

Market Comment | Easing global trade tensions favour financial markets

Global Financial Markets Unit
10 Jul 2018

- **Financial markets were little changed across the board as global trade tensions seemed to recede**, at least temporarily. The lack of significant political or economic relevant news also contributed to maintaining the calm mood in financial markets.
- In this context, **developed core yields increased from their recent lower bound**: the US 10Y yields increased, approaching the 2.90% threshold in line with the German Bund, which inched up despite the worse-than-expected economic sentiment (ZEW) in Germany ([see](#)). Peripheral risk premia narrowed slightly.
- The stability in Asian equity indices fuelled the positive mood in developed equity markets: European indices showed mild gains, as did US indices, **also favoured by positive expectations about the release of Q1 earnings**([see](#)).
- **The EUR depreciated slightly against the USD**, while the GBP recovered some ground after recent drops due to Brexit concerns, favoured by economic indicators ([see](#)).
- **EM currencies appreciated across the board**, led by LatAm currencies (ARS, BRL and MXN) while the main exception was the TRY, which depreciated sharply against the USD in early trading, however, it ended recovering some ground.
- **Crude oil prices rose to almost \$80 per barrel** due to low oil supply in Libya and workers' disruptions in a Norwegian oilfield, adding more tension to Middle East global production issues ([see](#)).

