

Market Comment | Calm in markets ahead of almost fully priced FOMC rate-hike

Global Financial Markets Unit
26 Sep 2018

- **Financial markets remained calmed ahead of today's FOMC monetary policy decision.** Although a 25 bp hike in the FOMC's interest rate seems a done deal, investors will focus on projections for the Fed policy rate over next year. ([see our preview in our Monday's market comment](#)).
- The announcement of the amount of import tariff cuts by China's authorities ([see](#)) could moderate trade tensions, although this issue remains very uncertain. In fact, some bodies such as the **ECB** ([see](#)) and German institutes ([see](#)) have **warned of the potential high impact** if tensions escalate further.
- Ahead of the FOMC decision, **interest rates remained broadly unchanged**: the 10Y UST yield remained above the 3% level, while in Europe the German bund remained above 0.5%. **Fresh news from Italy has not impacted peripheral risk premia today**, which remained mainly unchanged ([see](#)). In the same line, developed countries' equity indices remained almost flat with global volatility very subdued.
- Meanwhile the **USD is broadly steady** against other G10 currencies. Volatility halted in the GBP despite a lack of new information about Brexit negotiations as deadlines approach ([see](#)).
- **Mixed performance in EM currencies** despite the Fed's meeting later today. Investors have differentiated among EM FX due to idiosyncratic factors. The Argentina peso continued to depreciate further after yesterday's resignation of Central Bank President, Luis Caputo, while the Turkish lira took advantage of the easing political tensions between Turkey and the US ([see](#)). The price of Brent crude has consolidated above US\$81 per barrel and has also supported EM currencies.

