

Market Comment | Escalation of trade tensions had only a mild impact on markets

Global Financial Markets Unit
09 Jul 2018

- **Positive mood in financial markets continued as the escalation of trade tensions had only a mild impact on financial variables.** The expected reaction of China after last Friday's announcement from the US that it would put new tariffs into effect, did not hamper risky assets at the beginning of the week, in fact, Asian equity markets rebounded today, led by China and followed by other Asian indices (which had underperformed last week).
- In this context, **US stock markets continued their upward trend**, while the VIX went back to 13%. Meanwhile, the US 10Y Treasury yield remained steady at its recent lower bound as the trade outlook remained uncertain.
- **Optimistic mood widespread in European markets.** Equity indices rose, favoured by the release of higher-than-expected trade data in Germany ([see](#)) while the 10Y German yield inched up amid Draghi comments ([see](#)), but still remained hovering around 0.3%. Meanwhile, peripheral risk premia remained broadly steady.
- **The stabilisation of the USD favoured EM currencies**, which slightly appreciated across the board. However, the Mexican peso depreciated after last week's rally. Regarding developed currencies, fresh uncertainties on Brexit negotiations in the UK led the GBP to depreciate against the euro ([see](#)). Crude oil prices continued around \$77 per barrel.

Table 1

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Debt markets (10Y % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.56	2.0	0.9	7	64
US 5Y	2.85	2.7	2.2	7	39
GER (2-yr)	-0.45	1.0	3.3	-4	-4
Germany	0.30	0.8	0.4	-18	-17
France	0.64	-0.2	-1.7	-19	-18
Spain	1.29	3.5	0.4	-18	-32
Italy	2.67	-4.8	1.6	-40	57
Portugal	1.78	-2.2	1.9	25	23
Greece	3.87	-3.4	-11.1	-71	-23
Japan (2-yr)	-0.13	0.4	0.2	0	1
Japan	0.04	1.5	-1.5	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.20	0.0	-10.2	-80	105
Chile	4.68	0.7	-2.1	3	7
Colombia	6.54	-2.0	-3.8	0	10
Mexico	7.72	4.6	3.7	-13	15
Peru	5.20	-2.3	-5.7	-11	32
Poland	3.19	0.6	-5.5	-11	12
Russia	7.73	-7.2	-10.0	15	9
Turkey	16.40	-33.0	16.0	191	504
India	7.89	3.0	2.2	10	50
Indonesia	7.45	-18.0	-34.0	19	115
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-1.0	-1.3	0	5
Italy	237	-5.6	2.0	-21	74
Portugal	148	-3.0	2.3	-7	-6
Spain	99	-2.3	0.0	1	-15
2-yr sovereign spread vs Germany					
France	20	0.0	-1.3	7	3
Italy	141	-8.3	3.9	-85	104
Portugal	57	0.7	0.5	20	-10
Spain	40	-2.2	-2.3	1	13
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDS *					
Brazil	249	-9.0	20	11	89
Chile	60	-1.0	-3	4	11
Colombia	106	-3.8	17	11	1
Argentina	417	-11.1	51	70	179
Mexico	114	-6.3	-21	-30	7
Peru	87	-1.5	-3	-1	15
Poland	64	0.5	-1	-2	16
Russia	135	-1.4	6	4	17
Turkey	284	-5.7	-9	9	100
China	72	1.2	4	17	21
India	104	0.7	3	15	35
Indonesia	133	0.7	-2	8	48
Risk indicators					
Volatility indicators (change in ppt)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	-0.6	-3	1	3
VSTOXX	14	-0.7	-4	0	1
EM EFT volatility index	19	-1.0	-3	0	2
Dollar euro volatility	6	0.0	-1	-1	0
EM FX volatility index	10	0.2	0	0	2
Credit spread (BAA) (change in bp)	194	-2.7	-3	4	16
