Market Comment | Risk assets recovered despite trade woes

Global Financial Markets Unit
30 Oct 2018

- **Escalating trade disputes between China and the US came to the forefront** after US President Trump threatened to increase tariffs on all remaining Chinese imports by December if no trade deal could be reached in the upcoming Trump-Xi meeting on November 30th (see). Nonetheless, the US president seemed very optimistic about the meeting's outcome. **Furthermore, the latest measures of China's authorities** (see) **continued to show their commitment to financial stability and supporting risk assets.**

- In this context **core yields remained broadly steady**: US Treasury 10Y yields remained at 3.10% while in Europe a slew of economic indicators had only a very slight effect on the 10Y Bund yield, which remained below its 0.40% threshold.

- **The release of worse-than-expected preliminary EZ 3Q18 GDP figures**(see)**and inflation figures for Germany**(see) **in line with expectationsshowed divergent signals,** while European confidence indicators continued to decline somewhat (see). **Italy's risk premium widened after poor growth data**(see) without clear contagion to other peripheral countries' risk premia.

- Against this backdrop, **US indices rebounded today after recent drops**, helped by technology stocks and some positive company earnings reports (see), while European markets registered timid losses. However, volatility still remains at its highest recent bound. **Chinese equity indices rebounded from yesterday's sharp fall.**

- **The USD continued its upward trend** against its main peers **and the EUR remained under pressure** at levels below 1.14 USD/EUR. Meanwhile, EM FX markets were mixed: the **Turkish lira continued to appreciate against the US dollar** and the COP underperformed other EM currencies. The MXN was steady despite the release of positive Mexican GDP growth data for 3Q18 (see). The decline in crude oil prices added more pressure to Latam currencies.

Table 1
Update 17:50 CET October 30

Debt markets (10Y, %, changes in bp)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.84	2.2	-4.0	2	92
US	3.10	1.9	-6.4	4	64
GER (2-yr)	-0.63	-0.2	-2.0	-10	-2
Germany	0.37	-0.7	-3.9	-10	-15
France	0.74	0.2	-4.2	-6	-8
Spain	1.57	2.5	9.4	7	-10
Italy	3.48	14.2	-11.3	33	138
Portugal	1.88	1.0	-12.2	1	-13
Greece	4.25	4.4	-6.4	7	15
Japan (2-yr)	-0.12	-0.2	-1.2	-1	1
Japan	0.12	1.2	-3.0	1	7

Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.17	-18.3	-11.2	-159	-9
Chile	4.57	-0.5	-2.0	2	5
Colombia	7.23	2.9	15.5	34	79
Mexico	8.69	-2.9	37.2	76	111
Peru	5.52	4.7	8.5	18	64
Poland	3.18	3.1	-2.8	-6	-13
Russia	8.70	0.1	6.2	1	106
Turkey	17.14	-18.0	-163.0	-4	578
India	7.83	2.4	-5.7	-19	45
Indonesia	8.63	-1.4	-3.5	51	233

Country risk (bp, changes in bp)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	37	0.9	-0.3	4	7
Italy	311	14.9	-7.4	43	154
Portugal	151	1.7	-8.3	11	3
Spain	120	3.2	-5.5	17	5
2-yr sovereign spread vs Germany					
France	20	-0.1	0.3	4	4
Italy	176	18.1	-7.5	21	140
Portugal	50	1.3	-1.0	6	0
Spain	42	-0.1	-4.0	9	15

Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	209	3.5	0	-45	48
Chile	52	1.0	2	8	3
Colombia	129	3.2	3	18	24
Argentina	624	13.8	-2	94	385
Mexico	139	5.3	6	27	32
Peru	82	1.1	2	9	10
Poland	67	0.4	0	2	18
Russia	145	-3.8	-6	1	27
Turkey	381	-8.6	-9	12	217
China	72	-0.3	5	16	22
India	113	0.8	3	9	44
Indonesia	158	0.0	10	27	72

Risk indicators

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	24	0.6	3	12	14
VSTOXX	22	-0.1	1	7	9
EM EFT volatility Index	30	-2.0	2	10	13
Dollar/euro volatility	7	0.0	0	0	1
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bps)	200	-1.7	4	17	22
US bonds volatility index	60	-2.9	5	14	11

Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.29	-	-8	-15	-3
EZ Inflation expectations (5Y5Y)	1.66	-	-1	-4	-6

Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	61	-0.1	4	12	19
EZ	106	-2.9	5	25	67
UK	70	-2.1	1	1	29
Large Spanish	80	-1.8	1	16	44
Medium Spanish	105	1.4	3	12	30

Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	177	-0.1	4	12	19
EZ Non-financial	85	-2.9	5	25	67
UK Non-financial	106	-0.6	3	4	14

Interbank markets (%, changes in bp)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-2	0
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	1	4
Libor 3m	2.53	1	4	13	83
Libor 12m	3.06	1	3	15	96

