

Market Comment | Emerging markets return to the forefront as focus moves away from Italy

Global Financial Markets Unit
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- **European yields continued yesterday's upbeat mood** triggered by bullish comments of ECB policy makers, despite the release of the final data for eurozone 1Q GDP ([see](#)), in line with previous releases and market expectations.
- In this context, the **yield on Bund surpassed the 0.5% threshold during the day**, while peripheral risk premia remained steady. Nonetheless these levels still remain well below those of one month ago (pre-political concerns in Italy). The EUR also benefited from the market's slight change of mind after the ECB comments, and reached 1.18 against the USD.
- **In the US, the 10Y Treasury yield rose and continued approaching 3%** while the ongoing rally in the main US equity indices halted somewhat. The lingering uncertainties about global trade in G7 meeting, (mostly focused on the eurozone ([see](#))) seem to have muted the effect of today's rapprochement with China ([see](#)).
- **Turkey's central bank unexpectedly raised interest rates (+125 bps to 17.75%)** for the third time since April. ([see BBVA research report](#)). The double digit inflation and the depreciation of the TRY were strong reasons to continue its tightening pace. In this context, the lira had recovered some strength against the USD ([see](#)).
- The relative weakness of the USD during the session and the sharp increase in oil prices did not give relief to some EM currencies, **such as the BRL**, which continue at its lowest since 2016 despite the Central Bank's (modest) efforts ([see](#)) **and the MXN**, which apart from the global environment is suffering from the uncertainty about trade with the US ([see](#)).
- Apart from Turkey and Brazil, other emerging central banks reacted actively to the new environment of higher US rates and a strong USD, the latest to take a step in this direction being India, whose Central Bank raised rates for the first time in four years ([see](#)).

