

Market Comment | Limited impact of trade concerns on financial markets

Global Financial Markets Unit
19 Sep 2018

- **The tit-for-tat tariff battle had only a limited impact on financial markets:** yesterday China announced retaliatory tariffs on US\$60 bn worth of US imports in response to the latest US tariff measure. Also, NAFTA talks will resume between the US and Canada today, keeping investors focused on their outcome.
- **The UST 10Y yield slightly surpassed the 3% level**, without wreaking havoc in financial markets. **In Europe, the German 10Y yield continued to hover around the 0.5% threshold**, while peripheral risk premiums were almost unchanged, with the exception of Italy's, which widened today.
- **Positive movement in stock markets across the board**, despite global trade concerns. Following the gains in Asian equity markets, led by China, the US and European markets continued on their recent positive trends.
- **Safe-haven currencies such as the USD and the JPY were broadly steady, the latter favoured by today's uneventful BoJ meeting** in which it kept monetary policy, forward guidance and interest rates unchanged. After some intraday volatility, the GBP ended flat, as an early appreciation due to the release of higher-than-expected inflation for the UK ([see](#)) was offset by uncertainty regarding today's Brexit talks in Austria ([see](#)).
- **Most EM currencies benefited from the stability of the USD.** The yuan appreciated slightly as China said it would not use competitive devaluation to boost exports ([see](#)) and the TRY outperformed other EM currencies, recovering from its recent depreciation immediately following the Turkish Central Bank's raising of interest rates last week. **The increase in crude oil prices favoured the development of Latam currencies.**

