

# Market Comment | The USD appreciated ahead of today's Fed minutes

Global Financial Markets Unit  
17 Oct 2018

- **Cautious tone returned in financial markets** on the back of geopolitical tensions between the US and both Saudi Arabia and Iran. Moreover, investors today will be waiting for the FOMC's minutes.
- **Equity markets were down again:** US and European stocks trimmed early gains, with the equity volatility VIX at 18% in the US despite the release of corporate earnings results. Asian markets were the only exception, closing with gains across the board early this morning on the back of yesterday's relief rally on the US stock market.
- **Regarding safe haven yields, the US 10Y Treasury and 10Y Bund yields remained stable waiting for the release of FOMC minutes.** The release of the final inflation figure for the EZ (in line with expectations) had a muted impact on markets ([see](#)). The Italian budget issue continued to add pressure on Italy. The Italian risk premium widened today, without contagion to other peripheral risk premia ([see](#)).
- **The USD appreciated against its major peers, with the exception of the JPY,** while the euro depreciated below 1.16 USD/EUR. In addition to the ongoing uncertainty on Brexit talks, the release of weaker-than-expected inflation data for the UK hit the GBP ([see](#)).
- **EM currencies were mixed, with the CNY depreciating slightly,** approaching the psychological level of 7 CNY/USD in a context of trade tensions with the US. Meanwhile the BRL appreciated ahead of the second round of elections at the end of this month. A **drop in crude oil prices** (below \$81 per barrel) **amid higher-than-expected US stockpiles data** added more pressure to some Latam currencies ([see](#)).

