

# Market Comment | Financial markets recover some ground despite trade tensions

Global Financial Markets Unit  
20 Jun 2018

- **Risk-averse mood moderated in financial markets today, as the rally in safe haven assets took a breather.** Nonetheless, a cautious tone prevailed, with investors waiting for new developments in trade tensions between China and the US. Stock prices recovered from the past few days' losses across major economies, while the equity volatility index inched down (VIX 13%), despite the additional trade tensions, with the European Union saying it would impose tariffs on imports from the US ([see](#)).
- **Remarks by central bankers at the ECB's symposium in Sintra had a muted impact on financial markets,** as they maintained their narrative. The Fed's Powell continues to support a gradual increase in interest rates, while he considers monetary policy still accommodative -interest rate could be 100bp below the neutral rate- ([see](#)). Mr. Draghi said anchoring inflation expectations was crucial, although he is convinced that inflation is trending towards the ECB's target (2%) ([see](#)). Regarding global trade concerns, Mr Powell said trade policy could force the Fed to alter its economic outlook, but this had not happened yet. Contact with business leaders suggests they are worried, with some of them postponing investment decisions ([see](#)). The ECB's Nowotny considers that any spillover effect from Italy should be limited. Moreover, he said the risk to financial stability lay with political factors rather than economics. In addition, he confirmed that the recent downward pressure on the euro reflects the divergence between US and eurozone monetary policies ([see](#)).
- In this context, **the US Treasury long-term yield and the 10Y Bund yield remained relatively steady,** while the peripheral risk premia also remained broadly stable.
- The **EUR was steady against the USD in today's FX market,** despite trade tensions between the European Union and the US. Meanwhile, a stable USD favoured the slight appreciation of the EM currencies. The CNY appreciated slightly after the PBoC said it expected to increase targeted monetary support and to become more flexible to cope with uncertainties. Regarding energy markets, crude oil prices remained relatively unchanged despite China's threatening to impose tariffs on imports of US products such as oil ([see](#)).

