

Market Comment | Global trade concerns re-emerge due to US tariffs

Global Financial Markets Unit
31 May 2018

- Just as the financial markets were recovering from the recent turmoil in Europe due to uncertainty in Italy ([see](#)), they **were hit again due to global trade angst**. The US is to impose tariffs on steel and aluminium imports from the EU, Canada and Mexico from Friday after two months of exemptions ([see](#)), triggering a new source of concerns given the odds of retaliation -and potential trade war- is on the table again as the trade relationship between China and the US has also deteriorated in the last few days ([see](#))
- **Against this backdrop markets showed a risk-off movement:** there was increasing appetite for reserve currencies such as the US dollar, Japanese yen and Swiss franc as well as demand for “risk-free” bonds such as US Treasuries and German Bunds. Consequently, the main equity indices dropped today across developed markets.
- **In this context, the positive mood of early this morning in peripheral yields has moderated somewhat, mainly due to safe-haven flows that dragged down the yield of the German bund.** The political situation in Spain was in the spotlight due to the no-confidence vote on the President, which given today’s hints by parties involved in the vote has become more likely ([see](#)).
- These events have triggered a **mild negative differentiation compared with other peripherals**, so far. The slight underperformance concentrated in equity indices while the risk premium improved less than in Italy and Portugal as the positive differentiation that has been favouring Spanish debt during the last few weeks seems to have been erased
- **The USD’s strength weighed on emerging currencies** across the board, which depreciated significantly despite the increasing oil prices that returned to hover around 80 USD ([see](#)). **The Mexican peso** was particularly hit given the aforementioned increasing trade concerns ([see](#)).

