

Market Comment | Cautious mood in financial markets ahead of Central Banks' meetings

Global Financial Markets Unit

11 Sep 2018

- **Cautious tone in financial markets amid fears of escalating trade disputes.** Adding more pressure to the ongoing trade tensions between China and the US, today's news showed that China will seek support from the WTO to impose sanctions on the US over dumping tariffs ([see](#)).
- **Core yields inched up:** the US Treasury 10Y yield was hovering around 2.95%, while the 10Y Bund yield also increased to 0.43%, the latter amid better-than-expected economic sentiment (ZEW) in Germany ([see](#)). Meanwhile, peripheral risk premia remained broadly steady.
- **Trade concerns weighed on emerging stock markets** with China underperforming Asian equity indices. Meanwhile, European and US stocks remained flat.
- **The USD appreciated slightly against its main peers. The GBP suffered high volatility and trimmed early gains** amid high uncertainty about the Brexit negotiations ([see](#)). BoE's Governor Carney is to extend his term until 2020 ([see](#)).
- **Most EM currencies depreciated against the US dollar with the main exception of the RUB which recovered from its two year lowest level** ahead of Russia's Central Bank meeting later this week ([see](#)). The Turkish lira was flat waiting for Thursday's Central Bank meeting and **some Latam currencies did not benefit from the increasing oil prices** (above 78 USD/barrel). The ARS remained under pressure ahead of today's economic policy meeting in which investors expected the Central Bank to hold rates at 60%.