Table 1

Update 17:50 CET September 26

Debt markets (10y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.83	0.0	4.0	19	91
US	3.09	-0.9	2.4	24	62
GER (2-yr)	-0.50	-0.3	2.8	8	11
Germany	0.53	1.0	4.6	16	1
France	0.85	-0.9	4.7	13	2
Spain	1.52	0.4	-0.5	11	-15
Italy	2.84	-4.3	1.7	-32	74
Portugal	1.90	0.2	0.3	6	-11
Greece	4.05	2.4	5.8	15	6
Japan (2-yr)	-0.11	-0.5	-0.7	1	3
Japan	0.13	-0.7	0.2	3	8
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	11.75	9.2	-37.8	-26	149
Chile	4.96	4.6	5.3	12	5
Colombia	6.93	-0.1	1.3	14	49
Mexico	7.98	-4.9	-6.6	19	40
Peru	5.33	1.8	12.0	23	45
Poland	3.24	-3.1	2.0	7	-7
Russia	8.77	2.0	-7.2	2	113
Turkey	12.71	14.0	14.0	-315	635
India	8.07	-5.2	0.2	18	69
Indonesia	8.23	-1.5	-2.5	28	193
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0.1	0.1	-2	1
Italy	230	-3.4	-6.4	-48	73
Portugal	136	1.2	-4.3	-10	-13
Spain	99	0.6	-5.1	-4	-16
2-yr sovereign spread vs Germany					
France	17	-0.5	0.1	0	1
Italy	124	-10.2	-2.7	-59	87
Portugal	41	0.5	-2.7	3	-9
Spain	27	-0.2	-5.6	3	0
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	268	2.3	9	-14	108
Chile	46	0.5	0	-7	-3
Colombia	115	0.7	11	6	10
Argentina	565	11.5	-76	-42	327
Mexico	119	0.7	13	4	12
Peru	76	0.0	2	-5	4
Poland	66	0.0	4	2	17
Russia	153	1.7	4	-10	35
Turkey	380	13.0	-59	-99	215
China	59	1.1	3	1	9
India	108	-0.4	9	19	39
Indonesia	136	2.6	2	17	51
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	12	0.5	0	0	2
VSTOXX	13	-0.3	-1	0	-1
EM EFT volatility index	20	-0.2	1	1	3
Globalcom volatility	7	-0.3	0	0	0
EM FX volatility index	12	0.0	0	-1	4
Credit spread (BAA) (change in bps)	184	0.9	-5	-5	7
US bonds volatility index	49	1.1	1	0	0
Inflation expectations (%)					
	level	Daily	Weekly	Monthly	YTD
US inflation expectations (5Y5Y)					
US	2.44	-	-1	6	12
EZ inflation expectations (5Y5Y)					
EZ	1.70	-	2	-1	-4
Banking 5y CDS (bps)*					
	level	Daily	Weekly	Monthly	YTD
US	50	-0.5	3	-2	8
EZ	83	-1.6	5	-1	44
UK	68	0.1	14	3	27
Large Spanish	65	-2.0	2	-12	30
Medium Spanish	93	0.2	9	1	13
Corporate 5y CDS (bps)*					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	158	-0.5	3	-2	8
EZ Non-financial	78	-1.6	5	-1	44
UK Non-financial	103	1.0	5	2	10
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	0.37	0	0	0	0
Euribor 3m	0.32	0	0	0	1
Euribor 12m	-0.16	0	0	0	2
Libor 3m	2.38	1	4	6	69
Libor 12m	2.91	0	3	9	80
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,923	0.3	0.5	0.9	8
Dow Jones	26,546	0.2	0.5	1.9	7
Nikkei	24,034	0.4	1.5	5.4	6
FTSE 100	7,510	0.0	2.4	-0.9	-2
