

Market Comment | PBoC commitment led financial markets to recover some ground

Global Financial Markets Unit
03 Jul 2018

- **Financial markets seemed to recover some ground after their recent sharp losses.** The commitment shown by the PBoC to maintaining its currency - and not to use it to increase its competitiveness - ([see](#)) took some pressure off Asian markets, spreading a slightly positive mood across the board. However, trade concerns remained in markets as China is urging the EU to form a common front to fight protectionist measures from the US ([see](#)).
- As the market mood improved slightly (VIX went back to 15%), demand for safe-haven bonds decreased today: **US Treasury 10Y and 10Y bund yields remained almost unchanged**, while peripheral risk premia continued broadly steady. The European and US equity markets (favoured by the release of economic data ([see](#))) showed gains, as did the main Asian indices.
- **The EUR appreciated, favoured by the German Chancellor's avoiding a government break-up due to the migration crisis,** ([see](#)) while the USD showed a poor performance. Emerging currencies depreciated across the board, even the CNY, which curbed its recent depreciating trend. The TRY was the main exception after the release of higher-than-expected inflation data for June halted its recent positive trend ([see](#)). The MXN appreciated, offsetting yesterday's downturn after the presidential election.
- Oil prices increased as **Saudi Arabia and Russia reaffirmed their commitment to increase oil production by only 1 million barrels a day**, ignoring US pressure to boost global supply ([see](#)).