Table 1

Update 18:15 CET October 17

Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10y	2.87	0.0	2.4	9	95
US	3.16	-0.7	-0.7	17	69
GER 10y	0.58	-1.4	-5.3	5	3
Germany	0.46	-3.0	-9.1	0	-6
France	0.82	-2.7	-8.6	4	-1
Spain	1.65	0.6	3.6	16	-2
Italy	3.55	9.5	4.2	70	145
Portugal	1.95	0.8	-1.5	12	-6
Greece	4.33	4.3	-14.4	29	22
Japan 10y	-0.12	-0.1	0.0	-1	2
Japan	0.15	0.0	0.5	3	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.03	-31.9	81.1	-225	-23
Chile	4.54	2.9	2.5	14	13
Colombia	7.04	-1.7	5.7	13	60
Mexico	6.08	1.3	0.6	4	59
Peru	5.36	-0.7	2.3	14	49
Poland	3.20	-1.7	-12.8	-3	-11
Russia	8.66	-1.1	-32.8	-33	102
Turkey	17.16	-35.0	-199.0	99	580
India	7.91	3.8	-11.3	-19	53
Indonesia	8.68	15.2	13.5	26	238
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	36	0.3	0.5	4	5
Italy	309	12.5	13.3	70	151
Portugal	149	3.6	7.6	11	6
Spain	119	3.6	12.7	16	4
2-yr sovereign spread vs Germany					
France	18	-0.1	0.1	1	1
Italy	193	6.3	-0.6	69	156
Portugal	47	0.8	4.0	5	-3
Spain	43	0.8	5.5	10	16
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS*					
Brazil	211	9.6	8	71	51
Chile	45	-0.8	-2	-3	-4
Colombia	115	-5.2	-3	10	10
Argentina	595	0.4	-29	-53	356
Mexico	112	-3.8	-2	7	10
Peru	78	-1.0	0	2	6
Poland	67	0.3	0	7	18
Russia	146	-2.6	8	-18	28
Turkey	388	0.0	-29	-38	224
China	16	-0.8	2	11	15
India	110	0.2	0	10	41
Indonesia	144	-1.6	-1	11	59
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	18	0.5	-5	4	8
VSTOXX	17	0.2	-1	2	4
EM CT volatility index	25	0.5	-2	3	8
Dollar/euro volatility	7	0.1	-1	0	0
EM FX volatility index	10	0.4	-1	-2	2
Credit spread (BAA)(change in bps)	148	0.6	3	0	11
US bonds volatility index	50	-1.1	-6	3	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.41	-	-	-	1
EZ Inflation expectations (5Y5Y)	1.68	-	0	-1	-6
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	55	1.5	3	7	13
EZ	98	-4.4	1	19	59
UK	65	-3.0	-4	12	24
Large Spanish	74	6.0	5	14	39
Medium Spanish	93	-1.9	-2	4	18
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	161	-1.5	3	7	13
EZ Non-financial	81	-4.4	1	19	59
UK Non-financial	103	0.0	1	5	10
Interbank markets (%; changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0
Euro3m	-0.32	0	0	0	1
Libor 12m	-0.16	0	0	1	3
Libor 3m	2.44	0	2	11	75
Libor 12m	2.97	0	1	9	86
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,809	0.2	0.7	-2.9	4
Dow Jones	25,741	0.2	0.6	-1.2	4
Nikkei	22,841	1.3	-2.8	-1.3	0
FTSE 100	7,955	-0.1	-3.3	-3.4	-8
EuroStoxx 50	3,243	0.4	-0.7	-3.1	-7
IBEX	8,997	-0.9	-1.8	-4.3	-11