Table1

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Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.43	-2.2	-7.5	-7	51
US	2.85	-0.7	-12.9	-12	38
GER (2-yr)	-0.55	0.2	-5.8	-7	-4
Germany	0.35	-2.8	-12.3	-21	-12
France	0.68	-1.4	-6.3	-11	-15
Spain	1.58	-3.1	-11.8	-22	-11
Italy	2.79	-12.5	-39.2	-101	70
Portugal	1.98	-7.1	-7.7	-31	-3
Greece	4.59	-1.3	-32.1	-72	48
Japan (2-yr)	-0.14	-0.1	-0.4	-1	-1
Japan	0.04	-0.9	-0.3	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.46	0.0	60.4	162	120
China	4.57	0.0	0.2	10	6
Colombia	6.63	1.7	5.6	20	19
Mexico	7.61	3.8	12.6	33	23
Peru	5.38	2.6	0.6	46	51
Poland	3.26	0.0	3.8	17	-6
Russia	7.49	4.8	6.8	12	-14
Turkey	13.83	16.0	-43.0	161	247
India	7.83	4.9	-3.7	6	44
Indonesia	6.99	-11.5	-8.2	7	69
Country risk (bp, change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	0.9	4.0	10	4
Italy	244	-10.2	51.5	122	81
Portugal	163	-4.6	20.8	92	9
Spain	115	-0.8	23.3	43	1
2-yr sovereign spread vs Germany					
France	17	-2.6	9.8	8	0
Italy	169	-66.3	82.4	140	132
Portugal	66	-15.1	10.7	7	-2
Spain	67	-5.8	37.5	41	40
Emerging Markets					
5-yr sovereign CDS *	level	Daily	Weekly	Monthly	YTD
Brazil	217	2.6	31	44	57
Chile	58	-0.5	3	6	9
Colombia	121	1.7	11	14	16
Argentina	383	10.4	50	66	145
Mexico	131	0.3	12	17	24
Peru	92	-0.4	5	15	20
Venezuela	16,599	0.0	0	0	0
Poland	65	0.6	10	17	17
Russia	132	3.6	1	1	14
Turkey	253	0.3	21	57	88
China	57	-0.9	0	0	7
India	91	1.1	2	16	24
Indonesia	118	0.2	-4	14	33
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	0.0	2	1	5
VSTOXX	18	-0.7	2	4	4
EM EFT volatility Index	20	0.1	1	1	4
Dollar Euro volatility	8	-0.2	1	1	1
EM FX volatility Index	9	-0.1	0	1	1
Credit spread (BAA) (change in bps)	190	0.9	6	8	13
US 10-yr volatility index	62	-1.1	10	10	13
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.34	-	-6	-11	2
EU Inflation expectations (5Y)	1.22	-	1	2	-2
Bonding 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	59	-3.0	6	4	17
CZ	101	-2.2	31	48	62
UK	55	-3.5	7	12	14
Large Spanish	105	-4.3	36	59	70
Medium Spanish	89	0.0	9	20	14
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	153	-3.0	6	4	17
EU Non-financial	76	-2.2	31	48	62
UK Non-financial	108	0.0	2	4	15
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EDMA Index	-0.36	0	1	0	1
Euro 3m	-0.32	0	0	1	1
Earlier 12m	-0.18	0	0	1	0
Libor 3m	2.30	-1	-3	-6	61
Libor 12m	2.70	-1	-5	-7	59
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,716	-0.3	-0.4	2.3	1
Dow Jones	24,505	-0.7	-1.2	1.7	-1
Nikkei	22,202	0.8	-1.0	-1.4	-2
FTSE 100	7,891	0.0	-0.3	2.3	1