Table 1

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Debt markets (% 10y, % changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2 yr)	2.74	2.5	8.2	13	82	
US	2.97	3.7	7.0	9	50	
GER (2 yr)	0.54	0.9	4.8	10	8	
Germany	0.43	2.8	7.2	11	-9	
France	0.74	2.7	4.6	7	-9	
Spain	1.47	1.4	3.8	6	-21	
Italy	2.94	3.0	7.7	5	85	
Portugal	1.89	1.0	2.3	12	-12	
Greece	4.10	9.6	45.9	12	-	
Japan (2 yr)	-0.11	0.2	0.5	1	3	
Japan	0.12	-0.3	0.5	1	-7	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
Brazil	12.47	18.7	-5.9	62	221	
Chile	4.93	0.0	4.3	23	-2	
Colombia	6.98	3.3	13.6	16	54	
Mexico	8.08	1.5	7.3	34	59	
Peru	5.16	0.0	3.5	9	29	
Poland	3.28	0.6	5.6	12	-4	
Russia	9.06	18.0	12.3	68	143	
Turkey	19.46	42.0	46.0	-155	810	
India	8.18	2.4	11.9	43	80	
Indonesia	8.57	0.0	12.0	88	228	
Country risk (bps, changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10 yr sovereign spread vs Germany						
France	31	-0.1	-2.6	-4	1	
Italy	251	0.2	-14.9	-16	94	
Portugal	146	-1.8	-4.9	0	-2	
Spain	104	-1.4	-3.4	-5	-11	
2 yr sovereign spread vs Germany						
France	15	-0.3	-1.6	-3	-1	
Italy	131	3.1	44.8	-49	94	
Portugal	42	-0.1	-4.5	-4	-8	
Spain	29	-0.6	2.5	-8	2	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
5 yr sovereign CDS*						
Brazil	279	1.3	28	54	118	
Chile	58	0.2	1	7	9	
Colombia	116	1.0	5	9	11	
Argentina	738	20.1	-40	254	500	
Mexico	124	0.2	4	7	17	
Peru	85	0.2	3	7	13	
Poland	63	-0.3	1	2	15	
Russia	180	2.8	12	23	62	
Turkey	523	0.6	-57	148	358	
China	59	-0.2	-2	-2	8	
India	100	2.4	11	13	31	
Indonesia	143	2.3	13	30	58	
Risk indicators						
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD	
VIX	14	-0.4	1	1	4	
VSTOXX	16	-0.1	-1	1	2	
EM CT volatility index	22	0.2	0	2	6	
Dollar/euro volatility	7	0.1	-1	-1	1	
EM FX volatility index	13	0.0	0	1	5	
Credit spread (BAA)(change in bps)	149	-3.7	-5	3	12	
US bonds volatility index	48	-1.7	-2	-3	-1	
Inflation expectations (%)						
level	Daily	Weekly	Monthly	YTD		
US Inflation expectations (5Y5Y)	2.40	0	-1	6		
EZ Inflation expectations (5Y5Y)	1.69	-	-1	-3	-5	
Ranking by CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US	51	1.4	-2	1	9	
EZ	83	-3.7	-14	-5	44	
UK	57	-4.6	-11	-7	16	
Large Spanish	70	-5.4	-15	-9	34	
Medium Spanish	91	-0.6	-2	2	16	
Corporate by CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US Non-financial	164	-1.4	-2	1	9	
EZ Non-financial	76	-3.7	-14	-5	44	
UK Non-financial	99	-0.6	-1	0	6	
Interbank markets (% change in bps)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.36	0	-1	0	1	
Euro3m	-0.32	0	0	0	1	
Libor 12m	-0.17	0	0	0	2	
Libor 3m	2.33	0	2	0	64	
Libor 12m	2.86	2	2	4	76	
Stock markets (%)						
level	Daily	Weekly	Monthly	YTD		
Main indices						
S&P500	2,884	0.2	0.5	1.8	7	
Dow Jones	25,940	0.3	0.0	2.5	4	
