

Market Comment | Trade tensions hampered risky assets, particularly in China

Global Financial Markets Unit
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- **The cautious mood persisted in financial market amid lingering trade tensions. Trade relations between China and the US remained in the spotlight as China warned that it will closely follow US restrictions on investments**[\(see\)](#), showing its clear opposition to recent US measures.
- Against this backdrop, the **equity volatility index (VIX) remained hovering around 18%**, in line with new drops in developed countries' equity indices, particularly in Europe, despite timid gains early this morning. In this context, Asian stocks also continued to underperform, with China leading the decline (at its lowest this year) amid ongoing trade fears [\(see\)](#).
- **Core sovereign bond yields remained broadly steady**: the US 10Y yield is trading relatively flat (close to 2.80%) despite the release of a slightly **lower-than-expected 1Q USD GDP**, hampered by weaker spending in the service sector [\(see\)](#). In Europe, the 10Y German yield remained unchanged **despite June's inflation data in Germany, (above the 2% threshold)**[\(see\)](#). Meanwhile, European peripheral risk continued steady without being affected by today's Italian debt auction, at which the recent political tensions were perceived [\(see\)](#).
- **The USD continued its upward trend against EM currencies**. The pressure on EM currencies continued, particularly on the Renminbi, which weakened further. Brent oil prices consolidated above \$77 per barrel following the significant fall in US stockpile and supply issues. Latam currencies showed a mix performance: the MXN appreciated against the USD.