Euro Stoxx 50	3,433	0.4	1.9	-0.7	-2
IBEX	9,530	0.4	0.5	-1.3	-5
DAX	12,386	0.1	1.4	-1.2	-4
CAC	5,512	0.6	2.2	0.8	4
MIB	21,672	0.0	1.8	4.2	-1
ASE Athens	702	0.3	1.8	4.7	-14
MSCI Latam*	86,153	0.5	0.4	1.0	0
Bovespa (Brazil)	78,890	0.3	0.9	1.2	1
Mexbol (Mexico)	49,780	0.3	0.4	-1.3	-1
Merval (Argentina)	34,994	0.7	2.8	34.0	10
MSCI EM Europe*	5,494	0.7	2.4	4.6	2
Poland	2,304	0.6	2.0	2.8	6
Mosx 10 (Russia)	4,448	0.6	1.0	4.6	8
Nse 100 (Turkey)	99,149	-0.1	2.6	8.6	-16
MSCI EM Asia	869	0.1	1.8	0.8	-6
Shanghai Com (China)	2,807	0.9	2.8	0.9	-16
Jakarta (Indonesia)	5,873	-0.2	1.1	-1.6	-8
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks	147.4	0.1	1.1	1.6	-1
JPM	116.3	0.0	-1.1	-0.3	8
Cit	73.7	0.2	0.0	1.8	-1
BofA	30.6	-0.3	-1.4	-2.3	-2
MS	48.3	0.1	1.5	-3.1	-7
GS	231.7	-0.4	-1.7	-4.5	9
EZ banks	92.4	0.3	2.2	4.7	-15
BNP	54.7	0.0	3.3	4.3	-12
Credit Agricole	13.0	0.6	2.1	7.5	-7
Deutsche Bank	10.2	1.4	0.2	2.3	-36
ING	11.6	-0.5	3.0	-3.9	-25
Intesa	2.4	-1.2	0.5	10.7	-11
SG	38.2	0.3	2.8	5.3	-12
Unicredit	14.2	-1.3	1.9	8.9	-10
UK banks	82.2	0.1	1.2	0.6	-11
RSC	68.0	0.6	2.7	0.9	-11
RBS	254.9	-0.6	-0.8	4.1	-8
Barclays	175.6	0.3	1.4	-4.4	-14
Lloyds	60.8	0.2	0.4	-0.1	-10
Large Spanish banks	68.2	0.0	0.0	1.2	-20
Santander	4.5	0.3	0.3	2.3	-18
BBVA	5.6	-0.2	-0.2	0.2	-21
Medium Spanish banks	72.9	-0.7	-1.3	3.7	-5
Cababank	4.0	-0.8	4.4	0.9	1
Sabadell	1.4	-0.8	2.4	3.0	-16
Bankinter	8.2	0.1	0.8	4.8	3
Banque	-3.6	-1.9	0.5	6.9	-12
Commodities (% net for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Diamond	1,175	-0.1	0.7	0.6	-3
EURUSD	1.32	-0.1	0.2	2.2	-3
GBPUSD	113.00	0.0	0.6	-1.7	-1
USDJPY	94.25	0.1	-0.3	0.6	3
Emerging					
	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.21	1.5	1.3	20.2	-53
USDBRL (Brazil)	4.04	0.9	2.2	1.0	-19
USDCLP (Chile)	662.23	0.8	2.7	-0.6	-8
USDCOP (Colombia)	2,999	0.1	1.0	-1.9	-2
USDMXN (Mexico)	18.89	0.6	-0.6	-0.6	3
USDPEN (Peru)	3.30	0.1	0.0	-0.5	-2
USUR	54.80	0.4	0.9	2.3	-14
USDPLN (Poland)	3.64	0.2	0.9	0.4	-5
USD RUB (Russia)	65.88	-0.1	1.3	2.3	-13
USDTRY (Turkey)	6.09	1.2	2.3	0.6	-38
USDCNY (China)	6.88	-0.2	-0.4	-0.9	-6
USDINR (India)	72.62	0.1	0.3	-3.4	-13
USDIDR (Indonesia)	14,911	0.0	-0.2	2.0	9
ADXY	104.8	0.1	-0.1	-0.7	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	81.5	-0.5	2.6	7	22
WTX	72	-0.6	1.0	4	19
Copper	2.60	0.8	3.4	4	-14
Gold	1194	-0.6	-0.8	-1	-9
S&P Spot commodity*	482	0.4	2.2	4	9
S&P Brent Spot*	692	0.9	3.0	6	23
S&P Metals Spot*	346	-0.4	2.8	0	-12
S&P Agricultural*	281	-0.1	1.3	-1	-1

