

Market Comment | Cautious tone in markets at the start of the week. FOMC preview

Global Financial Markets Unit
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- **Cautious mood in financial markets at the beginning of the week** after US officials downplayed a potential quick trade deal with China. This week, investors' focus will be on **two key events in the US: tomorrow's mid-term elections and the FOMC's meeting** later this week, in which we do not expect any change in its monetary policy stance (see FOMC preview below).
- In this context, core yields were mixed: the **US Treasury 10Y yield inched down** but remained close to the 3.20% threshold ahead of significant events this week in the country and despite the release of better than-expected confidence data ([see](#)). Meanwhile, **in Europe the 10Y Bund yield was flat** and peripheral risk premia were unchanged.
- In equity markets, **US and European stocks were flat**. However in Asia, **the release of the lower-than-expected Caixin Services PMI index for China weighed on its equity indices**([see](#)), also dragged down by worries on trade disputes with the US.
- **The USD depreciated slightly ahead of Thursday's FOMC meeting** and some EM currencies were able to benefit from it. The MXN appreciated despite ongoing idiosyncratic factors and the **TRY outperformed** despite the release of a higher-than-expected inflation figure in Turkey ([see](#)).
- **Crude oil prices recovered some ground today despite US sanctions on Iran coming into effect.** The announcement from the US of exemptions for eight countries from Iranian crude oil sanctions, allowing them to continue importing Iranian oil for the short term, favoured this commodity price ([see](#)).

FOMC preview:

At its November meeting, we expect the Fed to maintain its benchmark rate at 2.0-2.25%. Labour market conditions remain auspicious and inflation remains near the Fed's 2% target despite a rise in equity market volatility and the drop in prices. In terms of long-term rates, the nontrivial rise over the month will likely be viewed as a positive development by most committee members despite the impact that higher borrowing costs could have on the level of financial accommodation. While Fed communication could incorporate a slightly less hawkish bias, we continue to expect the Fed to raise rates for the fourth time this year at its December meeting. If the correction in asset prices intensifies and the effect of reduced financial accommodation extends beyond financial markets, we could see the committee contemplating a slightly less aggressive normalization path.