US bonds volatility index	50	1.3	0	6	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.42	-	3	-3	10
EZ Inflation expectations (5Y5Y)	1.73	-	0	-1	-1
Brexit (FYCC, %pp)					
level	Daily	Weekly	Monthly	YTD	
US	55	-1.3	-2	-2	13
EZ	91	-2.3	-7	-5	52
UK	61	-0.2	2	13	21
Large Spanish	88	-3.1	-10	-1	52
Medium Spanish	98	0.5	0	-4	23
Commodity prices (Bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	160	-1.3	-2	-2	13
EZ Non-financial	81	-2.3	-7	-5	52
UK Non-financial	107	-0.6	-1	0	14
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR 1m	-0.36	0	0	-1	1
Libor 3m	-0.18	0	0	0	1
Libor 12m	-0.18	0	0	0	1
Libor 3m	2.33	-1	0	1	64
Libor 12m	2.77	-1	1	3	67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,780	0.7	2.0	0.4	3
Dow Jones	24,766	1.3	1.9	-1.9	0
Nikkei	22,052	1.2	1.1	3.4	3
FTSE 100	7,688	0.9	1.9	0.2	1
HangSeng 50	3,460	0.3	2.6	0.0	-1
IBEX	8,927	0.2	3.8	1.0	-2
DAX	12,544	0.4	2.5	2.1	-3
CAC	5,398	0.4	2.3	0.8	-2
MI	22,033	0.5	2.8	1.2	1
ASE Athens	750	0.4	0.2	3.7	-8
MSCI Latin *	84,104	0.6	2.1	0.5	-2
Ibovespa (Brazil)	75,010	0.0	3.0	1.6	-4
Merck (Mexico)	49,356	0.8	5.8	8.5	-1
Merval (Argentina)	27,611	0.8	9.1	8.5	-11
MSCI EM Europe *	5,367	-0.4	1.5	0.2	0
Poland	2,152	0.0	1.5	-5.2	-13
Kosovo 10 (Kosovo)	4,659	1.0	2.3	3.1	12
Isx 100 (Turkey)	99,253	0.5	2.6	0.6	-16
MSCI EM Asia	874	0.5	-1.7	-8.0	5
Shanghai Com (China)	2,815	2.5	1.4	9.5	-16
Jakarta Indonesia	5,807	1.2	0.1	-4.3	-9
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	129.8	2.4	1.5	2.8	6
Cit	106.7	2.6	1.6	3.7	-1
Ch	68.5	2.1	2.1	0.1	-8
Ba	28.8	2.8	1.9	-4.2	-4
MS	48.1	2.0	0.7	-7.8	-8
GS	226.2	2.0	1.3	-3.1	-12
EZ banks					
BNP	93.1	0.4	3.0	0.3	-16
Credit Agricole	53.9	0.1	1.8	0.4	-13
Diada Bank	11.6	0.9	2.0	-3.1	-17
Diada Bank	6.8	0.3	7.1	1.8	-38
ING	12.6	0.4	2.6	-1.1	-18
Intesa	2.6	0.2	4.0	4.5	7
SC	36.9	0.5	2.3	1.5	-15
Unicredit	14.8	1.0	4.1	6.3	-6
UK banks					
Lloyds	85.2	1.1	1.1	-4.0	-8
RSC	712.6	1.5	2.0	2.7	-7
RBS	250.3	0.8	-0.9	-7.3	-10
Barclays	188.4	1.0	1.6	-6.3	-7
Lloyds	62.9	0.7	1.0	-1.1	-7
Large Spanish banks					
Santander	75.4	0.4	6.2	2.5	-11
Banco	4.8	0.9	5.2	0.7	-12
BBVA	6.4	0.0	7.1	4.2	-10
Medium Spanish banks					
Cajabank	73.4	1.1	4.6	0.6	-4
Cajabank	3.9	0.6	5.7	0.8	-2
Sabadel	1.5	1.8	5.8	1.1	-11
Bankinter	8.6	0.9	3.3	1.1	8
Banica	3.3	1.4	4.8	-1.2	-17
Commodities (% change in currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,175	0.0	0.9	0.4	-3
GBPUSD	1,32	-0.4	0.6	1.8	-3
USDJPY	110.75	-0.3	0.1	-1.0	1
DXY	94.12	-0.2	-0.8	0.7	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.93	0.0	1.3	-11.8	-52
USD BRL (Brazil)	3.87	-0.2	1.1	0.9	-19
USDCUP (Cuba)	652.42	0.7	0.8	3.3	8
USDCOP (Colombia)	2882	-0.3	1.7	-1.2	2
USD MEX (Mexico)	19.15	-0.6	4.0	6.5	2
USD PEN (Peru)	3.28	0.1	0.2	0.6	-2
LACI	57.44	-0.3	2.2	0.8	-10
USD PLN (Poland)	3.67	1.2	2.8	-1.4	6
USD RUB (Russia)	62.63	0.6	1.2	0.4	9
USD TRY (Turkey)	4.57	0.1	1.0	-1.9	-21
USD CNY (China)	6.62	0.4	0.8	3.5	-2
USD INR (India)	68.72	0.2	0.1	2.4	-8
USD IDR (Indonesia)	14,330	0.3	0.4	-3.3	-6
ADXY	107.2	0.2	0.4	-2.5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.9	1.0	0.7	1	17
WTI	73	0.5	0.7	1	22
Copper	285	1.1	-3.0	-13	-13
Gold	1261	0.4	1.5	-3	-8
S&P Spot commodity *	481	0.4	0.2	1	9
S&P Brent Spot *	656	-0.4	0.2	0	16
S&P Metals Spot *	353	-0.5	-2.8	-13	-10
S&P Agricultural *	288	-2.5	-3.8	-5	1