Table 1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.81	0.9	5.9	22	89
US	3.07	1.9	11.1	25	61
GER (2 yr)	0.53	0.4	2.0	12	9
Germany	0.49	0.7	7.6	19	-4
France	0.80	1.1	8.1	15	-2
Spain	1.33	2.2	6.4	14	-15
Italy	2.85	6.2	9.9	16	76
Portugal	1.89	3.6	3.0	10	-12
Greece	4.11	2.7	1.8	-23	0
Japan (2 yr)	-0.10	0.3	0.7	2	3
Japan	0.12	0.7	1.1	2	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.16	-11.7	26.8	20	191
Chile	4.51	0.0	9.2	3	-1
Colombia	6.92	1.4	2.2	7	48
Mexico	8.04	0.1	0.5	17	47
Peru	5.21	-1.1	1.7	4	34
Poland	3.22	-1.2	1.7	9	-9
Russia	8.84	-10.4	-6.6	7	120
Turkey	17.85	-34.0	-152.0	-306	649
India	8.08	-6.3	-5.4	24	65
Indonesia	8.26	12.7	35.2	38	156
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	31	0.4	0.5	-4	1
Italy	237	5.5	-17.5	-35	79
Portugal	141	3.1	-4.6	-9	-8
Spain	104	1.5	-1.2	-5	-11
2 yr sovereign spread vs Germany					
France	17	0.0	1.4	-3	1
Italy	126	11.1	-6.6	-54	89
Portugal	44	1.5	0.5	-3	-6
Spain	32	0.5	3.1	0	5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS*					
Brazil	277	1.3	-9	41	117
Chile	46	0.1	-11	-5	-3
Colombia	105	0.2	-11	-6	0
Argentina	642	7.5	-98	107	403
Mexico	106	-1.9	-16	-12	-1
Peru	74	-0.1	-11	-5	2
Poland	62	2.2	-1	-1	13
Russia	157	-4.7	-19	-5	39
Turkey	439	14.2	-82	-62	274
China	56	0.3	-2	-6	5
India	100	0.1	-1	10	31
Indonesia	134	-2.2	-8	9	49
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	-1.1	-1	-1	2
VSTOXX	14	-0.8	-2	-1	0
EM CT volatility Index	19	-1.2	-2	-1	2
Dollar/Euro volatility	7	0.1	0	-1	0
EM FX volatility index	12	-0.1	-1	-1	4
Credit spread (BAA)(change in bps)	186	-1.0	-4	-3	-8
US bonds volatility index	48	1.2	1	-3	-1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.44	-	4	5	12
EZ Inflation expectations (5Y5Y)	1.68	-	-1	-2	-6
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	47	0.6	-3	-7	4
EZ	78	-0.3	-3	-16	39
UK	54	1.3	-2	-13	13
Large Spanish	64	1.8	-3	-25	28
Medium Spanish	83	-4.8	-6	-11	8
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	152	0.6	-3	-7	4
EZ Non-financial	73	0.0	-3	-16	39
UK Non-financial	97	0.1	-1	-4	5
Interbank markets (% changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	-1	0
Euribor 3m	-0.32	0	0	0	1
Libor 12m	-0.17	0	0	0	2
Libor 3m	2.34	0	0	3	64
Libor 12m	2.88	0	1	7	77
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2311	0.2	0.2	1.9	8
Dow Jones	26,440	0.7	1.7	2.6	7
Nikkei	23,673	1.1	4.7	6.6	4
FTSE 100	7,331	0.4	0.2	-3.4	-4
Euro Stoxx 50	3,369	0.3	1.3	-0.7	-2
