

Market Comment | Fed's rate hike overshadowed by EU political concerns

Global Financial Markets Unit
27 Sep 2018

- As we expected, **the FOMC raised its benchmark rate by 25 bps for the third time this year**. It is no surprise that there was little change in the statement, given the stable economic and financial conditions prevailing since the last meeting. ([see BBVA research report](#))
- Markets reacted little to the widely anticipated increase, with 10-year treasury yields down a little and equity prices up slightly. Today's movements in the US variables were also very tight in debt and the upward trend in equity remained
- In Europe, **Italy returned to the spotlight as uncertainty regarding today's planned meeting on the budget target for 2019 continued**([see](#)). Against this backdrop, Bund yields decreased in a short-lived safe-haven movement in Europe early this morning, to recover partially later on. Equity indices - which dropped, led by Italy and the banking sector - and Italy's risk premium - which widened sharply with only mild contagion to other peripheral countries - also shared the same pattern: early underperformance, recovering as the session went by.
- **The euro also suffered from the uncertainty surrounding Europe**: apart from the situation in Italy, the deadlock in **Brexit negotiations added some pressure**. In fact, the latest developments have led the EU to explore a contingency plan to apply in the case of a "hard Brexit" ([see](#))
- **EM currencies seem to have successfully digested the widely expected FOMC rate hike, and most of them appreciated today**. The Mexican peso also benefited from the increasing odds of a bilateral deal with the US, leaving Canada to join later if talks between Canada and the US are finally fruitful ([see](#))
- **The Argentinian peso continued on its downward trend** despite the IMF's announcing the extension of the current agreement with Argentina, increasing the total amount by USD 7.1 billion and doubling the funds available for the rest of 2018 and 2019. ([see](#)).

