

Market Comment | Trade optimism drives markets' recovery

Global Financial Markets Unit
21 Aug 2018

- **Financial markets continued to recover moderately, ahead of trade talks between China and the US which will begin tomorrow.** However, comments from US President Trump complaining about the Fed's hawkish tone ([see](#)) and his accusations of currency manipulation made against China and the EU ([see](#)) weighed on the USD today.
- **Against this backdrop, both the US 10Y Treasury and the 10Y Bund yield inched up.** Meanwhile peripheral risk premia continued to narrow, led by Italy after Moody's postponed its rating review of the country, which is likely to involve a downgrading ([see](#)).
- **Main developed and emerging equity indices continued to recover from their recent negative trend,** due among other things to the prospect of an easing of trade disputes between the two major economies.
- **The Chinese equity index weighed on Asian gains as the PBOC showed its commitment to ample liquidity in financial markets.** Nonetheless, it ruled out a strong stimulus, for the moment, to face the current uncertainties. Moreover, it continued to reiterate that China is not going to manipulate its currency to achieve its economic goals ([see](#)).
- **The USD fell against its major peers after Trump's criticism of the Fed's monetary policy stance,** with the exception of the JPY. The weakness of the USD also gave some relief to the EUR, which continued to recover from its recent fall, and to most EM currencies.
- Some commodity prices also benefited from the recent weakness of the US dollar, while **the cut in Iran's oil supply after US sanctions favoured oil prices**([see](#)).