Nikkei	22,665	1.3	-0.1	1.6	0	
FTSE 100	7,266	-0.2	-2.6	-5.2	-5	
Euro Stoxx 50	3,310	0.0	-1.5	-3.4	-2	
IBEX	9,283	0.1	-1.0	-3.3	-8	
DAX	11,964	-0.2	-2.0	-3.7	-7	
CAC	5,282	0.2	-1.1	-2.5	-2	
MIB	20,840	-0.4	1.2	-1.2	-5	
ASE Athens	692	-1.8	-2.6	-7.0	-15	
MSCI Latam*	83,990	-0.1	-0.5	-2.6	-2	
Ibovespa (Brazil)	74,599	2.4	0.2	2.5	-4	
Ibex35 (Mexico)	48,620	0.5	-0.5	0.5	-3	
Merval (Argentina)	2,6721	2.9	4.0	6.9	8	
MSCI EM Europe*	5,285	0.5	1.4	-1.5	-2	
Poland	2,248	1.0	3.1	0.1	9	
Moscow 10 (Russia)	4,216	-0.2	-0.9	-0.5	-2	
Ise 100 (Turkey)	92,389	0.8	0.9	-2.7	-21	
MSCI EM Asia*	852	1.0	3.2	4.4	8	
Shanghai Com (China)	2,665	-0.2	-3.1	-4.7	-20	
Jakarta (Indonesia)	5,831	-0.3	2.3	-3.9	-8	
Financial sector						
level	Daily	Weekly	Monthly	YTD		
US banks						
JPM	114.0	0.3	-1.0	-1.5	6	
Cit	69.4	-0.3	-2.7	-1.2	-7	
BAC	30.6	-0.1	-1.1	-1.3	3	
MS	47.7	-0.5	-2.1	-1.4	-9	
GS	229.7	1.0	3.4	0.0	-10	
EZ banks						
BBVA	86.9	0.6	0.5	3.1	-20	
BNP	50.7	0.2	0.4	-3.6	-18	
Credit Agricole	12.2	-0.2	0.6	-0.1	-13	
Deutsche Bank	9.6	0.5	-2.1	-6.6	-40	
ING	11.0	1.5	4.8	9.3	-28	
Intesa	2.3	-1.5	2.0	1.4	-15	
SIF	35.5	-0.3	-0.5	-2.0	-18	
Unicredit	13.3	1.5	2.7	3.1	-15	
UK banks						
RBS	79.7	-0.9	-2.8	6.3	-14	
BSPIC	649.5	0.5	-4.1	10.0	-15	
RBS	245.9	-1.4	0.2	0.8	-11	
Barclays	174.4	-3.4	-3.7	-7.1	-14	
Lloyds	59.1	0.5	-2.1	-4.5	-13	
Large Spanish banks						
Santander	64.1	0.1	1.9	7.0	-24	
Cajamar	4.2	-0.2	-0.9	-6.5	-22	
BBVA	5.2	0.4	2.6	7.5	-26	
Medium Spanish banks						
Celabank	70.3	0.2	0.0	0.6	-8	
Caja de Pensiones	4.0	0.2	-0.7	3.8	-1	
Sabadell	1.3	0.3	0.6	-2.7	-20	
Bankinter	7.8	0.9	-0.1	-1.0	-2	
Banca	3.3	-0.6	0.7	3.0	-17	
Currencies (% net for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD						
EURUSD	1,159	-0.1	0.0	1.5	-4	
GBPUSD	1,130	-0.2	1.1	1.9	-4	
USDJPY	111.51	-0.3	-0.1	-0.6	1	
DX1Y	95.24	0.1	-0.2	-1.2	-4	
Emerging						
level	Daily	Weekly	Monthly	YTD		
USDARS (Argentina)						
USDARS	37.96	-1.6	2.6	-23.0	-52	
USDBRL (Brazil)	4.17	2.0	0.2	7.3	-22	
USDCOP (Colombia)	696.76	0.3	-0.8	6.3	-13	
USDCOP (Colombia)	3080	0.3	0.4	4.6	-5	
USDMXN (Mexico)	19.25	0.1	0.8	-1.7	-2	
USDINR (India)	3.34	0.7	0.5	1.7	-3	
LACI	53.55	-1.3	0.1	-6.9	-16	
USDPLN (Poland)	3.72	0.1	0.1	1.3	-7	
USDINR (Russia)	69.66	1.3	2.1	2.9	-17	
USDTRY (Turkey)	6.46	0.0	3.2	-0.5	-42	
USDCNY (China)	6.87	-0.3	0.4	0.4	-6	
USDIR (Indonesia)	72.70	-0.3	-1.6	5.3	-13	
USDIR (Indonesia)	14,857	0.0	0.5	-2.6	-9	
ADXY	104.4	0.0	0.4	0.5	-5	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
Brent						
Brent	78.7	1.7	0.7	8	18	
WTX	69	2.0	-1.4	2	14	
Copper	258	-1.1	0.0	-5	-21	
Gold	1194	-0.1	0.2	-1	-9	
S&P Spot commodity*	463	0.3	-1.2	1	4	
S&P Brent Spot*	658	0.6	-1.1	6	16	
S&P Metals Spot*	334	0.0	0.7	-4	-15	
S&P Agricultural*	286	1.5	0.4	-2	1	

