0.5	-4.1	-4
USD CUP (Cuba)	596.20	-0.1	-0.3	1.6	2
USDCOP (Colombia)	2756	-0.8	-1.6	-3.3	6
USDMXN (Mexico)	18.58	-0.7	-3.0	-0.8	5
USD PEN (Peru)	3.22	0.0	0.2	1.0	0
LACI	63.46	-0.5	-0.8	-1.0	0
USD PLN (Poland)	3.40	-0.7	-0.6	0.9	2
USD RUB (Russia)	61.49	-0.9	1.1	-8.1	-7
USD TRY (Turkey)	4.06	-0.4	1.0	-3.8	-8
USD CNY (China)	6.29	-0.2	-0.3	0.5	3
USD INR (India)	66.11	-0.5	-1.4	-1.4	-4
USD IDR (Indonesia)	13,893	-0.8	-1.0	-1.0	-3
ADXY	111.2	-0.3	-0.4	-0.3	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	73.2	-0.9	0.8	5	10
WTX	68	-0.8	0.5	4	12
Copper	3.14	0.4	2.4	3	-4
Gold	1337	-0.2	-0.6	0	11
S&P Spot commodity *	474	-0.2	1.2	5	7
S&P Brent Spot *	622	0.4	1.6	6	10
S&P Metals Spot *	493	1.2	5.1	8	2
S&P Agricultural *	303	0.0	-0.7	3	6

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

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