Table 1

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Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US GYV	2.53	1.6	0.1	6	61
US	2.84	-3.5	4.0	7	37
GER (2-yr)	-0.67	0.8	0.5	-4	6
Germany	0.29	-1.0	-4.6	9	-17
France	0.64	-1.9	-10.1	-7	-19
Spain	1.29	0.6	10.1	-15	-32
Italy	2.64	-1.5	-23.3	5	54
Portugal	1.34	-2.8	-14.9	15	-27
Greece	3.95	-3.4	-16.4	-56	-16
Japan (2-yr)	-0.13	0.2	0.4	1	1
Japan	0.03	-0.2	1.5	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.23	-17.8	-47.0	-19	97
Chile	4.60	-0.3	1.1	2	9
Colombia	6.56	-1.9	-1.5	-4	12
Mexico	7.61	-7.8	16.2	22	3
Peru	5.27	1.8	-3.7	-14	-40
Poland	3.29	4.3	7.2	6	7
Russia	7.85	1.9	0.4	11	21
Turkey	16.69	45.0	43.0	239	533
India	7.88	2.0	5.5	4	50
Indonesia	7.85	5.6	11.4	85	155
Country risk (bp, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-0.9	-5.5	2	6
Italy	234	-0.5	-20.7	4	71
Portugal	144	1.6	-10.3	-5	-10
Spain	100	0.4	-5.5	-6	-15
2-yr sovereign spread vs Germany					
France	20	-1.3	-3.9	5	3
Italy	134	-2.4	-37.4	-36	98
Portugal	56	-1.1	-1.4	-25	-12
Spain	42	-0.8	-5.2	-15	15
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	272	2.5	12	42	112
Chile	63	0.9	5	5	14
Colombia	124	0.3	1	3	19
Argentina	457	-11.0	54	62	219
Mexico	139	4.1	4	-1	32
Peru	90	0.4	2	-5	18
Poland	65	0.3	-1	2	17
Russia	143	2.7	0	8	25
Turkey	298	4.3	-10	29	133
China	72	3.8	10	15	21
India	101	0.0	10	10	32
Indonesia	141	5.4	6	20	56
Risk indicators					
Volatility indicators (change in ppt)					
level	Daily	Weekly	Monthly	YTD	
VIX	15	-0.7	-1	1	5
VSTOXX	16	-1.6	-1	1	3
EM EFT volatility Index	21	-0.8	1	4	5
Dollar euro volatility	7	-0.2	0	0	1
EM FX volatility index	10	0.1	0	1	2
Credit spread (BAA) (change in bps)	200	3.5	1	12	23
US bonds volatility index	50	-0.9	-1	2	1
Inflation expectations (bps)					
level	Daily	Weekly	Monthly	YTD	
EZ Inflation expectations (5Y5Y)	2.42	-	0	2	10
EZ Inflation expectations (5Y5Y)	1.73	-	0	0	-1
Inflation (YoY %)					
level	Daily	Weekly	Monthly	YTD	
US	5.8	1.0	0	-3	16
EZ	100	2.3	3	-3	60
UK	63	3.4	6	11	22
Large Spanish	101	2.9	6	2	65
Medium Spanish	96	1.2	1	-3	22
Commodity prices (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	163	1.0	0	-3	16
EZ Non-financial	86	2.3	3	-3	60
UK Non-financial	111	-0.1	1	3	18
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.36	0	0	0	1
Euro3m	-0.32	0	0	0	1
Earlibor 12m	-0.18	0	0	0	1
Libor 3m	2.34	1	1	2	65
Libor 12m	2.77	1	1	5	66
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,732	0.2	0.3	0.1	1
Dow Jones	24,319	0.0	0.1	-1.3	-2
Nikkei	21,786	-0.1	2.5	1.7	-4