Euro Stoxx 50	3,407	-1.0	-3.3	3.7	-2
IBEX	9,466	-1.1	-5.3	5.2	-6
DAK	12,605	-1.4	-1.9	0.1	-2
CAC	5,398	-0.5	-2.7	2.2	2
MB	21,784	-0.1	-4.2	9.2	0
ASE Athens	786	0.9	2.0	-11.8	8
MSCI Latam *	83,734	0.5	-3.8	9.1	-2
Bovespa (Brazil)	76,754	0.0	-4.2	-10.9	-1
Mexco (Mexico)	44,532	0.4	2.0	7.9	-11
Merval (Argentina)	28,353	-0.1	-4.4	5.5	-9
MSCI EM Europe *	5,340	-0.3	-0.4	2.8	-1
Poland	2,197	0.0	2.5	9.9	12
Mcos 10 (Russia)	4,454	-0.6	-0.6	-1.5	8
IXV (Turkey)	100,652	-3.1	-6.5	3.5	-14
MSCI EM Asia *	916	-1.5	-1.5	-1.9	-1
Shanghai Com (China)	3,095	1.8	-1.9	0.4	-8
Jakarta (Indonesia)	5,084	-1.4	3.3	0.2	6
US banks					
level	Daily	Weekly	Monthly	YTD	
JPM	107.4	-0.9	-3.5	-1.3	-1
Ch	66.5	-0.3	-4.1	2.6	-11
Ba	29.1	-1.4	-3.7	2.9	-3
MS	50.2	-1.5	-7.1	-3.1	-4
GS	225.7	-1.5	-4.4	-4.7	-12
EU banks	90.7	-1.7	-9.5	-16.9	-17
BNP	53.1	-2.2	-13.4	-17.1	-15
Credit Agricole	11.7	-1.2	-8.2	-13.9	-16
Deutsche Bank	9.2	-7.1	-11.7	-19.4	-43
ING	12.5	-1.5	-5.6	-10.9	-19
Intesa	2.5	-0.3	-7.7	-20.4	-9
SG	36.9	-1.7	-10.2	-18.9	-15
Unicredit	14.1	-0.3	-11.8	-21.4	-10
UK banks	88.1	-0.9	-3.4	-1.4	-4
HBC	720.6	0.7	1.3	1.2	6
RIS	275.1	0.4	5.3	2.0	-1
Berdays	197.2	-1.0	-3.9	4.0	-3
loyds	63.2	-1.5	-4.2	-1.8	-7
Large Spanish banks	70.6	-1.4	-9.4	-13.8	-17
Santander	4.6	-1.6	-10.3	-14.4	-16
BBVA	5.8	-1.3	-8.6	-13.2	-18
Medium Spanish banks	70.5	-1.9	-9.5	-6.6	-8
Caixabank	3.6	-2.5	-10.5	-10.0	-8
Sabot	1.4	-3.5	-11.2	-11.6	-14
Banister	8.2	-0.7	-5.7	-5.0	-4
Berika	3.2	-1.8	-8.8	-11.0	-20
Commodities (%, red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.167	0.1	-0.4	-2.7	-3
GBPUSD	1.33	0.0	-0.7	2.4	-2
USDJPY	108.73	0.3	0.5	1.0	3
DXY	93.97	-0.1	0.2	1.6	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	24.96	-0.1	-1.8	-11.5	36
USDBRL (Brazil)	3.72	0.0	-2.1	6.2	-14
USDCUP (Cuba)	632.15	-0.7	-1.0	3.0	-4
USDCOP (Colombia)	2889	-0.4	-1.2	3.1	1
USDMXN (Mexico)	19.99	-1.3	-2.1	5.5	-2
USDPEN (Peru)	3.28	-0.1	-0.3	0.7	1
USCNY	58.21	-0.7	0.2	6.1	8
USDRPL (Poland)	3.70	-0.2	-0.6	3.7	-7
USDRUB (Russia)	62.38	-0.5	-1.3	2.0	-8
USDTRY (Turkey)	4.54	-1.6	-3.7	-16.5	-20
USDCHF (China)	6.41	0.1	-0.5	-1.2	-1
USDINR (India)	67.41	0.0	1.4	-1.1	6
USDIDR (Indonesia)	13,296	0.7	1.7	0.1	-3
ADXY	109.7	0.0	0.1	0.8	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.7	0.2	-1.4	6	17
WTI	87	-1.2	-4.7	0	12
Copper	395	-0.1	-0.9	1	6
Gold	1302	0.0	-0.2	0	-1
S&P Spot Commodity *	484	1.4	-1.6	3	9
S&P Brent Spot *	661	3.0	11.4	6	17
S&P Metals Spot *	387	0.1	-0.2	2	-2
S&P Agriculture *	311	-1.3	-0.8	-1	9