Table1

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Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.51	-0.4	1.5	0	59
US	2.96	-1.5	9.9	-2	49
GER (2-yr)	-0.61	-1.1	4.5	-3	0
Germany	0.49	2.5	14.9	-7	2
France	0.83	2.3	15.9	2	0
Spain	1.47	-3.1	13.2	15	14
Italy	2.99	5.1	19.6	112	90
Portugal	2.00	5.4	1.9	27	-1
Greece	4.58	-2.7	0.7	38	47
Japan (2-yr)	-0.12	0.2	1.9	0	1
Japan	0.06	1.5	0.2	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.19	-21.2	73.4	217	193
China	4.56	-0.8	1.9	11	4
Colombia	6.54	0.2	-8.5	5	9
Mexico	7.85	3.8	5.2	12	27
Peru	5.30	-2.3	9.1	11	43
Poland	3.30	4.8	4.6	4	-1
Russia	7.57	5.4	8.0	6	-6
Turkey	14.49	-18.0	66.0	91	313
India	7.59	-7.6	16.7	41	61
Indonesia	7.06	6.1	26.9	0	96
Country risk (bp, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-0.2	1.0	9	5
Italy	250	2.6	4.7	120	87
Portugal	181	2.9	-13.0	34	-3
Spain	98	-5.6	-18.1	22	-17
2-yr sovereign spread vs Germany					
France	12	0.3	-4.4	3	-4
Italy	225	28.8	52.9	197	188
Portugal	59	-1.1	8.2	2	8
Spain	39	1.3	-18.8	14	12
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	238	4.4	21	48	78
Chile	56	-0.6	-2	1	7
Colombia	117	-2.1	-4	6	13
Argentina	347	-1.0	-37	-4	108
Mexico	144	-3.3	13	23	37
Peru	88	-1.7	-4	5	16
Venezuela	16,590	0.0	0	0	0
Poland	66	0.2	1	16	17
Russia	131	-2.0	-1	11	13
Turkey	276	-1.6	23	45	111
China	55	0.0	-2	-6	5
India	89	-1.8	-2	13	20
Indonesia	125	2.6	7	-1	40
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	0.6	-3	2	2
VSTOXX	14	-0.4	-3	1	1
EM EFT volatility Index	18	1.0	-1	-1	1
Dollar Euro volatility	7	-0.1	0	0	1
EM FX volatility Index	9	-0.1	0	0	1
Credit spread (BAA) (change in bps)	192	1.5	6	6	15
US 10-yr volatility index	55	2.0	-4	6	7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.45	-	6	4	13
EZ Inflation expectations (5Y)	1.74	-	3	4	1
Bonding Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	57	-0.7	2	3	15
EZ	96	0.4	5	40	57
UK	48	0.4	-6	3	8
Large Spanish	89	1.5	16	39	53
Medium Spanish	102	-0.9	-5	32	27
Corporate Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	150	-0.7	2	3	15
EZ Non-financial	79	0.4	-6	40	57
UK Non-financial	107	1.0	-4	3	14
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EDMA Index	-0.36	0	0	1	1
Euro 3m	-0.32	0	0	1	1
Carbon 12m	-0.18	0	0	1	1
Libor 3m	2.32	0	2	-5	63
Libor 12m	2.74	0	4	-4	63
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,370	-0.1	2.4	3.7	3
Dow Jones	25,284	0.5	3.6	3.8	2
Nikkei	22,823	0.9	2.8	1.4	0
FTSE 100	7,304	-0.1	0.3	1.8	1
EuroStoxx 50	3,460	0.0	1.6	2.8	-1
IBEX	9,829	0.4	3.8	-3.3	-2
DAX	12,811	-0.1	1.6	0.8	0
CAC	5,448	-0.2	0.9	-1.3	3
MIB	21,768	-0.2	-0.1	9.8	0
ISE Athens	729	-0.3	3.0	4.8	5
MSCI Latam *	83,697	-0.3	0.0	5.7	-2
Bovespa (Brazil)	73,326	-3.7	-4.5	-11.6	6
Mexcel (Mexico)	45,296	0.1	1.2	3.2	-10
Merval (Argentina)	30,131	-1.0	5.5	14.7	3
MSCI EM Europe *	5,379	-0.2	0.7	-0.2	0
Poland	2,271	0.6	5.3	1.5	8
Mscx 10 (Russia)	4,472	0.6	0.4	0.4	8
Wu 100 (Turkey)	98,624	2.0	-2.0	0.7	-16
MSCI EM Asia *	950	0.6	3.7	2.9	3
Shanghai Com (China)	3,109	-0.2	0.5	-1.6	-7
Jakarta (Indonesia)	6,107	0.3	1.6	3.8	-4
US banks					
level	Daily	Weekly	Monthly	YTD	
JPM	111.3	0.9	4.0	0.3	3
Ch	68.8	0.9	3.2	3.1	-7
BaA	30.2	0.7	4.1	1.1	1
MS	52.6	1.3	4.8	1.5	1
GS	235.1	1.2	4.1	0.8	8
EZ banks	91.8	0.2	1.2	-13.7	-16
BNP	54.1	0.8	2.0	-12.7	-18
Credit Agricole	12.0	0.6	2.1	-10.6	-14
Deutsche Bank	9.6	0.6	5.0	-16.0	-40
ING	12.8	0.5	2.5	6.1	17
Intesa	2.5	-1.2	-2.4	-21.9	-11
SG	37.5	0.7	1.7	-11.2	13
Unicredit	13.9	-1.6	-1.3	-19.5	-11
UK banks					
level	Daily	Weekly	Monthly	YTD	
HSBC	732.0	0.5	1.6	3.0	4
RBS	270.0	-0.2	1.9	-1.2	-3
Barclays	201.2	0.0	2.0	2.8	-1
Lloyds	63.6	-0.1	0.7	-3.4	-6
Large Spanish banks	73.6	0.9	4.2	-10.4	-13
Santander	4.8	-0.2	3.6	-11.5	-13
BBVA	6.1	2.0	4.7	9.5	-14
Medium Spanish banks	73.0	2.0	3.7	-7.1	-5
Caixabank	3.8	4.3	5.8	9.0	-3
Sabadell	1.5	1.7	2.9	-13.1	-12
Banqueparibas	8.5	0.5	0.6	3.6	6
Banella	3.4	2.6	4.2	4.8	-16
Commodities (€, net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.181	0.3	1.0	0.4	-2
GBPUSD	1.34	0.1	1.0	0.8	-1
USDJPY	109.88	0.3	1.0	0.7	2
DXY	93.39	-0.2	-0.6	0.3	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	24.97	-0.3	0.0	-11.1	36
USDBRL (Brazil)	3.92	-1.8	-5.2	-10.0	-20
USDCLP (Chile)	632.20	-0.5	0.0	0.4	-4
USDCOP (Colombia)	2835	-0.2	1.9	1.3	3
USDMXN (Mexico)	20.50	-1.0	-3.0	-4.7	-5
USDPEN (Peru)	3.26	0.0	0.3	0.9	-1
USDCI	56.88	-1.0	0.5	6.4	-11
USDPLN (Poland)	3.62	0.2	2.1	0.2	5
USDRLB (Russia)	62.30	-0.8	0.2	1.4	-8
USDTRY (Turkey)	4.48	1.7	1.0	3.4	-19
USDNRY (China)	6.39	-0.1	0.3	-0.3	2
USDINR (India)	67.13	-0.3	0.4	-0.1	6
USDIDR (Indonesia)	13,975	-0.2	0.2	1.3	-3
ADXY	110.0	-0.3	0.2	0.0	0
Commodity (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.0	2.2	-0.7	3	16
WTI	66	1.8	-1.7	5	9
Copper	330	1.3	7.8	8	1
Gold	1297	0.1	-0.1	-1	-2
S&P Spot Commodity *	471	-0.2	-2.1	-1	6
S&P Brent Spot *	641	0.0	2.8	1	13
S&P Metals Spot *	404	1.1	3.7	5	7
S&P Agriculture *	303	0.2	-2.9	-1	2

Source: Bloomberg, Datastream and Haver

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