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

Fuente: BBVA Research

Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.56	2.0	0.9	7	64
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GER (2-yr)	-0.65	1.0	3.3	4	4
Germany	0.30	0.8	0.4	-18	-17
France	0.64	-0.2	1.7	-19	-16
Spain	1.28	-1.5	0.4	-18	-32
Italy	2.67	-4.8	1.6	-40	57
Portugal	1.78	-2.2	1.9	-25	-23
Greece	3.87	-0.4	11.1	-71	-23
Japan (2-yr)	0.13	0.4	0.2	0	1
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
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Mexico	7.72	4.6	3.7	-13	15
Peru	5.20	-2.3	-5.7	-11	32
Poland	3.19	0.6	-5.5	-11	-12
Russia	7.73	-7.2	-10.0	15	9
Turkey	16.40	-33.0	16.0	191	504
India	7.89	2.0	-2.2	-10	50
Indonesia	7.45	-18.0	24.0	19	115
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
level	Daily	Weekly	Monthly	YTD	
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Italy	237	-5.6	2.0	-21	74
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2-yr sovereign spread vs Germany					
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Italy	141	-8.3	3.9	-85	104
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5-yr sovereign CDS *					
level	Daily	Weekly	Monthly	YTD	
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Mexico	114	-6.3	-21	-30	7
Peru	87	1.5	-3	-1	15
Poland	64	-0.5	-1	-2	16
Russia	136	-14	-6	4	17
Turkey	284	-7.9	9	9	120
China	72	1.2	4	17	21
India	104	0.7	3	15	35
Indonesia	133	0.7	-2	8	48
Risk indicators					
Volatility indicators (change in bp)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	-0.6	-3	1	3
VSTOXX	14	-0.7	-4	0	1
EM EFT volatility index	19	-1.0	3	0	2
Dineros volatility	6	0.0	-1	-1	0
EM FX volatility index	10	0.2	0	0	2
Credit spread (BAA) change in bps	194	-2.7	3	4	16
US bonds volatility index	50	-1.3	0	-5	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.42	-	3	-3	10
EZ Inflation expectations (5Y)	1.23	-	0	-0	-1
Bonding 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	55	-1.3	-2	-2	13
EZ	91	-2.3	-7	-5	52
UK	61	-0.2	2	13	21
Large Spanish	88	-3.1	-10	-1	52
Medium Spanish	98	0.5	0	-4	23
Government 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	160	-1.3	-2	-2	13
EZ Non-financial	81	-2.3	-7	-5	52
UK Non-financial	107	-0.6	-3	0	14
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.36	0	0	-1	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	0	1
Libor 3m	2.33	-1	0	1	64
Libor 12m	2.77	-1	1	3	67
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,780	0.7	2.0	0.4	3
Dow Jones	24,766	1.3	1.9	1.9	0
Nikkei	22,052	1.2	1.1	-3.4	-3
FTSE 100	7,688	0.9	1.9	0.2	1