Table 1  
Update 18:00 CET June 20

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.55	0.8	1.4	-1	63
US	2.92	1.8	-5.1	-14	45
GER (2-yr)	-0.64	-1.3	-4.8	-1	-3
<b>Germany</b>	0.38	0.4	10.5	-15	-9
France	0.71	0.8	-13.1	-11	-11
Spain	1.25	0.8	-16.4	-26	-37
Italy	2.55	0.8	-2.7	16	45
Portugal	1.75	1.0	-20.0	-26	-26
Greece	4.37	-1.2	22.0	-16	26
Japan (2-yr)	-0.13	0.2	-0.4	0	0
Japan	0.04	-1.5	-2.0	-1	-1
<b>Emerging Markets</b>	level	Daily	Weekly	Monthly	YTD
Brazil	11.89	5.5	8.4	135	164
Chile	4.61	0.5	1.7	3	9
Colombia	6.57	-2.9	-1.3	-10	13
Mexico	7.80	-6.6	-13.9	4	22
Peru	5.46	0.0	11.7	-8	58
Poland	3.18	-2.2	-7.7	-16	-13
Russia	7.80	-13.4	10.2	30	16
Turkey	16.18	5.0	64.0	160	462
India	7.83	-3.6	-10.2	2	44
Indonesia	7.29	3.3	-0.7	-19	99
<b>Country risk (bp, changes in bp)</b>	level	Daily	Weekly	Monthly	YTD
<b>Developed Markets</b>	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>	level	Daily	Weekly	Monthly	YTD
France	33	0.4	-2.4	4	5
Italy	217	-1.2	-15.2	31	54
Portugal	137	0.8	-9.5	-11	-17
Spain	87	0.2	5.9	-12	-25
<b>2-yr sovereign spread vs Germany</b>	level	Daily	Weekly	Monthly	YTD
France	10	0.0	0.8	2	6
Italy	123	1.2	28.1	34	86
Portugal	48	0.1	-1.6	-27	-20
Spain	35	1.5	-6.2	2	9
<b>Emerging Markets</b>	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>	level	Daily	Weekly	Monthly	YTD
Brazil	269	-5.9	6	66	108
Chile	5.9	1.8	1	1	10
Colombia	129	1.1	4	12	24
Argentina	414	-12.5	37	51	176
Mexico	144	0.5	-8	14	37
Peru	92	2.2	3	2	20
Poland	64	-2.4	-3	9	15
Russia	154	1.3	15	16	36
Turkey	325	1.4	32	41	161
China	59	0.7	3	1	8
India	91	2.8	4	2	22
Indonesia	138	4.8	12	13	53
<b>Risk indicators</b>	level	Daily	Weekly	Monthly	YTD
<b>Volatility indicators (change in ppt)</b>	level	Daily	Weekly	Monthly	YTD
VIX	13	0.8	0	-1	3
VSTOXX	14	-0.9	1	0	1
EM EFT volatility index	18	-1.1	1	0	2
Dollar/euro volatility	7	-0.3	0	0	1
EM FX volatility index	10	0.1	1	1	2
Credit spread (BAA) (change in bp)	189	-1.8	0	5	11
US bonds volatility index	52	0.1	-1	-1	3
<b>Inflation expectations (%)</b>	level	Daily	Weekly	Monthly	YTD
US inflation expectations (5Y5Y)	2.44	-0.2	-2	-12	-12
EZ inflation expectations (5Y5Y)	1.74	-	0	3	0
<b>Leading 5y CDS (ppt)</b>	level	Daily	Weekly	Monthly	YTD
US	55	1.6	-1	1	13
EZ	69	1.9	-9	27	50
UK	54	0.4	-2	8	13
Large Spanish	67	-0.6	1	27	51
Medium Spanish	99	1.4	4	24	24
<b>Corporate 5y CDS (ppt)</b>	level	Daily	Weekly	Monthly	YTD
US Non-financial	148	1.6	-1	1	13
EZ Non-financial	60	1.9	-9	27	50
UK Non-financial	109	1.2	0	4	16
<b>Interbank markets (% changes in bp)</b>	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Eurobor 3m	-0.32	0	0	0	1
Eurolib 12m	-0.18	0	0	1	0
Libor 3m	2.33	1	-1	0	64
Libor 12m	2.76	-1	0	0	66
<b>Stock markets (%)</b>	level	Daily	Weekly	Monthly	YTD
<b>Main indices</b>	level	Daily	Weekly	Monthly	YTD
S&P500	2371	0.3	-0.2	1.4	3