Table 1
Update 18:00 CET June 28

Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.52	1.4	-1.9	20	60
US	2.85	2.0	5.1	6	38
GER (2-yr)	-0.67	0.4	0.1	10	6
Germany	0.32	-0.2	1.6	6	15
France	0.70	-1.0	-0.1	5	-12
Spain	1.36	0.9	2.8	-26	-25
Italy	2.78	-3.3	4.4	-39	68
Portugal	1.83	-1.7	1.4	-36	-18
Greece	4.05	-0.2	-27.0	-75	-6
Japan (2-yr)	-0.13	0.0	0.5	2	1
Japan	0.04	-0.4	0.2	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.79	-12.4	-27.5	37	163
Chile	4.59	0.0	-1.4	2	8
Colombia	6.59	0.3	-1.7	-3	15
Mexico	7.62	-0.6	18.5	9	4
Peru	5.29	0.1	-14.5	-9	-41
Poland	3.24	2.8	8.7	4	8
Russia	7.84	-2.2	6.5	39	21
Turkey	15.62	-35.0	-64.0	211	426
India	7.94	6.4	16.2	18	55
Indonesia	7.90	10.8	40.3	74	160
Country risk (bp, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	39	-0.8	1.5	-1	10
Italy	246	-1.1	6.8	-45	83
Portugal	151	-1.5	0.2	-42	-3
Spain	105	1.1	4.4	-32	-10
2-yr sovereign spread vs Germany					
France	23	0.4	11.4	5	7
Italy	152	-5.3	-1.1	-201	115
Portugal	56	-1.0	0.7	-75	-12
Spain	44	-0.9	-2.5	-29	17
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	267	8.8	2	75	107
Chile	60	2.2	2	7	11
Colombia	139	6.7	2	15	24
Argentina	429	20.2	14	82	191
Mexico	137	5.2	-4	16	30
Peru	90	-3.4	0	4	18
Poland	65	-1.5	1	5	17
Russia	144	2.0	-1	17	27
Turkey	360	-9.2	-14	36	134
China	66	-3.4	9	11	16
India	95	3.8	5	6	26
Indonesia	137	3.6	5	25	52
Risk indicators					
Volatility indicators (change in bps)	level	Daily	Weekly	Monthly	YTD
VIX	18	-0.1	3	1	8
VSTOXX	18	1.2	2	-2	5
EM EFT volatility Index	23	-0.1	3	1	6
Dollar Euro volatility	8	0.0	0	-1	1
EMFT volatility index	10	0.4	0	0	2
Credit spread (BAA) (change in bps)	196	-2.0	1	2	19
US bonds volatility index	53	1.8	0	-10	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.41	-	-3	2	9
EZ Inflation expectations (5Y5Y)	1.73	-	-1	6	-1
Inflation (YoY %)					
level	Daily	Weekly	Monthly	YTD	
US	58	1.1	3	3	16
EZ	97	-2.2	9	19	58
UK	59	1.2	6	7	18
Large Spanish	98	-0.4	14	11	62
Medium Spanish	98	-3.1	5	9	23
Commodity prices (Bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	160	1.1	3	3	16
EZ Non-financial	84	-2.2	9	19	58
UK Non-financial	111	1.0	3	3	18
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.37	0	0	-1	0
Eurobor 3m	-0.32	0	0	0	1
Earlibor 12m	-0.18	0	0	1	1
Libor 3m	-2.33	0	0	2	64
Libor 12m	2.76	-1	-1	3	66
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,708	0.3	-1.5	0.7	0
Dow Jones	24,166	0.2	-1.2	0.8	-3
Nikkei	22,270	0.0	1.9	0.4	-7
FTSE 100	7,616	-0.1	0.8	0.2	0
Stoxx50	3,396	-0.9	-1.1	-1.8	-4
