

Market Comment | Calm tone in financial markets ahead of an eventful week

Global Financial Markets Unit
20 Aug 2018

- **Calm tone in financial markets in an eventful week in which developed central banks and geopolitical tensions (US-China) will focus the markets' attention.** On the one hand, the release of the minutes of the last meetings of the ECB and the FOMC could give some hints about the future steps of the main central banks in their monetary stance. Furthermore, the annual Jackson Hole Symposium later this week will also be in the spotlight, particularly Powell's address on Friday ([see](#)). On the other hand, talks between China and the US during the week could also play a central role.
- In this context, core **developed sovereign yields inched down slightly waiting for this week's developments**, while peripheral sovereign risk premia narrowed across the board on the day on which Greece officially exited its bailout ([see](#)).
- Developed equity indices benefited from the positive prospects for trade talks between China and the US, and most indices registered moderate gains. In fact, **Chinese currency and equity indices** continued their recent recovery despite high uncertainty about the meeting's outcome.
- **The USD remained almost unchanged against its main peers after its recent appreciation** due to surrounding global risk. Meanwhile, the slight recovery of some commodity prices was not enough to give relief to EM currencies, which resumed their recent downward trend. Turkey continued under pressure after the downgrading of its sovereign credit rating by S&P and Moody's.

Table 1

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.59	-1.5	-2.1	0	67
US	2.83	-3.1	-4.9	-1	37
GER (2-yr)	-0.64	0.8	0.5	-1	-3
Germany	0.30	0.0	0.7	-3	-23
France	0.65	-1.3	-2.7	3	-17
Spain	1.39	-6.0	-6.6	5	-28
Italy	3.01	-10.8	-9.9	51	92
Portugal	1.80	-6.0	-5.1	4	-23
Greece	4.33	-1.0	4.2	47	23
Japan (2-yr)	-0.12	0.6	-1.2	0	1
Japan	0.10	0.6	0.3	6	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.94	7.6	11.6	77	169
Chile	4.47	-1.4	-4.8	-10	-4
Colombia	6.84	0.0	-0.4	16	40
Mexico	7.87	-1.1	8.6	17	30
Peru	5.19	1.3	0.5	3	31
Poland	3.13	-2.3	-3.2	0	-18
Russia	8.77	0.2	27.2	94	114
Turkey	20.91	-11.0	62.0	392	955
India	7.84	-2.3	1.5	5	45
Indonesia	7.87	-11.0	-6.5	6	157
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	-1.2	-2.0	5	5
Italy	271	-10.7	-8.2	53	114
Portugal	149	-5.9	-4.4	7	0
Spain	109	-5.9	-5.8	7	-7
2-yr sovereign spread vs Germany					
France	20	-2.2	0.5	1	4
Italy	179	-15.0	-19.1	61	142
Portugal	47	-2.4	-5.8	-5	-3
Spain	32	2.7	0.6	-2	5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	237	3.1	0	-1	76
Chile	51	0.6	-1	-5	1
Colombia	110	1.1	0	0	5
Argentina	535	-7.6	-32	97	296
Mexico	118	1.4	-1	4	11
Peru	80	-0.4	0	-3	8
Poland	63	0.2	1	0	15
Russia	182	2.4	-7	29	44
Turkey	501	26.9	52	186	336
China	62	0.1	-2	-3	11
India	90	0.4	2	-6	21
Indonesia	124	0.9	5	9	39
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.1	-2	0	3
VSTOXX	15	-1.6	-1	2	1
EM EFT volatility index	21	0.4	0	2	4
Dollar/euro volatility	7	0.1	-1	1	1
EM FX volatility index	12	0.3	0	2	5
Credit spread (BAA) (change in bp)	183	3.1	2	3	15
US bonds volatility index	51	0.1	0	4	2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.39	-0.2	0	7	7