FTSE 100	7,593	0.6	0.7	-1.4	-1
HangSeng 50	3,406	1.0	1.1	-1.4	-2
IBEX	8,661	1.1	0.2	0.3	-4
DAX	12,349	0.9	0.9	2.9	-4
CAC	5,317	0.8	0.7	-2.9	-1
MIB	21,764	1.6	1.6	1.6	0
ASE Athens	746	-0.3	-3.0	4.0	9
MSCI LatAm *	81,802	-0.7	1.6	2.2	5
Ibovespa (Brazil)	74,325	2.0	4.1	3.8	5
Merbi (Mexico)	47,128	1.0	0.5	4.7	6
Merbi (Argentina)	26,563	6.6	-5.3	5.2	-13
MSCI EM Europe *	5,302	0.3	2.3	0.4	-2
Poland	2,160	1.9	0.3	-1.4	-12
Korea 10 (Europe)	4,480	-0.5	2.5	0.5	9
Isa 100 (Turkey)	96,588	-0.2	2.3	2.6	-18
MSCI EM Asia	884	-0.6	-1.3	-4.4	-4
Shanghai Com (China)	2,287	0.4	2.0	9.4	17
Jakarta Indonesia	5,634	-2.9	3.8	5.8	11
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	104.6	-0.5	0.3	3.5	-3
Ch	66.8	-0.6	0.7	0.7	-10
BaK	28.1	-0.8	-1.7	-4.6	6
MS	47.5	-0.6	-0.7	7.3	-9
GS	221.6	-0.8	0.0	3.0	-13
EZ banks					
BNP	90.3	0.9	0.8	3.0	-17
Credit Agricole	53.2	0.5	0.9	1.3	-14
Diethelm Bank	11.4	0.4	-1.0	5.3	-18
ING	9.2	1.2	0.4	1.8	-42
Intesa	12.3	0.1	-0.3	-4.1	-20
Intesa	2.5	2.0	1.7	3.0	9
SC	36.3	0.6	1.3	3.4	-16
Unicredit	14.7	3.0	3.8	0.1	-7
UK banks					
HSBC	84.2	-0.1	-1.0	5.4	-9
RBS	704.2	0.0	0.5	2.8	-8
RBS	249.2	-1.3	-3.3	-10.8	-10
Barclays	185.8	0.2	-1.7	8.0	-9
Lloyds	62.0	-0.5	1.0	2.1	-8
Large Spanish banks					
Santander	71.8	1.2	0.1	1.4	-15
Banco	4.6	1.1	0.1	2.9	-15
BBVA	6.0	1.2	0.1	0.0	15
Medium Spanish banks					
CajaBank	70.8	0.9	1.3	1.8	-8
CajaBank	3.7	1.0	4.1	0.7	-7
Sabadell	1.4	0.7	1.9	-0.0	-15
Bankinter	8.4	0.9	0.4	0.2	5
Banica	3.2	1.9	1.0	3.7	-20
Commodities (% change in bps)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,165	0.1	0.0	0.1	-3
GBPUSD	1.32	0.3	0.4	1.1	-3
USDJPY	110.56	0.3	0.5	0.9	2
DOY	94.62	-0.3	-0.1	0.5	3
Commodity					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.85	1.5	-2.8	-11.5	-51
USDRL (Brazil)	3.88	0.7	-2.1	-3.1	-19
USDCLP (Chile)	652.17	0.9	1.8	3.3	-7
USD COP (Colombia)	2902	1.0	1.0	1.2	1
USD MEX (Mexico)	19.58	1.9	1.9	1.8	0
USD PEN (Peru)	3.29	0.1	0.5	0.4	-2
LACI	56.96	1.3	0.5	2.1	-10
USD PLN (Poland)	3.77	0.2	-1.4	-2.2	9
USD RUB (Russia)	63.23	0.3	0.3	1.6	-10
USD TRY (Turkey)	4.67	-1.2	-1.2	0.5	-24
USD CNY (China)	6.64	0.4	-1.0	3.5	-2
USD INR (India)	68.58	0.3	0.5	2.3	-8
USD IDR (Indonesia)	14,397	0.0	-1.5	-3.6	-7
ADXY	106.8	0.0	-0.7	-2.8	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.2	-0.2	1.1	1	16
WTI	74	-0.6	4.2	12	22
Copper	290	-1.0	-3.2	6	-11
Gold	1257	1.2	-0.2	3	8
S&P Spot commodity *	480	-1.6	1.4	1	8
S&P Brent Spot *	658	-2.4	1.5	1	16
S&P Metals Spot *	363	-1.6	-2.4	-7	8
S&P Agricultural *	277	-3.1	-2.8	-11	-3