Dow Jones	24693	0.0	-2.0	-1.3	-1
Nikkei	22555	1.2	1.8	1.9	-1
FTSE 100	7427	0.3	-1.0	-2.9	0
<b>EuroStoxx 50</b>	3440	0.1	-1.1	-3.7	-1
IBEX	9789	0.3	1.1	2.8	-3
DAX	12695	0.1	-1.5	-2.9	-1
CAC	5372	-0.3	-1.5	-4.7	2
MIB	22121	0.2	0.4	-4.2	1
ASX Allord	766	0.0	0.5	2.4	6
<b>MSCI Latam *</b>	80991	1.0	1.6	8.7	6
Ibovespa (Brazil)	71764	0.5	0.5	12.3	-8
Ibex35 (Mexico)	46569	0.4	-2.2	3.0	-7
Merval (Argentina)	29119	0.0	-3.7	-7.9	-6
<b>MSCI EM Europe *</b>	5125	-0.3	-3.0	5.5	-5
Poland	2154	1.6	3.8	5.0	-12
Mixe 10 (Russia)	4386	1.4	0.3	3.2	6
Im 100 (Turkey)	94552	0.1	1.1	7.5	-20
<b>MSCI EM Asia *</b>	910	-2.1	-4.1	2.4	-1
Shanghai Com (China)	2916	0.3	4.4	9.3	-13
Jakarta Indonesia	5884	-1.8	-1.8	1.7	-7
<b>Financial sector</b>	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	level	Daily	Weekly	Monthly	YTD
JPM	108.0	0.5	1.8	3.7	0
CE	67.3	0.8	0.0	4.4	9
BA	29.3	0.0	1.9	-4.2	-2
MS	50.0	0.1	3.1	8.0	4
GS	227.6	-0.3	2.7	-4.2	-11
<b>EZ banks</b>	level	Daily	Weekly	Monthly	YTD
BNP	53.7	-0.1	-1.5	-12.9	-14
Credit Agricole	11.7	-0.7	-2.8	-13.6	-16
Deutsche Bank	9.6	0.3	0.7	-11.3	-40
ING	12.6	0.4	-1.3	-4.8	-16
Intesa	2.6	1.9	0.6	6.0	5
SG	36.3	-0.4	-3.2	-12.2	-16
Unicredit	14.9	2.8	1.2	8.7	5
<b>UK banks</b>	level	Daily	Weekly	Monthly	YTD
HSBC	86.4	0.3	1.5	6.3	6
RBS	726.9	0.4	-0.8	-1.6	-5
NBS	257.9	0.1	1.6	11.8	-7
Barclay	193.7	0.4	2.1	7.3	5
Lloyds	61.7	0.2	-1.9	-7.2	-9
<b>Large Spanish banks</b>	level	Daily	Weekly	Monthly	YTD
Santander	72.6	1.1	-1.2	8.1	-14
BBVA	4.7	1.4	0.9	8.6	13
CaixaBank	6.0	0.8	1.5	7.7	-15
<b>Medium Spanish banks</b>	level	Daily	Weekly	Monthly	YTD
CaixaBank	72.2	0.2	-3.7	6.6	6
Sabadell	3.7	-0.1	-4.2	9.2	6
Sabadell	1.4	-0.4	-3.4	-10.1	-14
Bankinter	8.6	0.9	2.4	2.0	8
Banco	3.3	-0.2	-5.0	8.6	-15
<b>Commodities (%, red for currency depreciation)</b>	level	Daily	Weekly	Monthly	YTD
<b>Developed</b>	level	Daily	Weekly	Monthly	YTD
EUR/USD	1359	0.0	1.7	1.7	4
GBP/USD	132	0.2	-1.3	-1.7	-3
USD/JPY	110.21	0.1	0.1	0.9	2
DXY	94.90	0.0	1.5	1.4	-3
<b>Emerging</b>	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	27.77	0.0	5.7	-13.9	-51
USDBRL (Brazil)	-3.74	0.1	-0.6	-1.8	-15
USDCNY (China)	639.27	0.1	1.1	0.4	5
USDCOP (Colombia)	2913	0.3	1.9	1.3	1
USDMXN (Mexico)	20.35	0.9	1.4	2.7	4
USDPEN (Peru)	3.28	0.1	0.2	0.1	-1
LACI	57.07	-0.1	0.4	2.4	-10
USDRUB (Russia)	37.5	-0.1	2.7	2.4	8
USDTRY (Turkey)	63.50	0.6	-1.6	3.2	-10
USDCHF (China)	4.74	0.1	1.9	3.5	-26
USDHKD (China)	6.47	0.2	-1.2	-1.4	0
USDIDR (Indonesia)	68.08	0.4	-0.6	0.1	7
USDINR (Indonesia)	13.932	0.0	0.0	1.8	-3
ADXY	108.5	0.0	-1.1	-0.0	-1
<b>Commodities (%)</b>	level	Daily	Weekly	Monthly	YTD
Brent	75.3	0.3	1.9	5	13
WTX	66	2.0	0.4	-8	10
Copper	305	0.0	6.2	-1	-6
Gold	1274	-0.1	2.0	-1	-3
S&P Spot commodity *	463	1.0	3.2	6	5
S&P Brent Spot *	635	-0.4	-2.4	-6	12
S&P Mean Spot *	378	1.9	5.4	3	4
S&P Agricultural *	287	-1.9	-6.4	-7	1