Table 1

Update 17:50 CET September 26

Developed Markets					
	level	Daily	Weekly	Monthly	YTD
US 2-yr	2.83	1.6	2.8	17	91
US	3.07	2.1	0.6	19	61
GER (2-yr)	-0.50	0.5	3.4	8	12
Germany	0.53	0.6	6.1	15	1
France	0.85	0.5	6.0	13	3
Spain	1.51	-1.8	-0.6	5	-17
Italy	2.88	2.0	0.5	-31	78
Portugal	1.87	3.0	1.6	-1	-14
Greece	4.04	-0.4	2.9	-15	-6
Japan (2-yr)	-0.11	-0.7	-1.2	0	2
Japan	0.12	-0.6	-0.2	2	7
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	11.59	-12.7	46.8	-51	133
Chile	4.96	-0.6	4.9	12	5
Colombia	6.93	-0.2	3.2	8	49
Mexico	7.93	-4.0	13.0	10	35
Peru	5.33	0.1	9.1	20	44
Poland	3.26	1.5	1.9	9	-6
Russia	8.68	-8.4	-14.5	-8	105
Turkey	12.25	46.0	93.0	-344	389
India	8.03	4.5	-4.5	13	64
Indonesia	6.18	5.5	-4.7	24	188
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	32	-0.1	-0.1	-2	2
Italy	235	1.4	-6.4	-46	77
Portugal	134	3.6	7.7	-16	-15
Spain	97	-2.4	-6.2	-10	-18
2-yr sovereign spread vs Germany					
France	17	-0.2	0.5	-1	1
Italy	125	-1.1	-9.2	-60	88
Portugal	39	-1.7	-5.8	-2	-11
Spain	26	-0.5	-5.1	0	-1
Emerging Markets					
5-yr sovereign CDS*					
	level	Daily	Weekly	Monthly	YTD
Brazil	258	-10.3	-17	-23	97
Chile	44	-1.8	-1	-9	5
Colombia	114	-2.0	9	5	8
Argentina	565	0.5	-41	-27	327
Mexico	117	1.8	10	4	10
Peru	75	-1.6	2	-6	3
Poland	65	0.3	2	2	17
Russia	150	3.1	-2	-13	32
Turkey	376	-3.1	-43	-103	212
China	57	-2.0	2	2	7
India	106	-2.1	7	17	37
Indonesia	132	-3.7	0	17	47
Risk indicators					
Volatility indicators (change in ppt)					
	level	Daily	Weekly	Monthly	YTD
VIX	12	0.7	0	0	2
VSTOXX	13	0.3	0	0	0
EM FXI volatility index	19	-1.0	0	0	3
Dobellium volatility	7	0.3	0	0	0
EM FX volatility index	11	-0.3	0	-1	3
Credit spread (BAA) (change in bps)	183	-2.1	-3	-7	5
US bonds volatility index	47	-1.9	-2	-3	-2
Inflation expectations (%)					
	level	Daily	Weekly	Monthly	YTD
US inflation expectations (5Y 5Y)	2.42	-	-6	0	10
EU inflation expectations (5Y 5Y)	1.70	-	-2	-2	-4
Banking 5y CDS (bps)					
	level	Daily	Weekly	Monthly	YTD
US	50	0.5	4	-1	7
EU	81	-1.6	3	-12	42
UK	70	1.7	11	5	29
Large Spanish	65	-0.8	2	-13	29
Medium Spanish	89	-3.5	-1	0	14
Corporate 5y CDS (bps)					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	158	0.5	4	-1	7
EU Non-financial	79	-1.6	3	-12	42
UK Non-financial	103	0.0	6	3	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	1	1	3
Libor 3m	2.39	1	3	7	69
Libor 12m	2.91	0	3	9	81
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,921	0.5	0.3	0.8	8
Dow Jones	26,516	0.5	0.3	1.2	7
Nikkei	23,297	-1.0	0.5	4.3	5
FTSE 100	7,945	0.5	2.4	-0.9	-1
