

Market Comment | USD strength continues, while Italy's politics returns to the forefront

Global Financial Markets Unit
08 May 2018

- **The strength of the USD continued today**, boosted by Fed chair Powell's comments [\(see\)](#) while oil prices showed some anxiety ahead of today's decision by Trump regarding the Iran nuclear deal [\(see\)](#). Despite this backdrop, the VIX continued below 16 points and 10Y US bonds were steady at around 3
- **Potential early Italian elections weighed on European markets** today [\(see\)](#). Peripheral risk premiums increased, driven by Italy and with some impact on other peripheral premiums (Spain and Portugal). In the same line, Italian stocks decreased sharply, as did other European indices, albeit to a lesser extent
- **Core yields in the EZ increased** slightly today due among other things to better than expected economic indicators in Germany [\(see\)](#), while the EUR reached its lowest level so far in 2018 given the USD's strength and the political outlook in Italy and EMs continued under high pressure
- **EMs continued to suffer from the tightening of financial conditions**, but with some differentiation among assets and countries. In a context of general deterioration, currencies and countries which, according to financial markets, suffer idiosyncratic vulnerabilities, registered the sharpest drops. The high volatility in oil prices also weighed on today's EM underperformance.

Table1

Update 17.40 CET 8 May

Debt markets (10Y, % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.51	1.0	0.3	24	59
US	2.98	3.0	1.5	21	52
GER 10-yr	-0.58	-0.1	0.9	1	3
Germany	0.96	2.9	0.2	6	9
France	0.80	3.6	1.8	7	-2
Spain	1.32	3.9	3.5	8	-30
Italy	1.86	10.0	7.4	7	-24
Portugal	1.73	5.9	5.7	4	-28
Greece	4.20	6.6	33.8	19	10
Japan(2-yr)	-0.13	0.9	0.9	1	1
Japan	0.05	1.0	0.7	1	1
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	10.02	10.2	18.7	25	-23
Chile	4.44	0.0	3.0	-1	-7
Colombia	6.49	1.2	5.6	5	4
Mexico	7.20	5.1	21.6	43	12
Peru	5.11	6.6	18.1	54	23
Poland	3.26	11.1	17.4	19	-5
Russia	7.51	5.1	13.7	35	-13
Turkey	13.58	11.0	136.0	91	222
India	7.58	4.0	18.5	41	20
Indonesia	7.26	10.3	34.1	63	96
Country risk (bp, change in bps)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	24	0.7	1.6	0	-4
Italy	130	7.1	7.2	1	-33
Portugal	117	3.0	5.5	-2	-37
Spain	75	1.0	3.3	2	-39
2-yr sovereign spread vs Germany					
France	9	-0.7	-0.1	-2	-8
Italy	28	1.1	-0.7	-2	-9
Portugal	42	2.3	1.1	-12	-26
Spain	25	0.3	-0.9	-2	-2
Emerging Markets					
5-yr sovereign CDS*					
	level	Daily	Weekly	Monthly	YTD
Brazil	190	8.1	17	29	30
Chile	55	1.4	3	7	6
Colombia	111	2.9	5	11	6
Mexico	122	7.2	7	19	15
Peru	83	1.9	6	6	11
Poland	59	0.3	2	3	-2
Russia	142	0.0	10	26	24
Turkey	231	-0.2	35	37	66
China	61	1.9	3	0	11
India	76	0.5	1	-1	-7
Indonesia	126	10.5	22	27	41
Risk Indicators					
Volatility indicators (change in bps)					
	level	Daily	Weekly	Monthly	YTD
VIX	15	0.2	-1	-7	5
VSTOXX	14	0.4	0	-4	0
EMFTT volatility Index	19	-0.3	0	-7	-3
Dollar term volatility	7	0.3	0	1	1
EMFX volatility index	9	0.0	0	0	1
Credit spread (BAA) (change in bps)	184	-3.0	1	0	6
US bonds volatility index	48	0.5	4	0	0
Inflation expectations (bps)					
