

Market Comment | Positive start to the week, led by peripheral bonds

Global Financial Markets Unit
04 Jun 2018

- **The week started with a positive mood in financial markets**, just as last week had ended, favoured by the receding political tensions in Italy and the release of job growth data. In this context the UST 10Y yield rose to hover around the 3% threshold, while the yield of the German Bund surpassed 0.40% after falling below 0.20% during last week. The threat of a trade war after the re-imposition of tariffs on US imports from its main partners has had a mild effect on financial markets so far as they wait for a potential response from the main economic blocs ([see](#)) or the advance of negotiations to avoid it, such as with China ([see](#)).
- Equity indices also benefited from the positive mood in markets. **The main equity indices recovered some of the ground lost during last week**, particularly those sectors and regions that had suffered the main reversals (the main exception was Italy, that inched down today). In this context equity volatility remained subdued (below 14%)
- **In this positive context peripheral risk premia narrowed due to a combination of increasing yields in Germany** (as safe-haven flows seems to diminish) **and increasing demand for peripheral bonds**. Nonetheless, once the M5S-Lega government is confirmed, several uncertainties will remain, especially if eurosceptic pressures rapidly resurface.
- **The euro returned to levels close to 1.17 against the USD, recovering from last week's depreciation**. Meanwhile EM currencies are registering a mixed performance, but with positive bias as the USD showed a slight depreciation against its main peers (DXY). The BRL appreciated after the end of the truckers' strike, as did the Turkish lira, recovering some ground after Friday's drop. The other side of the coin is the MXN, which depreciated, suffering due to uncertainty on trade with the US after the new tariffs were imposed. Crude oil prices remained below \$76 per barrel as US oil production increased ([see](#)).