IBEX	9,486	0.4	1.9	0.2	-6
DAK	12,219	0.5	1.6	-0.9	-5
CAC	5,394	0.6	1.2	0.3	2
MIB	21,281	0.2	1.5	4.0	-3
ASE Athens	690	0.4	-0.1	-3.2	-16
MSCI Latam*	85,890	1.2	3.5	2.5	0
Ibovespa (Brazil)	78,984	0.9	5.1	3.5	1
Mexico (Mexico)	49,760	0.2	1.0	2.0	-1
Merval (Argentina)	32,912	2.5	10.6	25.4	6
MSCI EM Europe*	5,365	1.1	1.9	3.9	0
Poland	2,259	1.3	2.2	1.0	-8
Misex 10 (Russia)	4,403	0.4	2.4	3.6	7
Ise 100 (Turkey)	96,604	1.8	4.7	7.1	-18
MSCI EM Asia*	854	0.0	0.9	-0.3	-7
Shanghai Com (China)	2,731	1.1	2.8	1.2	-18
Jakarta (Indonesia)	5,874	0.8	0.7	1.6	-8
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	148.3	2.3	2.5	1.3	0
JPM	117.1	2.4	3.5	2.1	8
Cit	73.2	2.5	3.8	3.7	-2
BaK	30.9	2.2	1.4	0.0	3
MS	48.8	2.1	2.9	1.1	-6
GS	234.5	2.5	2.8	-0.5	8
EZ banks					
BNP	53.0	2.1	4.7	3.5	-15
Credit Agricole	12.7	1.5	4.9	7.4	-9
Deutsche Bank	102.3	3.1	7.2	4.6	-16
ING	11.2	1.2	3.0	-3.8	-27
Intesa	2.4	1.3	3.7	11.9	-12
SG	37.2	2.2	5.7	5.4	-14
Unicredit	13.9	1.4	4.2	7.7	-11
UK banks					
RBS	81.2	2.0	2.3	2.0	-12
HSSC	682.2	1.8	1.5	-5.0	-13
RBS	256.9	2.5	4.9	5.3	-7
Barclays	173.1	2.2	0.5	-8.8	-15
Lloyds	60.5	1.7	2.8	0.3	-11
Large Spanish banks					
Santander	68.1	2.0	6.5	3.1	-20
BBVA	4.5	2.0	5.6	2.9	-18
Caixa	5.6	2.0	7.3	3.3	-21
Medium Spanish banks					
CaixaBank	73.8	1.8	5.9	8.4	-4
Sabadell	4.2	0.2	5.7	9.2	6
Banque	1.4	1.8	7.5	8.1	-14
Banque	8.1	2.9	5.5	7.3	2
Banque	3.5	2.8	6.2	10.9	-13
Currencies (% not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.168	0.1	0.5	1.8	-3
GBPUSD	1.32	0.1	0.9	2.8	-3
USDJPY	112.21	0.1	-0.8	-1.9	0
DX	94.48	-0.2	-0.3	-1.5	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	39.40	0.9	2.9	-24.2	-53
USDCLP (Chile)	4.12	1.0	0.9	-3.7	-21
USDCOP (Colombia)	679.93	0.6	1.4	-1.6	-11
USDCOP (Colombia)	3025	-0.4	0.7	0.3	-3
USDMXN (Mexico)	18.77	0.2	1.3	1.3	4
USDPEN (Peru)	3.30	0.1	0.9	0.2	-2
LACI	54.25	0.7	1.0	-3.7	-15
USDPLN (Poland)	3.67	0.2	0.9	2.2	-6
USDINR (India)	68.83	0.8	3.2	0.2	-14
USDTRY (Turkey)	6.27	1.8	1.1	-3.1	-40
USD CNY (China)	6.85	0.2	0.0	0.1	-5
USDIDR (Indonesia)	72.38	0.8	-0.3	-3.5	-12
USDIDR (Indonesia)	14,875	-0.1	-0.3	-1.9	-9
ADXY	104.8	0.1	0.0	0.4	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	79.1	0.1	0.8	10	19
WTX	71	1.1	0.3	6	17
Copper	271	0.1	2.1	2	-17
Gold	1204	0.5	0.2	1	9
S&P Spot commodity*	468	0.9	-0.8	3	6
S&P Brent Spot*	668	1.2	1.2	8	18
S&P Metals Spot*	335	1.2	0.1	0	-15
S&P Agricultural*	274	-0.8	-2.3	-7	-4

