

Market Comment | US yields in the forefront ahead of tomorrow's payrolls data

Global Financial Markets Unit
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- **Sovereign yields in developed markets focused market attention** as both US and German yields surpassed their recent highest levels, with some effect on certain risk assets, mainly in equities across the board and emerging markets.
- The main triggers of the recent rebound in yields were the **stronger-than-expected data on private sector payrolls in the US** ([see](#)) - ahead of tomorrow global payrolls data ([see](#)) - and positive factory orders. Furthermore, **Mr Powell (Fed President)** said the US economy was “a long way from neutral”, giving some margin of manoeuvre for increasing rates in the medium term ([see](#)).
- **European yields also increased today, following US Treasuries.** The German 10Y yield surpassed 0.50%, while sovereign risk premia remained well contained, with Italy recovering some of the recent losses after the government hinted at a moderation of the deficit compared with its first proposal ([see](#)).
- Against this backdrop, **global equities dropped today in both the US and the euro area**, led by sectors highly sensitive to increases in rates. Meanwhile, the USD gained some ground yesterday - to its highest in weeks against the EUR - but lost some of it again today.
- Apart from **oil prices descending from levels above \$85 USD per barrel** ([see](#)), EM assets also suffered the consequences of increasing yields in the US: most EM equity indices fell and currencies depreciated today. However, the effect was contained, with the main exceptions of Chile, Argentina and Turkey, which continued yesterday's depreciation trend after higher-than-expected inflation prints.