Table1

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Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.50	2.5	2.4	2	58
US	2.92	1.5	-1.5	-3	45
GER (2-yr)	-0.62	0.8	5.0	-4	-1
Germany	0.42	3.3	7.5	-11	-5
France	0.73	1.8	2.8	3	-10
Spain	1.33	-11.5	-19.9	7	-29
Italy	2.53	-15.7	-15.2	79	44
Portugal	1.76	-12.0	-31.1	11	-25
Greece	4.46	4.4	2.3	46	36
Japan (2-yr)	-0.13	0.3	0.6	0	0
Japan	0.05	0.8	0.6	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.50	8.0	32.9	166	124
China	4.57	-1.8	-0.8	10	5
Colombia	6.60	0.0	-0.4	15	16
Mexico	7.85	-2.1	20.9	32	27
Peru	5.38	-2.8	1.1	41	51
Poland	3.21	-2.1	-1.4	3	-10
Russia	7.46	0.0	4.4	1	-17
Turkey	14.34	4.0	67.0	131	298
India	7.88	-2.7	13.7	14	49
Indonesia	7.02	-2.2	-1.9	-1	72
Country risk (bp, change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-1.5	-4.7	8	2
Italy	211	-19.0	-22.7	91	49
Portugal	134	-15.3	-38.6	23	-20
Spain	91	-14.8	-27.4	19	-24
2-yr sovereign spread vs Germany					
France	12	-1.0	1.0	3	-4
Italy	139	-31.1	-18.5	113	102
Portugal	98	-4.6	-20.2	2	-10
Spain	42	-14.4	-13.5	17	15
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	237	6.6	45	55	76
Chile	57	-1.2	4	3	8
Colombia	123	-4.2	9	14	16
Argentina	384	-11.2	1.9	71	145
Mexico	137	-3.1	17	19	30
Peru	93	-1.9	7	13	21
Venezuela	16,599	0.0	0	0	0
Poland	66	-0.5	7	17	18
Russia	134	-1.2	6	2	16
Turkey	279	10.0	15	69	115
China	56	-0.1	0	-2	6
India	91	-0.5	1	0	22
Indonesia	122	1.2	5	14	37
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.2	0	3	3
VSTOXX	14	-1.3	-3	0	1
EM EFT volatility Index	17	-0.4	-1	-2	1
Dollar Euro volatility	7	-0.1	-1	0	1
EM FX volatility Index	9	0.1	0	1	1
Credit spread (BAA) (change in bps)	187	-1.5	2	2	10
US bonds volatility index	57	-3.6	3	8	8
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)					
US Inflation expectations (5Y)	2.39	-	0	6	7
EU Inflation expectations (5Y)					
EU Inflation expectations (5Y)	1.74	-	5	4	0
Bonding 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US					
US	59	-2.1	4	3	17
CZ	69	-15.4	11	34	49
UK	48	-3.6	-3	4	7
Large Spanish	87	-12.7	1	39	51
Medium Spanish	96	-11.1	7	27	21
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial					
US Non-financial	155	-2.1	4	3	17
EU Non-financial					
EU Non-financial	78	-15.4	11	34	49
UK Non-financial					
UK Non-financial	106	-1.2	-1	3	14
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index					
EONIA Index	-0.36	0	1	0	1
Euro 3m					
Euro 3m	-0.32	0	0	1	1
Euro 12m					
Euro 12m	-0.18	0	0	1	0
Libor 3m					
Libor 3m	2.32	0	0	-5	62
Libor 12m					
Libor 12m	2.72	1	-1	-5	62
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,343	0.3	0.8	4.3	2
Dow Jones	24,825	0.8	0.3	3.7	0
Nikkei	22,476	1.4	0.0	0.0	-1
FTSE 100	7,341	0.5	0.1	3.2	1
EuroStoxx 50	3,470	0.5	-0.4	-1.7	-1
IBEX	9,750	1.2	-0.1	-2.9	-3
DAX	12,771	0.4	0.7	0.6	-1