Stock markets (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.658	0.6	-3.0	-8.8	-1
Dow Jones	24.638	0.8	-2.2	-6.9	-1
Nikkei	21.457	1.5	-2.5	-11.0	-6
FTSE 100	7.045	0.3	1.3	-6.2	-8
EuroStoxx 50	3.152	-0.1	0.3	-7.3	-10
IBEX	8.828	0.1	1.2	-6.0	-12
DAX	11.308	-0.2	0.3	-7.7	-12
CAC	4.984	-0.1	0.3	-9.3	-6
MIB	19.028	-0.1	1.2	-8.1	-13
ASE Athens	637	-0.5	2.8	-8.0	-22
MSCI Latam *	85,340	-2.4	-3.2	-1.7	0
Ibovespa (Brazil)	86,409	2.1	1.3	8.9	11
Mexbol (Mexico)	43,565	-0.7	-6.2	-12.0	-13
Merval (Argentina)	29,417	1.8	3.7	-12.1	-5
MSCI EM Europe *	5,167	0.9	-1.2	-7.3	-4
Poland	2,123	0.9	-1.2	-7.1	-14
Micex 10 (Russia)	4,132	0.2	0.0	-7.8	0
Ise 100 (Turkey)	90,000	-0.6	-3.7	-10.0	-23
MSCI EM Asia *	765	-0.4	-5.1	-12.4	-17
Shanghai Com (China)	2.568	1.0	-1.0	-9.0	-23
Jakarta (Indonesia)	5.789	0.1	-0.9	-2.4	-9

Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	132.1	0.2	-1.2	-7.4	-11
JPM	105.4	0.5	0.1	-6.6	-2
Citi	64.2	-0.2	-2.3	-10.5	-14
BoA	26.5	-0.5	-2.0	-10.1	-11
MS	44.0	0.2	-1.1	-5.4	-16
GS	216.8	1.1	-0.8	-3.3	-15
EZ banks	78.3	-1.1	-2.2	-10.8	-28
BNP	46.0	-3.1	-3.3	-12.7	-26
Crédit Agricole	11.2	-1.4	-3.3	-9.8	-20
Deutsche Bank	8.6	0.0	-7.7	-12.6	-46
ING	10.4	0.0	0.1	-7.4	-32
Intesa	2.0	0.1	1.5	-9.2	-27
SG	32.1	-1.5	-4.3	-13.1	-26
Unicredito	11.4	-0.5	1.0	-12.1	-27
UK banks	77.2	-0.1	2.5	-4.2	-16
HSBC	637.4	0.6	5.1	-4.8	-17
RBS	232.8	1.2	0.0	-6.9	-16
Barclays	170.0	-1.7	2.6	-1.0	-16
Lloyds	57.0	-0.3	1.0	-3.9	-16
Large Spanish banks	61.8	-1.4	0.2	-7.1	-27
Santander	4.1	0.2	2.3	-4.7	-24
BBVA	5.0	-2.9	-1.6	-9.2	-30
Medium Spanish banks	62.0	1.6	1.2	-12.0	-19
Caixabank	3.6	1.3	3.0	-9.6	-10
Sabadell	1.1	3.0	5.7	-15.1	-32
Bankinter	7.2	1.8	0.6	-8.9	-9
Bankia	2.7	0.4	-4.1	-19.2	-32

Currencies (%, red for currency depreciation)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.136	-0.2	-1.0	-2.1	-6
GBPUSD	1.27	-0.6	-2.1	-2.4	-6
USDJPY	112.83	0.4	-0.3	0.8	0
DXY	96.84	0.3	0.9	1.8	5

Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	36.76	0.4	-0.4	12.4	-50
USDBRL (Brazil)	3.72	0.0	-0.7	8.9	-12
USDCLP (Chile)	693.63	-0.5	-1.4	-5.3	-13
USDCOP (Colombia)	3205	-0.6	-2.8	-8.1	-9
USDMXN (Mexico)	20.07	0.0	-3.8	-6.7	-3
USDPEN (Peru)	3.36	-0.2	-0.8	-1.7	-4
LACI	54.88	-0.1	-2.1	0.6	-14
USDPLN (Poland)	3.81	-0.2	-1.8	-3.3	-9
USDRUB (Russia)	65.60	0.4	-0.1	-0.1	-12
USDTRY (Turkey)	5.49	1.3	4.5	10.3	-31
USDCNY (China)	6.97	-0.1	-0.4	-1.4	-7
USDINR (India)	73.68	-0.3	-0.1	-1.6	-14
USDIDR (Indonesia)	15,224	0.0	-0.2	-2.1	-11
ADXY	103.4	0.1	-0.4	-1.4	-6

Commodities (%)

	level	Daily	Weekly	Monthly	YTD
Brent	75.9	-1.8	-0.7	-8	14
WTx	66	-1.1	-0.2	-9	10
Copper	267	-2.4	-2.7	-4	-18
Gold	1223	-0.6	-0.6	3	7
S&P Spot commodity *	465	-0.6	0.3	-4	5
S&P Brent Spot *	658	-0.4	1.6	-6	16
S&P Metals Spot *	336	-0.6	-1.3	-3	-15
S&P Agricultural *	286	-0.8	-1.5	3	1