Table 1

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Debt markets (10Y, % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.88	0.6	5.3	23	96
US 2-yr	3.19	0.6	13.5	29	72
GER (2-yr)	-0.52	1.5	2.3	7	9
Germany	0.33	5.6	0.2	17	1
France	0.87	5.4	2.8	18	5
Spain	1.96	2.7	5.8	13	-11
Italy	3.33	1.6	44.1	31	123
Portugal	1.91	1.9	4.5	4	-10
Greece	4.50	8.9	45.2	6	39
Japan(2-yr)	-0.11	0.6	0.8	1	-3
Japan	0.16	1.8	3.5	4	11
Emerging Markets					
Brazil	11.33	1.3	-28.5	-119	108
Chile	4.55	0.7	-1.5	10	3
Colombia	6.95	1.9	3.8	11	51
Mexico	8.01	6.5	8.6	0	43
Peru	5.34	2.2	2.7	21	47
Poland	3.32	5.2	5.9	10	0
Russia	8.83	19.1	14.8	-10	119
Turkey	19.51	89.0	226.0	-41	815
India	8.16	4.6	13.1	10	77
Indonesia	8.46	15.3	28.2	5	216
Country risk (bp change in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	34	-0.2	2.6	1	-4
Italy	280	-4.0	43.9	14	123
Portugal	138	-3.7	4.3	-13	-11
Spain	103	-2.9	5.6	-4	-12
2-yr sovereign spread vs Germany					
France	19	-0.1	1.8	2	-2
Italy	172	-2.5	44.7	-4	135
Portugal	42	-2.2	3.5	-4	-8
Spain	35	-0.8	8.1	3	8
Emerging Markets					
5-yr sovereign CDS*					
Brazil	242	-8.8	-16	-66	81
Chile	42	-0.6	-2	-14	-7
Colombia	108	0.6	-5	-3	3
Argentina	581	7.0	16	-197	343
Mexico	108	-0.2	-10	-12	1
Peru	72	-0.2	-3	-11	0
Poland	67	0.5	2	4	19
Russia	136	-1.5	-14	-32	18
Turkey	399	7.2	22	-181	224
China	57	-0.6	0	-4	6
India	104	-0.3	-2	16	35
Indonesia	132	-1.8	0	2	47
Risk indicators					
Volatility indicators (change in sp)					
VIX	14	2.8	2	1	-5
VST OXX	16	1.4	3	0	3
EM EFT volatility Index	24	2.7	4	1	7
Deliverium volatility	7	0.1	1	0	1
EMFT volatility Index	10	0.0	0	-3	-2
Credit spread (GAA) (change in bps)	179	-0.6	-5	-15	2
US bonds volatility index	50	-4.9	4	1	1
Inflation expectations (bps)					
EZ Inflation expectations (5Y)	2.42	-	0	3	10
EZ Inflation expectations (10Y)	1.69	-	-1	-3	-5
Banking (YCCS (bps))					
US	48	0.1	-2	-5	6
EZ	90	-2.4	9	-7	51
UK	70	-1.8	0	2	29
Large Spanish	74	0.0	9	-11	38
Medium Spanish	90	-3.8	1	-4	15
Government YCCS (bps)*					
US Non-financial	153	0.1	-2	-5	6
EZ Non-financial	77	-2.4	9	-7	51
UK Non-financial	100	0.0	-2	0	7
Interbank markets (% change in bp)					
EONIA Index	-0.37	0	0	-1	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.16	0	0	1	3
Libor 3m	2.41	0	2	9	71
Libor 12m	2.93	0	1	9	82
Stock markets (%)					
Main indices					
S&P500	2,897	-1.0	0.6	0.0	-7
Dow Jones	26,541	-1.1	0.4	2.3	7
Nikkei	23,976	-0.6	0.2	5.6	5
FTSE 100	7,418	-1.2	-1.7	-0.5	-3
Euro Stoxx 50	3,375	-0.9	-2.2	0.5	-3
IBEX	9,319	-0.5	-2.2	-0.7	8
DAX	12,244	-0.4	-1.5	0.3	-5
CAC	5,411	-1.5	-2.3	1.3	2
MIB	20,613	-0.8	-4.2	0.1	6
ASE Athens	676	1.4	-4.5	-4.8	-17
MSO Latam*	88,536	0.9	2.9	4.9	3
Koreaex (Brazil)	82,097	-1.8	2.6	9.9	5
Mexor (Mexico)	48,664	-0.7	-2.0	-0.5	-3
Merval (Argentina)	31,492	-2.2	6.4	14.0	1
MSO EM Europe*	5,555	1.0	1.5	3.6	3
Poland	2,276	-1.0	-1.7	-2.0	-8
Mico 10 (Russia)	4,430	-1.4	-1.5	4.2	7
Nex YTD (Turkey)	94,497	-2.8	-5.8	-1.1	-20
MSO EM Asia*	657	-0.1	-1.8	-2.7	-7
Shanghai Com (China)	2,821	0.0	1.1	2.6	-16
Jakarta (Indonesia)	5,757	-2.0	-2.0	-3.5	-9
Banking sector					
US banks	144.8	0.0	-0.2	-1.9	-3
JPM	114.7	-0.3	0.1	-0.4	6
Cit	27.2	-0.3	-1.1	1.1	-3
BoA	30.3	0.9	1.1	-2.8	1
MS	47.1	0.1	-1.3	-3.2	-10
GS	226.7	-0.5	-0.5	-4.6	-11
EZ banks	87.5	0.9	-4.9	0.2	-20
BNP	52.3	0.3	-4.0	2.8	-16
Credit Agricole	12.7	2.2	-2.1	4.9	-9
Deutsche Bank	9.8	1.5	-4.5	-0.9	-39
ING	11.1	-1.0	-4.6	-3.9	-28
Intesa	2.2	2.1	-9.3	-5.2	-21
SG	37.0	0.7	-2.7	3.6	-14
Unicredit	12.6	0.6	-9.4	-3.1	-20
UK banks	60.7	0.6	-2.2	-1.5	-12
HSBC	671.0	0.3	-1.6	-0.9	-12
RBS	249.3	0.4	-2.5	1.1	-10
Barclays	174.3	1.0	1.3	3.7	-14
Lloyds	58.9	0.9	-3.4	-2.4	-13
Large Spanish banks	65.3	-0.3	-4.3	0.0	-23
Santander	4.4	0.3	2.9	1.5	-20
BBVA	5.3	-0.9	-5.6	-1.3	-25
Medium Spanish banks	70.9	1.2	-1.5	0.9	-8
Celabank	3.9	1.8	1.3	3.1	-1
Sabobank	1.3	-0.3	-5.7	-2.7	-23
Bankinter	8.2	1.7	1.6	5.5	3
Banco	3.4	1.2	-3.1	2.3	-16
Commodities (% ind for currency depreciation)					
Developed					
EURUSD	1,151	0.2	-1.2	-0.7	-5
GBPUSD	1,300	0.6	-0.5	1.2	-4
USDJPY	113.78	0.7	-0.4	-2.1	-1
DXF	95.77	0.0	0.5	0.3	-2
Emerging					
USDARS (Argentina)	38.54	-2.2	2.7	1.1	-52
USDBRL (Brazil)	3.93	0.6	2.2	6.0	-17
USDCJP (China)	676.36	2.3	-2.4	2.4	-10
USDCOP (Colombia)	3035	-0.7	-1.6	1.8	-3
USDMXN (Mexico)	19.20	-0.8	-2.2	1.1	2
USDINR (India)	3.34	0.4	-1.1	-0.5	-3
LACI	54.84	-0.3	-0.1	2.6	-14
USDPLN (Poland)	3.75	0.0	-2.2	-0.8	-6
USD RUB (Russia)	66.91	-1.5	-1.9	1.9	-14
USDTRY (Turkey)	6.18	-2.2	-2.8	7.9	-39
USD CNY (China)	6.87	0.0	0.3	-0.4	-5
USDIDR (Indonesia)	73.58	-0.3	-1.3	-2.7	-14
USDIDR (Indonesia)	15,179	-0.7	-1.7	-1.6	-11
ADXY	103.9	-0.3	-0.8	-0.9	-6
Commodities (%)					
Brent	85.1	1.4	4.2	9	28
WTX	75	-2.1	3.8	7	24
Copper	280	-0.7	1.4	9	-14
Gold	1199	0.1	1.4	1	-9
S&P Spot commodity*	503	0.9	4.4	7	14
S&P Brent Spot*	734	1.8	6.0	10	30
S&P Metals Spot*	355	1.4	4.4	7	-10
S&P Agriculture*	284	-0.5	1.4	0	0