DAX	11,715	-0.5	0.0	-3.2	-9
CAC	5,145	0.9	1.2	-3.8	-8
MIB	19,455	-1.3	-1.3	-7.8	-11
ASE Athens	637	-1.2	1.8	-6.7	-22
MSCI Latam*	89,267	2.1	0.4	6.0	4
Ibovespa (Brazil)	85,920	0.2	2.7	11.9	10
Ibex35 (Mexico)	47,980	0.4	-0.3	-2.9	-4
Merval (Argentina)	28,907	1.6	1.5	-7.0	-7
MSCI EM Europe*	5,394	1.3	0.7	1.5	0
Poland	2,200	0.8	0.1	0.5	-11
Moscow 10 (Russia)	4,307	0.0	0.2	-1.0	4
Ise 100 (Turkey)	98,991	0.5	4.8	4.9	-16
MSCI EM Asia*	602	0.7	2.1	7.3	13
Shanghai Com (China)	2,562	0.6	6.0	-3.4	-23
Jakarta Indonesia)	5,869	2.5	1.2	-1.1	-8
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	141.3	1.7	1.4	-2.3	-5
Cit	109.9	1.2	-1.4	-3.5	2
BAC	70.1	0.6	0.3	-1.0	-6
WFC	28.8	1.0	-1.5	-4.9	-4
MS	47.5	3.4	6.5	-0.4	-9
GS	227.9	2.8	6.1	0.0	-11
EZ banks					
BNP	83.9	0.2	-2.3	-5.6	-23
BNP	49.6	-0.2	-3.6	-4.3	-20
Credit Agricole	12.2	0.2	-2.8	-2.6	-13
Deutsche Bank	9.8	1.7	2.1	-0.8	-39
ING	10.8	0.4	-1.6	-2.5	-30
Intesa	2.0	-1.1	-1.9	-14.7	-26
SIF	35.1	0.7	-4.1	-3.2	-19
Unicredit	12.1	0.3	0.8	12.3	23
UK banks					
HSBC	76.7	0.1	-3.8	-4.0	-17
BSPIC	624.6	0.1	-4.4	-4.7	-18
RBS	239.6	-1.0	-3.7	-4.2	-14
Barclays	165.0	1.3	-3.9	-3.6	-19
Lloyds	57.3	0.1	-3.0	-3.3	-15
Large Spanish banks					
Santander	64.7	-1.1	-1.1	-2.7	-24
BBVA	4.3	-0.9	-2.4	-1.6	-22
Caixa	5.2	-1.2	0.1	-3.7	-25
Medium Spanish banks					
Catalbank	67.9	0.8	-3.3	-5.6	-12
Sabadell	3.8	-1.3	-2.3	-8.2	-4
CaixaBank	1.3	-0.5	-2.6	-9.6	-25
Bankinter	7.9	-0.7	-2.8	0.3	-1
Banco	3.1	-0.7	-6.0	-8.4	-22
Currencies (%; not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,154	-0.3	0.2	-1.2	-4
GBPUSD	1,131	-0.3	0.4	-0.1	-3
USDJPY	112.19	0.1	0.1	-0.3	0
DX	95.34	0.3	-0.2	0.5	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	36.28	-1.0	2.6	9.0	49
USD BRL (Brazil)	3.67	1.4	2.2	12.5	-11
USD CLP (Chile)	670.22	0.1	2.3	2.4	9
USD COP (Colombia)	3058	-0.2	1.1	-1.3	-4
USD MXN (Mexico)	18.80	-0.3	1.9	0.2	4
USD PEN (Peru)	3.33	0.8	0.2	0.7	3
LACI	56.83	0.4	1.9	5.0	-11
USD PLN (Poland)	3.72	-0.4	0.8	-1.0	-7
USD RUB (Russia)	65.38	0.0	2.2	4.1	-12
USD TRY (Turkey)	5.59	1.8	8.7	13.0	-33
USD CNY (China)	6.93	-0.2	0.0	-1.0	-6
USD INR (India)	73.61	-0.2	0.8	-1.5	-14
USD IDR (Indonesia)	15,150	0.3	0.3	-1.8	-11
ADXY	104.0	0.2	0.5	0.6	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	79.9	-1.8	-3.8	2	20
WTX	70	-2.7	-4.4	2	16
Copper	276	-0.5	0.4	5	-15
Gold	1227	0.2	2.7	2	-7
S&P Spot commodity*	405	0.2	-0.8	5	9
S&P Brent Spot*	690	0.8	-2.1	4	22
S&P Metals Spot*	344	-0.5	0.1	4	-13
S&P Agricultural*	294	-0.7	3.2	7	3