	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5YSY)	2.41	-	-4	2	9
EZ Inflation expectations (5YSY)	1.70	-	-	0	-1
Spreads by CDS (bps)					
	level	Daily	Weekly	Monthly	YTD
US	54	-1.4	-2	0	12
EZ	56	-0.1	3	-2	17
UK	45	-0.1	2	5	4
Large Spanish	50	-0.1	4	0	14
Medium Spanish	70	0.1	1	-2	-5
Corporate by CDS (bps)*					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	150	1.4	2	0	12
EZ Non-financial	68	-0.1	3	-2	17
UK Non-financial	04	-0.6	0	-3	11
Interbank markets (% change in bps)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	-1	1	1
Eurobor 3m	-0.33	0	0	0	0
Eurobor 12m	-0.19	0	0	0	0
Libor 3m	2.37	0	1	4	67
Libor 12m	2.78	0	1	8	67
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
S&P500	2,670	0.1	0.6	2.5	-1
Dow Jones	24,349	0.0	1.0	1.7	-2
Nikkei	22,509	0.2	0.0	4.4	-1
FTSE 100	7,568	0.0	0.6	3.3	-1
EuroStoxx 50	3,557	-0.2	0.6	4.4	2
IBEX	10,158	0.2	1.8	4.9	1
DAX	12,910	-0.3	2.4	5.5	0
CAC	5,520	-0.2	0.0	5.0	4
MIIB	24,136	-1.7	0.7	5.3	10
ASE Athens	616	0.9	-4.7	2.1	0
MSCI Latam*	88,772	-0.5	-3.7	-2.8	4
Rovseg (Brazil)	82,573	-0.2	-4.1	-2.7	6
Mexcel	46,600	0.3	-3.6	-2.8	-7
MSCI EM Europe*	5,390	-0.3	-1.9	-3.0	0
Poland	2,236	1.0	-2.4	-1.0	-9
Misoe 10 (Russia)	4,491	-0.5	0.6	1.0	-9
Isr 100 (Turkey)	99,364	-1.5	-4.7	-13.4	-15
MSCI EM Asia*	923	0.7	1.0	0.6	0
Shanghai Com (China)	3,161	0.8	2.0	1.0	6
Jakarta (Indonesia)	5,775	-0.3	-3.7	-6.6	-9
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks	140.1	1.9	2.0	0.1	-2
JPM	110.9	1.4	1.9	1.7	3
CB	71.0	3.6	4.0	3.5	-5
Bank	30.0	1.1	0.3	1.2	0
MS	53.5	2.1	3.2	0.8	7
GS	238.8	1.1	1.3	4.1	-6
EZ banks					
BNP	61.9	-0.8	-3.3	2.1	0
Credit Agricole	13.4	-0.2	-1.6	1.4	-4
Deutsche Bank	11.5	-0.6	0.8	0.9	28
ING	13.9	0.4	-0.4	1.4	-9
Intesa	3.1	-0.7	-0.5	4.8	14
SG	42.1	-0.4	-2.4	-8.5	-3
Unicredit	17.4	-3.0	-3.4	0.5	10
UK banks					
HSBC	89.5	0.3	0.2	2.6	-3
RBS	711.3	-0.8	-2.4	7.0	-7
FSB	273.4	0.4	1.3	4.8	-1
Barclays	207.1	0.7	0.8	-1.2	2
Lloyds	65.8	0.7	2.3	-0.8	-3
Large Spanish banks					
Santander	62.1	0.8	0.2	3.7	-3
Santander	5.4	-0.1	0.0	0.7	-1
MSVA					
MSVA	6.8	-0.4	0.4	6.5	-5
Medium Spanish banks					
Cabobank	4.2	0.4	4.3	8.8	6
Sabadell	1.7	1.4	4.5	2.2	1
Bankinter	8.8	0.6	0.9	5.0	10
Bankia	3.6	-0.2	-2.4	-2.3	-12
Currencies (% net for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.19	-0.5	-1.1	-3.4	-2
GBPUSD	1.35	-0.3	-0.7	-4.1	-1
USDJPY	109.22	-0.1	0.6	2.1	3
DXF	93.13	0.4	0.7	3.4	1
Emerging					
	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	22.78	-3.8	-10.9	-12.8	-24
USDRL (Brazil)	3.99	1.0	2.3	-6.5	-10
USDCLP (Chile)	637.84	-1.3	-3.9	-5.4	-5
USDCOP (Colombia)	2875	-2.1	-2.6	-2.9	-2
USDINR (India)	19.42	-0.8	-3.5	-7.2	0
USDPEN (Peru)	3.29	-0.3	-1.1	-1.6	-2
LACI	59.80	-1.4	-3.6	-6.4	-6
USDPLN (Poland)	3.61	1.1	1.3	-5.7	-5
USDRLB (Russia)	63.52	-1.0	0.2	-9.3	-10
USDTRY (Turkey)	4.30	-0.8	-4.8	-6.3	-14
USDZNY (China)	6.37	-0.1	-0.6	-1.1	-7
USDINR (India)	67.08	0.1	-0.6	-3.2	-6
USDIDR (Indonesia)	14,052	-0.4	-1.0	-2.0	-4
ADXY	110.0	-0.2	-0.5	-1.3	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	74.4	-2.3	1.7	11	12
WTI	69	-2.9	2.2	11	14
Copper	3.00	-1.9	-0.5	-2	-8
Gold	1310	0.2	0.5	2.6	-1
S&P Spot commodity*	483	0.6	2.5	9	9
S&P Brent Spot*	648	1.6	4.1	14	14
S&P Metals Spot*	388	0.0	2.4	5	-2
S&P Agricultural*	306	-1.9	-2.2	2	8