Table 1

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Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.90	0.4	8.3	3	95
US	3.19	-2.7	10.1	0	72
GER (2 yr)	0.61	0.6	1.4	-9	0
Germany	0.42	-0.4	4.7	-11	-10
France	0.29	0.4	4.7	-9	-3
Spain	1.37	0.5	2.4	1	-10
Italy	3.33	0.8	0.8	0	123
Portugal	1.89	0.1	1.1	-3	-12
Greece	4.29	-1.6	7.8	-21	18
Japan (2 yr)	-0.13	0.0	-0.7	-2	0
Japan	0.13	-0.1	1.8	-3	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.15	3.5	-20.3	-105	-11
Chile	4.54	1.7	3.2	-1	3
Colombia	7.19	0.0	-0.9	22	75
Mexico	8.61	-17.8	-10.3	60	104
Peru	5.56	1.0	9.0	22	69
Poland	3.19	-3.3	4.1	-13	-12
Russia	8.67	0.0	-2.6	-16	103
Turkey	15.71	-138.0	-161.0	-380	435
India	7.81	2.9	0.0	-35	42
Indonesia	8.34	0.1	30.0	-12	204
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	37	0.8	0.0	2	6
Italy	291	1.2	-5.5	11	133
Portugal	146	0.5	-3.6	8	-3
Spain	114	-0.1	-2.3	11	-1
2 yr sovereign spread vs Germany					
France	19	0.2	-1.2	1	3
Italy	150	2.6	-7.9	-21	114
Portugal	47	-0.8	-1.7	5	-3
Spain	46	2.3	3.6	12	19
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS*					
Brazil	196	-2.4	9	-45	36
Chile	51	-1.1	0	9	2
Colombia	123	-3.1	-3	14	18
Argentina	571	-9.1	-38	-10	333
Mexico	138	-3.2	4	30	31
Peru	80	-1.6	-1	9	8
Poland	68	0.5	1	1	20
Russia	144	-2.7	-5	7	26
Turkey	371	-13.6	-19	-27	207
China	67	-4.5	-6	10	16
India	111	-2.1	-1	7	42
Indonesia	150	-6.7	-8	17	64
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	0.9	-4	6	11
VSTOXX	18	-0.5	-4	2	5
EM CT volatility index	28	-0.1	-4	-5	13
Dollar/euro volatility	7	0.2	0	0	1
EM FX volatility index	10	0.2	0	-1	2
Credit spread (BAA)(change in bps)	205	-7.7	4	21	23
US bonds volatility index	61	2.9	2	6	12
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.40	-	2	-2	6
EZ Inflation expectations (5Y5Y)	1.69	-	3	0	-5
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	56	1.8	-5	8	14
EZ	99	-3.9	-10	9	60
UK	66	-0.2	-6	-4	25
Large Spanish	73	-2.3	-9	-1	37
Medium Spanish	104	0.3	1	14	29
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	169	-1.8	-5	8	14
EZ Non-financial	80	-3.9	-10	9	60
UK Non-financial	104	-1.5	-3	4	11
Interbank markets (%, changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	1	0	1
Euro3 3m	-0.32	0	0	0	1
Carbon 12m	-0.15	0	0	1	4
Libor 3m	2.59	1	7	18	90
Libor 12m	3.10	1	5	18	100
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,727	0.1	3.2	6.0	1
Dow Jones	25,382	0.4	3.8	4.7	2
Nikkei	21,899	-1.5	3.5	8.7	-4
FTSE 100	7,112	0.3	1.2	6.1	-7
EuroStoxx 50	3,218	0.1	2.0	-4.6	8
IBEX	9,016	0.3	2.2	-3.2	-11
DAX	11,495	-0.2	1.4	-6.1	-11
CAC	5,192	0.0	2.3	-6.7	-4
MIB	19,296	-0.5	1.3	-6.4	-12
MSCI Africa	619	-0.1	-3.2	8.5	-24
MSCI Latam*	89,334	0.0	2.1	0.9	4
Ibovespa (Brazil)	89,272	1.0	6.5	7.6	15
Mexico (Mexico)	46,296	1.9	5.5	4.9	-7
Merval (Argentina)	31,081	-1.1	7.6	0.5	0
MSCI EM Europe*	5,321	1.0	3.9	4.2	-1
Poland	2,234	1.6	6.2	-1.8	9
Moscow 10 (Russia)	4,255	0.0	3.2	-4.0	3
Ise 100 (Turkey)	95,948	1.9	6.0	1.5	-18
MSCI EM Asia*	614	2.5	6.0	5.0	-12
Shanghai Com (China)	2,665	-0.4	4.9	5.5	-20
Jakarta (Indonesia)	5,921	1.5	2.3	0.9	-7
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	138.0	0.3	-4.7	-5.2	-7
JPM	108.7	0.3	3.7	-5.7	1
Cit	67.0	1.6	4.1	-7.8	-10
BofA	28.0	0.5	3.1	-7.9	-6
MS	46.0	0.0	4.6	-2.8	-12
GS	272.2	3.1	5.9	-9.1	-11
EZ banks					
BNP	65.0	0.4	2.1	-7.4	-26
BNP	46.5	-0.2	2.0	-11.1	25
Credit Agricole	11.6	-0.1	2.3	-8.6	-17
Deutsche Bank	9.2	-0.1	6.8	-5.9	-42
ING	11.3	0.2	9.0	1.7	-26
Intesa	2.0	-1.7	-1.2	-8.3	-28
SIF	33.2	0.1	1.6	-10.4	-23
Unicredit	11.6	-1.6	1.5	-7.8	-26
UK banks					
RBS	79.0	-0.8	2.3	-2.1	-14
HSBC	641.2	0.8	1.2	-4.4	-16
RBS	242.8	-0.5	5.5	-2.6	-12
Barclays	175.0	-0.4	1.2	0.4	-14
Lloyds	58.6	-1.4	2.6	0.5	-13
Large Spanish banks					
Santander	64.2	0.3	2.4	-1.8	-24
Santander	4.3	-0.4	3.4	-2.0	-22
BBVA	5.2	0.9	1.5	-1.6	-26
Medium Spanish banks					
CaixaBank	64.0	0.8	4.8	-9.8	-17
Sabadell	3.6	0.9	2.4	-8.4	-9
Sabadell	1.2	0.4	8.1	-8.4	-29
Bankinter	7.4	0.6	4.8	-9.2	-6
Bankia	2.9	1.7	6.0	-15.2	-29
Currencies (% , not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.140	0.1	0.2	1.0	-5
GBPUSD	1.30	0.4	1.8	0.0	-4
USDJPY	113.20	0.0	-0.7	0.6	-1
DX1Y	96.39	-0.2	-0.2	0.7	5
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	35.51	0.0	3.9	8.0	48
USDRL (Brazil)	3.72	-0.4	0.1	4.3	-12
USDCLP (Chile)	679.61	0.9	1.6	0.6	-11
USDCOP (Colombia)	3184	0.0	0.1	4.9	-8
USDMXN (Mexico)	19.96	0.2	0.5	-4.3	-2
USDPEN (Peru)	3.36	-0.2	0.3	-1.1	-4
LACI	55.35	0.1	0.7	0.1	-13
USDPLN (Poland)	3.78	0.1	0.7	-0.9	9
USDINR (India)	66.07	0.2	0.3	1.3	-13
USDTRY (Turkey)	5.35	1.5	3.9	15.2	-30
USD CNY (China)	6.93	0.5	0.5	-0.8	-6
USDIDR (Indonesia)	73.13	0.9	0.4	0.6	-13
USDIDR (Indonesia)	14,977	-0.1	1.6	1.3	-10
ADXY	104.2	0.2	0.9	0.2	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	73.3	0.7	5.2	-13	10
WTX	63	0.6	5.3	-15	5
Copper	275	-1.8	0.5	0	-15
Gold	1230	-0.3	0.0	2	-7
S&P Spot commodity*	451	-0.1	-3.2	8	2
S&P Brent Spot*	620	-0.1	-5.9	-14	9
S&P Metals Spot*	338	1.7	0.6	-4	-14
S&P Agricultural*	291	0.8	1.6	2	2