Euro Stoxx 50	3,460	0.3	2.6	0.0	-1
IBEX	9,927	0.2	3.9	1.0	-2
DAX	12,544	0.4	2.5	2.1	-3
CAC	5,398	0.4	2.3	0.9	2
MI	22,033	0.5	2.8	1.2	1
ASE Athens	750	0.4	0.2	-3.7	-8
MSCI Latam *	84,104	0.6	2.1	0.5	-2
Bovespa (Brazil)	75,010	0.0	3.0	1.6	-4
Mexcel (Mexico)	49,356	0.8	5.8	0.5	-1
Merval (Argentina)	27,611	0.0	9.1	8.5	-11
MSCI EM Europe *	5,367	-0.4	1.5	0.2	0
Polmix	2,152	0.0	1.5	-2.3	-13
Moon 10 (Russia)	4,609	1.0	2.3	3.1	12
Ru 100 (Turkey)	99,253	0.5	2.6	0.6	-16
MSCI EM Asia *	874	0.5	-1.7	0.9	-5
Shanghai Com (China)	2,815	2.5	1.4	9.5	-16
Jakarta Indonesia	5,807	-1.2	0.1	-4.3	-9
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks	139.8	2.4	1.5	-3.8	-6
JPM	106.7	2.6	1.6	3.7	-1
Ch	68.5	2.1	2.1	0.1	-8
BoA	28.8	2.8	1.9	-4.2	-4
MS	48.1	2.0	0.7	7.8	-8
GS	226.2	2.0	1.3	-3.1	-12
EZ banks	92.1	0.4	3.0	0.3	-16
BNP	53.9	0.1	1.8	0.4	-13
Credit Agricole	11.6	0.9	2.0	3.1	-17
Deutsche Bank	9.8	0.3	7.1	1.8	-39
ING	12.6	0.4	2.6	-1.1	-18
Intesa	2.6	0.2	4.0	4.5	-7
SG	36.9	0.5	2.3	-1.5	-15
Unicredit	14.8	1.0	4.1	0.3	-6
UK banks	85.2	1.1	1.1	-4.0	-8
HSBC	712.6	1.5	2.0	2.7	-7
RBS	250.3	0.8	-0.9	-7.3	-10
Barclays	184.4	1.0	1.6	6.3	-7
Lloyds	62.9	0.7	1.0	-1.1	-7
Large Spanish banks	75.4	0.4	6.2	2.5	-11
Santander	4.8	0.9	5.2	0.7	-12
BBVA	6.4	0.0	7.1	4.2	-10
Medium Spanish banks	73.4	1.1	4.6	0.6	-4
Casabank	3.9	0.6	5.7	0.8	2
Sabadell	1.5	1.8	5.8	1.1	-11
Bankinter	8.6	0.9	3.3	1.1	8
Banisa	2.3	1.4	4.5	-1.2	-17
Commodities (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1,175	0.0	0.9	0.4	-3
GBPUSD	1,32	-0.4	0.6	1.8	-3
USDJPY	110.75	-0.3	0.1	-1.0	1
DXY	94.12	0.2	0.8	0.7	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.93	0.0	1.3	-11.8	-52
USDTRY (Brazil)	3.87	-0.2	1.1	0.9	-19
USDCOP (Chile)	652.42	0.7	0.8	3.3	-8
USDCOP (Colombia)	2882	-0.3	1.7	-1.2	2
USDMXN (Mexico)	19.15	-0.6	4.0	6.5	2
USDPEN (Peru)	3.28	0.1	0.2	0.6	-2
LACI	57.44	-0.3	2.2	0.8	-10
USDPLN (Poland)	3.67	1.2	2.8	1.4	6
USDINR (Russia)	62.63	0.6	1.2	0.4	-9
USDTRY (Turkey)	4.57	0.1	1.0	-1.9	-21
USDTRY (China)	6.62	0.4	0.8	3.5	-2
USDINR (India)	68.72	0.2	0.1	2.4	-8
USDIDR (Indonesia)	14,330	0.3	0.4	-3.3	-6
ADXY	107.2	0.2	0.4	-2.5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	77.9	1.0	0.7	1	17
WTX	7.3	-0.5	0.0	1.1	-22
Copper	285	1.1	-3.0	-13	-13
Gold	1261	0.4	1.5	-3	-4
S&P Spot commodity *	481	0.4	0.2	1	9
S&P Brent Spot *	656	-0.4	0.2	0	16
S&P Metals Spot *	353	-0.5	-2.8	-13	-10
S&P Agriculture *	288	2.5	3.9	5	1

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

Fuente: BBVA Research

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