

# Market Comment | Rally in stocks market after US mid-term elections

Global Financial Markets Unit  
07 Nov 2018

- **Positive mood in financial markets after the outcome of the US mid-term elections** in which the Democrats won the House of Representatives and Republicans held control of the Senate ([see](#)). Focus remained on the US ahead of the upcoming Fed policy meeting at which it is expected to keep its interest rate unchanged.
- In this context, **equity markets rose in the US and Europe**, the latter favoured by positive company earnings results ([see](#)), while the implied volatility in the S&P500 (VIX) decreased to 17%. However, main equity indices in Asian fell slightly.
- **The US Treasury 10Y yield increased after the outcome of the US elections, but it inched down as the session went by.** Meanwhile in Europe, the 10Y Bund yield continued slightly above 0.40%. Spanish and Portuguese risk premiums remained unchanged, while Italy's risk premium decreased, returning below 300 bps despite ongoing uncertainty about Italy's 2019 budget plan.
- **The USD depreciated** after the outcome of the US mid-term elections, **allowing the EUR to recover some ground** (it was hovering around 1.15 USD/EUR today). Some EM currencies benefited from the weakness of the US dollar, however in Latam, the ARS and the MXN depreciated. The BRL appreciated slightly favoured by the release of lower-than-expected inflation data ([see](#)).
- **China's FX reserves for October fell by more than expected**, which is another sign of the current support of the authorities. In this context, the CNY remained stable while equity indices reflected only small losses ([see](#)).
- **Crude oil prices continued to fall below \$73 per barrel** after the release of an increase in the US crude supplies ([see](#)). News about the possibility of cuts in oil output in 2019 from the two biggest producers of crude oil (Saudi Arabia and Russia) ([see](#)) had a muted effect on markets.

Table 1

Update 17:55 CET November 07

Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.93	0.4	6.5	5	101
US	3.18	-4.4	4.0	-5	72
GER (2 yr)	0.59	1.7	3.3	-4	3
Germany	0.45	1.3	6.2	-8	-8
France	0.81	1.2	6.2	-6	-1
Spain	1.60	1.8	5.4	1	-7
Italy	3.34	6.0	9.0	-23	124
Portugal	1.89	3.2	5.7	-4	-8
Greece	4.31	7.2	7.2	-33	20
Japan (2 yr)	-0.13	0.1	0.4	-1	1
Japan	0.12	0.8	0.4	-3	8
Emerging Markets					
Brazil	10.28	2.7	6.5	-5.7	2
Chile	4.54	0.6	2.0	0	7
Colombia	7.10	-6.7	-8.1	12	66
Mexico	6.86	5.5	19.0	54	109
Peru	5.47	-5.7	-11.0	13	60
Poland	3.23	4.9	1.4	-8	-8
Russia	8.80	0.6	12.4	-16	117
Turkey	16.43	24.0	-125.0	-333	507
India	2.80	0.0	-5.4	-18	41
Indonesia	8.11	7.2	43.6	-39	181