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

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Fuente: BBVA Research

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France	0.71	0.8	-13.1	-11	-11
Spain	1.25	0.6	-16.4	-26	-37
Italy	2.55	0.8	-25.7	-16	45
Portugal	1.75	1.0	-20.0	-26	-26
Greece	4.37	-1.2	-22.0	-16	26
Japan (2-yr)	-0.13	0.2	-0.4	0	0
Japan	0.04	-1.5	-2.0	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
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Mexico	7.80	-6.6	-13.9	4	22
Peru	5.46	0.0	11.7	-8	58
Poland	3.18	2.2	-7.7	-16	-13
Russia	7.80	-13.4	10.2	30	16
Turkey	16.18	5.0	54.0	160	482
India	7.83	-3.6	-10.2	2	44
Indonesia	7.29	3.1	-0.7	-19	99
Country risk (bp change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
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Italy	217	-1.2	-15.2	31	54
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Spain	87	0.2	-5.9	-12	-28
<b>2-yr sovereign spread vs Germany</b>					
France	10	0.9	-0.8	-2	-6
Italy	123	1.2	-26.1	34	86
Portugal	48	0.1	-1.6	-27	-20
Spain	36	1.5	-6.2	2	9
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
<b>5-yr average CDS *</b>					
Brazil	269	-5.9	6	66	108
Chile	59	1.8	1	1	10
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Turkey	325	1.4	32	41	161
China	59	0.7	3	1	8
India	91	2.8	4	2	22
Indonesia	138	4.9	12	13	53
Risk Indicators					
Volatility Indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.8	0	-1	3
VSTOXX	14	-0.9	1	0	1
EM EET Volatility Index	18	-1.1	1	0	2
Dollar/euro volatility	7	-0.3	0	0	1
EM FX volatility index	10	0.1	1	1	2
Credit losses (BAs) (change in bp)	189	-1.8	0	5	11
US bonds volatility index	52	0.1	-1	-1	3
Inflation Expectations (bps)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.44	-	-2	-2	12
EZ Inflation expectations (5Y5Y)	1.74	-	0	3	0
Banking Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	55	1.6	-1	1	13
EZ	89	1.9	-9	27	50
UK	54	0.4	-2	8	13
Large Spanish	87	-0.6	1	27	51
Medium Spanish	99	1.4	4	24	24
Corporate Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	148	1.6	-1	1	13
EZ Non-financial	80	1.9	-9	27	50
UK Non-financial	109	1.2	0	4	16
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
COBA Index	-0.36	0	0	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	1	0
Libor 3m	2.33	1	-1	0	64
Libor 12m	2.76	-1	0	0	66
Stock markets (%)					
Main Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,771	0.3	-0.2	1.4	3
Dow Jones	24,693	0.0	2.6	-1.3	-1
Nikkei	22,555	1.2	-1.8	-1.9	-1
FTSE 100	7,627	0.3	-1.0	2.9	0
Euro Stoxx 50	3,440	0.1	-1.1	-3.7	-1
IBEX	9,789	0.3	-1.1	-2.8	-3