IBEX	8,589	0.7	-1.2	0.7	-5
DAX	12,177	-1.4	2.7	3.9	5
CAC	5,276	-1.0	0.8	-3.8	0
MIB	21,432	-0.6	1.1	0.4	-2
ASE Athens	748	-2.6	-3.2	1.3	-9
BSE Bombay	80,444	-0.6	-1.3	-3.2	-6
Bovespa (Brazil)	71,469	1.2	2.0	6.1	8
BVL (Belgium)	46,855	0.0	0.9	4.9	6
BVL (Spain)	26,218	1.1	-15.3	7.4	-16
MSCI Europe *	5,217	0.9	0.4	-3.4	-3
Poland	2,999	-2.1	-2.4	-4.3	-15
Poland 10	4,419	0.1	0.6	0.7	7
Ise 100 (Turkey)	96,227	0.3	1.2	8.5	-18
MSCI EM Asia	879	-1.5	-4.0	-6.2	-5
Shanghai Com (China)	2,387	-0.9	-3.1	10.7	-17
Jakarta Indonesia	5,667	-2.7	-3.7	6.6	-11
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	120.5	-3.9	7.6	6.6	-12
C	104.6	1.4	-2.7	1.2	-3
Ch	66.4	1.5	-1.8	1.1	-11
Ba	28.7	1.5	2.3	-1.1	-4
MS	48.1	1.9	-3.4	-3.7	-8
GS	223.1	1.3	-1.7	-1.7	-13
EZ banks					
BNP	89.3	0.1	-1.7	-4.4	-16
Credit Agricole	52.7	-0.3	0.9	7.9	-15
Diethelm Bank	11.4	-0.9	-2.0	5.3	-18
Diethelm Bank	9.1	0.1	3.4	7.7	-43
ING	12.3	-0.7	-1.4	-2.6	-20
Intesa	2.5	2.0	-2.9	1.6	-10
SC	35.9	0.0	0.1	8.4	-17
Unicredit	14.1	1.4	-2.2	0.7	-10
UK banks					
HSBC	85.4	0.5	0.3	-4.1	-7
RBS	709.8	-0.1	0.2	1.8	-7
RBS	254.6	-0.1	-0.9	9.1	-8
Barclays	189.9	1.0	-0.1	-4.4	-7
Lloyds	62.6	1.1	1.9	-2.7	-8
Large Spanish banks					
Santander	71.2	-0.1	1.1	0.3	-16
Banco	4.6	-0.2	-2.2	-1.0	-16
BBVA					
BBVA	6.0	0.0	0.1	1.5	-16
Medium Spanish banks					
Cajabank	70.3	0.5	-1.1	1.3	-8
Cajabank	3.6	0.7	-1.7	-2.8	-10
Sabadell	1.4	0.4	-0.3	5.3	-16
Bankinter	8.4	0.7	-1.5	2.2	5
Banica	3.2	-0.2	0.8	-1.4	-20
Commodities (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
Developed					
EURUSD	1,158	0.2	-0.2	0.3	-4
GBPUSD	1,31	-0.2	-1.1	1.2	-4
USDJPY	110.42	-0.1	-0.4	-1.5	2
DXY	95.27	0.0	0.4	0.5	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.73	-1.1	-0.8	-11.5	-51
USDZAR (Brazil)	3.86	0.1	-2.3	-3.4	-18
USDCLP (Chile)	648.59	-0.5	-1.3	-3.0	-7
USDCOP (Colombia)	2947	0.0	0.2	-1.4	-1
USDMMN (Mexico)	19.83	1.7	2.4	0.0	-1
USDREN (Peru)	3.27	0.0	0.1	0.1	-1
LACI	56.86	0.5	-0.2	-2.8	-11
USDPLN (Poland)	3.77	-0.1	-1.1	0.3	9
USDINR (Russia)	62.97	0.3	1.1	0.1	-10
USDTRY (Turkey)	4.60	0.5	2.5	-1.2	-22
USDYNY (China)	6.63	-0.3	-2.1	3.3	-2
USDIDR (India)	68.79	-0.2	-1.2	-1.4	-8
USDIDR (Indonesia)	14,394	-1.5	-2.1	-2.9	-7
ADXY	106.9	-0.1	-1.4	-2.2	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.7	0.0	6.3	3	17
WTI	73	1.0	12.1	10	22
Copper	295	-1.4	-2.5	-3	-9
Gold	1250	-0.2	-1.4	-4	-6
S&P Spot commodity *	481	1.7	4.4	1	9
S&P Brent Spot *	659	1.7	6.4	3	16
S&P Metals Spot *	374	0.4	0.6	-3	5
S&P Agricultural *	285	0.0	-1.9	-10	0