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

Debt markets (10Y % change in bp)					
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France	0.68	-1.4	-8.3	-11	-15
Spain	1.50	-3.1	-11.0	-22	-11
Italy	2.19	-12.5	-39.2	-101	-70
Portugal	1.98	-7.1	-7.7	31	-3
Greece	4.59	-1.3	-22.1	-72	-48
Japan (2-yr)	-0.14	-0.1	-0.4	-1	-1
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Emerging Markets	level	Daily	Weekly	Monthly	YTD
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Chile	4.57	0.0	-0.2	10	8
Colombia	6.63	1.7	5.6	20	19
Mexico	7.81	3.9	12.5	33	23
Peru	5.38	2.6	0.6	16	51
Poland	3.26	0.0	3.8	17	-6
Russia	7.49	4.8	6.8	12	-14
Turkey	13.83	18.0	-3.0	161	247
India	7.83	4.9	-3.7	6	44
Indonesia	6.98	-11.5	-58.7	7	68
Country risk (bp change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	0.9	4.0	10	4
Italy	244	-10.2	51.5	122	81
Portugal	163	-4.8	20.0	52	9
Spain	115	-0.8	23.3	43	1
2-yr sovereign spread vs Germany					
France	17	-2.6	9.8	8	0
Italy	169	-6.3	62.4	140	132
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Emerging Markets					
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Colombia	121	1.7	11	14	16
Argentina	383	10.4	50	86	145
Mexico	131	0.3	12	17	24
Peru	92	-0.4	5	15	20
Venezuela	16.599	0.0	0	0	0
Poland	65	0.6	10	17	17
Russia	132	1.6	1	1	14
Turkey	253	0.3	-21	57	88
China	57	-0.9	0	0	14
India	91	1.1	2	16	22
Indonesia	118	0.2	-4	14	33
Risk indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	15	0.0	2	-1	5
VSTOXX	18	-0.7	2	4	4
EM EFT volatility index	20	0.1	1	1	4
Dollar/euro volatility	6	-0.2	1	1	1
EM FX volatility index	9	-0.1	0	1	1
Credit spread (BAA) change in bp	190	0.9	6	6	13
US bonds volatility index	62	-1.1	10	10	13
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.24	-	6	-11	2
EZ Inflation expectations (5Y5Y)	1.72	-	1	2	-2
Banking 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	59	-3.0	6	4	17
EZ	101	-2.2	38	48	62
UK	55	-3.5	7	12	14
Large Spanish	105	-4.3	36	59	70
Medium Spanish	89	0.0	9	20	14
Composite 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	153	-3.0	6	4	17
EZ Non-financial	76	-2.2	33	48	62
UK Non-financial	108	0.0	2	4	15
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EOHA Index	-0.26	0	1	0	1
Euribor 3m	-0.32	0	0	1	1
Euribor 12m	-0.18	0	0	1	0
Libor 3m	2.30	-1	-3	-6	61
Libor 12m	2.70	-1	-5	-7	59
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,716	-0.3	-0.4	2.3	1
Dow Jones	24,565	-0.7	-1.2	1.7	-1
Nike	22,202	0.8	-1.0	-1.4	-2
FTSE 100	7,691	0.0	-0.3	2.3	1
EuroStoxx 50	3,407	-1.0	-0.3	3.7	2
IBEX	9,466	-1.1	-5.3	5.2	-6
DAX	12,605	-1.4	-1.9	0.1	-2
CAC	5,398	-0.5	2.7	2.2	2
MB	21,784	-0.1	-4.2	9.2	0
ASE Athens	755	0.9	2.0	-11.9	-8
MSCI Latam *	63,734	0.5	3.8	9.1	2
Ibovespa (Brazil)	76,754	0.0	-4.2	-10.9	-1
Mercol (Mexico)	44,532	-0.4	2.0	7.9	-11
Merval (Argentina)	28,353	-0.1	4.4	5.5	9
MSCI EM Europe *	5,340	-0.3	-0.4	2.8	-1
Poland	2,157	0.0	2.5	5.9	-12
Nice 10 (Russia)	4,454	0.6	0.6	1.5	8
Ise 100 (Turkey)	100,652	-3.1	-0.5	-3.5	-14
MSCI EM Asia *	916	-1.5	-1.5	-1.8	-1
Shanghai Com (China)	3,095	1.8	1.9	0.4	-6
Jakarta (Indonesia)	5,984	-1.4	3.3	0.2	-6
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
Wells Fargo	140.5	-1.1	4.5	2.8	5
JPM	107.4	-0.9	-3.5	-1.3	-1
Cit	66.5	-0.3	-4.1	2.6	-11
BofA	29.1	-1.4	-3.7	2.9	3
MS	50.2	-1.5	-7.1	-3.1	-4
GS	225.7	-1.5	-4.4	-4.7	-12
EZ banks					
BNP	53.1	-2.2	-13.4	-17.1	-15
Credit Agricob	11.7	-1.2	-8.2	-13.9	-16
Deutsche Bank	9.2	-2.1	-11.7	-19.4	-43
ING	12.5	-1.5	-5.6	-10.9	-19
Intesa	2.5	-0.3	-7.7	-20.4	-9
SG	36.9	-1.7	-10.2	-18.9	-15
Unicredit	14.1	-0.3	-11.8	-21.4	-10
UK banks					
HSBC	88.1	-0.9	-3.4	-1.4	-4
RBS	275.1	0.4	5.2	2.0	1
Barclays	197.2	-1.0	-3.9	-4.0	-3
Lloyds	63.2	-1.5	-4.2	-1.8	-7
Large Spanish banks					
Santander	4.6	-1.6	-10.3	-14.4	-16
BBVA	5.8	-1.3	-8.6	-13.2	-18
Medium Spanish banks					
Casabank	70.5	-1.9	-8.5	8.6	8
Casabank	3.6	-2.5	-10.5	-10.0	-8
Sabadel	1.4	-3.5	-11.2	-11.6	-14
Bankiatar	8.2	-0.7	-5.7	5.0	4
Bankia	3.2	-1.8	-8.8	-11.0	-20
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.167	0.1	-0.4	-2.7	-3
GBPUSD	1.23	0.0	-0.7	-2.4	-2
USDJPY	108.73	0.2	0.5	1.0	3
DXY	93.97	-0.1	0.2	1.6	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	24,296	-0.1	-1.5	-21.5	-36
USDBRL (Brazil)	3.72	0.0	-2.1	6.2	14
USDCUP (Cuba)	632.15	-0.7	-1.0	3.0	4
USDCOP (Colombia)	2889	-0.4	-1.2	3.1	1
USDMXN (Mexico)	19.99	-1.3	-2.1	5.5	-2
USDPEN (Peru)	3.28	-0.1	-0.3	0.7	-1
IAC1	58.21	-0.7	-2.2	6.1	8
USDPIN (Poland)	3.70	-0.2	0.6	3.7	7
USDRLB (Russia)	62.38	-0.5	-1.3	2.0	-8
USDTRY (Turkey)	4.54	-1.6	-3.7	-10.5	-20
USDCNY (China)	6.41	0.1	-0.5	-1.2	1
USDINR (India)	67.41	0.0	1.4	-1.1	-6
USDIDR (Indonesia)	13,896	0.7	1.7	0.1	-3
ADXY	109.7	0.0	-0.1	0.8	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	77.7	0.2	-1.4	6	17
WTX	67	-1.2	-4.7	0	12
Copper	306	-0.1	-0.9	1	-6
Gold	1302	0.0	-0.2	0	-1
S&P Spot commodity *	484	1.4	-1.6	3	9
S&P Brent Spot *	661	3.0	-1.4	6	17
S&P Metals Spot *	387	0.1	0.2	2	-2
S&P Agriculture *	311	-1.3	-0.8	-1	9

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