* 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)	2.68	0.8	5.3	2.3	98	
US	2.19	0.6	13.5	29	72	
GER (2-yr)	-0.52	1.5	-2.3	7	9	
Germany	0.53	5.6	0.2	17	1	
France	0.87	5.4	2.8	18	5	
Spain	1.96	2.7	5.8	13	-11	
Italy	3.33	1.6	44.1	31	123	
Portugal	1.91	1.9	4.5	4	-10	
Greece	4.50	8.9	45.2	6	39	
Japan (2-yr)	-0.11	0.6	0.8	1	3	
Japan	0.16	1.8	3.9	4	11	
Emerging Markets						
	level	Daily	Weekly	Monthly	YTD	
Brazil	11.33	1.3	-28.5	-119	108	
Chile	4.55	0.7	1.5	10	3	
Colombia	6.95	1.6	3.8	11	51	
Mexico	8.01	6.5	8.6	0	43	
Peru	5.34	2.2	2.7	21	47	
Poland	3.32	5.2	5.9	19	0	
Russia	8.83	19.1	14.8	-10	119	
Turkey	19.51	88.0	226.0	-41	815	
India	8.16	4.6	13.1	10	-77	
Indonesia	8.46	19.3	28.2	5	216	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	34	-0.2	2.6	1	4	
Italy	280	-4.0	43.9	14	123	
Portugal	138	-3.7	4.3	-13	-11	
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2-yr sovereign spread vs Germany						
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Portugal	42	-2.2	3.5	-4	-8	
Spain	35	-0.8	8.1	1	8	
Emerging Markets						
	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	242	8.8	16	-66	81	
Chile	42	-0.6	-2	-14	-7	
Colombia	108	0.6	-5	-3	3	
Argentina	581	7.0	16	-197	343	
Mexico	108	-0.2	-10	-12	1	
Peru	72	-0.2	-3	-11	0	
Poland	67	0.5	2	4	19	
Russia	136	1.5	-14	-22	18	
Turkey	399	7.2	22	-181	234	
China	57	-0.6	0	-4	6	
India	104	-0.3	-2	16	35	
Indonesia	132	-1.8	0	2	47	
Risk indicators						
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD	
VIX						
VIX	14	2.8	2	2	5	
VSTOXX	16	1.4	3	0	3	
EM EFT volatility index	24	2.7	4	1	7	
Dollar Euro volatility	7	0.1	1	0	1	
EM FX volatility index	10	0.0	0	-3	2	
Credit spread (BAA) (change in bps)	179	-0.6	-5	-15	2	
US bonds volatility index	59	4.9	4	1	1	
Inflation expectations (%)						
	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.42	-	0	3	10	
EZ Inflation expectations (5Y5Y)	1.69	-	-1	-1	-5	
Banking 5-y CDS (bps) *						
	level	Daily	Weekly	Monthly	YTD	
US	48	0.1	-2	-5	6	
EZ	90	-2.4	9	-7	51	
UK	79	-1.8	0	2	29	
Large Spanish	74	0.0	9	-11	38	
Medium Spanish	90	-3.8	1	-1	15	
Corporate 5-y CDS (bps) *						
	level	Daily	Weekly	Monthly	YTD	
US Non-financial	153	0.1	-2	-5	6	
EZ Non-financial	77	-2.4	9	-7	51	
UK Non-financial	100	0.0	2	0	7	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	-1	1	
Eurobor 3m	-0.32	0	0	0	1	
Eurobor 12m	-0.16	0	0	1	3	
Libor 3m	2.41	0	2	9	71	
Libor 12m	2.93	0	1	9	82	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
US indices						
S&P500	2,927	1.0	0.6	0.0	7	
Dow Jones	26,541	1.1	0.4	2.3	7	
Nikei	23,976	0.6	0.8	5.6	5	
FTSE 100	7,418	1.2	1.7	0.5	-3	
Eurostoxx 50						
IBEX	9,315	0.5	2.2	0.7	-8	
DAX	12,244	-0.4	-1.5	0.3	-5	
CAC	5,411	-1.5	-2.3	1.3	2	