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

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Italy	1.86	10.0	7.4	7	-24
Portugal	1.73	5.9	5.7	4	-28
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Peru	5.11	6.6	18.1	54	23
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Russia	7.51	5.1	13.7	35	-13
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Developed Markets	level	Daily	Weekly	Monthly	YTD
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Peru	83	1.9	6	6	11
Poland	50	0.3	2	3	2
Russia	142	0.0	10	26	24
Turkey	231	-0.2	35	37	66
China	61	1.9	3	0	11
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Risk indicators					
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EMFX volatility index	9	0.0	0	0	1
Credit spread (BAA) (change in bps)	184	-3.0	1	0	6
US bonds volatility index	48	-0.5	-4	6	-1
Inflation expectations (bps)					
US Inflation expectations (5Y5Y)	level	Daily	Weekly	Monthly	YTD
EZ Inflation expectations (5Y5Y)	1.70	0.0	0	2	-1
Emerging 5Y CDS (bps) *					
US	level	Daily	Weekly	Monthly	YTD
EZ	54	-1.4	-2	12	12
UK	56	-0.1	3	-2	17
Large Spanish	45	-0.1	2	-5	4
Medium Spanish	50	-0.1	4	0	14
Corporate 5Y CDS (bps) *	70	0.1	1	-2	-5
US Non-financial					
US Non-financial	150	1.4	-2	14	12
EZ Non-financial	68	-0.1	3	-2	17
UK Non-financial	104	0.6	0	-3	11
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	-1	1	1
Eurobor 3m	-0.33	0	0	0	0
Eurobor 12m	-0.19	0	0	0	0
Libor 3m	2.37	0	1	4	67
Libor 12m	2.78	0	1	8	67
Stock markets (%)					
Main Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,670	-0.1	0.6	2.5	-1
Dow Jones	24,340	0.0	1.0	1.7	-2
Nikkei	22,509	0.2	0.0	4.4	-1
FTSE 100	7,568	0.0	0.6	5.3	-1
Eurostoxx 50	3,557	-0.2	0.6	4.4	2
IBEX	10,158	0.2	1.8	4.9	1
DAX	12,910	-0.3	2.4	5.5	0
CAC	5,520	-0.2	0.0	3.0	4
MB	24,136	-1.7	0.7	5.3	10
ASE Athens	818	0.9	-4.7	2.1	0
MSCI Latam *	80,772	-0.5	-3.7	-2.8	-4
Ibovespa Brazil	82,573	-0.2	-4.1	-2.7	6
Mobor	46,600	0.3	-3.6	-2.8	-7
MSCI EM Europe *	5,390	-0.3	-1.9	-3.0	0
Poland	2,236	1.0	-2.4	-1.0	-9
Moox 10 (Russia)	4,491	0.5	0.6	1.0	9
Ind 100 (Turkey)	99,364	1.5	4.7	-13.4	-15