Table 1

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Debt markets (% change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US GYV	2,58	1,0	5,3	6	66
US	2,87	1,3	3,8	8	41
GER (2-yr)	-0,64	1,1	2,5	2	-3
Germany	0,32	2,0	2,6	-13	-15
France	0,66	1,6	1,8	-16	-17
Spain	1,28	-1,6	1,4	-19	-34
Italy	2,67	0,4	3,5	-46	58
Portugal	1,76	-2,7	2,0	-30	-25
Greece	3,85	-1,9	-9,6	-85	-25
Japan (2-yr)	-0,12	0,3	0,3	0	1
Japan	0,05	1,2	0,2	0	0
Emerging Markets					
Brazil	11,18	-12,3	-25,4	-46	92
Chile	4,68	0,5	-0,5	5	9
Colombia	6,55	0,2	-0,9	-2	11
Mexico	7,67	-4,5	-4,7	-17	9
Peru	5,15	-1,5	-11,1	-18	27
Poland	3,21	1,6	-8,2	-10	11
Russia	7,71	-1,3	-3,1	7	8
Turkey	16,90	50,0	21,0	241	554
India	7,90	0,9	1,7	-5	51
Indonesia	7,37	-8,4	-48,0	7	107
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-0,4	0,8	-3	5
Italy	235	-1,6	0,8	-33	72
Portugal	144	-4,7	0,6	-17	-11
Spain	96	-3,6	-4,0	-6	-19
2-yr sovereign spread vs Germany					
France	19	-0,7	-0,7	4	3
Italy	140	-0,9	5,4	-96	103
Portugal	54	-3,5	-1,9	-32	-18
Spain	37	-3,1	-4,6	-6	10
Emerging Markets					
1-yr sovereign CDS *					
Brazil	245	-4,6	28	-11	84
Chile	58	-2,3	6	0	9
Colombia	105	-1,1	1,9	15	0
Argentina	419	2,4	-38	62	181
Mexico	112	-1,8	-27	-37	5
Peru	85	-1,9	-5	-9	13
Poland	61	3,0	-4	-4	13
Russia	129	-6,3	15	4	11
Turkey	274	-10,3	-24	6	103
China	67	-4,7	-4	11	17
India	103	-1,0	2	15	34
Indonesia	125	7,7	15	0	40
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0,1	-4	0	3
VSTOXX	13	-1,1	-2	-2	0
EM EFT volatility Index	18	-0,4	4	0	2
Dollar Euro volatility	6	0,1	-1	-1	0
EM FX volatility index	9	0,1	0	0	2
Credit spread (BAA) (change in bp)	192	-1,3	-7	4	14
US bonds volatility index	50	-0,4	-2	-10	1
Inflation expectations (%)					
US Inflation expectations (5Y5Y)	2,45	-	3	2	13
EZ Inflation expectations (5Y5Y)	1,73	-	0	-1	-1
Brexit (FYCC, %pp)					
US	54	-0,9	-4	-4	12
EZ	89	-2,1	-11	-10	49
UK	62	0,9	-1	7	21
Large Spanish	83	-4,6	-18	9	48
Medium Spanish	97	-1,4	0	-2	22
Commodity prices (Bps)					
US Non-financial	158	-0,9	-4	-4	12
EZ Non-financial	80	-2,1	-11	-10	49
UK Non-financial	106	-1,2	-5	-1	13
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0,36	0	0	0	1
Eurobor 3m	-0,32	0	0	0	1
Earlibor 12m	-0,18	0	0	0	1
Libor 3m	2,33	0	-1	1	64
Libor 12m	2,78	0	0	2	67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,793	0,3	2,9	0,5	4
Dow Jones	24,925	0,6	3,1	1,5	0
Nikkei	22,197	0,7	1,9	2,2	2
FTSE 100	7,692	0,1	1,3	0,1	1
Euro Stoxx 50	3,473	0,4	2,0	0,8	0
IBEX	8,888	-0,4	2,4	1,5	-2
DAX	12,610	0,5	2,1	1,2	-2
CAC	5,434	0,7	2,2	-0,3	3
MI8	22,057	0,1	1,3	3,3	1
ASE Athens	7,55	0,7	1,3	-2,3	-8
MSCI LatAm *	84,223	0,3	3,1	2,4	-2
Ibovespa (Brazil)	74,992	0,0	1,8	2,8	-4
Merbi (Mexico)	48,827	-0,8	3,8	6,3	-2
Merbi (Argentina)	27,282	0,6	2,5	-11,6	-11
MSCI EM Europe *	5,413	0,9	2,1	0,3	1
Poland	21,778	1,2	0,8	3,2	-12
Index 10 (Russia)	4,594	-0,3	2,5	4,6	11
Index 100 (Turkey)	96,275	-3,0	0,3	0,4	-18
MSCI EM Asia	885	1,3	0,2	-7,2	-4
Shanghai Com (China)	2,828	0,4	1,5	7,8	-16
Jakarta Indonesia	5,882	3,3	2,3	3,7	-7
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	107,3	0,0	3,6	3,4	-1
Ch	68,3	-0,9	3,4	0,2	-8
BaK	28,9	-0,5	4,1	3,6	-3
MS	48,4	0,0	3,0	4,7	-7
GS	227,9	0,0	3,4	2,4	-11
EZ banks					
BNP	91,3	-0,9	1,1	0,4	-16
Credit Agricole	53,4	-0,9	0,4	0,5	-14
Diocete Bank	11,6	-0,4	1,2	-2,8	-17
ING	6,7	-0,5	6,4	1,9	-28
ING	12,6	-0,4	2,1	0,7	-18
Intesa	2,5	-1,6	0,3	4,1	8
SC	36,6	-0,8	0,9	1,7	-15
Unicredit	14,6	-1,6	-0,5	7,3	-7
UK banks					
Lloyds	84,3	-1,1	0,1	-4,3	-9
RSC	707,0	0,8	0,4	3,1	-8
RBS	244,6	-2,3	-1,8	8,6	-12
Barclays	186,5	-1,8	0,4	6,3	8
Lloyds	62,5	-0,7	0,8	0,6	-8
Large Spanish banks					
Santander	74,1	-1,8	3,1	1,7	-13
Banco	4,8	-1,0	3,0	1,1	-13
BBVA	6,2	-2,4	3,2	2,2	-12
Medium Spanish banks					
Cajabank	73,0	-0,6	3,1	0,6	-5
Cajabank	3,8	-0,8	3,8	0,0	-3
Sabadel	1,5	-1,9	3,4	0,9	-12
Bankinter	8,6	0,9	3,4	2,4	9
Banica	3,3	1,9	1,8	-2,4	-19
Commodities (% change in currency deposit)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,173	-0,2	0,6	-0,3	-3
GBPUSD	1,33	0,0	0,5	1,1	-2
USDJPY	111,29	-0,4	-0,6	-1,6	1
DXY	94,24	0,2	-0,4	0,8	3
Emerging					
USDARS (Argentina)	27,57	1,3	1,4	8,8	-50
USDZAR (Brazil)	3,82	1,2	1,9	3,1	-17
USDCJP (China)	647,69	0,6	0,4	2,7	7
USDCOP (Colombia)	287,0	0,5	1,3	0,4	2
USDMMN (Mexico)	18,99	1,0	2,4	6,4	3
USDREN (Peru)	3,27	0,2	0,5	0,2	1
LACI	57,99	1,0	2,1	0,5	9
USDPLN (Poland)	3,68	-0,2	2,4	-1,3	-7
USDINR (Russia)	61,91	0,9	1,9	0,7	6
USDTRY (Turkey)	4,71	0,5	-0,8	5,3	-25
USDYNY (China)	6,63	-0,3	0,1	3,5	-2
USDINR (India)	68,82	-0,1	0,4	1,8	-6
USDIDR (Indonesia)	14,367	-0,3	0,2	-3,1	-6
ADXY	107,1	-0,1	0,3	2,5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	75,7	0,7	1,1	3	18
WTI	74	-0,1	0,5	1,2	22
Copper	282	-0,6	-2,9	-14	-13
Gold	1255	-0,2	0,2	3	6
S&P Spot commodity *	481	0,1	0,9	1	9
S&P Brent Spot *	664	1,2	0,3	2	17
S&P Metals Spot *	358	1,4	0,7	-11	9
S&P Agricultural *	284	-1,3	1,8	-7	0