MIB	20,613	-0.6	-4.2	0.1	-6	
Asia						
ASE Adjvrs	67.76	1.4	-4.5	-4.8	-17	
MSCI Latam *	88,536	0.9	2.9	4.9	3	
Ibovpa (Brazil)	82,097	-1.4	2.6	9.9	5	
Mexbol (Mexico)	48,664	-0.7	-2.0	-0.5	-3	
Merval (Argentina)	31,492	-2.2	6.4	14.0	1	
MSCI EM Europe *	5,555	1.0	1.5	3.6	3	
Poland	2,276	-1.0	-1.7	-2.0	-8	
Mosc 10 (Russia)	4,439	1.4	-1.5	4.2	7	
Ise 100 (Turkey)	94,497	-2.8	-5.8	1.4	-20	
MSCI EM Asia	857	-0.1	-1.8	-2.7	-7	
Shanghai Com (China)	2,821	0.0	1.3	2.6	-16	
Jakarta (Indonesia)	5,757	-2.0	-2.0	-3.5	-9	
Banking sector						
	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	114.8	0.0	-0.2	-1.9	-3	
Cit	114.7	0.3	0.1	0.4	6	
BoA	72.2	-0.3	-1.1	1.1	-3	
MS	30.3	0.9	1.1	-2.8	1	
GS	47.1	0.1	-1.3	-2.2	-10	
GS	226.7	-0.5	-0.5	-4.6	-11	
EZ banks						
BNP	87.5	0.9	4.9	0.2	-20	
Crédit Agricole	12.7	2.2	-2.1	4.9	-9	
Deutsche Bank	9.8	1.5	-4.5	-0.9	-39	
ING	11.1	-1.0	-4.5	-3.9	-28	
Intesa	2.2	2.1	-9.9	-5.2	-21	
SG	37.0	0.7	-2.7	3.6	-14	
Unicredito	12.6	0.6	9.4	-3.1	-20	
UK banks						
HSBC	80.7	0.6	-2.2	-1.5	-12	
RBS	671.0	0.3	-1.6	-0.9	-12	
Barclays	249.3	0.4	2.5	1.1	-10	
Lloyds	174.3	1.0	-1.3	-3.7	-14	
Large Spanish banks	58.9	0.9	-3.4	-2.4	-13	
Santander	65.3	-0.3	-4.3	0.0	-23	
BBVA	4.4	0.3	-2.9	1.5	-20	
Medium Spanish banks	5.3	0.9	-5.6	-1.3	-25	
Casabank	70.9	1.2	-1.5	0.9	-8	
Sabadell	3.9	1.8	-1.3	-3.1	1	
Bankinter	1.3	-0.3	-5.7	-2.7	-23	
Banque	8.2	1.7	1.6	5.5	3	
Banque	3.4	1.2	-3.1	2.3	-16	
Commodities (% change in currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD						
EURUSD	1.151	0.2	-1.2	-0.7	-5	
GBPUSD	1.30	0.6	0.5	1.2	4	
USDJPY	113.78	0.7	0.4	-2.1	-1	
DX1	95.77	0.0	0.5	0.3	4	
Emerging						
	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)						
USDARS (Argentina)	38.54	-2.2	2.7	1.1	-52	
USDBRL (Brazil)	3.93	-0.6	2.2	6.0	-17	
USDCPL (Chile)	676.36	2.3	2.4	2.4	-10	
USDCOP (Colombia)	3035	-0.7	-1.6	1.8	-3	
USDMXN (Mexico)	19.20	-0.8	-2.2	1.1	2	
USDPEN (Peru)	3.34	-0.4	-1.1	-0.5	-3	
LACI	54.84	-0.3	-0.1	2.6	-14	
USDPOL (Poland)	3.75	0.0	-2.2	-0.8	-8	
USD RUB (Russia)	66.91	-1.5	-1.9	1.9	-14	
USDTRY (Turkey)	6.18	-2.2	-2.8	7.9	-39	
USD CNY (China)	6.87	0.0	0.3	-0.4	-5	
USD INR (India)	73.58	-0.3	-1.3	-2.7	-14	
USD IDR (Indonesia)	15,179	0.2	-1.7	-1.6	-11	
ADXY	103.9	-0.3	0.8	0.9	6	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent						
Brent	85.1	-1.4	4.2	9	28	
WTX	75	-2.1	3.8	7	24	
Copper	280	-0.7	1.4	9	-14	
Gold	1199	0.1	1.4	1	9	
S&P Spot commodity *	503	0.9	4.4	7	14	
S&P Brent Spot *	734	1.8	6.0	10	30	
S&P Metals Spot *	355	1.4	4.4	7	-10	
S&P Agricultural *	284	-0.5	1.4	0	0	

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

Fuente: BBVA Research

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