EZ inflation expectations (5Y5Y)	1.70	-	-1	-1	-4
Leading 5y CDS (pp)					
level	Daily	Weekly	Monthly	YTD	
US	54	0.1	0	1	12
EZ	96	1.4	0	11	57
UK	66	-0.1	0	2	26
Large Spanish	89	3.9	-2	10	53
Medium Spanish	95	-1.1	5	5	20
Corporate 5y CDS (pp)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	159	0.1	1	1	12
EZ Non-financial	60	1.4	0	11	57
UK Non-financial	102	-0.2	2	-1	9
Interbank markets (%; changes in bp)					
level	Daily	Weekly	Monthly	YTD	
ECMA Index	-0.36	0	0	1	1
Euro 3m	-0.32	0	0	0	1
Carbon 12m	-0.17	0	0	1	2
Libor 3m	2.31	-1	-1	4	62
Libor 12m	2.81	0	0	1	71
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,355	0.2	1.2	1.0	6
Dow Jones	25,772	0.4	2.3	2.8	4
Nikkei	22,199	-0.3	1.6	2.5	-2
FTSE 100	7,591	0.4	0.7	-3.2	-1
EuroStoxx 50	3,394	0.6	-0.5	2.2	-3
IBEX	9,472	0.6	0.8	2.6	6
DAK	12,331	1.0	-0.2	-2.8	-4
CAC	5,380	0.6	-0.6	0.7	2
MIB	20,471	0.3	-2.4	6.5	-6
ASX Allord	713	0.3	-1.1	7.0	-13
MSCI Latam*	83,782	-0.4	-0.6	2.2	-2
Ibovespa (Brazil)	75,894	-0.2	-2.1	2.1	-3
Ibex35 (Mexico)	48,641	0.8	-0.3	-0.2	-3
Merval (Argentina)	26,239	0.0	0.7	-2.1	-16
MSCI EM Europe *	5,162	-0.4	-1.6	-1.7	-4
Poland	2,236	0.8	-1.1	4.2	-9
Mixe 10 (Russia)	4,243	0.5	-0.5	-1.7	3
Im 100 (Turkey)	90,186	1.6	-2.7	-3.0	-23
MSCI EM Asia *	856	0.5	3.4	3.2	7
Shanghai Com (China)	2,698	1.1	-3.1	-2.7	-19
Jakarta Indonesia	5,992	1.9	-3.0	0.0	-7
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks	146.3	0.3	1.7	2.2	-2
JPM	114.6	-0.1	0.7	4.3	6
Chf	70.5	1.2	2.0	2.2	5
Ba	30.8	0.2	1.0	3.8	3
MS	48.3	-0.1	2.1	3.0	-7
GS	235.1	0.7	3.6	2.4	8
EZ banks	86.3	0.0	-2.3	-3.8	-21
BNP	51.2	0.4	-1.6	-1.2	-18
Credit Agricole	11.8	0.2	-1.7	3.4	-15
Deutsche Bank	9.8	0.1	-3.3	5.3	-39
ING	11.7	-0.2	-1.5	5.5	-24
Intesa	2.3	0.6	-0.9	10.5	-21
SG	35.3	0.0	-1.7	-2.8	-18
Unicredit	12.9	-0.2	3.8	7.4	-18
UK banks	82.9	0.5	-1.6	-2.0	-10
HSBC	697.1	0.0	2.7	-2.9	-9
RBS	243.9	1.2	0.8	0.2	-12
Barclays	183.7	0.6	0.4	-1.0	-10
Lloyds	60.4	0.3	-1.6	-3.3	-11
Large Spanish banks	66.1	-0.1	-1.3	8.0	-22
Santander	4.3	0.2	1.8	6.5	20
BBVA	5.4	-0.4	-0.8	9.4	24
Medium Spanish banks	66.1	0.6	-1.7	-2.6	-11
CaixaBank	3.8	1.5	0.6	3.2	-1
Sabadell	1.3	0.2	-2.2	-4.2	-21
Bankinter	7.6	0.1	-2.8	9.2	-5
Banco	3.2	1.0	-1.2	3.9	-21
Commodities (%, red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EUR/USD	1.144	0.0	0.2	1.8	-5
GBP/USD	1.28	0.1	0.0	-1.9	-6
USD/JPY	110.46	0.0	0.2	1.8	2
DXY	96.13	0.0	-0.3	1.0	-5
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	29.87	0.0	0.2	-7.6	-62
USDBRL (Brazil)	3.95	-1.0	-1.6	-3.0	-21
USDCNY (China)	670.69	-0.1	-1.4	-1.2	-15
USDCOP (Colombia)	3033	-0.1	-1.0	5.2	-3
USDMXN (Mexico)	19.02	-0.7	0.5	0.1	3
USDPEN (Peru)	3.31	0.1	0.8	-1.2	-3
LAC1	56.40	-0.8	-1.0	-2.4	-11
USDRIN (Poland)	3.77	-0.4	0.2	1.1	-9
USDRUB (Russia)	67.20	0.1	0.5	5.6	-17
USDTRY (Turkey)	6.15	-2.2	10.7	27.9	-63
USDCNH (China)	6.86	0.3	0.5	-1.2	-6
USDINR (India)	69.83	0.6	0.1	-1.1	-10
USDIDR (Indonesia)	14,588	0.0	0.1	-1.0	-8
ADXY	105.0	-0.1	0.4	-0.5	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.1	0.3	0.7	-1	8
WTX	66	0.1	-1.8	-5	9
Copper	265	1.0	2.6	-1	-19
Gold	1186	0.1	-0.6	-3	-10
S&P Spot commodity *	452	0.6	-0.9	-1	2
S&P Brent Spot *	613	0.4	-1.2	-1	8
S&P Meat Spot *	333	0.5	-3.4	-1	15
S&P AgriCultural *	296	0.6	2.1	6	4

