

Market Comment | Fall in oil prices weighed on equity markets

Global Financial Markets Unit
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- **Strong economic data in the US** ([see](#)) **boosted bond yields** across the board. Moreover, positive comments from the US president ahead of his meeting with Russian president Putin have eased geopolitical risk, contributing also to increases in core sovereign yields.
- **However, positive economic data and banks' results in the US failed to boost equity indices**, as the increase in government yields reined in equity gains, and the decline in **oil prices dragged down energy stocks**, also weighing on equity markets, with market volatility edging up. In addition, caution prevailed ahead of big US technology companies' results, after the sector's strong outperformance in the year.
- **In FX markets, the USD depreciated slightly** against other major currencies, while the euro returned to levels above uS\$1.17. **EM currencies were broadly steady**, although oil prices weighed down on Latam currencies, which depreciated slightly except the **MXN**, which **extended the appreciation trend**. The CNY was steady, as the ongoing slowdown continued in 2Q18 GDP in line with expectations ([see](#)) but Asia EM slightly depreciated. Supply factors drove oil prices lower today. Both Brent and West Texas declined by around 4% today, after Saudi Arabia said it would increase supply to some customers, while the US Treasury Secretary said he might consider some waivers on Iran sanctions ([see](#)).

Table 1

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Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.60	2.1	4.0	4	68
US	2.86	3.5	0.6	7	40
GER (2-yr)	-0.62	0.9	2.3	0	-1
Germany	0.36	2.3	0.8	-12	-16
France	0.65	3.2	1.0	-12	-17
Spain	1.28	1.6	-1.5	-7	-94
Italy	2.58	2.6	-9.0	-16	48
Portugal	1.78	4.7	-0.1	-13	-23
Greece	3.86	0.7	-1.1	-73	-24
Japan (2-yr)	-0.13	0.0	-0.2	0	1
Japan	0.04	0.0	0.3	1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.51	10.5	20.3	-61	125
Chile	4.58	0.0	1.7	-2	7
Colombia	6.64	3.4	9.5	6	20
Mexico	7.75	-2.0	3.3	-21	17
Peru	5.17	1.4	0.5	-10	29
Poland	3.16	-1.6	-2.8	-5	-15
Russia	7.69	3.7	-3.8	0	5
Turkey	17.59	21.0	119.0	195	633
India	7.80	1.0	-8.8	-14	42
Indonesia	5.54	4.3	8.7	24	124
Country risk (bp) (change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	0.9	0.2	0	-7
Italy	221	0.3	-0.9	-4	64
Portugal	142	2.4	-0.9	-2	-7
Spain	92	-0.7	-2.3	5	-18
2-yr sovereign spread vs Germany					
France	20	1.0	0.9	9	4
Italy	128	-4.5	-13.1	-13	91
Portugal	32	1.0	-5.2	0	-3
Spain	32	-1.0	-8.0	-11	5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	241	-5.3	-9	-20	80
Chile	55	-2.3	-5	-1	6
Colombia	108	-2.5	-2	-14	3
Argentina	423	-9.9	6	42	185
Mexico	110	-2.8	-4	-36	3
Peru	82	-1.8	-5	-5	10
Poland	61	0.6	-3	8	13
Russia	124	-0.8	-11	-17	6
Turkey	322	-7.4	38	20	157
China	67	0.0	5	11	17
India	98	-0.9	-6	10	29
Indonesia	119	-2.8	-14	-8	34
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.4	0	0	3
VIX OXX	13	0.2	-1	2	0
EMFT volatility Index	18	0.2	-1	0	1
Dollar/euro volatility	7	-0.1	0	-1	0
EM FX volatility index	10	-0.1	1	0	2
Credit spread (BAA) (change in bps)	182	-3.5	-7	-2	9
US bonds volatility index	48	0.3	-1	-4	-1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.44	-	4	-2	12