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

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Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.67	0.0	2.4	9	95
US	3.16	-0.7	-0.7	17	69
GER 10-yr	-0.58	-1.4	-5.3	-5	-3
Germany	0.46	-3.0	-9.1	0	-6
France	0.82	-2.7	-8.6	4	-1
Spain	1.65	0.6	3.6	16	-2
Italy	3.55	9.5	4.2	70	145
Portugal	1.95	0.8	-1.5	12	-6
Greece	4.33	4.3	-14.4	29	22
Japan (2-yr)	-0.12	-0.1	0.0	-1	2
Japan	0.15	0.0	-0.2	3	10
Emerging Markets					
Brazil	10.03	-31.9	81.1	-225	-23
Chile	4.64	-2.9	9.5	14	13
Colombia	7.04	-1.7	5.7	13	60
Mexico	8.08	1.3	-8.6	4	90
Peru	5.36	-0.7	2.3	14	49
Poland	3.20	-1.7	-12.8	-3	-11
Russia	8.66	-1.1	-32.8	-33	102
Turkey	12.16	-35.0	199.0	-99	590
India	7.91	3.9	-11.9	-19	53
Indonesia	8.68	15.2	13.5	26	238
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
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Emerging Markets					
5-yr sovereign CDS *					
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Argentina	595	0.4	-29	-53	356
Mexico	117	-3.8	-2	7	10
Peru	78	-1.0	0	2	6
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Indonesia	144	-1.6	-1	11	59
Risk indicators					
Volatility indicators (change in pp)					
VIX	18	0.5	-5	4	8
VIX CRIX	17	0.2	-1	2	4
EM EFT volatility Index	25	0.5	-2	3	6
Dollar/euro volatility	7	0.1	-1	0	0
EM FX volatility index	10	0.4	-1	2	2
Credit stress (BAA) (change in bps)	188	0.6	-1	0	1
US bonds volatility index	50	-1.1	-6	3	1
Inflation expectations (%)					
US Inflation expectations (CY5Y)					
US	2.41	-	-3	-	-
EZ Inflation expectations (CY5Y)					
EZ	1.68	-	0	-1	-6
Banking Sy CDS (bps) *					
US	55	1.5	3	7	13
EZ	98	-4.4	1	19	59
UK	65	-3.0	-4	12	24
Large Spanish	74	6.0	-5	14	39
Medium Spanish	93	-1.9	-2	4	18
Corporate Sy CDS (bps) *					
US Non-financial	161	-1.5	3	7	13
EZ Non-financial	81	-4.4	1	19	59
UK Non-financial	103	0.0	1	5	10
Interbank markets (% changes in bp)					
EOANA Index	-0.37	0	0	0	0
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.16	0	0	1	3
Libor 3m	2.44	0	2	11	75
Libor 12m	2.97	0	1	9	86
Stock markets (%)					
Main indices					
S&P500	2,805	0.2	0.7	-2.9	4
Dow Jones	25,741	-0.2	0.6	-1.2	-4
Nikkei	22,841	1.3	-2.8	-1.1	0
FTSE 100	7,955	-0.1	1.3	-3.4	-8
Euro Stoxx 50	3,243	0.4	-0.7	-3.1	-7
IBEX	8,997	-0.9	-1.8	-4.3	-11
DAX	11,715	-0.5	0.0	-3.2	-9
CAC	5,145	-0.5	-1.2	-3.8	-9
MI8	19,455	-1.3	-1.3	-7.8	-11
ASE Athens *	637	-1.2	1.8	-6.7	-22
MSCI Latin *	89,267	2.1	-0.4	6.0	4
Bovespa (Brazil)	85,920	0.2	2.1	11.9	10
Mexbol (Mexico)	47,980	0.4	-0.3	-2.9	-4
Merval (Argentina)	28,967	1.6	1.5	-7.0	-7
MSCI EM Europe *	5,394	1.3	-0.7	1.5	0
Poland	2,200	-0.8	0.1	-0.5	-11
Mosx 10 (Russia)	4,307	0.0	-0.2	-1.0	-4
Isx 100 (Turkey)	98,991	0.5	4.6	4.9	-16
MSCI EM Asia *	802	0.7	-2.1	-7.3	-13
Shanghai Com (China)	2,562	0.6	6.0	-3.4	-23
Jakarta (Indonesia)	5,869	2.5	1.2	-1.1	-6
Banking sector					
US banks					
JPM	141.3	1.7	1.4	-2.3	-5
WFC	109.9	1.2	-1.4	-3.5	-2
CS	70.1	0.6	0.3	-1.0	-6
BoA	28.8	1.0	-1.5	-4.9	-4
MS	47.5	3.4	6.5	-0.4	-9
GS	227.9	2.8	6.1	0.0	-11
EZ banks					
BNP	83.9	-0.2	-2.3	-5.6	-23
BBVA	49.6	-0.2	-3.6	-4.3	-20
Credit Agricole	12.2	0.2	-2.0	-2.6	-13
Deutsche Bank	9.8	1.7	2.1	-0.8	-39
ING	10.8	-0.4	-1.6	-2.5	-30
Intesa	2.0	-1.1	-1.9	-14.7	-26
SG	35.1	-0.7	-4.1	-3.2	-19
Unicredit	12.1	0.3	0.8	12.3	23
UK banks					
HSBC	75.7	0.1	-3.8	-4.0	-17
Barclays	624.6	0.1	-4.4	-4.7	-18
RBS	239.6	-1.0	-3.7	-4.2	-14
Lloyds	165.0	1.3	-3.9	-3.6	-19
Large Spanish banks					
Santander	64.7	-1.1	-1.1	-2.7	-24
BBVA	5.3	-1.2	0.1	-3.7	-25
Medium Spanish banks					
Cajabank	67.9	-0.8	-3.3	-5.6	-12
Sabadell	3.8	-1.3	2.3	-6.2	-4
Bankinter	1.3	-0.5	-2.6	-9.8	-25
Bankia	7.9	-0.7	2.8	0.3	-1
Bankia	3.1	0.7	4.6	8.4	-22
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1,154	-0.3	0.2	-1.2	-4
GBPUSD	1,131	-0.3	-0.4	-0.1	-3
USD JPY	112.19	0.1	0.1	-0.3	0
DXF	95.34	0.3	0.2	0.0	-4
Emerging					
USDARS (Argentina)	36.28	1.0	2.4	9.0	49
USDBRL (Brazil)	3.67	1.4	2.2	12.5	-11
USDCLP (Chile)	670.22	-0.1	2.3	2.4	-9
USDCOP (Colombia)	395.8	0.2	1.1	-1.3	-4
USDMXN (Mexico)	16.80	-0.3	1.9	0.2	-4
USDPEN (Peru)	3.33	0.0	-0.2	-0.7	-3
LACT	56.83	0.4	1.9	5.0	-11
USDPLN (Poland)	3.72	0.4	0.8	-1.0	-7
USD RUB (Russia)	65.38	0.0	2.2	4.1	-12
USDTRY (Turkey)	5.99	1.6	8.7	13.0	-33
USDCNY (China)	6.93	-0.2	0.0	-1.0	-6
USDINR (India)	73.61	-0.2	0.8	-1.5	-14
USDIDR (Indonesia)	15,150	0.3	0.3	-1.8	-11
ADXY	104.0	0.2	0.5	-0.6	-6
Commodities (%)					
Brent					
WTX	79.9	-1.8	-3.6	-2	20
Copper	70	-2.7	-4.4	2	16
Gold	276	0.5	-0.4	5	-15
GSI	1227	0.2	2.7	2	-7
S&P Spot commodity *	485	0.2	0.8	5	9
S&P Brent Spot *	690	0.8	-2.1	4	22
S&P Metals Spot *	344	0.5	0.1	4	-13
S&P Agricultural *	294	-0.7	3.2	7	3

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

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