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	37	-0.1	0.0	2	7
Italy	289	-7.3	-15.2	-15	132
Portugal	148	-1.8	-0.3	4	16
Spain	116	0.5	-0.8	9	0
2-yr sovereign spread vs Germany					
France	19	-0.4	-0.2	0	3
Italy	149	-4.4	-19.1	-62	112
Portugal	43	-2.8	-5.6	-1	-7
Spain	43	-1.8	-6.4	5	16
Emerging Markets					
5-yr sovereign CDS*					
Brazil	194	0.2	9	-49	34
Chile	50	0.2	-2	4	1
Colombia	121	-0.6	-7	1	16
Argentina	554	-2.8	-61	-79	315
Mexico	136	0.1	-6	16	29
Peru	79	0.1	-3	2	8
Poland	67	-0.3	0	1	19
Russia	141	0.4	-4	9	23
Turkey	361	-3.9	-20	-57	197
China	66	-1.1	-7	5	16
India	111	-1.1	-3	2	42
Indonesia	148	-2.9	-11	4	62
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	17	-2.6	-4	2	8
VSTOIX	16	-1.7	-4	-1	3
EM CT volatility index	25	2.5	-3	2	6
Dollar/euro volatility	7	-0.4	0	-1	0
EM FX volatility index	10	-0.1	0	0	2
Credit spread (BAA)(change in bps)	202	4.4	-2	17	24
US bonds volatility index	59	-0.9	-1	4	10
Inflation expectations (%)					
US Inflation expectations (5Y5Y)	2.37	-	2	-5	5
EZ Inflation expectations (5Y5Y)	1.71	-	4	3	-3
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	54	0.7	-7	4	12
EZ	100	0.7	-8	5	60
UK	67	0.8	-3	-3	27
Large Spanish	73	0.4	-6	-6	37
Medium Spanish	105	-0.7	-3	13	30
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	167	-0.7	-7	4	12
EZ Non-financial	79	0.7	-8	5	60
UK Non-financial	104	-0.3	-2	3	11
Interbank markets (% changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	-2	0	1
Euro3m	-0.32	0	0	0	1
Carbon 12m	-0.15	0	0	1	4
Libor 3m	2.59	0	5	18	90
Libor 12m	3.12	0	5	16	101
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,791	1.3	2.9	-3.2	4
Dow Jones	25,974	1.3	3.4	-1.9	5
Nikkei	22,086	-0.3	0.8	-7.1	-3
FTSE 100	7,117	1.1	-0.2	-1.6	-7
EuroStoxx 50	3,246	1.2	1.5	-1.9	-7
IBEX	9,188	2.0	3.1	-0.3	-9
DAK	11,579	0.8	1.1	-3.1	-10
CAC	5,198	1.2	0.8	-3.1	-8
MI8	19,541	1.4	2.6	-1.6	-11
MSCI Japan	641	0.7	0.1	-0.2	22
MSCI Latam*	90,015	0.9	3.1	3.3	5
Ibovespa (Brazil)	88,190	-0.5	0.9	2.4	13
Mexico (Mexico)	46,809	1.0	6.5	-2.7	-6
Merval (Argentina)	31,266	0.8	6.0	2.4	-
MSCI EM Europe*	5,398	0.6	4.8	-1.0	0
Poland	2,277	2.1	5.8	2.4	-7
Moscow 10 (Russia)	4,408	1.7	4.7	-0.1	-7
Ise 100 (Turkey)	95,493	0.8	5.9	-0.6	-19
MSCI EM Asia*	608	0.3	5.4	2.0	-12
Shanghai Com (China)	2,641	-0.7	1.5	-2.8	-21
Jakarta (Indonesia)	5,240	0.3	2.6	3.6	-7
Lending sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	130	0.2	1.5	-4.4	-7
JPM	109.9	0.2	0.8	-4.7	2
Cit	67.1	0.6	2.5	-7.6	-10
BofA	28.3	0.2	2.8	-6.6	-5
MS	45.9	0.3	0.4	-2.5	-12
GS	227.9	-0.1	1.1	1.1	-11
EZ banks					
BNP	81.6	0.9	3.8	-3.8	-25
BNP	46.7	0.7	1.3	8.6	-25
Credit Agricole	11.4	-0.8	0.7	-7.8	-18
Deutsche Bank	9.2	1.1	6.2	-3.8	-42
ING	11.4	2.0	8.7	5.7	-26
Intesa	2.1	2.7	5.2	1.2	-25
Sf	33.2	0.3	2.1	-8.6	-23