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

Fuente: BBVA Research

Debt markets (10Y % change in bp)					
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Peru	5.19	1.3	9.5	3	31
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Mexico	118	1.4	-3	4	11
Peru	80	-0.4	0	-3	8
Poland	63	0.2	1	0	15
Russia	162	2.4	-7	29	44
Turkey	501	26.9	52	186	336
China	62	0.1	-2	-3	11
India	90	-0.4	2	-8	21
Indonesia	124	0.9	5	9	39
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.1	-2	0	3
VSTOXX	15	-1.6	-1	2	1
EM EET volatility Index	21	0.4	0	2	4
Dollar/euro volatility	7	0.1	-1	1	1
EM FX volatility index	12	0.3	0	2	5
Credit spread (BAA) (change in bp)	193	3.1	2	3	15
US bonds volatility index	51	0.1	0	4	2
Inflation (annual % change in %)					
US inflation expectations (5Y5Y)	level	Daily	Weekly	Monthly	YTD
US	2.39	-	-2	0	2
EZ inflation expectations (5Y5Y)					
EZ	1.70	-	-1	-1	-4
Banking Sy CDS (ppt) *					
US	level	Daily	Weekly	Monthly	YTD
US	54	0.1	1	1	12
EZ	96	1.4	0	11	57
UK	66	-0.1	0	2	26
Large Spanish	89	3.3	-2	10	53
Medium Spanish	95	-1.1	5	5	20
Corporate Sy CDS (ppt) *					
US Non-financial	level	Daily	Weekly	Monthly	YTD
US Non-financial	159	0.1	1	1	12
EZ Non-financial					
EZ Non-financial	60	1.4	0	11	57
UK Non-financial					
UK Non-financial	102	-0.2	2	-1	9
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EOBA Index	-0.36	0	0	1	1
Euro3m	-0.32	0	0	0	1
Euro3m 12m	-0.17	0	0	1	2
Libor 3m	2.31	-1	-1	-4	62
Libor 12m	2.81	0	0	1	71
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,655	0.2	1.2	1.8	6
Dow Jones	25,772	0.4	2.3	2.8	4
Nikkei	22,199	-0.3	1.5	-2.5	-2
FTSE 100	7,591	0.4	0.7	-1.2	-1
EuroStoxx 50	3,294	0.6	0.5	-2.2	-3
IBEX	9,472	0.6	-0.6	-2.6	-6
DAX	12,331	1.0	0.2	-2.6	-4
CAC	5,380	0.6	0.6	0.7	2
MB	20,471	0.3	-2.4	-6.5	-6
ASE Athens	713	0.3	-1.1	-7.0	-13
MSCI Latam *	83,782	-0.4	-0.6	-2.2	-2
Ibovespa (Brazil)	75,894	-0.2	-2.1	-2.1	-3
Mercol (Mexico)	48,641	0.8	0.3	0.2	-3
Merval (Argentina)	26,239	0.0	0.7	-2.1	-16
MSCI EM Europe *	5,162	-0.4	-1.6	-1.7	-4
Poland	2,236	0.8	-1.1	-4.2	-9
Moscú (Russia)	4,243	0.5	-0.5	-1.7	3
Isr 100 (Turkey)	90,186	1.6	2.7	-3.0	-23
MSCI EM Asia *	856	0.5	-3.4	-3.2	-7