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

Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.90	0.4	6.3	3	93
US	3.19	2.7	10.1	0	72
GER (2-yr)	-0.61	0.6	1.4	-9	0
Germany	0.42	-0.4	4.7	-11	-10
France	0.79	0.4	4.7	-9	-3
Spain	1.97	0.5	2.4	1	-10
Italy	3.33	0.8	-0.8	0	123
Portugal	1.89	0.1	1.1	-3	-12
Greece	4.29	-1.6	7.8	-21	18
Japan (2-yr)	-0.13	0.0	-0.7	-2	0
Japan	0.13	-0.1	1.8	-3	5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.15	3.5	20.3	-105	-11
Chile	4.54	-1.7	-3.2	-1	-3
Colombia	7.19	0.0	-0.9	22	75
Mexico	8.61	-17.8	-10.3	60	104
Peru	5.56	1.0	9.0	22	69
Poland	3.19	-3.3	4.1	-13	-12
Russia	8.67	0.0	-2.2	-16	103
Turkey	15.71	-18.0	-161.0	-380	435
India	7.81	2.9	0.0	-35	42
Indonesia	8.24	0.1	-30.0	-12	204
Country risk (bp changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets					
10-yr sovereign spread vs Germany					
France	37	0.8	0.0	2	6
Italy	291	1.2	-5.5	11	133
Portugal	146	0.5	-3.6	8	-3
Spain	114	-0.1	-2.3	11	-1
2-yr sovereign spread vs Germany					
France	19	0.2	-1.2	1	3
Italy	150	2.6	-7.5	-21	114
Portugal	47	0.8	-1.7	5	-3
Spain	46	-2.3	3.6	12	19
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	196	-2.4	-9	-45	36
Chile	51	-1.1	0	9	2
Colombia	123	-3.1	-3	14	18
Argentina	571	-9.1	-38	-10	333
Mexico	138	-3.2	4	30	31
Peru	80	-1.6	-1	9	3
Poland	68	0.5	1	1	20
Russia	144	-2.7	-5	7	26
Turkey	371	-13.8	-19	-27	207
China	67	-4.9	-6	10	16
India	111	-2.1	-1	7	42
Indonesia	150	-6.7	-8	17	64
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in bp)					
VIX	20	0.9	-4	6	11
VSTOXX	18	-0.5	-4	2	5
EM EFT volatility Index	29	-0.1	-4	5	11
Dollar/euro volatility	7	0.2	0	0	1
EM FX volatility index	10	0.2	0	-1	2
Credit stress (BAA) (change in bp)	205	-2.7	4	21	78
US bonds volatility index	61	2.9	2	6	12
Interest rate expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (CY5Y)					
US	2.40	-	-2	-	-
EZ Inflation expectations (CY5Y)					
EZ	1.69	-	3	0	-5
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	1.8	-5	8	14
EZ	99	-3.9	10	9	60
UK	66	-0.2	-6	-4	25
Large Spanish	73	-2.3	-9	-1	37
Medium Spanish	104	0.3	1	14	29
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	169	-1.8	-5	8	14
EZ Non-financial	80	-3.9	-10	9	60
UK Non-financial	104	-1.5	-3	-4	11
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	1	0	-1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	1	4
Libor 3m	2.99	1	7	18	90
Libor 12m	3.10	1	5	18	100
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,727	0.1	3.2	6.0	1
Dow Jones	25,302	0.4	3.8	4.7	2
Nikkei	21,899	-1.5	3.5	-8.7	-4
FTSE 100	7,112	0.3	1.2	-4.1	-7
Euro Stoxx 50	3,218	0.1	2.0	-4.6	-9
IBEX	9,016	0.3	2.2	-3.2	-11
DAX	11,495	-0.2	1.4	-6.1	-11