DAX	12,695	0.1	-1.5	-2.9	-1
CAC	5,372	-0.3	-1.5	-4.7	-2
MB	22,121	0.2	-0.4	-4.2	-1
ASE Athens	766	0.0	0.5	2.4	-6
MSCI Latam *	80,991	1.0	-1.6	0.7	-6
Ibovespa (Brazil)	71,764	0.5	-0.5	-12.3	-8
Mercol (Mexico)	46,669	0.4	0.2	3.0	-7
Merval (Argentina)	29,119	0.0	-3.7	-7.9	-6
MSCI EM Europe *	5,125	-0.2	-3.0	5.5	-5
Poland	2,154	1.6	-3.8	-5.0	-12
Mosc 10 (Russia)	4,386	1.4	0.3	-3.2	-6
Isr 100 (Turkey)	94,552	0.1	1.1	-7.5	-20
MSCI EM Asia *	910	-2.1	-4.1	-2.4	-1
Shanghai Com (China)	2,916	-0.3	-4.4	-9.2	-13
Jakarta (Indonesia)	5,684	-1.8	-1.8	1.7	-7
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	141.4	0.2	-1.9	-4.8	-5
JPM	108.0	0.5	-1.8	-3.7	0
BoA	29.3	0.0	-1.9	-4.2	-2
MS	59.0	0.1	-3.1	-0.9	-4
GS	227.6	-0.3	-2.7	-4.2	-11
EZ banks	92.1	0.4	-1.3	-10.0	-16
BNP	53.7	-0.1	-1.5	-12.9	-14
Crédit Agricole	11.7	-0.7	-2.8	-13.6	-16
Deutsche Bank	9.6	0.3	-0.7	-11.3	-40
ING	12.6	0.4	-1.3	-4.2	-18
Intesa	2.6	1.9	0.6	6.0	-5
SG	36.3	-0.4	-3.2	-12.2	-16
Unicredit	14.9	2.8	1.2	8.7	-5
UK banks	86.4	0.3	-1.5	-6.3	-6
HSBC	726.9	0.4	0.8	-1.6	-5
RBS	257.9	0.1	-1.6	-11.0	-7
Barclays	193.7	0.4	-2.1	-7.3	-5
Lloyds	61.7	0.2	-1.9	-7.2	-9
Large Spanish banks	72.6	1.1	-1.2	8.1	-14
Santander	4.7	1.4	-0.9	0.6	-13
BBVA	6.0	0.8	-1.5	-7.7	-15
Medium Spanish banks	72.2	0.2	-3.7	6.8	-6
Cajabank	3.7	0.1	-5.2	9.2	-6
Sabadell	1.4	-0.4	-3.4	-10.1	-14
Banqueparibas	8.6	0.9	-2.4	-2.0	8
Banque	3.3	-0.2	-5.0	8.6	-19
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,159	0.0	-1.7	-1.7	-4
GBPUSD	1.32	0.2	-1.3	-1.7	-3
USDJPY	110.21	-0.1	0.1	0.5	2
DX1	94.90	0.0	1.5	1.4	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.77	0.0	-5.7	-13.9	-51
USDBRL (Brazil)	3.74	0.1	-0.6	-1.8	-15
USDCOP (Colombia)	639.27	0.1	-1.1	0.4	5
USDCOP (Columbia)	2913	0.3	-1.9	-1.3	1
USDMXN (Mexico)	20.35	0.9	1.4	-2.7	-4
USDPEN (Peru)	3.28	0.1	-0.2	0.1	-1
LAC1	57.07	-0.1	-0.4	-2.4	-10
USDPLN (Poland)	3.73	-0.1	-2.7	-2.4	-8
USD RUB (Russia)	63.50	0.6	-1.6	-3.2	-10
USDTRY (Turkey)	4.74	0.1	-1.9	-3.5	-26
USDCNY (China)	6.47	0.2	-1.2	-1.4	0
USDINR (India)	68.08	0.4	-0.6	0.1	-7
USDIR (Indonesia)	13.832	0.0	0.0	1.8	-3
ADXY	108.5	0.0	-1.1	-1.0	-1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	75.3	0.3	-1.9	-5	13
WTX	66	2.0	0.4	8	10
Copper	305	0.0	-6.2	-1	-6
Gold	1274	-0.1	-2.0	-1	-3
S&P Spot commodity *	463	-1.0	-3.2	-6	5
S&P Brent Spot *	635	-0.4	-2.4	-6	12
S&P Metals Spot *	378	-1.9	-5.4	-3	-4
S&P Agricultural *	287	-1.9	-6.4	-7	1

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

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Fuente: BBVA Research

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