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Source: Bloomberg, Datastream and Haver

BBVA Research

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UK Non-financial	106	-0.6	3	4	14

Interbank markets (%, changes in bp)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-2	0
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	1	4
Libor 3m	2.53	1	4	13	83
Libor 12m	3.06	1	3	15	96

Stock markets (%)

Main indices	level	Daily	Weekly	Monthly	YTD
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Nikkei	21,457	1.5	-2.5	-11.0	-6
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IBEX	8,828	0.1	1.2	-6.0	-12
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ASE Athens	637	-0.5	2.8	-8.0	-22
MSCI Latam *	85,340	-2.4	-3.2	-1.7	0
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Mexbol (Mexico)	43,565	-0.7	-6.2	-12.0	-13
Merval (Argentina)	29,417	1.8	3.7	-12.1	-5
MSCI EM Europe *	5,167	0.9	-1.2	-7.3	-4
Poland	2,123	0.9	-1.2	-7.1	-14
Micex 10 (Russia)	4,132	0.2	0.0	-7.8	0
Ise 100 (Turkey)	90,000	-0.6	-3.7	-10.0	-23
MSCI EM Asia *	765	-0.4	-5.1	-12.4	-17
Shanghai Com (China)	2,568	1.0	-1.0	-9.0	-23
Jakarta (Indonesia)	5,789	0.1	-0.9	-2.4	-9
Banking sector	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
US banks	132.1	0.2	-1.2	-7.4	-11
JPM	105.4	0.5	0.1	-6.6	-2
Citi	64.2	-0.2	-2.3	-10.5	-14
BoA	26.5	-0.5	-2.0	-10.1	-11
MS	44.0	0.2	-1.1	-5.4	-16
GS	216.8	1.1	-0.8	-3.3	-15
EZ banks	78.3	-1.1	-2.2	-10.8	-28
BNP	46.0	-3.1	-3.3	-12.7	-26
Crédit Agricole	11.2	-1.4	-3.3	-9.8	-20
Deutsche Bank	8.6	0.0	-7.7	-12.6	-46
ING	10.4	0.0	0.1	-7.4	-32
Intesa	2.0	0.1	1.5	-9.2	-27
SG	32.1	-1.5	-4.3	-13.1	-26
Unicredito	11.4	-0.5	1.0	-12.1	-27
UK banks	77.2	-0.1	2.5	-4.2	-16
HSBC	637.4	0.6	5.1	-4.8	-17
RBS	232.8	1.2	0.0	-6.9	-16
Barclays	170.0	-1.7	2.6	-1.0	-16
Lloyds	57.0	-0.3	1.0	-3.9	-16
Large Spanish banks	61.8	-1.4	0.2	-7.1	-27
Santander	4.1	0.2	2.3	-4.7	-24
BBVA	5.0	-2.9	-1.6	-9.2	-30
Medium Spanish banks	62.0	1.6	1.2	-12.0	-19
Caixabank	3.6	1.3	3.0	-9.6	-10
Sabadell	1.1	3.0	5.7	-15.1	-32
Bankinter	7.2	1.8	0.6	-8.9	-9
Bankia	2.7	0.4	-4.1	-19.2	-32

Currencies (%, red for currency depreciation)

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GBPUSD	1.27	-0.6	-2.1	-2.4	-6
USD.JPY	112.83	-0.4	-0.3	0.8	0
DXY	96.84	0.3	0.9	1.8	5
Emerging	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
USD ARS (Argentina)	36.76	0.4	-0.4	12.4	-50
USD BRL (Brazil)	3.72	0.0	-0.7	8.9	-12
USD CLP (Chile)	693.63	-0.5	-1.4	-5.3	-13
USD COP (Colombia)	3205	-0.6	-2.8	-8.1	-9
USD MXN (Mexico)	20.07	0.0	-3.8	-6.7	-3
USD PEN (Peru)	3.36	-0.2	-0.8	-1.7	-4
LACI	54.88	-0.1	-2.1	0.6	-14
USD PLN (Poland)	3.81	-0.2	-1.8	-3.3	-9
USD RUB (Russia)	65.60	0.4	0.1	-0.1	-12
USD TRY (Turkey)	5.49	1.3	4.5	10.3	-31
USD CNY (China)	6.97	-0.1	-0.4	-1.4	-7
USD INR (India)	73.68	-0.3	-0.1	-1.6	-14
USD IDR (Indonesia)	15,224	0.0	-0.2	-2.1	-11
ADXY	103.4	0.1	-0.4	-1.4	-6

Commodities (%)

	level	Daily	Weekly	Monthly	YTD
Brent	75.9	-1.8	-0.7	-8	14
WTx	66	-1.1	-0.2	-9	10
Copper	267	-2.4	-2.7	-4	-18
Gold	1223	-0.6	-0.6	3	-7
S&P Spot commodity *	465	-0.6	0.3	-4	5
S&P Brent Spot *	658	-0.4	1.6	-6	16
S&P Metals Spot *	336	-0.6	-1.3	-3	-15
S&P Agricultural *	286	-0.8	-1.5	3	1

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