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

Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.74	2.5	8.2	15	82
US	2.97	3.7	7.0	9	50
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Germany	0.43	2.8	7.2	11	-9
France	0.74	2.7	4.6	7	-9
Spain	1.47	1.4	2.8	6	-21
Italy	2.94	3.0	-7.7	-5	85
Portugal	1.89	1.0	2.3	12	-12
Greece	4.10	0.6	45.9	-12	0
Japan (2-yr)	-0.11	-0.2	0.5	1	3
Japan	0.12	-0.3	0.2	1	7
Emerging Markets					
Brazil	12.47	18.7	-5.9	62	221
Chile	4.49	0.0	4.3	-2	-2
Colombia	6.98	3.3	13.6	16	54
Mexico	8.08	1.5	7.3	34	50
Peru	5.16	0.0	3.5	9	29
Poland	3.28	0.6	5.6	12	-4
Russia	9.06	-18.0	12.8	66	143
Turkey	19.46	42.0	-46.0	-155	810
India	8.18	2.4	11.9	43	80
Indonesia	8.57	0.0	17.0	88	228
Country risk (bp changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	31	0.1	2.6	-4	1
Italy	251	0.2	-14.9	-16	94
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2-yr sovereign spread vs Germany					
France	15	0.3	-1.6	-3	-1
Italy	131	3.1	-44.8	-49	98
Portugal	42	0.1	-4.5	-4	-5
Spain	29	-0.6	-2.5	-8	-2
Emerging Markets					
5-yr sovereign CDS *					
Brazil	279	1.3	-28	54	118
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Argentina	738	20.1	-40	254	500
Mexico	124	-0.2	4	7	17
Peru	85	0.2	3	7	13
Poland	63	0.3	1	2	15
Russia	180	2.8	12	23	62
Turkey	573	0.6	-57	148	358
China	59	0.2	-2	-2	9
India	100	2.4	11	13	31
Indonesia	113	2.3	13	30	58
Risk indicators					
Volatility indicators (change in bp)					
VIX	14	-0.4	1	1	-4
VSTOXX	16	-0.1	-1	1	-2
EM EFT volatility Index	22	0.2	0	2	6
Dollar/euro volatility	7	0.1	-1	-1	1
EM FX volatility index	13	0.0	0	1	5
Credit stress (BAA) (change in bp)	189	-3.7	-5	1	12
US bonds volatility index	48	-1.7	-2	-3	-1
Inflation expectations (%)					
US inflation expectations (5Y)					
US	2.40	0	-1	-1	-1
EZ inflation expectations (5Y)					
EZ	1.69	-	-1	-3	-5
Banking 5y CDS (bps) *					
US	51	1.4	-2	1	9
EZ	83	-3.7	-14	-5	44
UK	57	-4.6	-11	-7	16
Large Spanish	70	5.4	-15	-9	34
Medium Spanish	91	-0.6	-2	2	16
Corporate 5y CDS (bps) *					
US Non-financial	164	-1.4	-2	1	9
EZ Non-financial	76	3.7	-14	-5	44
UK Non-financial	99	-0.6	-1	0	6
Interbank markets (% changes in bp)					
EONIA Index	-0.36	0	-1	0	-1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.17	0	0	0	2
Libor 3m	2.33	0	2	0	64
Libor 12m	2.86	2	2	4	76
Stock markets (%)					
Main indices					
S&P500	2,884	0.2	0.5	1.8	-7
Dow Jones	25,940	0.3	0.0	2.5	-4
Nikkei	22,665	1.3	-0.1	1.6	0
FTSE 100	7,266	0.2	2.6	-5.2	-5
Euro Stoxx 50	3,310	0.0	-1.5	-3.4	-5
IBEX	9,283	0.1	-1.0	-3.3	-8
DAX	11,964	-0.2	-2.0	-3.7	-7