MSCI EM Asia *	923	0.7	-1.0	0.6	0
Shanghai Com (China)	3,161	0.8	2.6	1.0	-6
Jakarta (Indonesia)	5,775	-0.8	-3.7	-6.8	-9
Emerging sector					
US banks	level	Daily	Weekly	Monthly	YTD
JPM	140.1	1.0	2.0	0.4	-2
WFC	110.9	1.4	1.9	1.7	3
CB	71.9	3.6	4.0	3.5	-5
BoA	30.0	1.1	0.1	1.2	0
MS	53.5	2.1	3.2	0.8	2
GS	239.8	1.1	1.3	-4.1	-6
EZ banks	106.4	-0.7	-2.5	0.8	-3
BNP	61.9	-0.8	-3.3	2.1	0
Credit Agricole	13.4	-0.2	-1.6	1.4	-4
Deutsche Bank	11.5	-0.6	0.0	0.9	-28
ING	13.9	-0.4	-0.4	1.4	-9
Intesa	3.1	-0.7	-0.5	4.6	14
SG	42.1	0.4	-7.4	-5.5	-3
Unicredit	17.4	-3.0	-3.4	0.5	10
UK banks	89.5	0.3	0.2	2.6	-3
HSBC	711.3	0.4	2.4	7.0	-7
RBS	273.4	0.4	1.3	4.8	-1
Barclays	207.1	0.7	0.8	-1.2	2
Lloyds	65.6	0.7	2.3	0.8	-3
Large Spanish banks	82.1	-0.3	0.2	3.7	-3
Santander	5.4	-0.1	0.0	0.7	-1
BBVA	6.8	-0.4	0.4	6.5	-5
Medium Spanish banks	78.5	0.6	1.8	3.8	2
Casabank	4.2	0.4	4.3	8.8	6
Sabadell	1.7	1.4	4.5	2.2	1
Bankitor	8.8	0.6	0.9	5.0	10
Bankia	3.6	-0.2	-2.4	-2.3	-12
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.19	-0.5	-1.3	-3.4	-2
GBPUSD	1.35	-0.3	0.7	-4.1	-1
USDJPY	109.22	-0.1	0.6	-2.1	3
DXY	93.13	0.4	0.7	3.4	1
Emerging					
USDARS (Argentina)	22.78	-3.8	-10.9	-12.8	-24
USD BRL (Brazil)	3.59	-1.0	2.3	-6.5	-10
USD CLP (Chile)	637.84	-1.3	-3.9	-5.4	-5
USD COP (Colombia)	2875	-2.1	-2.6	-2.9	2
USD MXN (Mexico)	19.62	-0.8	-3.5	-7.2	0
USD PEN (Peru)	3.29	-0.3	-1.1	-1.6	-2
LACI	59.80	-1.4	-3.6	-6.4	-6
USD RUB (Russia)	3.61	-1.1	-1.3	-5.7	-5
USD RUB (Russia)	63.52	-1.0	0.2	-9.3	-10
USD TRY (Turkey)	4.30	-0.8	-4.8	-6.3	-14
USD CNY (China)	6.37	-0.1	0.6	-1.1	2
USD INR (India)	67.08	0.1	-0.6	-3.2	-6
USD IDR (Indonesia)	14,052	-0.4	-1.0	-2.0	-4
ADXY	110.0	-0.2	-0.5	-1.3	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	74.4	-2.3	1.7	11	12
WTX	69	-2.9	2.2	11	14
Copper	300	-1.9	-0.5	-2	-8
Gold	1310	-0.3	0.5	-2	-1
S&P Spot commodity *	493	0.6	2.5	9	9
S&P Brent Spot *	648	1.6	4.1	14	14
S&P Metals Spot *	388	0.0	2.4	5	-2
S&P Agriculture *	306	-1.8	-2.2	2	8

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Source: Bloomberg, Datastream and Haver

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