Table 1

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Debt markets (10Y, % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.60	1.5	-3.7	1	68
US	2.84	2.3	5.6	5	38
GER (2-yr)	-0.60	4.4	4.8	2	1
Germany	0.33	2.6	0.1	4	-19
France	0.67	1.7	-1.2	-1	-15
Spain	1.36	2.6	5.0	-1	-31
Italy	2.97	-4.3	5.9	38	88
Portugal	1.77	-2.5	4.9	-1	-24
Greece	4.24	-9.8	-3.0	37	13
Japan (2-yr)	-0.12	0.2	-1.0	0	1
Japan	0.09	-1.9	2.6	5	4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.14	18.3	48.8	110	189
Chile	4.47	-0.3	-3.1	10	-4
Colombia	6.85	0.3	2.6	17	41
Mexico	7.84	3.1	2.1	15	26
Peru	5.16	-0.6	7.5	-1	-29
Poland	3.13	0.0	-3.3	3	-18
Russia	8.69	-8.3	24.8	86	105
Turkey	20.91	0.0	57.0	429	955
India	7.83	0.9	1.1	4	44
Indonesia	7.85	-2.6	-18.2	-3	-155
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	-0.9	-1.3	3	-4
Italy	264	-5.9	-6.0	42	107
Portugal	144	-5.2	5.0	3	-5
Spain	104	-5.2	-5.1	3	-12
2-yr sovereign spread vs Germany					
France	17	-3.0	-2.8	-2	1
Italy	165	-14.9	-22.9	43	128
Portugal	41	-5.8	7.8	10	9
Spain	26	-6.4	-10.8	-8	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	245	7.9	-2	5	84
Chile	52	1.9	0	5	3
Colombia	111	1.0	-1	0	6
Argentina	565	30.6	52	124	327
Mexico	120	1.3	-1	3	13
Peru	82	2.5	1	2	10
Poland	63	0.1	0	3	15
Russia	164	2.2	-9	29	47
Turkey	512	10.6	-56	200	243
China	61	-9.6	3	-5	11
India	89	-0.5	-1	-7	20
Indonesia	122	2.1	-2	4	37
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.1	-1	0	3
VSTOXX	14	-0.6	-2	0	1
EM EFT volatility index	19	-1.1	1	2	2
Dollar euro volatility	7	0.0	-1	1	1
EM FX volatility index	12	-0.1	0	2	4
Credit spread (BAA) (change in bp)	187	-2.3	-2	-4	9
US bonds volatility index	51	0.3	1	2	2
Expectations indicators (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.40	-	-1	-1	8
EZ Inflation expectations (5Y5Y)	1.70	-	-1	-1	-4
Outgoing YCC (Bps)					
level	Daily	Weekly	Monthly	YTD	
US	54	0.2	0	1	12
EZ	94	-2.1	-5	5	95
UK	66	-0.6	-1	-2	25
Large Spanish	87	-2.3	-6	6	51
Medium Spanish	92	-2.4	0	2	17
Commodity prices (Bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	158	0.2	0	1	12
EZ Non-financial	81	-2.1	-5	5	95
UK Non-financial	102	0.6	1	0	10
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.36	0	0	1	1
Eurobor 3m	-0.17	0	0	0	1
Eurobor 12m	-0.17	0	0	1	2
Libor 3m	2.31	0	0	-4	62
Libor 12m	2.81	0	1	1	71
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,866	0.3	0.9	2.3	6
Dow Jones	29,841	0.3	2.1	3.1	4
Nikkei	22,220	0.1	0.6	2.1	-2
FTSE 100	7,573	-0.2	0.5	1.4	-1