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

Fuente: BBVA Research

Debt markets (10Y, % changes in bps)					
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France	0.85	-0.9	4.7	13	2
Spain	1.52	-0.4	-0.5	11	-15
Italy	2.84	4.2	1.2	-32	74
Portugal	1.90	0.2	0.3	6	-11
Greece	4.05	2.4	-5.3	-15	-6
Japan (2-yr)	-0.11	0.5	0.2	1	3
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Emerging Markets					
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Brazil	11.75	9.2	37.8	-26	149
Chile	4.56	4.6	5.3	12	5
Colombia	6.93	0.1	1.3	14	49
Mexico	7.98	-4.9	-6.6	19	40
Peru	5.33	1.8	12.0	23	46
Poland	3.24	-3.1	2.0	7	-7
Russia	8.77	2.0	-7.2	2	113
Turkey	17.21	-14.0	14.0	315	635
India	8.07	-5.2	0.2	18	69
Indonesia	8.23	-1.5	-2.8	28	193
Country risk (bp, changes in bps)					
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Volatility indicators (change in pp)					
	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.5	0	0	2
VSTOXX	13	-0.3	-1	0	-1
EM EFT volatility index	20	0.2	1	1	3
Dollar/euro volatility	7	-0.3	0	0	0
EM FX volatility index	12	0.0	0	-1	-4
Credit spread (BAA) (change in bps)	164	0.8	-5	-5	7
US bonds volatility index	49	1.1	1	0	0
Inflation expectations (%)					
	level	Daily	Weekly	Monthly	YTD
US inflation expectations (5Y)	2.44	-	-	6	12
EZ inflation expectations (5Y)	1.70	-	2	1	4
Banking 5Y CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US	50	-0.5	3	-2	8
EZ	83	-1.6	5	-13	44
UK	68	0.1	14	3	27
Large Spanish	65	-2.0	2	-12	30
Medium Spanish	93	0.2	9	1	18
Corporate 5Y CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	158	-0.5	3	-2	8
EZ Non-financial	78	-1.6	5	-11	44
UK Non-financial	102	1.0	5	2	10
Interbank markets (% changes in bps)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	0
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.16	0	0	0	2
Libor 3m	2.38	1	4	6	68
Libor 12m	2.91	0	3	9	80
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,923	0.3	0.5	0.9	8
Dow Jones	26,546	0.2	0.5	1.9	7
Nikkei	24,024	0.4	1.5	5.4	6
FTSE 100	7,510	0.0	2.4	-0.9	-2
Eurostoxx 50	3,433	0.4	1.9	0.7	-2
IBEX	9,330	0.4	0.5	-1.3	-8
DAX	12,388	0.1	1.4	-1.2	-4
CAC	5,512	0.6	2.2	0.6	4
MIB	21,672	0.0	1.8	4.2	-1
ASE Athens	702	0.3	1.8	4.7	-14
MSCI Latam *	86,155	0.5	0.4	1.8	0
Bovespa (Brazil)	78,080	0.3	0.9	1.2	1
Mercol (Mexico)	49,780	0.3	0.4	-1.3	-1
Mercol (Argentina)	34,094	0.1	2.9	34.0	10
MSCI EM Europe *	5,494	0.7	2.4	4.6	2
Poland	2,304	0.6	2.0	2.8	6
Mexco 10 (Russia)	4,448	-0.6	1.0	4.6	8
Ru 100 (Turkey)	99,189	-0.1	2.6	8.6	-16
MSCI EM Asia *	809	0.1	1.8	-0.8	-5
Shanghai Com (China)	2,807	0.9	2.8	0.9	-16
Jakarta (Indonesia)	5,373	-0.2	1.1	-1.6	-8
Financial sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	147.4	-0.1	-1.1	-1.6	-1
Cit	116.3	0.0	-1.1	-0.3	8
BoA	72.7	0.0	0.0	1.8	-3
MS	30.6	-0.3	-1.4	-2.3	2
GS	48.3	0.1	-1.5	-3.1	-7
W	231.7	0.4	-1.7	-4.5	-9
EZ banks					
BNP	92.4	-0.3	2.2	4.7	-15
Credit Agricole	54.7	0.0	3.3	4.3	-12
Deutsche Bank	13.0	0.6	2.1	7.5	-7
ING	10.2	-1.4	0.2	2.3	-36
Intesa	11.6	-0.5	3.0	-3.9	-25
SG	2.4	-1.2	0.5	10.7	-11
Unicredit	38.2	0.3	2.8	5.3	-12
UK banks	14.2	-1.1	1.9	8.9	-10
HSC	82.2	0.1	1.2	0.6	-11
RBS	680.0	0.6	2.7	-0.9	-11
Bardays	254.9	-0.6	-0.8	4.1	-8
Lyons	175.6	0.3	1.4	4.4	-14
Large Spanish banks	60.8	0.2	0.4	-0.1	-10
Santander	68.2	0.0	0.0	1.2	-20
BBVA	4.5	0.3	0.3	2.3	-18
Medium Spanish banks	5.6	-0.2	0.2	0.3	-21
CajaBank	72.9	-0.7	-1.3	3.7	-5
Sabadell	4.0	-0.8	-4.4	0.0	-1
Bankinter	1.4	0.8	2.4	3.0	-16
Bankia	8.2	0.1	0.8	4.8	3
Bankia	2.6	-1.9	0.5	6.9	-12
Commodities (% net fx currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.175	-0.1	0.7	0.6	-3
GBPUSD	1.32	0.1	0.2	2.2	-3
USDJPY	113.00	0.0	0.6	-1.7	-1
USDCHF	94.25	0.1	-0.3	-0.6	3
Emerging					
USDARS (Argentina)	36.81	1.5	1.3	20.2	-53
USDBRL (Brazil)	4.04	0.9	2.2	1.0	-19
USDCLP (Chile)	662.23	0.8	2.7	-0.6	-8
USDCOP (Colombia)	2999	0.1	1.0	-1.9	-2
USDMXN (Mexico)	18.89	0.6	0.6	-0.6	3
USDPEN (Peru)	3.30	0.1	0.0	-0.5	-2
LACI	54.80	0.4	0.9	-2.3	-14
USDTRY (Turkey)	3.94	0.2	0.9	0.4	-5
USD RUB (Russia)	65.88	-0.1	1.3	2.3	-13
USD INR (India)	6.09	1.2	2.7	0.6	-38
USD IDR (Indonesia)	6.88	0.2	-0.4	-0.9	-6
USD INR (India)	72.62	0.1	-0.3	-3.4	-13
USD IDR (Indonesia)	14,911	0.0	-0.2	-2.0	-9
ADXY	104.8	0.1	0.1	-0.7	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
WTX	81.5	0.5	2.6	7	22
Copper	72	-0.6	1.0	4	-14
Gold	280	0.0	3.4	4	-14
S&P Spot commodity *	1194	0.6	-0.2	-1	-9
S&P Brent Spot *	482	0.4	2.2	4	9
S&P WTI Spot *	692	0.9	3.0	6	22
S&P Nickel Spot *	346	0.4	2.8	0	-12
S&P Agricultural *	281	-0.1	1.3	-1	-1

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

Fuente: BBVA Research

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