Unicredit	11.8	1.3	4.3	-1.4	-25
UK banks					
Barclays	79.2	0.9	1.4	0.2	-14
RBS	638.1	0.2	-1.1	-2.5	-17
RBS	248.2	1.3	5.0	1.0	-10
Barclays	175.4	1.4	1.7	3.8	-14
Lloyds	58.3	0.9	1.8	0.2	-14
Large Spanish banks					
Santander	64.7	2.1	5.1	0.0	-24
BBVA	4.3	2.4	2.7	-0.5	-21
BBVA	5.2	1.7	7.3	0.6	-26
Medium Spanish banks					
CaixaBank	65.0	2.8	3.8	-6.7	-15
Sabadell	3.7	4.4	3.9	-3.1	-6
Sabadell	1.2	2.5	3.6	-5.3	-28
Bankinter	7.5	2.4	3.8	-7.2	-5
Bankia	2.9	1.8	4.4	-12.8	-28
Currencies (% not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.146	0.3	1.3	0.3	-5
GBPUSD	1.31	0.3	2.8	0.4	-3
USDJPY	113.33	0.1	-0.3	-0.1	-1
DX1Y	95.95	-0.4	-1.2	0.2	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	35.25	-0.3	0.4	4.5	-49
USDARS (Brazil)	3.76	0.1	-1.0	0.5	-13
USDCLP (Chile)	676.25	0.5	3.0	0.8	-10
USDCOP (Colombia)	3139	0.3	2.5	-3.3	-7
USDMXN (Mexico)	19.80	-0.4	2.7	-4.3	-1
USDPEN (Peru)	3.36	0.2	0.3	1.2	-4
LACI	55.33	0.1	1.1	-1.0	-13
USDPLN (Poland)	3.74	0.6	2.6	0.4	-8
USDINR (India)	66.17	0.0	0.4	0.7	-13
USDTRY (Turkey)	5.38	-0.4	3.8	13.6	-30
USDZNY (China)	6.92	0.0	0.8	0.2	-6
USDIDR (Indonesia)	73.00	0.0	1.3	1.5	-13
USDIDR (Indonesia)	14.590	1.5	4.2	4.3	-7
ADXY	104.5	0.2	1.2	0.7	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	72.1	-0.1	4.5	-14	8
WTX	62	-0.5	3.1	-19	2
Copper	275	0.6	3.1	0	-16
Gold	1228	0.0	1.1	3	-7
S&P Spot commodity*	447	-1.0	-2.0	-8	1
S&P Brent Spot*	614	-1.4	-3.9	-14	8
S&P Metals Spot*	332	-0.7	1.2	-3	-16
S&P Agricultural*	290	-0.3	2.2	1	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 10Y	2.93	0.4	6.3	5	101
US	3.18	-4.4	4.0	-5	72
GER (2-yr)	-0.59	1.7	3.3	-4	3
Germany	0.45	1.3	6.2	-8	-8
France	0.81	1.2	6.2	-6	-1
Spain	1.60	1.8	5.4	1	-7
Italy	3.34	-6.0	-9.0	-23	124
Portugal	1.93	3.2	5.7	-4	-8
Greece	4.31	3.5	7.2	-33	20
Japan (2-yr)	-0.13	-0.1	-0.4	-1	1
Japan	0.12	-0.5	-0.4	-3	5
Emerging Markets					
Brazil	10.28	2.7	6.5	-5.7	-2
Chile	4.54	0.5	-2.0	0	2
Colombia	7.10	-6.7	-8.1	12	66
Mexico	8.66	5.5	-19.8	34	109
Peru	5.47	-5.7	-11.0	13	60
Poland	3.23	4.9	1.4	-8	-8
Russia	8.80	9.6	12.4	-18	117
Turkey	16.43	24.0	125.0	-333	507
India	7.80	0.0	-5.4	-18	41
Indonesia	8.11	-7.2	-43.6	-39	181
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	37	0.1	0.0	2	7
Italy	289	-7.3	-15.2	-15	132
Portugal	148	1.9	-0.5	4	0
Spain	116	0.5	-0.8	9	0
2-yr sovereign spread vs Germany					
France	19	-0.4	0.2	0	3
Italy	149	-4.4	-19.1	-62	112
Portugal	43	2.8	-9.6	-1	-7
Spain	43	-1.8	-6.4	5	16
Emerging Markets					
5-yr sovereign CDS *					
Brazil	194	0.2	-9	-49	34
Chile	50	0.2	-2	4	1
Colombia	113	0.6	-7	1	16
Argentina	554	-2.8	-61	-79	315
Mexico	136	0.1	-6	16	29
Peru	79	0.1	-3	2	9
Poland	67	0.3	0	1	19
Russia	141	0.4	-4	-9	23
Turkey	361	-3.9	-20	-57	197
China	66	-1.1	-7	-5	16