Euro Stoxx 50	3,419	0.0	0.1	-1.4	-2
IBEX	8,851	0.9	0.5	-1.8	-5
DAX	12,385	0.4	0.2	1.4	-4
CAC	5,414	0.6	0.2	0.3	2
MIB	20,767	1.4	0.7	4.7	5
ASE Athens	795	-1.0	-2.1	6.5	-14
MSCI LatAm *	84,134	0.4	1.0	-1.7	-2
Ibovespa (Brazil)	75,747	-0.8	-3.6	-3.6	-3
Merck (Mexico)	49,175	0.8	0.2	0.5	-2
Merval (Argentina)	26,228	0.0	-1.2	5.1	-16
MSCI Europe *	5,205	0.8	-0.7	-0.1	-3
Poland	2,281	2.0	0.4	4.5	-7
Index 10 (Russia)	4,279	0.9	0.5	0.3	4
Isx 100 (Turkey)	90,186	0.0	-3.5	-4.1	-23
MSCI EM Asia	865	1.0	-0.9	-1.7	6
Shanghai Com (China)	2,394	1.3	1.7	3.4	-18
Jakarta Indonesia	5,944	2.8	1.4	1.2	6
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	116.0	1.2	1.1	4.2	7
Ch	71.4	1.2	2.0	3.1	-4
BaK	31.1	0.8	1.1	3.3	4
MS	48.7	0.8	1.7	-3.2	-7
GS	238.0	0.9	3.7	2.7	-7
EZ banks					
BNP	87.8	1.7	0.3	-1.8	-20
Credit Agricole	51.8	1.2	-0.1	0.2	-17
Diethelm Bank	11.9	0.9	0.8	4.4	-15
ING	9.9	1.8	-1.1	3.1	-38
ING	11.9	2.1	0.9	-4.1	-22
Intesa	2.2	-3.1	-0.2	-7.1	-19
SC	35.7	1.4	0.5	0.8	-17
Unicredit	13.2	2.1	0.3	5.6	-16
UK banks					
HSBC	83.2	0.3	-0.7	-1.6	-10
RSC	693.2	-0.6	-1.1	3.1	9
RBS	247.1	1.3	2.0	2.2	-11
Barclays	184.6	0.5	0.4	-1.2	9
Lloyds	69.8	0.8	0.2	2.8	-10
Large Spanish banks					
Santander	66.9	1.3	0.2	6.7	21
BBVA	4.4	1.3	-0.3	5.2	-19
Mediobanca	5.5	1.3	0.6	8.1	23
Medium Spanish banks					
Cajabank	68.8	1.0	-0.1	1.6	-10
Catalanbank	3.9	-0.7	1.3	4.1	-3
Sabadell	1.4	1.5	0.5	-1.6	-20
Bankinter	7.6	0.8	-1.5	8.9	-4
Banica	3.2	1.4	0.1	4.8	-20
Commodities (% change in currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,153	0.4	1.7	-1.6	-4
GBPUSD	1.29	0.5	1.1	2.1	-5
USDJPY	110.42	-0.3	0.7	0.9	2
DXY	95.56	-0.4	-1.2	1.1	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	29.99	-0.4	-0.9	8.8	63
USD BRL (Brazil)	3.99	-0.5	-3.2	5.9	22
USDCJP (China)	662.26	1.0	0.4	0.4	9
USDCOP (Colombia)	2987	1.5	0.8	-3.8	-2
USDMXN (Mexico)	18.86	0.8	0.1	0.8	3
USDREN (Peru)	3.30	0.3	0.0	0.7	-2
LACI	56.49	0.3	-1.0	-3.0	-11
USD PIN (Poland)	3.72	0.8	1.9	-1.0	8
USD RUB (Russia)	67.34	-0.6	-1.5	-6.0	-17
USD TRY (Turkey)	6.04	0.7	4.9	-26.0	-60
USD CNY (China)	6.85	0.2	0.5	-1.1	5
USD INR (India)	69.83	0.0	0.1	1.4	-10
USD IDR (Indonesia)	14,574	0.1	0.1	0.5	-8
ADXY	105.3	0.1	0.6	0.5	-4
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.4	0.2	-0.1	-1	9
WTI	67	1.2	0.3	-5	11
Copper	2.68	0.8	0.3	-2	-18
Gold	1190	-0.1	-0.4	-3	-10
S&P Spot commodity *	452	0.2	0.6	-1	2
S&P Brent Spot *	618	0.7	-0.3	-1	9
S&P Metals Spot *	338	0.9	-1.2	-2	-15
S&P Agricultural *	293	-1.1	-0.1	3	3