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

Fuente: BBVA Research

Debt markets (10Y, % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	252	1.4	-1.9	-2.0	60
US	2.85	2.0	-5.1	6	38
GER (2-yr)	-0.67	0.4	0.1	1.0	-6
Germany	0.32	-0.2	1.6	6	-15
France	0.70	-1.0	0.1	5	-12
Spain	1.36	0.8	2.8	26	25
Italy	2.78	-3.3	4.4	-39	68
Portugal	1.83	-1.7	-1.4	-36	-18
Greece	4.05	-0.2	27.0	-75	-6
Japan (2-yr)	0.13	0.0	0.5	2	1
Japan	0.04	-0.8	0.2	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.79	-12.4	-27.5	37	153
Chile	4.69	0.0	-1.4	2	8
Colombia	6.59	0.3	-1.7	-3	15
Mexico	7.62	-8.6	-18.5	-9	4
Peru	5.29	0.1	-14.5	-9	-4
Poland	3.24	2.8	8.7	-4	-8
Russia	7.84	-2.2	6.5	39	21
Turkey	15.62	-35.0	-54.0	211	426
India	7.94	6.4	16.2	18	55
Indonesia	7.90	10.8	40.3	74	160
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	39	-0.8	1.5	-1	10
Italy	246	-3.1	6.0	-45	83
Portugal	151	-1.5	0.2	-42	-3
Spain	105	1.1	4.4	-32	-10
2-yr sovereign spread vs Germany					
France	23	0.4	11.4	5	7
Italy	152	-5.3	-1.1	-201	115
Portugal	56	-1.0	-0.7	-75	-12
Spain	44	-0.9	2.5	-29	17
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	267	8.8	2	75	107
Chile	60	2.2	2	7	11
Colombia	129	6.7	2	15	24
Argentina	429	20.2	14	82	191
Mexico	137	5.2	-4	16	30
Peru	90	3.4	0	4	18
Poland	65	-1.5	1	5	17
Russia	144	2.8	-1	17	27
Turkey	300	-4.9	-14	36	136
China	66	3.4	9	11	16
India	95	-3.8	5	6	26
Indonesia	137	3.6	5	25	52
Risk indicators					
Volatility indicator (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	18	-0.1	3	1	8
VSTOXX	18	1.2	2	-2	5
EM EFT volatility Index	23	-0.1	3	1	6
Dinarians volatility	8	0.0	0	-1	1
EM FX volatility index	10	0.4	0	0	2
Credit spread (BAA) change in bps	196	-2.0	1	2	19
US bonds volatility index	53	1.8	0	-10	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.41	-	-3	2	9
EZ Inflation expectations (5Y5Y)	1.73	-	-1	6	-1
Breeding 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	58	1.1	3	3	16
EZ	97	-2.2	9	19	58
UK	59	1.2	6	7	18
Large Spanish	98	-0.4	14	11	62
Medium Spanish	98	3.1	5	9	23
Government 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	160	1.1	3	3	16
EZ Non-financial	84	-2.2	9	19	58
UK Non-financial	131	1.0	3	3	18
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.37	0	0	-1	0
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	1	1
Libor 3m	2.33	0	0	2	64
Libor 12m	2.76	-1	-1	3	66
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,708	0.3	1.5	0.7	0
Dow Jones	24,166	0.2	-1.2	0.8	-3
Nikkei	22,270	0.0	-1.9	0.4	-2
FTSE 100	7,616	-0.1	0.8	0.2	0
Euro Stoxx 50	3,366	-0.9	-1.1	-1.8	-4
IBEX	9,589	-0.7	-1.2	0.7	-5
DAX	12,177	-1.4	2.7	3.9	-5
CAC	5,276	-1.0	0.8	3.0	0
MI	21,432	-0.6	-1.1	0.4	-2
ASE Athens	748	-2.6	-3.2	1.3	-9
MSCI Latam *	80,444	-0.6	-1.3	-3.2	-6
Bovespa (Brazil)	71,489	1.2	2.0	4.1	8
Mexcel (Mexico)	46,855	0.0	0.9	4.0	-8
Merval (Argentina)	26,218	1.1	-15.1	-2.4	-16
MSCI EM Europe *	5,217	0.9	0.4	3.4	-3
Poland	2,099	-2.1	-2.4	-4.3	-15
Moon 10 (Russia)	4,419	0.1	0.6	0.7	7
Ru 100 (Turkey)	86,227	0.3	1.2	8.5	-18
MSCI EM Asia *	879	-1.5	-4.0	-6	-5
Shanghai Com (China)	2,787	-0.9	-3.1	-10.7	-17
Jakarta Indonesia	5,667	-2.7	-3.7	-6.6	-11
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	130.5	-3.9	-7.6	-6.6	-12
Cit	104.6	1.4	-2.7	-1.2	-3
BoA	66.4	1.5	-1.8	1.1	-11
MS	28.7	1.5	-2.2	-1.1	-4
GS	48.1	1.9	-3.4	-3.7	-8
Wells Fargo	223.1	1.3	-1.7	-1.7	-13
EZ banks					
BNP	89.3	0.1	-1.7	-4.4	-18
BBVA	52.7	-0.3	0.9	7.9	15
Credit Agricole	11.4	-0.9	2.0	5.3	18
Deutsche Bank	9.1	0.1	-3.4	-7.7	-43
ING	12.3	-0.7	-1.4	-2.6	-20
Intesa	2.8	0.0	2.8	1.6	-10
SG	35.9	0.0	-0.1	8.4	-17
Unicredit	14.1	1.4	-2.2	0.7	-10
UK banks					
HSBC	85.4	0.5	0.3	4.1	-7
RBS	709.8	-0.1	0.2	-1.9	-7
Barclays	254.6	-0.1	0.9	9.1	-8
Lloyds	189.9	1.0	0.1	-4.4	-7
Large Spanish banks	62.6	1.1	1.9	2.7	-8
Santander	71.2	-0.1	-1.1	0.3	-16
BBVA	4.6	-0.2	2.3	1.9	-16
Medium Spanish banks	6.0	0.0	-0.1	1.5	-16
CajaBank	70.3	0.5	-1.1	-1.3	-8
Sabadell	3.6	0.7	-1.7	2.8	-10
Banque Paribas	1.4	0.4	-0.3	5.3	-16
Banque Indosuez	8.4	0.7	-1.5	2.2	5
Banque Societe Generale	2.2	-0.2	0.8	-1.4	-20
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,158	0.2	-0.2	0.1	-4
GBPUSD	1,311	-0.2	-1.1	-1.2	-8
USDJPY	110.42	-0.1	-0.4	-1.5	2
DX	95.27	0.0	0.4	0.5	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.73	-1.1	-0.8	-11.5	-51
USDARS (Brazil)	3.86	0.1	-2.3	-3.4	-18
USDCOP (Colombia)	648.59	-0.5	-1.3	3.0	-7
USDCOP (Colombia)	294.0	0.0	0.2	-1.4	-1
USDMXN (Mexico)	19.83	1.7	2.4	0.0	-1
USDPEN (Peru)	3.27	0.0	0.1	0.1	-1
LACI	56.86	0.5	0.2	-2.8	-11
USDPLN (Poland)	3.77	-0.1	-1.1	0.3	-9
USDRON (Romania)	62.97	0.3	1.1	0.1	-10
USDTRY (Turkey)	4.60	0.5	2.5	-1.2	-22
USDCHF (China)	6.63	-0.3	-2.1	3.3	-2
USDINR (India)	68.79	-0.2	-1.2	-1.4	-8
USDIDR (Indonesia)	14,394	-1.5	-2.1	-2.9	-7
ADXX	106.9	-0.1	-1.4	-2.2	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.7	0.0	6.3	3	17
WTI	73	1.0	12.1	10	22
Copper	295	-1.4	-2.5	-3	-9
Gold	1250	-0.2	-1.4	-4	-5
S&P Spot commodity *	481	1.7	4.4	1	9
S&P Brent Spot *	659	1.7	6.4	3	16
S&P Metals Spot *	374	0.4	0.6	-3	-5
S&P Agricultural *	285	0.0	-1.9	-10	0

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

Fuente: BBVA Research

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