BBVA Research

Market Comment | US inflation data give the USD a break

Global Financial Markets Unit
10 May 2018

- **The worse-than-expected inflation data in the US (see) favoured a USD depreciation against its main peers**, while US sovereign yields inched down, but still hovering around the 3% in the 10Y reference

- **US equities responded positively** to the release, and volatility (VIX) remained below 14% despite the ongoing geopolitical tension between the US and Iran, which has had a muted impact on financial markets so far. The recent increase in oil prices due to supply concerns (see) also favoured the sensitive industries

- **In the euro area, core yields remained stable,** while peripheral risk premiums widened slightly amid the potential call for election in Italy. European equities also showed a good performance

- The inflation release caused a USD depreciation across the board with the exception of the GBP, which also depreciated sharply against the EUR after the **Bank of England** kept rates on hold at 0.5% (see). Today's weakness of the USD is **halting some pressure on emerging markets,** which are trying to recover part of the ground lost during the last few sessions.

Table1
Update 17.40 CET 10 May

Debt markets (10Y, %, changes in bp)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.53	-0.4	5.0	22	61
US	2.98	-2.7	3.1	18	51
GER (2-yr)	-0.58	0.0	0.6	-1	3
Germany	0.56	-0.2	2.5	4	9
France	0.80	0.1	3.6	4	-3
Spain	1.31	0.9	5.9	5	-30
Italy	1.94	5.4	19.7	14	-16
Portugal	1.73	1.4	8.0	0	-28
Greece	4.09	-11.0	8.4	2	2
Japan (2-yr)	-0.13	-0.3	0.1	2	0
Japan	0.05	0.8	1.7	1	1

Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.08	-13.8	24.7	23	-17
Chile	4.47	2.5	0.5	2	-5
Colombia	6.56	-2.3	11.0	13	12
Mexico	7.63	-7.1	9.8	32	5
Peru	5.05	-4.6	7.4	40	17
Poland	3.24	-3.4	5.4	19	-8
Russia	7.48	-3.4	2.8	-20	-16
Turkey	13.16	-13.0	13.0	17	180
India	7.72	0.6	-1.9	34	33
Indonesia	7.39	0.0	36.5	79	109

Country risk (bp, changes in bp)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	24	0.3	1.1	0	5
Italy	138	5.6	17.2	10	-25
Portugal	117	1.6	5.5	-4	-37
Spain	76	1.1	3.4	1	-39
2-yr sovereign spread vs Germany					
France	8	-0.8	-1.5	-3	9
Italy	33	4.2	7.1	5	-4
Portugal	43	3.8	4.5	-11	-25
Spain	26	1.1	1.3	-1	-1

Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	192	-7.3	11	24	32
Chile	55	-2.5	1	7	6
Colombia	112	-4.6	3	9	7
Argentina	389	2.2	76	114	151
Mexico	122	-5.9	4	17	15
Peru	84	-2.4	4	8	12
Venezuela	16,599	0.0	0	0	0
Poland	52	2.6	3	3	4
Russia	140	3.0	4	3	22
Turkey	247	1.3	37	41	82
China	62	-0.4	3	-1	11
India	78	1.2	3	1	9
Indonesia	128	-1.5	20	28	43

Risk indicators

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.4	-3	-7	3
VSTOXX	13	-0.5	-2	-3	-1
EM EFT volatility index	18	-0.4	-2	-6	1
Dollar/euro volatility	7	-0.4	0	0	0
EM FX volatility index	9	0.1	0	0	1
Credit spread (BAA) (change in bps)	188	2.7	3	8	11
US bonds volatility index	49	0.6	0	-2	0

Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.46	-	1	6	14
EZ Inflation expectations (5Y5Y)	1.71	-	2	3	3

Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	52	-0.8	-4	-6	10
EZ	57	-0.1	3	-1	18
UK	45	-0.4	1	-5	4
Large Spanish	51	0.1	4	2	15
Medium Spanish	72	1.5	3	0	-3

Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	149	-0.8	-4	6	10
EZ Non-financial	70	-0.1	3	-1	18
UK Non-financial	104	0.1	1	-1	12

Interbank markets (%, changes in bp)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	1	1
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.36	0	-1	2	66
Libor 12m	2.77	0	-1	7	66

Stock markets (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,717	0.7	3.3	2.3	1
Dow Jones	24,735	0.8	3.4	1.3	0
Nikkei	22,497	0.4	0.1	3.2	-1
FTSE 100	7,701	0.5	2.6	6.0	1
EuroStoxx 50	3,570	0.0	1.2	3.8	2
IBEX	10,247	0.2	2.1	4.9	2
DAX	13,023	0.6	2.6	5.0	1
CAC	5,546	0.2	0.8	4.5	5
MIB	24,034	-1.0	-0.1	3.7	10
ASE Athens	818	-0.1	-2.6	0.9	0
MSCI Latam *	89,725	0.8	-1.2	-0.4	5
Ibovespa (Brazil)	85,767	1.8	3.0	1.5	10
Mexbol (Mexico)	46,862	1.2	-0.5	-3.0	-6
Merval (Argentina)	28,868	3.4	-2.2	-10.4	-7
MSCI EM Europe *	5,428	0.6	-1.0	3.5	1
Poland	2,303	0.9	0.5	1.2	6
Micex 10 (Russia)	4,522	0.7	0.6	8.2	10
Ise 100 (Turkey)	102,381	1.6	-0.5	-7.5	-13
MSCI EM Asia *	930	0.1	0.0	0.4	1
Shanghai Com (China)	3,174	0.5	2.4	-0.5	-5
Jakarta (Indonesia)	5,908	2.3	-1.7	-5.4	-7

Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	143.6	-4.3	0.8	-4.5	-3
JPM	114.0	0.5	6.3	1.3	6
Citi	72.6	0.9	6.8	2.9	-2
BoA	30.9	0.7	5.9	1.5	3
MS	54.9	1.3	7.4	1.3	5
GS	244.4	1.1	4.7	-4.7	-4
EZ banks	106.5	0.0	-1.3	0.5	-3
BNP	62.8	0.2	-1.0	2.3	1
Credit Agricole	13.4	-0.1	0.3	1.2	-4
Deutsche Bank	11.6	0.6	2.6	1.5	-27
ING	13.4	-0.7	-2.7	-2.8	-13
Intesa	3.1	-0.9	-0.7	3.1	14
SG	42.5	0.5	-5.2	-3.8	-1
Unicredito	17.9	1.8	1.3	4.1	14
UK banks	92.2	1.7	3.9	4.2	0
HSBC	731.7	1.7	1.4	8.6	4
RBS	286.5	3.8	6.7	9.0	3
Barclays	213.8	1.4	5.5	-0.4	5
Lloyds	66.9	0.5	3.4	-0.3	-1
Large Spanish banks	83.5	0.8	2.8	4.7	-1
Santander	5.5	0.9	2.8	2.6	1
BBVA	6.9	0.7	2.8	6.7	-3
Medium Spanish banks	80.6	1.1	5.1	4.7	5
Caixabank	4.3	1.1	4.6	7.2	7
Sabadell	1.7	0.6	5.3	1.7	2
Bankinter	9.1	0.7	6.1	8.3	15
Bankia	3.7	2.1	4.5	-0.4	-8

Currencies (%, red for currency depreciation)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.19	0.4	-0.8	-3.7	-1
GBPUSD	1.35	-0.5	-0.7	-4.9	-1
USDJPY	109.54	0.2	-0.3	-2.2	2
DXY	92.85	-0.2	0.5	3.6	1

Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	22.62	0.3	-1.1	-12.2	-23
USDBRL (Brazil)	3.56	1.0	-0.8	-4.3	-9
USDCLP (Chile)	625.23	1.3	-0.9	-4.0	-3
USDCOP (Colombia)	2823	1.4	1.2	-1.8	4
USDMXN (Mexico)	19.31	1.3	-1.3	-5.7	1
USDPEN (Peru)	3.27	0.7	0.0	-1.0	-1
LACI	60.58	1.1	-0.3	-4.8	-5
USDPLN (Poland)	3.57	0.8	-0.3	-5.3	-3
USDRUB (Russia)	61.78	2.1	1.9	2.0	-7
USDTRY (Turkey)	4.25	0.9	-0.8	-3.3	-13
USDCNY (China)	6.35	0.2	0.1	-1.1	2
USDINR (India)	67.32	-0.1	-1.0	-3.6	-6
USDIDR (Indonesia)	14,084	0.0	-1.0	-2.4	-4
ADXY	110.4	0.5	-0.2	-1.3	0

Commodities (%)

	level	Daily	Weekly	Monthly	YTD
Brent	77.1	-0.2	4.7	9	16
WTx	71	-0.1	3.9	9	18
Copper	309	1.7	1.0	-1	-5
Gold	1319	0.5	0.5	-2	0
S&P Spot commodity *	486	1.8	2.4	5	10
S&P Brent Spot *	656	3.1	4.6	9	16
S&P Metals Spot *	387	0.4	1.9	1	-2
S&P Agricultural *	306	-0.5	-2.9	0	8

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Source: Bloomberg, Datastream and Haver

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France	0.80	0.1	3.6	4	-3
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Russia	7.48	-3.4	2.8	-20	-16
Turkey	13.16	-13.0	13.0	17	180
India	7.72	0.6	-1.9	34	33
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BoA	30.9	0.7	5.9	1.5	3
MS	54.9	1.3	7.4	1.3	5
GS	244.4	1.1	4.7	-4.7	-4
EZ banks	106.5	0.0	-1.3	0.5	-3
BNP	62.8	0.2	-1.0	2.3	1
Crédit Agricole	13.4	-0.1	0.3	1.2	-4
Deutsche Bank	11.6	0.6	2.6	1.5	-27
ING	13.4	-0.7	-2.7	-2.8	-13
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Barclays	213.8	1.4	5.5	-0.4	5
Lloyds	66.9	0.5	3.4	-0.3	-1
Large Spanish banks	83.5	0.8	2.8	4.7	-1
Santander	5.5	0.9	2.8	2.6	1
BBVA	6.9	0.7	2.8	6.7	-3
Medium Spanish banks	80.6	1.1	5.1	4.7	5
Caixabank	4.3	1.1	4.6	7.2	7
Sabadell	1.7	0.6	5.3	1.7	2
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GBPUSD	1.35	-0.5	-0.7	-4.9	-1
USDJPY	109.54	0.2	-0.3	-2.2	2
DXY	92.85	-0.2	0.5	3.6	1

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