CAC	5,282	0.2	-1.1	-2.5	0
MI8	20,940	0.4	1.2	-1.2	-5
ASE Athens *	692	-1.8	-2.6	-7.0	-15
MSCI Latin *	83,990	-0.1	-0.5	-2.6	-2
Ibovespa (Brazil)	74,599	-2.4	-0.2	-2.5	-4
Mercol (Mexico)	48,620	0.5	0.5	0.5	-3
Mercol (Argentina)	28,721	2.5	4.0	6.9	-8
MSCI EM Europe *	5,295	0.5	-1.4	-1.5	-2
Poland	2,248	-1.0	-3.1	0.1	-9
Moex 10 (Russia)	4,216	-0.2	0.9	0.5	-2
Isx 100 (Turkey)	92,389	0.8	0.9	2.7	21
MSCI EM Asia *	852	-1.0	-3.2	-4.4	-8
Shanghai Com (China)	2,665	-0.2	3.1	-4.7	-20
Jakarta (Indonesia)	5,831	-0.3	2.3	-3.9	-6
Banking sector					
US banks					
JPM	144.8	0.2	-1.9	-1.1	-3
WFC	114.0	0.3	-1.0	-1.5	6
CI	69.4	-0.3	-2.7	-1.2	-7
BoA	30.8	-0.1	-1.1	-1.3	3
MS	47.7	-0.5	-2.1	-1.4	-9
GS	229.7	-1.0	3.4	0.0	-10
EZ banks					
BNP	86.9	0.6	0.5	-3.1	-20
BNP	59.7	0.2	0.4	-3.6	-18
Credit Agricole	12.2	0.2	0.6	-0.1	-13
Deutsche Bank	9.6	0.5	-2.1	-6.6	-40
ING	11.0	-1.5	-4.8	-9.3	-28
Intesa	2.3	1.5	2.0	1.4	-15
SG	35.5	0.3	-0.5	-2.0	-18
Unicredit	13.3	1.5	2.7	3.1	-15
UK banks					
HSBC	79.7	0.9	-2.6	-6.3	-14
HSBC	649.5	-0.5	-4.1	-10.0	-15
RES	245.9	-1.4	-0.2	-0.8	-11
Barclays	174.4	-1.4	-3.7	-7.1	-14
Lloyds	59.1	-0.5	-2.1	-4.5	-13
Large Spanish banks					
Santander	64.1	0.1	-1.9	-7.0	-24
Santander	4.2	0.2	0.9	6.5	-22
BBVA	5.2	0.4	-2.8	-7.5	-26
Medium Spanish banks					
Cajabank	70.3	0.2	0.0	0.6	-8
Cajabank	4.0	0.2	-0.7	3.8	-1
Sabadell	1.3	-0.3	0.6	-2.7	-20
Bankinter	7.8	0.9	-0.1	-1.0	-2
Bankia	3.3	0.6	0.7	3.0	-17
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1,159	-0.1	0.0	1.5	-4
GBPUSD	1,130	-0.2	1.1	1.9	-4
USD JPY	111.51	-0.3	-0.1	-0.6	1
DXF	95.24	0.1	0.2	-1.2	-4
Emerging					
USDARS (Argentina)	37.96	-1.6	-2.5	-23.0	-52
USDBRL (Brazil)	4.17	-2.0	0.2	-7.3	-22
USDCLP (Chile)	698.76	-0.3	-0.8	-6.3	-13
USDCOP (Colombia)	3980	0.3	0.4	-4.6	-5
USDMXN (Mexico)	19.25	0.1	0.8	-1.7	2
USDPEN (Peru)	3.34	-0.1	0.5	-1.7	-3
IACT	53.55	-1.3	0.1	-6.9	-16
USDPLN (Poland)	3.72	0.1	0.1	1.3	-7
USD RUB (Russia)	69.66	1.3	-2.1	-2.8	-17
USDTRY (Turkey)	6.46	0.0	3.2	-0.5	-42
USDCNY (China)	6.87	-0.3	-0.4	-0.4	-6
USDINR (India)	72.70	-0.3	-1.6	-5.3	-13
USDIDR (Indonesia)	14,857	0.0	0.5	2.6	-9
ADXY	104.4	0.0	-0.4	-0.5	-5
Commodities (%)					
Brent					
WTX	78.7	1.7	0.7	8	18
WTX	69	2.0	-1.4	2	14
Copper	258	-1.1	0.0	-5	-21
Gold	1194	-0.1	0.2	-1	-9
S&P Spot commodity *	463	0.3	-1.2	1	4
S&P Brent Spot *	658	0.6	-1.1	6	16
S&P Metals Spot *	314	0.0	0.7	4	15
S&P Agricultural *	286	1.5	0.4	-2	1

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

Fuente: BBVA Research

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