Euro Stoxx 50	3,450	0.5	1.4	0.1	-1
IBEX	9,526	0.0	0.6	-0.8	-5
DAX	12,436	0.4	0.9	0.7	-3
CAC	5,340	0.5	1.6	1.0	5
MIB	21,511	-0.6	0.6	4.3	-2
ASE Athens	708	0.9	3.9	-4.0	-14
MSCI Latin*	86,030	-0.1	0.3	0.0	0
Ibovespa (Brazil)	79,741	1.4	2.1	2.9	2
Merval (Mexico)	49,014	0.6	0.8	0.2	0
Merval (Argentina)	34,662	2.1	0.4	38.5	12
MSCI EM Europe*	5,473	0.4	1.4	2.9	2
Poland	2,315	0.5	2.5	-3.2	-6
Mow 10 (Russia)	4,496	1.1	2.2	5.6	9
Nse 100 (Turkey)	100,299	1.2	4.3	6.9	-15
MSCI EM Asia	872	0.4	1.0	-2.0	-9
Shanghai Com (China)	2,292	0.5	2.3	0.5	-17
Jakarta (Indonesia)	5,929	0.9	0.9	-1.6	-7
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks	143.6	0.1	3.3	2.2	-2
JPM	114.9	-0.1	-3.2	-1.1	-6
CB	73.2	1.0	-2.2	1.1	-2
BAC	30.0	-0.3	-3.7	-4.0	0
MS	47.9	0.5	-3.9	-4.1	-6
GS	228.8	-0.1	-3.6	-5.6	-11
EU banks	92.0	0.3	0.1	5.3	-16
BNP	54.5	0.3	0.3	4.8	-12
Crédit Agricole	12.9	0.0	0.2	7.9	-7
Deutsche Bank	10.2	0.3	-1.5	3.6	-36
ING	11.6	0.6	1.0	-2.4	-24
Intesa	2.4	-1.2	0.5	10.3	-13
SG	38.0	0.3	0.5	5.8	-12
UK banks	82.5	0.3	0.6	-0.5	-11
RSCG	682.0	0.1	2.4	1.2	-11
RBS	255.6	0.2	-1.5	3.7	-8
Barclays	176.7	0.6	1.4	-3.8	-13
Lloyds	61.0	0.4	-1.0	0.3	-10
Large Spanish banks	68.3	0.3	1.4	2.4	-19
Santander	4.5	-0.1	1.6	2.7	-18
BBVA	5.6	0.6	-1.2	2.2	-21
Medium Spanish banks	72.0	-1.1	-3.3	3.0	-6
Cajabank	4.0	-0.5	4.7	1.3	0
Sabadell	1.4	1.5	-6.2	1.9	-18
Bankinter	8.1	-1.5	-1.0	3.7	1
Banco	-3.5	-0.9	-2.8	5.8	-13
Carry (%, net for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Dollarswap	1.167	-0.6	0.9	-0.2	-3
EURUSD	1.31	0.5	1.2	1.6	-4
GBPUSD	113.36	0.6	0.8	-1.9	-1
USDJPY	94.84	0.7	1.0	0.1	3
Emerging					
USDARS (Argentina)	39.73	3.0	3.8	20.9	-54
USD BRL (Brazil)	4.00	0.8	1.9	3.4	-18
USD CLP (Chile)	659.91	0.5	1.4	0.4	-8
USDCOP (Colombia)	2992	0.2	0.4	0.1	-2
USDMXN (Mexico)	19.83	0.1	0.0	1.4	4
USD PEN (Peru)	3.30	0.0	-0.2	-0.3	-2
USDRUB (Russia)	54.93	0.0	0.6	0.6	-14
USD PLN (Poland)	3.66	-0.6	-0.5	-0.2	-6
USD RUS (Russia)	65.62	0.4	1.0	3.4	-12
USD TRY (Turkey)	5.96	2.1	3.6	4.9	-37
USDCNY (China)	6.89	-0.2	-0.6	-1.3	-6
USD INR (India)	72.60	0.0	0.3	-3.4	-13
USD IDR (Indonesia)	14,922	-0.1	-0.5	-2.0	-9
ADXY	104.8	0.0	-0.2	-0.7	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	81.7	0.4	3.8	8	23
WTX	72	0.6	1.7	5	19
Copper	276	1.5	1.6	1	-15
Gold	1184	-0.9	-1.9	-1	-10
S&P Spot commodity*	480	-0.6	1.8	4	8
S&P Brent Spot*	688	-0.6	3.3	6	23
S&P Metals Spot*	345	-0.3	2.3	-1	-12
S&P Agricultural*	280	-0.4	-0.2	0	-2
* With one day delay					
Source: Bloomberg, Datastream and Haver					