Shanghai Com (China)	2,698	1.1	-3.1	-2.7	-19
Jakarta (Indonesia)	5,092	1.9	-3.0	0.0	-7
Banking sector					
US banks	level	Daily	Weekly	Monthly	YTD
JPM	146.3	0.3	1.7	2.2	-2
WFC	114.6	-0.1	0.7	4.3	6
Cit	70.5	1.2	2.0	2.2	-5
BofA	30.8	0.2	1.0	3.8	3
MS	48.3	-0.1	2.1	-3.0	-7
GS	235.1	0.7	3.5	2.4	-6
EZ banks	86.3	0.0	-2.3	-3.8	-21
BNP	51.2	0.4	1.6	-1.2	-18
Crédit Agricole	11.8	0.2	-1.7	3.4	-15
Deutsche Bank	9.8	0.1	-3.3	-5.3	-39
ING	11.7	-0.2	-1.5	-5.5	-24
Intesa	2.2	-0.6	-4.0	-10.5	-21
SG	35.3	0.0	1.7	-2.6	-18
Unicredit	12.9	-0.2	-3.8	-7.4	-18
UK banks	82.9	0.5	-1.6	-2.0	-10
HSBC	697.1	0.0	-2.7	-2.9	-9
RBS	243.9	1.2	-0.8	0.2	-12
Barclays	183.7	0.6	-0.4	-1.0	-10
Large Spanish banks	60.4	0.3	-1.6	-3.3	-11
Santander	65.1	-0.1	-1.3	-8.0	-22
BBVA	4.3	0.2	-1.8	-6.5	-20
Medium Spanish banks	5.4	-0.4	-0.8	-9.4	-24
Cajabank	68.1	0.6	-1.7	-2.6	-11
Sabadell	3.8	1.5	-0.6	-3.2	-3
Sabadell	1.3	0.2	-2.2	-4.2	-21
Banqueparibas	7.6	0.1	-2.8	-9.2	-5
Banqueparibas	3.2	1.0	-1.2	-3.0	-21
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,144	0.0	0.2	-1.2	-5
GBPUSD					
GBPUSD	1.28	0.1	0.0	-1.9	-6
USDJPY					
USDJPY	110.46	0.0	0.2	1.8	2
DXY					
DXY	96.13	0.0	-0.3	1.0	5
Emerging					
USDARS (Argentina)	29.87	0.0	0.2	-7.6	-62
USDBRL (Brazil)	3.95	-1.0	-1.6	-3.0	-21
USDCOP (Colombia)	670.69	0.1	-1.4	-1.2	11
USDCOP (Colombia)	3033	-0.1	-1.0	-5.2	-3
USDMXN (Mexico)	19.02	-0.7	0.5	0.1	3
USDPEN (Peru)	3.31	-0.1	0.8	-1.2	-3
LAC1	56.40	-0.8	-1.0	-2.4	-11
USDPLN (Poland)	3.77	-0.4	0.2	-1.1	-9
USDRLR (Russia)	67.20	0.1	0.5	5.6	17
USDTRY (Turkey)	6.15	-2.2	10.7	27.9	63
USDCHF (China)	6.86	0.3	0.5	-1.2	-6
USDINR (India)	69.83	0.5	0.1	-1.1	-10
USDIDR (Indonesia)	14,588	0.0	0.1	-1.0	-5
ADXY	105.0	0.1	0.4	-0.5	-8
Commodities (\$)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.1	0.3	-0.7	-1	8
WTX	66	0.1	1.8	5	9
Copper	265	1.0	-2.6	-1	-19
Gold	1186	0.1	0.6	-3	-10
S&P Spot commodity *	452	0.5	0.8	-1	2
S&P Brent Spot *	613	0.4	-1.2	-1	8
S&P Metals Spot *	333	-0.5	-3.4	-1	-15
S&P Agricultural *	296	0.6	2.1	6	4

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Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

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