CAC	5,473	0.1	-0.7	0.5	3
MB	22,010	-0.5	0.4	8.5	1
ASE Athens	779	0.2	2.7	5	6
MSCI Latam *	84,166	0.6	-1.5	-7.3	-2
Bovespa (Brazil)	78,224	1.3	3.8	6.1	0
Mexcel (Mexico)	45,267	0.6	0.9	3.9	-10
Merval (Argentina)	29,029	2.1	1.3	-1.6	-7
MSCI EM Europe *	5,330	0.1	-0.9	2.8	-1
Poland	2,210	0.9	-0.4	3.6	-10
Mscx 10 (Russia)	4,479	0.4	-0.3	0.4	9
HS 100 (Turkey)	99,250	0.1	-6.8	3.6	-16
MSCI EM Asia *	930	0.6	0.4	0.0	1
Shanghai Com (China)	3,091	0.5	-1.4	-0.3	-8
Jakarta (Indonesia)	6,015	0.5	0.7	0.0	5
US banks					
level	Daily	Weekly	Monthly	YTD	
JPM	142.6	0.2	-2.3	0.1	-4
Ch	106.6	0.2	-1.8	1.3	1
Cit	62.1	-0.2	-1.9	-1.2	-10
Ba	29.4	-0.1	-2.6	0.6	-2
MS	51.5	0.5	-2.9	0.7	-1
GS	229.6	0.5	-2.1	-1.1	-10
EU banks	93.5	0.4	-3.8	-13.4	-14
BNP	54.1	0.4	-9.7	-14.7	-13
Credit Agricole	15.2	0.8	2.4	9.2	-13
Deutsche Bank	9.5	1.3	-7.3	-15.7	-40
ING	12.9	0.5	-1.2	6.3	16
Intesa	2.6	0.0	1.7	-17.6	6
SG	37.8	0.7	6.3	-15.8	12
Unicredit	14.6	-0.8	-1.6	-17.4	-7
UK banks	89.8	0.8	-1.6	1.2	-3
HSBC	731.3	0.9	-0.2	1.4	4
RBS	280.9	0.6	-3.0	4.6	1
Barclays	204.6	1.3	-0.8	0.9	1
Lloyds	63.6	0.4	-3.2	-1.7	-6
Large Spanish banks	73.3	0.6	-1.8	9.8	-14
Santander	4.8	0.5	-2.3	-10.5	-12
BBVA	6.1	0.6	-1.3	9.1	-14
Medium Spanish banks	71.9	0.4	-3.1	6.3	-6
Caixabank	3.7	-0.4	-3.9	8.9	-6
Sabadel	1.5	-0.3	-7.5	9.5	-12
Bankinter	8.4	-0.1	0.5	2.6	5
Banella	3.3	-0.8	3.7	6.6	-18
Commodities (Ct, net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.170	0.3	0.6	2.4	-3
GBPUSD					
GBPUSD	1.33	-0.2	0.0	-1.9	-2
USDJPY					
USDJPY	109.68	0.1	0.2	0.4	2
DXY					
DXY	94.07	-0.1	-0.4	1.8	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Argentina)	24.97	0.0	-1.1	-11.6	36
USDBRL (Brazil)					
USDBRL (Brazil)	3.75	0.5	-0.2	6.2	-15
USDCUP (Cuba)					
USDCUP (Cuba)	630.42	0.1	-0.9	1.7	4
USDCOP (Colombia)					
USDCOP (Colombia)	287.6	-0.3	0.6	0.6	2
USDMXN (Mexico)					
USDMXN (Mexico)	19.99	-0.3	-2.0	4.9	-2
USDPEN (Peru)					
USDPEN (Peru)	3.27	0.0	0.1	0.0	1
USDRUB (Russia)					
USDRUB (Russia)	58.18	0.0	0.9	4.2	8
USDRPLN (Poland)					
USDRPLN (Poland)	3.67	0.7	1.0	3.0	6
USDRLB (Russia)					
USDRLB (Russia)	62.01	0.3	0.5	1.6	-8
USDTRY (Turkey)					
USDTRY (Turkey)	4.59	1.2	0.2	9.0	22
USDCHF (China)					
USDCHF (China)	6.41	0.2	-0.1	0.9	1
USDINR (India)					
USDINR (India)	67.11	-0.1	0.5	-0.7	-6
USDIDR (Indonesia)					
USDIDR (Indonesia)	13,878	0.1	0.8	0.4	-3
ADXY					
ADXY	110.0	0.1	0.1	0.5	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	75.7	-1.4	0.6	3	14
Wti					
Wti	65	-1.3	-4.3	-5	8
Copper					
Copper	312	1.1	1.9	2	-4
Gold					
Gold	1294	0.0	-0.3	-1	-2
S&P Spot Commodity *					
S&P Spot Commodity *	477	-0.8	-1.0	1	8
S&P Brent Spot *					
S&P Brent Spot *	654	-1.0	0.4	4	15
S&P Metals Spot *					
S&P Metals Spot *	391	0.6	1.3	3	-1
S&P Agriculture *					
S&P Agriculture *	311	-0.5	-1.9	-1	9