* 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)	2.58	1.9	5.3	8	66
US	2.87	1.3	3.8	8	41
GER (2-yr)	-0.64	1.1	3.5	2	-3
Germany	0.32	2.0	2.6	13	-15
France	0.66	1.6	1.8	16	-17
Spain	1.28	-1.6	-1.4	19	-34
Italy	2.67	0.4	3.5	-46	58
Portugal	1.76	-2.7	2.0	-30	-25
Greece	3.85	-1.9	0.6	25	-25
Japan (2-yr)	0.12	0.3	0.3	0	1
Japan	0.05	1.2	0.2	0	0
Emerging Markets					
Brazil	11.18	-12.3	-25.4	-46	92
Chile	4.60	0.5	0.5	5	9
Colombia	6.55	0.2	0.9	-2	11
Mexico	7.67	-4.5	4.7	-17	9
Peru	5.15	-1.5	-11.1	-18	27
Poland	3.21	1.6	8.2	-10	-11
Russia	7.71	-1.3	-13.1	7	8
Turkey	16.90	50.0	21.0	241	55.4
India	7.90	0.9	1.7	-5	51
Indonesia	7.37	-0.4	-48.0	7	107
Country risk (bp; changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	34	-0.4	0.8	-3	5
Italy	235	-1.6	0.9	-33	72
Portugal	144	-4.7	-0.6	-17	-13
Spain	96	-3.6	-4.0	-6	-19
2-yr sovereign spread vs Germany					
France	19	-0.7	0.7	4	3
Italy	140	-0.9	5.4	-86	103
Portugal	54	-3.5	-1.9	-32	-14
Spain	37	-3.1	-4.6	-6	10
Emerging Markets					
5-yr sovereign CDS *					
Brazil	245	-4.6	28	11	84
Chile	58	-2.3	6	0	9
Colombia	105	-1.1	-19	-15	0
Argentina	419	2.4	-38	62	181
Mexico	112	-1.8	-27	-37	5
Peru	85	-1.9	-9	-5	13
Poland	61	-3.0	-4	-4	13
Russia	149	-6.3	-15	-4	11
Turkey	274	-10.3	-24	6	109
China	67	-4.7	-4	11	17
India	103	-1.0	2	15	24
Indonesia	125	-7.7	-15	0	40
Risk indicators					
Volatility indicators (change in bps)					
VIX	13	-0.1	-4	0	3
VSTOXX	13	-1.1	-3	-2	0
EM EFT volatility index	18	-0.4	-4	0	2
Diversions volatility	6	0.1	-1	-1	0
EM FX volatility index	9	0.1	0	0	2
Credit spread (BAA) (change in bps)	192	-1.3	-7	4	14
US bonds volatility index	50	-0.4	-2	-10	1
Inflation expectations (%)					
US inflation expectations (5Y5Y)					
US	2.45	-	3	2	13
EZ inflation expectations (5Y5Y)					
EZ	1.73	0	-1	-1	-1
Bonding 5-yr CDS (bps)					
US	54	-0.9	-4	-4	12
EZ	89	-2.1	-11	-10	49
UK	62	0.9	-1	7	21
Large Spanish	83	-4.6	-18	9	48
Medium Spanish	97	-1.4	0	-2	22
European 5-yr CDS (bps) *					
US Non-financial	158	-0.9	-4	-4	12
EZ Non-financial	80	-2.1	-11	-10	49
UK Non-financial	106	-1.2	-5	-1	13
Interbank markets (%; changes in bp)					
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	2.33	0	1	1	64
Libor 12m	2.78	0	2	2	67
Stock markets (%)					
Main indices					
S&P500	2,793	0.3	2.9	0.5	4
Dow Jones	24,925	0.6	3.1	1.5	0
Nikkei	22,197	0.7	1.9	2.2	-2
FTSE 100	7,692	0.1	1.3	0.1	1
Euro Stoxx 50	3,473	0.4	2.0	0.8	0
IBEX	9,889	-0.4	2.4	1.5	-2