Fuente: BBVA Research

Debt markets (10Y % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.63	1.6	2.8	11	91
US	3.07	2.1	6.6	19	61
GER (2-yr)	-0.50	0.5	3.4	8	12
Germany	0.53	0.6	6.1	15	11
France	0.85	0.5	6.0	13	3
Spain	1.51	-1.8	0.6	5	-17
Italy	2.88	2.0	0.3	-31	78
Portugal	1.87	-3.0	-1.6	-1	-14
Greece	4.04	0.4	-2.9	-15	-6
Japan (2-yr)	-0.11	0.7	-1.2	0	-2
Japan	0.12	0.6	0.3	2	7
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.59	-12.7	-46.8	-51	133
Chile	4.56	-0.8	4.9	12	5
Colombia	6.93	0.2	3.2	8	49
Mexico	7.93	-4.0	-13.0	10	35
Peru	5.31	-0.1	9.1	20	44
Poland	3.26	1.5	1.8	9	6
Russia	8.68	-8.4	-14.5	-9	105
Turkey	17.25	-16.0	93.0	344	589
India	8.03	-4.5	4.5	13	64
Indonesia	8.18	5.6	4.7	24	188
Country risk (Sp. Changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	-0.1	-0.1	-2	2
Italy	235	1.4	6.4	46	77
Portugal	134	-3.6	-7.7	-16	-15
Spain	97	-2.4	-6.7	-10	-18
2-yr sovereign spread vs Germany					
France	17	-0.2	0.5	-1	1
Italy	125	-1.1	-9.7	-60	88
Portugal	39	-1.7	-5.8	-2	-11
Spain	26	0.5	-5.1	0	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	258	-10.3	-17	-23	97
Chile	44	-1.8	-1	-9	-5
Colombia	114	-2.0	9	5	8
Argentina	565	0.5	41	-27	327
Mexico	117	-1.8	10	4	10
Peru	75	-1.6	2	-6	3
Poland	65	0.3	2	2	17
Russia	150	-3.1	-2	-13	32
Turkey	376	-3.1	-43	-103	212
China	57	2.0	2	2	7
India	106	-2.1	7	17	37
Indonesia	132	3.7	0	17	47
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.7	0	0	2
VIX OXX	13	0.3	0	0	0
EM EFT volatility index	19	-1.0	0	0	3
Dollar/euro volatility	7	0.3	0	0	0
EM FX volatility index	11	-0.3	0	-1	3
Credit spread (BAA) (change in bps)	163	-2.1	-3	-7	-5
US bonds volatility index	47	-1.9	-2	-3	-2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.42	-	-	0	10
EZ Inflation expectations (5Y)	1.70	-	-	2	4
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	50	-0.5	4	-1	7
EZ	81	-1.6	3	-12	42
UK	70	1.7	11	5	29
Large Spanish	65	-0.8	2	-13	29
Medium Spanish	89	-2.5	-1	0	14
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	158	0.5	4	-1	7
EZ Non-financial	79	-1.6	3	-12	42
UK Non-financial	103	0.0	6	3	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	1	1	3
Libor 3m	2.39	1	3	7	68
Libor 12m	2.91	0	3	9	81
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,921	0.5	-0.3	0.8	8
Dow Jones	26,516	0.5	0.5	1.7	7
Nikkei	23,797	-1.0	0.5	4.3	5
FTSE 100	7,545	0.5	2.4	-0.9	-1
EuroStoxx 50	3,450	0.5	1.4	0.1	-1
IBEX	9,326	0.0	-0.6	-0.8	-8
DAX	12,436	0.4	0.9	-0.7	-3
CAC	5,340	0.5	1.6	1.0	5
MIB	21,511	0.6	0.6	4.3	-7
ASE Athens	708	0.9	3.9	4.0	-14
MSCI Latam *	86,038	-0.1	0.3	0.0	0
Bovespa (Brazil)	78,741	1.4	2.1	2.9	-2
Mercol (Mexico)	49,914	0.6	0.8	-0.2	0
Mercol (Argentina)	34,663	2.1	0.4	38.5	12
MSCI EM Europe *	5,473	0.4	1.4	2.9	2
Poland	2,315	0.5	2.5	-3.2	-6
Mex10 (Russia)	4,496	1.1	2.2	5.6	9
Ru100 (Turkey)	100,299	1.2	4.3	6.9	-15
MSCI EM Asia *	872	0.4	1.0	-2.0	-5
Shanghai Com (China)	2,792	-0.5	2.3	0.5	-17
Jakarta (Indonesia)	5,929	0.9	0.9	-1.6	-7
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	114.9	-0.1	-3.2	-1.1	6
CB	72.2	1.0	2.2	1.1	-2
BoA	30.0	-0.3	-3.7	-4.0	0
MS	47.9	0.5	-3.9	-4.1	-8
GS	228.8	0.1	-3.6	-5.6	-11
EZ banks					
BNP	54.5	-0.3	0.3	4.8	-12
Credit Agricole	12.9	0.0	0.2	7.9	-7
Deutsche Bank	10.2	-0.3	-1.5	3.6	-36
ING	11.6	0.6	1.0	-2.4	-24
Intesa	2.4	-1.2	-0.5	10.3	-13
SG	38.0	-0.3	0.5	5.8	-12
Unicredit	13.9	-1.7	-1.1	9.7	-12
UK banks					
HSBC	82.5	0.3	0.6	0.5	-11
RBS	682.0	0.1	2.4	-1.2	-11
RBS	255.6	0.2	-1.5	3.7	-8
Barclays	176.7	0.6	1.4	3.8	-13
Lyons					
Large Spanish banks	61.9	0.4	-1.0	0.3	-10
Santander	68.3	0.3	-1.4	2.4	-19
BBVA	4.5	-0.1	-1.6	2.7	-18
Medium Spanish banks	5.6	0.6	1.2	2.2	-21
CajaBank	72.0	-1.1	-3.3	3.0	-6
Sabadell	4.0	-0.5	-4.7	1.3	0
Bankinter	1.4	-1.5	-4.2	1.9	-18
Banker	8.1	-1.5	-1.0	3.7	1
Bankia	1.5	-0.9	-2.8	5.8	-13
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Developed					
EURUSD	1.167	-0.6	-0.9	-0.2	-3
GBPUSD	1.31	0.5	1.2	1.8	-4
USDJPY	113.36	0.6	0.8	-1.9	-1
DXV	94.84	0.7	1.0	0.1	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	39.73	3.0	3.6	20.8	-54
USD BRL (Brazil)	4.00	0.8	1.9	3.4	-18
USD CLP (Chile)	659.91	0.5	1.4	0.4	-8
USD COP (Colombia)	2892	0.2	0.4	-0.1	-2
USD MXN (Mexico)	18.83	0.1	0.0	1.4	4
USD PEN (Peru)	3.30	0.0	0.2	-0.3	-2
LACI	54.93	0.0	0.6	-0.6	-14
USD PLN (Poland)	3.66	0.6	0.5	-0.2	-6
USD RUB (Russia)	65.62	0.4	1.0	3.4	-12
USD TRY (Turkey)	5.98	2.1	3.6	4.9	-37
USD CNR (China)	6.89	0.2	0.6	-1.3	-6
USD INR (India)	72.60	0.0	-0.3	-3.4	-13
USD IDR (Indonesia)	14,923	-0.1	-0.5	-2.0	-9
ADXY	104.8	0.0	0.2	-0.7	-8
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	72	0.6	1.7	5	19
Copper	276	-1.5	1.6	1	-15
Gold	1184	-0.9	-1.9	-1	-10
S&P Spot commodity *	480	-0.6	1.8	4	8
S&P Brent Spot *	688	-0.6	3.3	6	21
S&P Windex Spot *	345	0.3	2.3	-1	-12
S&P Agricultural *	280	-0.4	-0.2	0	-2

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

Fuente: BBVA Research

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of

Spain with number 0182.

Fuente: BBVA Research

Fuente: BBVA Research