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

Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
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Germany	0.49	0.7	7.6	19	-4
France	0.80	1.1	8.1	15	-2
Spain	1.53	2.2	6.4	14	-15
Italy	2.85	6.2	-9.9	-16	76
Portugal	1.89	3.8	3.0	10	-12
Greece	4.11	2.7	1.8	-23	0
Japan (2-yr)	-0.10	0.3	0.7	2	3
Japan	0.12	0.7	1.1	2	8
Emerging Markets					
Brazil	12.16	-11.7	26.8	20	191
Chile	4.51	0.0	0.3	3	-1
Colombia	6.92	1.4	-2.2	7	48
Mexico	8.04	0.1	-0.5	17	47
Peru	5.21	-1.1	1.7	4	24
Poland	3.22	-1.2	-1.7	9	-9
Russia	8.84	-10.4	8.4	7	120
Turkey	12.85	-34.0	192.0	-306	649
India	8.08	-6.3	-5.8	24	69
Indonesia	8.26	12.2	-35.2	39	196
Country risk (bp changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	31	0.4	0.5	-4	1
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2-yr sovereign spread vs Germany					
France	17	0.0	1.4	-3	1
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Argentina	642	7.5	-98	107	403
Mexico	106	-1.9	-16	-12	-1
Peru	74	-0.1	-11	-5	2
Poland	62	2.2	-1	-1	13
Russia	157	-4.7	-19	-5	39
Turkey	439	14.2	-82	-62	274
China	56	0.3	-2	-5	6
India	100	0.1	-1	10	31
Indonesia	124	2.2	-8	9	49
Risk indicators					
Volatility indicators (change in bp)					
VIX	12	-1.1	-1	-1	2
VST OYX	14	-0.8	-2	-1	0
EM EFT volatility Index	19	1.2	-2	-1	2
Dollar/euro volatility	7	0.1	0	-1	0
EM FX volatility index	12	-0.1	-1	-1	4
Credit stress (BAA) (change in bp)	188	-1.9	-4	-3	0
US bonds volatility index	48	1.2	1	-3	-1
Inflation expectations (%)					
US Inflation expectations (5Y)					
US	2.44	-	4	5	2
EZ Inflation expectations (5Y)					
EZ	1.68	-	-1	-2	-6
Banking S&P CDS (bps) *					
US	47	0.6	-3	-7	4
EZ	78	0.3	-3	-18	39
UK	54	1.3	-2	-13	13
Large Spanish	64	1.8	-3	-25	28
Medium Spanish	83	-4.8	-6	-11	8
Corporate S&P CDS (bps) *					
US Non-financial	152	-0.6	-3	-7	4
EZ Non-financial	73	0.3	-3	-18	39
UK Non-financial	97	0.1	-1	-4	5
Interbank markets (% changes in bp)					
EOANA Index	-0.37	0	0	-1	0
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.17	0	0	0	2
Libor 3m	2.34	0	0	3	64
Libor 12m	2.88	0	1	7	77
Stock markets (%)					
Main indices					
S&P500	2,911	0.2	0.8	1.9	8
Dow Jones	26,440	0.7	1.2	2.6	7
Nikkei	23,673	1.1	4.7	6.6	4
FTSE 100	7,331	0.4	0.2	-3.4	-4
Eurostoxx 50	3,359	0.3	1.3	-0.7	-3
IBEX	9,486	0.4	1.9	0.2	-6
DAX	12,219	0.5	1.6	-0.9	-5
CAC	5,394	0.6	1.2	0.3	-2
MI8	21,081	0.2	1.5	4.0	3
ASE Athens *	690	0.4	-0.1	-3.2	-16
MSCI Latin *	85,650	1.2	3.5	2.5	0
Ibovespa (Brazil)	78,984	1.9	5.1	3.5	1
Mexol (Mexico)	49,760	0.2	1.0	2.0	-1
Mercol (Argentina)	32,912	2.5	10.6	25.4	6
MSCI EM Europe *	5,395	1.1	1.9	-3.9	0
Poland	2,259	1.3	2.2	1.0	-8
Mosx 10 (Russia)	4,403	0.4	3.2	3.6	-7
Isx 100 (Turkey)	96,904	1.6	4.7	7.1	-18
MSCI EM Asia *	854	0.0	0.9	-0.3	-7
Shanghai Com (China)	2,731	1.1	2.8	1.2	-18
Jakarta (Indonesia)	5,274	0.8	0.2	1.6	-6
Banking sector					
US banks					
JPM	148.3	2.3	2.8	1.3	0
Citi	117.1	2.4	3.5	2.1	8
CS	73.2	2.5	3.8	3.7	-2
BoA	30.9	2.2	1.4	0.0	3
MS	48.8	2.1	2.9	1.1	-6
GS	234.9	2.5	2.8	0.5	8
EZ banks					
BNP	90.5	1.7	4.6	4.9	-17
ING	53.0	2.1	4.7	3.5	-15
Credit Agricole	12.7	1.5	4.9	7.4	-9
Deutsche Bank	10.2	3.1	7.2	4.6	-36
ING	11.2	1.2	3.0	-3.8	-27
Intesa	2.4	1.3	3.2	11.9	-12
SG	37.2	2.2	5.7	5.4	-14
Unicredit	13.9	1.4	4.2	7.7	-11
UK banks					
HSBC	81.2	2.0	2.3	-2.0	-12
HSBC	662.2	1.8	1.5	-5.0	-13
RES	256.9	2.5	4.9	5.3	-7
Barclays	173.1	2.2	0.5	5.8	-15
Lloyds	60.5	1.7	2.8	0.3	-11
Large Spanish banks					
Santander	68.1	2.0	6.5	3.1	-20
BBVA	4.5	2.0	3.6	2.9	-18
Medium Spanish banks	5.6	2.0	7.3	3.3	-21
Cabotbank	73.8	1.8	5.9	8.4	-4
Sabadell	4.2	0.2	5.7	9.2	6
Bankinter	1.4	1.8	7.5	8.1	-14
Bankia	8.1	2.9	5.5	7.3	2
Bankia	3.5	2.3	6.2	10.9	-13
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1,168	0.1	0.5	1.8	-3
GBPUSD	1,132	0.1	0.9	2.8	-3
USD JPY	112.21	0.1	-0.8	-1.9	0
DKY	94.48	0.2	0.3	-1.5	3
Emerging					
USDARS (Argentina)	39.40	0.9	-2.9	-24.2	-53
USDBRL (Brazil)	4.12	1.0	0.9	-3.7	-21
USDCLP (Chile)	679.93	0.6	1.4	-1.6	-11
USDCOP (Colombia)	309.9	0.4	0.2	0.3	-3
USDMXN (Mexico)	16.77	0.2	1.3	1.3	4
USDPEN (Peru)	3.30	0.1	0.9	0.2	-2
PLN	54.25	0.7	1.0	-3.7	-15
USDPLN (Poland)	3.67	0.2	0.9	2.2	-6
USD RUB (Russia)	66.83	0.8	3.2	0.2	-14
USDTRY (Turkey)	6.27	1.6	1.1	-3.1	-40
USD CNY (China)	6.85	0.2	0.0	0.1	-5
USD INR (India)	72.38	0.8	-0.3	-3.5	-12
USD IDR (Indonesia)	14,875	0.1	-0.3	-1.9	-9
ADXY	104.8	0.1	0.0	-0.4	-5
Commodities (%)					
Brent	79.1	0.1	-0.8	10	19
Copper	271	1.1	0.3	6	17
Gold	271	0.1	2.1	2	-17
GSI	1204	0.5	0.2	1	-9
S&P Spot commodity *	468	0.9	0.8	3	6
S&P Brent Spot *	668	1.2	-1.2	8	16
S&P Metals Spot *	333	1.2	0.1	0	-15
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* With one day delay
Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

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