EZ Inflation expectations (5Y5Y)	1.70	-	-2	-4	-3
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	-1.5	-2	-3	11
EZ	86	-1.5	-5	-6	47
UK	62	0.2	1	8	21
Large Spanish	83	-2.8	-5	1	48
Medium Spanish	92	-4.3	-6	-3	17
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	157	-1.1	-2	-2	11
EZ Non-financial	79	-1.5	-5	-6	47
UK Non-financial	105	-0.9	-3	-4	12
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	0	1
Euro3m	-0.32	0	0	0	1
Carbon 12m	-0.18	0	0	0	1
Libor 3m	2.34	0	0	0	64
Libor 12m	2.79	0	1	2	68
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,800	-0.1	0.6	0.6	4
Dow Jones	25,033	0.1	1.0	0.6	1
Nikkei	22,597	0.0	2.5	-0.6	-1
FTSE 100	7,600	-0.8	-1.1	-2.1	-1
EuroStoxx 50	3,440	-0.2	-0.3	-2.2	-1
IBEX	9,717	-0.2	-2.1	-2.4	-4
DAX	12,561	0.2	0.1	-4.2	-2
CAC	5,409	-0.4	0.2	-2.2	-2
MIB	21,823	-0.3	-1.0	-3.0	0
ASE Athens	796	0.5	2.1	-1.7	-6
MSCI Latam *	84,774	0.4	0.8	3.5	-1
Bovespa (Brazil)	76,332	-0.3	1.8	6.9	-2
MexBOL (Mexico)	48,363	-0.1	-1.8	2.5	-3
Merval (Argentina)	26,250	-1.0	-4.9	-12.8	-16
MSCI Europe *	5,326	0.8	-0.8	1.1	-1
Poland	2,134	-1.1	-0.8	-4.7	-13
Mow 10 (Russia)	4,486	-0.9	-2.6	3.2	9
Ise 100 (Turkey)	89,744	0.2	9.6	5.1	24
MSCIEM Asia *	890	0.6	1.8	5.8	-3
Shanghai Com China	2,814	0.6	0.0	-7.6	-16
Jakarta (Indonesia)	5,905	0.0	3.7	-1.5	-7
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	142.1	2.4	1.0	-0.3	-4
JPB	109.3	2.8	1.9	1.2	1
Cit	69.0	3.0	0.1	4.3	-7
BoA	29.4	2.9	1.1	0.5	-2
WFC	48.8	1.5	0.8	4.9	-6
GS	229.8	1.5	0.8	-1.7	-10
EZ banks	99.5	0.8	-1.7	-2.9	-17
BNP	67.8	0.8	-2.6	-4.2	-15
Credit Agricole	11.5	0.4	-1.2	-4.8	-18
Deutsche Bank	10.3	7.3	5.2	6.7	-35
ING	12.5	0.4	1.0	1.7	-18
Intesa	2.5	-0.2	-4.3	5.3	-11
SG	36.4	0.5	-1.4	-2.9	-16
UniCredit	14.3	0.2	-3.5	-1.4	-9
UK banks	84.7	0.0	-0.6	-4.0	-8
HSBC	706.8	-0.2	-0.8	-3.8	-8
RBS	243.7	-0.8	-2.6	-7.5	-12
Barclays	191.5	1.0	1.7	4.5	-6
Lloyds	62.5	0.1	-0.7	-1.0	-8
Large Spanish banks	71.8	-0.2	-4.8	-2.4	-15
Santander	4.6	0.2	-3.5	-3.2	-15
BBVA	6.0	-0.7	-5.9	-1.7	-15
Medium Spanish banks	71.1	0.0	-3.2	-3.5	-7
CaixaBank	3.7	0.2	-3.6	-3.0	-6
Sabadell	1.4	-1.2	-6.7	6.0	-17
Banqueparibas	0.6	0.7	0.5	0.9	8
Banika	3.1	-0.4	-6.3	-7.6	-23
Commodities (% real for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.170	0.1	0.1	1.2	3
GBPUSD	1.32	0.0	0.2	0.3	-3
USDJPY	112.34	0.0	-1.3	-1.5	0
DIY	94.60	-0.1	0.6	-0.3	1
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.29	-0.2	2.3	2.5	-48
USDBRL (Brazil)	3.85	-0.1	0.5	-1.2	-18
USDCPL (Chile)	650.34	0.1	0.2	2.3	7
USDCOP (Colombia)	2872	0.4	0.4	0.3	2
USDNON (Mexico)	16.82	0.3	1.9	9.8	-1
USDREN (Peru)	3.27	0.1	0.3	0.4	1
LACI	58.04	-0.1	1.1	3.2	-9
USDPLN (Poland)	3.88	0.3	0.3	0.5	-7
USD RUB (Russia)	62.31	0.2	0.3	0.4	8
USDTRY (Turkey)	4.84	0.1	2.2	2.3	-28
USDYCN (China)	6.89	0.0	-1.1	-4.5	-3
USDIDR (Indonesia)	68.57	-0.1	0.2	-1.4	8
USDIDR (Indonesia)	14,394	-0.1	0.4	-3.3	-7
ADXY	1.064	0.0	-0.7	-2.6	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.1	-4.2	-7.6	-5	8
WTI	68	-4.0	-7.7	-2	13
Copper	276	-0.3	-2.7	-14	-15
Gold	1239	-0.2	-1.5	-5	-6
S&P Spot commodity *	463	0.4	-3.7	-2	5
S&P Brent Spot *	641	1.1	3.5	0	13
S&P Metals Spot *	346	-0.2	-3.3	-12	-12
S&P Agriculture *	276	-0.3	-2.6	-8	-3

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

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