Source: Bloomberg, Datastream and Haver

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.50	-2.8	-2.4	2	58
US	2.92	1.5	-1.5	-3	45
GER (2-yr)	0.62	0.8	5.0	-1	-1
Germany	0.42	3.3	7.5	11	-5
France	0.73	1.8	2.8	-3	-10
Spain	1.33	-11.5	-19.9	7	-29
Italy	2.53	-15.7	-15.2	79	44
Portugal	1.76	-12.0	-31.1	11	-25
Greece	4.46	-4.4	-2.3	46	36
Japan (2-yr)	-0.13	0.1	0.6	0	0
Japan	0.05	0.8	0.6	0	0
Emerging Markets					
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Brazil	11.50	8.0	32.9	166	124
Chile	4.57	-1.8	-0.8	10	3
Colombia	6.60	0.0	0.4	15	16
Mexico	7.85	2.1	20.5	32	27
Peru	5.38	-3.0	1.1	41	51
Poland	3.21	-2.1	-1.4	3	-10
Russia	7.46	0.0	4.4	1	-17
Turkey	14.34	4.0	67.0	131	298
India	7.88	2.7	13.7	14	49
Indonesia	7.92	-2.1	-13.8	-1	-72
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	-1.5	-4.7	8	2
Italy	211	-19.0	-22.7	91	49
Portugal	134	-15.3	-38.6	23	-20
Spain	91	-14.8	-27.4	19	24
2-yr sovereign spread vs Germany					
France	12	-1.9	1.0	3	-4
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Portugal	58	-4.6	-20.2	2	-10
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	237	6.6	45	55	76
Chile	57	-1.2	4	3	8
Colombia	123	4.2	9	14	18
Argentina	364	-11.2	36	71	145
Mexico	137	-3.1	17	19	30
Peru	93	-1.9	7	13	21
Venezuela	16.599	0.0	0	0	0
Poland	66	-0.5	7	17	18
Russia	134	-1.2	6	-2	16
Turkey	279	10.0	15	69	115
China	56	-0.1	0	-2	6
India	91	-0.6	1	16	22
Indonesia	122	1.2	5	14	37
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (change in bp)					
VIX	13	-0.2	0	-3	3
VSTOXX	14	-1.3	-3	0	1
EM EFT volatility index	17	-0.4	-1	2	1
Dollar/euro volatility	7	-0.1	-1	0	1
EM FX volatility index	9	0.1	0	1	1
Credit spread (BAA) change in bp	167	-1.5	2	2	10
US bonds volatility index	57	-3.6	3	8	8
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.39	0	0	0	7
EZ Inflation expectations (5Y5Y)	1.74	-	5	4	0
Banking 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	59	-2.1	4	3	17
EZ	89	-15.4	11	34	49
UK	48	-3.6	-3	4	7
Large Spanish	87	-12.7	1	39	51
Medium Spanish	95	-11	7	27	21
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	155	-2.1	4	3	17
EZ Non-financial	78	-15.4	11	34	49
UK Non-financial	106	-1.2	-1	3	14
Interbank markets (% changes 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	2.32	0	0	5	62
Libor 12m	2.72	1	-1	5	62
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,743	0.3	0.8	4.3	2
Dow Jones	24,825	0.8	0.4	3.7	0
Nike	22,476	1.4	0.0	0.0	-1
FTSE 100	7,741	0.5	0.1	3.2	1
EuroStoxx 50	3,470	0.5	0.4	1.7	-1
IBEX	9,750	1.2	-0.1	-2.9	-3
DAX	12,771	0.4	-0.7	0.6	-1
CAC	5,473	0.1	0.7	0.5	3
MB	22,010	-0.5	0.4	8.5	1
ASE Athens index	779	0.2	3.0	7.2	-5
MSCI Latam *	84,166	0.6	1.5	7.3	2
Ibovespa (Brazil)	78,224	1.3	3.8	6.1	0
Merval (Mexico)	45,267	0.6	0.9	3.9	-10
Merval (Argentina)	29,028	-2.1	1.5	1.6	-7
MSCI EM Europe *	5,330	0.1	-0.9	2.8	-1
Poland	2,210	0.9	-0.4	3.6	10
Mosc 10 (Russia)	4,479	0.4	0.3	0.4	9
Ise 100 (Turkey)	99,250	0.1	-6.8	3.6	-16
MSCI EM Asia *	930	0.6	-0.4	0.0	1
Shanghai Com (China)	3,091	0.5	1.4	0.3	8
Jakarta (Indonesia)	6,015	0.5	0.7	0.0	-5
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	108.6	0.2	-1.8	1.3	1
Cit	67.1	-0.2	-1.9	1.2	-10
BofA	29.4	-0.1	-2.6	0.5	2
MS	51.5	0.5	-2.9	0.7	-1
GS	229.5	0.5	-2.3	-1.7	-10
EZ banks					
BNP	54.1	0.4	-9.7	-14.7	-13
Credit Agricob	12.2	0.8	-2.4	9.2	-13
Deutsche Bank	9.5	-1.3	-17.3	-15.7	40
ING	12.9	0.6	-1.2	6.3	-16
Intesa	2.6	0.0	1.7	-17.6	-6
SG	37.8	0.7	-6.3	-15.8	-12
Unicredit	14.6	-0.8	-1.6	-17.4	-7
UK banks					
HSBC	89.8	0.8	-1.6	1.2	-3
HSBC	731.3	0.9	-0.2	1.4	4
RBS	280.9	0.6	-3.0	4.6	1
Barclays	204.6	1.3	-0.8	0.9	1
Lloyds	63.6	0.4	-3.2	-1.7	-6
Large Spanish banks					
Santander	73.3	0.6	-1.8	9.8	-14
Santander	4.8	0.5	-2.3	-10.5	-12
BBVA					
BBVA	6.1	0.6	-1.3	9.1	-14
Medium Spanish banks					
Caixabank	71.9	-0.4	-3.1	6.3	-6
Caixabank	3.7	-0.4	-3.9	8.9	-6
Sabadel	1.5	-0.3	-7.5	9.5	-12
Bankiatar	8.4	-0.1	0.5	2.6	5
Bankiatar	3.3	-0.8	-3.7	6.6	-18
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.170	0.3	0.6	-2.4	-3
GBPUSD	1.333	-0.2	0.0	-1.9	-2
USDJPY	109.68	-0.1	0.2	0.4	2
DXY	94.07	-0.1	0.4	1.8	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	24,297	0.0	-11.1	-11.6	-36
USDBRL (Brazil)	3.75	0.5	-0.2	6.2	15
USDCUP (Cuba)	630.42	0.1	0.9	1.7	4
USDCOP (Colombia)	287.6	-0.3	0.1	0.6	2
USDMXN (Mexico)	19.99	-0.3	-2.0	-4.9	-2
USDPEN (Peru)	3.27	0.0	0.1	0.0	-1
IAC1	58.18	0.0	6.9	4.2	8
USDPIN (Poland)	3.67	0.7	1.0	3.0	6
USDRLB (Russia)	62.01	0.3	0.5	1.6	8
USDTRY (Turkey)	4.59	1.2	6.2	9.0	22
USDCNY (China)	6.41	0.2	-0.1	0.9	1
USDINR (India)	67.11	-0.1	0.5	0.7	-6
USDIDR (Indonesia)	13,878	0.1	0.6	0.4	-3
ADXY	110.0	0.1	0.1	0.5	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	75.7	-1.4	0.6	-3	14
Copper	65	-1.3	-4.3	5	8
Gold	312	1.1	1.9	2	4
S&P Spot commodity *	1294	0.0	-0.3	-1	-2
S&P Spot commodity *	477	-0.9	-1.0	1	8
S&P Metall Spot *	654	-1.8	0.4	4	15
S&P Metall Spot *	391	0.6	1.3	3	1
S&P Agri Spot *	311	-0.5	-1.9	-1	9

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

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