DAX	12,610	0.5	2.1	1.2	-2
CAC	5,434	0.7	2.2	0.3	3
MI	22,057	0.1	1.3	3.3	1
ASE Athens	755	0.7	1.3	2.3	-8
MSCI Latam *	84,323	0.3	3.1	2.4	-2
Bovespa (Brazil)	74,992	0.0	1.8	2.8	-4
Mexcel (Mexico)	48,827	-0.8	3.8	6.3	-2
Merval (Argentina)	27,782	0.6	2.5	-11.6	-11
MSCI EM Europe *	5,413	0.9	2.1	0.3	1
Poland	2,178	1.2	0.8	3.2	-12
Moon 10 (Russia)	4,594	-0.3	2.5	4.6	11
Ru 100 (Turkey)	96,275	-3.0	-0.3	0.4	-18
MSCI EM Asia *	895	1.3	0.2	7.2	-4
Shanghai Com (China)	2,828	0.4	1.5	7.8	-16
Jakarta Indonesia	5,882	3.3	2.3	-3.7	-7
European banks					
US banks	132.6	-5.8	-2.2	8.7	-11
JPM	107.3	0.0	3.6	3.4	-1
Ch	68.1	-0.9	3.4	0.2	-8
BoA	28.9	-0.5	4.1	3.6	-3
MS	48.4	0.0	3.0	6.7	-7
GS	227.9	0.0	3.4	2.4	-11
EZ banks	91.3	-0.9	1.1	0.4	-16
BNP	53.4	-0.9	0.4	0.5	14
Credit Agricole	11.6	-0.4	1.2	2.8	-17
Deutsche Bank	9.7	-0.5	5.4	1.9	-39
ING	12.6	-0.4	2.1	0.7	-18
Intesa	2.8	-1.6	0.3	4.1	-6
SG	36.6	-0.8	0.9	-1.7	-15
Unicredit	14.6	-1.6	0.5	7.3	-7
UK banks					
HSBC	707.0	-0.8	0.4	3.1	-8
RBS	244.6	-2.3	-1.8	8.6	-12
Barclays	185.5	-1.0	0.4	6.3	-8
Lloyds	62.5	-0.7	0.8	0.6	-8
Large Spanish banks	74.1	-1.8	3.1	1.7	-13
Santander	4.8	-1.0	2.0	1.1	-13
BBVA	6.2	-2.4	3.2	2.2	-12
Medium Spanish banks	73.0	-0.6	3.1	0.6	-5
Casabank	3.8	-0.8	3.8	0.8	-3
Sabadell	1.5	-1.5	3.4	0.9	-12
Bankinter	8.6	0.9	3.4	2.4	9
Banisa	2.3	-1.9	1.5	-3.4	-19
Commodities (%; red for currency devaluation)					
Developed					
EURUSD	1,173	-0.2	0.6	0.3	-3
GBPUSD	1,33	0.0	0.5	-1.1	-2
USDJPY	111.29	-0.4	-0.6	-1.6	1
DXY	94.24	0.2	0.4	0.8	3
Emerging					
USDARS (Argentina)	27.57	1.3	1.4	8.8	-50
USDARS (Brazil)	3.82	1.2	1.9	-3.1	-17
USDCOP (Colombia)	647.69	0.6	0.4	2.7	-7
USDCOP (Colombia)	2870	0.5	1.3	0.4	2
USDMDN (Mexico)	18.99	1.0	2.4	6.4	3
USDPEN (Peru)	3.27	0.2	0.5	0.2	-1
LACI	57.99	1.0	2.1	0.5	-9
USDPLN (Poland)	3.68	-0.2	2.4	1.3	-7
USDROB (Russia)	61.91	0.9	1.9	0.7	-8
USDTRY (Turkey)	4.71	0.5	0.8	5.3	-25
USDCHF (China)	6.63	-0.3	0.1	3.5	-2
USDINR (India)	68.82	-0.1	0.4	1.9	-8
USDIDR (Indonesia)	14,367	-0.3	0.2	3.1	-6
ADXY	107.1	-0.1	0.3	2.5	-3
Commodities (%)					
Brent	78.7	0.7	1.1	3	18
WTX	74	-0.1	0.5	1.2	22
Copper	282	-0.6	2.9	-14	-13
Gold	1255	-0.2	0.2	-3	-5
S&P Spot commodity *	481	0.1	0.0	1	9
S&P Brent Spot *	664	1.2	1.3	2	17
S&P Metals Spot *	358	1.4	-0.7	-11	-9
S&P Agriculture *	284	-1.8	1.8	-7	0

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

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