CAC	5,102	0.0	2.3	-8.7	-4
MI8	19,296	0.5	1.3	-6.4	-12
ASE Athens *	619	-0.1	-3.3	-8.5	-24
MSCI Latin *	89,334	0.0	2.1	0.9	4
Bovespa (Brazil)	89,272	1.0	6.8	7.6	15
Mexbol (Mexico)	46,296	1.9	5.5	-4.9	-7
Mercol (Argentina)	31,081	-1.1	7.6	0.5	0
MSCI EM Europe *	5,221	1.0	3.9	-4.2	-1
Poland	2,234	1.6	6.2	-1.8	-9
Mosx 10 (Russia)	4,255	0.0	3.2	-4.0	-3
Isx 100 (Turkey)	95,948	1.9	6.0	1.5	-18
MSCI EM Asia *	814	2.5	6.0	-5.0	-12
Shanghai Com (China)	2,665	-0.4	4.9	5.5	-20
Jakarta (Indonesia)	5,921	1.5	2.3	0.9	-7
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	138.0	0.3	4.7	-5.2	-7
WFC	106.7	0.3	3.7	-5.7	-11
CS	67.0	1.6	-4.1	-7.8	-10
BoA	28.0	0.5	5.3	-7.9	-6
MS	46.0	0.0	4.6	-2.8	-12
GS	2,272.2	11.1	5.8	-0.1	111
EZ banks					
BNP	81.0	-0.4	2.3	-7.4	-26
BNP	46.5	-0.2	-2.0	-11.1	-25
Credit Agricole	11.6	-0.1	2.1	-8.6	-17
Deutsche Bank	9.2	-0.1	6.9	-5.9	-42
ING	11.3	0.2	9.0	1.7	-26
Intesa	2.0	1.7	-1.2	-8.9	-28
SG	33.2	0.1	1.6	-10.4	-23
Unicredit	11.6	1.6	1.5	-7.8	-26
UK banks					
HSBC	79.0	0.8	2.3	-2.1	-14
HSBC	641.2	-0.8	1.2	-4.4	-16
RBS	242.8	-0.5	5.5	-2.6	-12
Barclays	175.0	-0.4	1.2	0.4	-14
Lloyds	58.6	-1.4	2.6	-0.5	-13
Large Spanish banks					
Santander	64.2	0.3	2.4	-1.8	-24
Santander	4.3	0.4	3.4	-2.0	-22
BBVA	5.2	0.9	1.5	-1.6	-26
Medium Spanish banks					
Cajabank	64.0	0.8	4.8	-9.8	-17
Cajabank	3.6	0.9	2.4	-6.4	-9
Sabadell	1.2	0.4	8.1	-8.4	-29
Bankinter	7.4	0.6	4.8	-9.2	-6
Bankia	3.9	1.7	6.0	-15.2	-29
Currencies (% ind for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1,140	0.1	0.2	1.0	-5
GBPUSD	1,130	0.4	1.8	0.0	-4
USDJPY	113.20	0.0	-0.7	0.6	-1
DXF	96.39	-0.2	0.2	0.7	5
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)					
USDARS	35.51	0.0	3.9	8.0	48
USDBRL (Brazil)	3.72	0.4	0.1	4.3	-12
USDCLP (Chile)	679.61	0.9	1.6	-0.6	-11
USDCOP (Colombia)	318.4	0.0	0.1	-4.9	-9
USDMXN (Mexico)	19.96	0.2	0.5	-4.3	-2
USDPEN (Peru)	3.36	-0.2	-0.3	-1.1	-4
LACT	55.35	0.1	0.7	0.1	-13
USDPLN (Poland)	3.78	0.1	0.7	0.9	-9
USD RUB (Russia)	66.07	0.2	-0.3	1.3	-13
USDTRY (Turkey)	5.35	1.5	3.8	15.2	-20
USD CNY (China)	6.93	-0.5	0.5	-0.8	-6
USD INR (India)	73.13	-0.9	0.4	0.6	-13
USD IDR (Indonesia)	14,977	-0.1	1.6	1.3	-10
ADXY	104.2	-0.2	0.9	0.2	-5
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent					
WtX	73.3	0.7	-5.2	-13	10
Copper	63	0.6	5.3	-15	5
Copper	275	1.8	0.5	0	-15
Gold	1,230	-0.3	0.0	2	-7
S&P Spot commodity *	451	-0.1	-3.2	-9	2
S&P Brent Spot *	620	-0.1	-5.3	-14	-9
S&P Metals Spot *	338	1.7	0.6	4	-14
S&P Agricultural *	291	0.8	1.6	2	2

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Source: Bloomberg, Datastream and Haver

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