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

Fuente: BBVA Research

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Peru	5.16	-0.6	7.5	-1	-29
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Emerging Markets					
5-yr sovereign CDS *					
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Indonesia	122	-2.1	-2	4	37
Risk indicators					
Volatility indicators (change in bp)					
level	Daily	Weekly	Monthly	YTD	
VIX	12	-0.1	-1	0	3
VSTOXX	14	-0.6	-2	0	1
EM EFT volatility index	19	-1.1	1	2	2
Diversifiers volatility	7	0.0	-1	1	1
EM FX volatility index	12	-0.1	0	2	4
Credit spread (BAA) change in bps	187	-2.3	-2	-4	9
US bonds volatility index	51	0.3	1	2	7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.40	-	-1	-1	8
EZ inflation expectations (5Y5Y)	1.70	-	-1	-1	4
Brexit 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	54	0.2	0	1	12
EZ	94	-2.1	-5	5	55
UK	66	-0.6	-1	-2	25
Large Spanish	87	-2.3	-6	6	51
Medium Spanish	92	-2.4	0	2	17
European 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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EZ Non-financial	81	-2.1	-1	5	55
UK Non-financial	102	0.6	1	0	10
Interbank markets (%; changes 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	-0.17	0	0	1	2
Libor 3m	2.31	0	0	-4	62
Libor 12m	2.81	0	1	1	71
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,866	0.3	0.9	2.3	6
Dow Jones	25,841	0.3	2.1	3.1	4
Nikkei	22,220	0.1	0.6	2.1	-2
FTSE 100	7,573	-0.2	0.5	1.4	-1
Euro Stoxx 50	3,413	0.6	0.1	1.4	-2
IBEX	9,551	0.8	0.5	1.8	-5
DAX	12,385	0.4	0.2	1.4	-4
CAC	5,414	0.6	0.2	0.3	2
MI	20,707	1.4	0.7	4.7	5
ASE Athens	705	-1.0	-2.1	-6.5	-14
MSCI Latam *	84,134	0.4	-1.0	-1.7	-2
Bovespa (Brazil)	75,747	-0.8	-3.6	-3.6	-3
Mexcel (Mexico)	49,175	0.8	0.2	0.5	-2
Merval (Argentina)	26,229	0.0	-1.2	-5.1	-16
MSCI EM Europe *	5,205	0.8	0.7	0.1	-3
Poland	2,281	2.0	0.4	4.5	-7
Moon 10 (Russia)	4,279	0.9	0.5	0.3	4
Ru 100 (Turkey)	90,186	0.0	-3.5	-4.1	-23
MSCI EM Asia *	865	1.0	-0.9	-1.7	-6
Shanghai Com (China)	2,734	1.3	-1.7	-3.4	-18
Jakarta Indonesia	5,044	2.8	1.4	1.2	-6
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks	147.9	1.0	1.8	2.2	-1
JPM	116.0	1.2	1.1	4.2	7
Ch	71.4	1.2	2.0	3.1	4
BoA	31.1	0.8	1.1	3.3	4
MS	48.7	0.8	1.7	3.2	-7
GS	238.0	0.8	3.7	2.7	-7
EZ banks	87.8	1.7	0.3	-1.9	-20
BNP	51.8	1.2	0.1	0.2	17
Credit Agricole	11.9	0.9	0.8	4.4	15
Deutsche Bank	9.9	1.8	-1.1	-3.1	-38
ING	11.9	2.1	0.9	-4.1	-22
Intesa	2.2	3.1	0.2	7.1	19
SG	35.7	1.4	0.5	0.8	-17
Unicredit	13.2	2.1	0.3	5.6	-16
UK banks	83.2	0.3	0.7	-1.6	-10
HSBC	693.2	-0.6	-3.1	-3.1	-9
RBS	247.1	1.3	2.0	2.2	-11
Barclays	184.6	0.5	0.4	-1.2	-9
Lloyds	60.8	0.8	-0.2	-2.9	-10
Large Spanish banks	66.9	1.3	0.2	6.7	21
Santander	4.4	1.3	0.3	5.2	19
BBVA	5.5	1.3	0.6	8.1	23
Medium Spanish banks	66.8	1.0	-0.1	-1.6	-10
Casabank	3.9	0.7	1.3	4.1	9
Sabadell	1.4	1.5	0.5	-1.6	-20
Bankinter	7.6	0.8	-1.5	8.9	-4
Banisa	3.2	1.4	0.1	4.8	-20
Commodities (%; red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1,153	0.4	1.7	1.6	-4
GBPUSD	1,129	0.5	1.1	2.1	-8
USDJPY	110.42	-0.3	0.7	0.9	2
DX	95.56	-0.4	-1.2	1.1	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	29.99	-0.4	-0.9	8.8	-63
USDBRL (Brazil)	3.99	-0.5	-3.2	5.3	-22
USDCOP (Colombia)	662.26	1.0	0.4	0.4	9
USDCOP (Colombia)	298.7	1.5	0.8	3.8	-2
USDMXN (Mexico)	18.86	0.8	0.1	0.8	3
USDPEN (Peru)	3.30	0.3	0.0	0.3	-2
LAC1	56.49	0.3	-1.0	-3.0	-11
USDPLN (Poland)	3.72	0.8	1.9	1.0	-8
USDRUB (Russia)	67.34	-0.6	-1.5	-6.0	-17
USDTRY (Turkey)	6.04	0.7	4.9	26.0	-60
USDCHY (China)	6.85	0.2	0.5	-1.1	-5
USDINR (India)	69.83	0.0	0.1	-1.8	-10
USDIDR (Indonesia)	14,574	0.1	0.1	-0.5	-8
ADXX	105.3	0.1	0.6	0.5	-4
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	72.4	0.2	-0.1	-1	9
WTX	57	1.2	0.3	-5	11
Copper	268	0.8	0.3	-2	-18
Gold	1190	-0.1	0.4	-3	-10
S&P Spot commodity *	452	0.2	0.6	-1	2
S&P Brent Spot *	618	0.7	0.2	-1	9
S&P Metals Spot *	336	0.9	-1.2	-2	-15
S&P Agriculture *	293	-1.1	-0.1	3	3

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

Fuente: BBVA Research

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