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

Fuente: BBVA Research

Debt markets (10Y, %; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.53	-1.6	-0.1	6	61
US	2.84	-3.5	4.0	-7	37
GER (2-yr)	-0.67	0.8	-0.5	4	6
Germany	0.29	-1.0	-4.6	-9	-17
France	0.64	-1.9	-10.1	-7	-19
Spain	1.28	-0.6	-10.1	-15	-32
Italy	2.64	-1.5	-25.3	-5	54
Portugal	1.74	-2.8	-14.9	-15	-27
Greece	3.95	-3.4	16.4	-56	-16
Japan (2-yr)	0.13	0.2	0.4	1	1
Japan	0.03	-0.5	-1.5	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.23	-17.6	-67.0	-19	97
Chile	4.60	-0.3	1.1	2	9
Colombia	6.56	-1.9	-1.5	-4	12
Mexico	7.61	-7.8	-6.2	-22	3
Peru	5.27	1.8	-3.7	-14	40
Poland	3.29	4.3	7.2	6	-2
Russia	7.85	1.9	-0.4	38	21
Turkey	16.69	45.0	43.0	239	533
India	7.88	-2.8	5.5	4	50
Indonesia	7.85	5.6	11.4	85	155
Country risk (bp; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-0.9	-5.5	2	6
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Spain	100	0.4	-5.5	-6	-15
2-yr sovereign spread vs Germany					
France	20	-1.3	-3.9	5	3
Italy	134	-2.4	-17.4	-36	96
Portugal	56	-1.1	-1.4	-25	-12
Spain	42	-0.8	-5.2	-15	-15
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	272	2.5	12	42	112
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Mexico	139	4.1	4	-1	32
Peru	90	0.4	2	-5	18
Poland	65	0.3	-1	-2	17
Russia	143	2.7	0	8	25
Turkey	298	4.3	-10	29	133
China	72	3.8	10	15	21
India	101	0.0	10	10	32
Indonesia	141	5.4	6	20	56
Risk indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.7	-1	1	5
VSTOXX	16	-1.6	-1	1	3
EM EFT volatility Index	21	-0.8	1	4	5
Dinleriano volatility	7	-0.2	0	0	1
EM FX volatility index	10	0.1	0	1	2
Credit spread (BAA) change in bps	200	3.5	1	12	23
US bonds volatility index	50	-0.9	-1	-7	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.42	-	0	2	10
EZ Inflation expectations (5Y5Y)	1.23	-	0	0	-1
Breeding 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	58	1.0	0	-3	16
EZ	100	2.3	3	-3	60
UK	63	1.4	6	11	22
Large Spanish	101	2.9	6	2	65
Medium Spanish	96	-1.2	1	-3	22
Government 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	163	1.0	0	-3	16
EZ Non-financial	86	2.3	3	-3	60
UK Non-financial	131	-0.1	1	3	18
Interbank markets (%; changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.36	0	0	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	0	1
Libor 3m	2.34	1	1	2	65
Libor 12m	2.77	1	1	5	66
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,732	0.2	0.3	0.1	1
Dow Jones	24,319	0.0	0.1	-1.3	-2
Nikkei	21,766	-0.1	2.5	-1.7	4
FTSE 100	7,593	0.6	0.7	-1.4	-1
Euro Stoxx 50	3,406	1.0	1.1	-1.4	-2
IBEX	9,661	1.1	0.2	0.3	4
DAX	12,349	0.9	0.9	2.9	4
CAC	5,317	0.8	0.7	2.7	1
MI	21,764	1.6	1.6	-1.6	0
ASE Athens	746	-0.3	-3.0	-4.0	-9
MSCI Latam *	81,802	-0.7	1.6	-2.2	-5
Bovespa (Brazil)	74,326	2.0	-1.1	-3.8	-5
Mexcel (Mexico)	47,128	1.0	0.5	4.7	-6
Merval (Argentina)	26,963	6.6	-5.3	6.2	-13
IBEX35	5,302	0.3	2.3	0.4	-2
MSCI EM Europe *	2,160	1.9	0.3	-1.4	-12
Moon 10 (Russia)	4,480	-0.5	2.5	0.5	9
Ru 100 (Turkey)	96,588	-4.2	2.3	-2.8	-18
MSCI EM Asia *	894	-0.6	-1.3	-4.4	-4
Shanghai Com (China)	2,787	0.4	2.0	9.4	-17
Jakarta Indonesia	5,034	-2.9	-3.8	-5.0	-11
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	129.2	-0.7	-6.0	9.2	-13
Cit	104.6	-0.5	-0.3	3.5	-3
BoA	66.8	-0.6	0.7	0.7	-10
MS	28.1	-0.8	-1.7	-4.6	-6
GS	47.5	-0.6	0.7	7.3	-9
Wells Fargo	221.6	-0.8	0.0	3.0	-13
EZ banks					
BNP	90.3	0.9	0.8	-3.0	-17
BPI	53.2	0.5	0.9	1.3	14
Credit Agricole	11.4	0.4	-1.0	5.3	16
Deutsche Bank	9.2	1.2	0.4	-1.8	-42
ING	12.3	0.1	-0.3	-4.1	-20
Intesa	2.8	2.0	1.7	-3.0	-9
SG	36.3	0.6	1.3	-3.4	-16
Unicredit	14.7	3.0	3.8	0.1	-7
UK banks					
HSBC	84.2	-0.1	-1.0	-4.4	-9
RBS	704.2	0.8	-0.5	2.8	-8
Barclays	249.2	-1.3	-3.3	-10.8	-10
Lloyds	185.8	0.2	1.7	6.0	-9
Large Spanish banks	62.0	-0.5	1.0	-2.1	-8
Santander	71.8	1.2	0.1	-1.4	-15
BBVA	4.6	1.1	0.1	2.8	15
Medium Spanish banks	6.0	1.2	0.1	0.0	-15
Cabotbank	70.8	0.9	1.3	-1.8	-8
Sabadell	3.7	1.0	-0.1	0.7	-7
Banqueparibas	1.4	0.7	1.9	-4.0	-15
Banque	8.4	0.9	0.4	0.2	5
Banque	2.2	1.0	-1.0	-3.7	-20
Commodities (%; red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,165	0.1	0.0	0.1	-3
GBPUSD	1,32	0.3	0.4	-1.3	-3
USDJPY	110.56	0.3	-0.5	0.9	2
DX	94.62	-0.3	0.1	0.5	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	27.85	1.5	-2.8	-11.5	-51
USDARS (Chile)	3.88	0.7	-2.1	-3.1	-19
USDARS (Colombia)	652.17	0.9	-1.8	-3.3	-7
USDARS (Mexico)	2902	1.0	1.0	1.2	1
USDARS (Peru)	19.58	1.9	1.9	1.8	0
USDARS (Russia)	3.29	0.1	0.5	0.4	-2
LACI	56.96	1.3	0.5	2.1	-10
USDARS (Poland)	3.77	0.2	-1.4	2.2	-9
USDARS (Turkey)	63.23	0.3	-0.3	-1.6	-10
USDARS (China)	4.87	-1.2	-1.2	-0.5	-24
USDARS (India)	6.64	0.4	-1.0	3.5	-2
USDARS (Indonesia)	68.50	0.3	0.5	2.3	-8
USDARS (Japan)	14.97	0.0	-1.5	-3.6	-7
ADXY	106.8	0.0	-0.7	2.8	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	77.2	-0.2	1.1	1	16
WTI	74	-0.6	1.2	1.2	22
Copper	290	-1.0	3.2	-6	-11
Gold	1257	1.2	-0.2	-3	-5
S&P Spot commodity *	480	-1.6	1.4	1	8
S&P Brent Spot *	658	-2.4	1.5	1	16
S&P Metals Spot *	363	-1.6	-2.4	-7	-8
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