India	111	-1.1	-3	2	42
Indonesia	148	2.9	-11	4	62
Risk indicators					
Volatility indicators (change in bp)					
VIX	17	-2.6	-4	2	8
VIX CRIX	16	-1.7	-4	-1	3
EMFT volatility Index	25	-2.5	-3	2	6
Dollar/euro volatility	7	-0.4	0	-1	0
EM FX volatility index	10	-0.1	0	0	-2
Credit stress (BAA) (change in bp)	202	4.4	-2	17	44
US bonds volatility index	59	-0.9	-1	4	10
Inflation expectations (%)					
US Inflation expectations (5Y)					
US	2.37	-	2	-5	-
EZ Inflation expectations (5Y)					
EZ	1.71	-	4	3	-3
Banking 5y CDS (bps) *					
US	54	0.7	-7	4	12
EZ	100	0.7	-8	5	60
UK	67	0.8	-3	-3	27
Large Spanish	73	0.4	-6	-6	37
Medium Spanish	105	0.7	-3	13	30
Corporate 5y CDS (bps) *					
US Non-financial	167	-0.7	-7	4	12
EZ Non-financial	79	0.7	-8	5	60
UK Non-financial	104	-0.3	-2	3	11
Interbank markets (% changes in bp)					
EONIA Index	-0.36	0	-2	0	-1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	1	4
Libor 3m	2.99	0	5	16	90
Libor 12m	3.12	0	5	16	101
Stock markets (%)					
Main indices					
S&P500	2,791	1.3	2.9	-3.2	-4
Dow Jones	25,974	1.3	3.4	-1.9	-5
Nikkei	22,086	0.3	0.8	-7.1	-3
FTSE 100	7,117	1.1	0.2	-1.6	-7
Euro Stoxx 50	3,246	1.2	1.5	-1.9	-7
IBEX	9,168	2.0	3.1	-0.3	-9
DAX	11,579	0.8	1.1	-3.1	-10
CAC	5,138	1.2	0.9	-3.1	-9
MI8	19,541	1.4	2.6	-1.6	-11
ASE Athens	641	1.7	0.1	-0.2	-22
MSCI Latam *	90,015	0.9	3.3	3.3	5
Ibovespa (Brazil)	88,190	0.5	0.9	2.4	13
Mercol (Mexico)	46,809	1.0	6.5	-2.7	-6
Mercol (Argentina)	31,266	0.9	6.0	2.4	1
MSCI EM Europe *	5,398	0.6	4.8	-1.0	0
Poland	2,277	2.1	5.8	2.4	-7
Mosc 10 (Russia)	4,408	1.7	4.7	0.1	-7
Isx 100 (Turkey)	95,493	0.8	5.8	0.6	-19
MSCI EM Asia *	808	0.3	5.4	-2.8	-12
Shanghai Com (China)	2,641	0.7	1.5	2.8	-21
Jakarta (Indonesia)	5,940	0.3	2.6	3.5	-7
Banking sector					
US banks					
JPM	138.7	0.2	1.5	-4.4	-7
WFC	109.9	0.2	0.8	-4.7	-2
CS	67.1	0.6	2.5	-7.6	-10
BoA	28.3	0.2	2.8	-6.6	-5
MS	49.9	0.3	0.4	-2.5	-12
GS	227.8	0.1	1.1	1.1	-11
EZ banks					
BNP	81.6	0.9	3.8	-3.8	-25
BNP	46.7	0.7	1.2	-8.6	-25
Credit Agricole	11.4	0.8	0.7	-7.8	-18
Deutsche Bank	9.2	1.1	6.2	-3.8	-42
ING	11.4	2.0	8.7	5.7	-26
Intesa	2.1	2.7	5.2	1.2	-29
SG	33.2	0.3	2.1	-8.6	-23
Unicredit	11.8	1.3	4.3	1.4	-25
UK banks					
HSBC	79.2	0.9	1.4	0.2	-14
HSBC	638.1	0.2	-1.1	-2.5	-17
RBS	248.2	1.3	5.0	1.0	-10
Barclays	175.4	1.4	1.7	3.8	-14
Lloyds	58.3	0.9	1.8	0.2	-14
Large Spanish banks					
Santander	64.7	2.1	5.1	0.0	-24
Santander	4.3	2.4	2.7	0.5	-21
BBVA					
BBVA	5.2	1.7	7.3	0.6	-26
Medium Spanish banks					
Celadbank	69.0	2.8	3.8	-6.7	-15
Celadbank	3.7	4.4	3.8	3.1	-6
Sabadell	1.2	2.5	3.6	-5.3	-28
Bankinter	7.5	2.4	3.8	-7.2	-5
Bankia	2.9	1.8	4.4	-12.8	-28
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1.146	0.3	1.3	0.3	-5
GBPUSD	1.31	0.3	2.8	0.4	-3
USDJPY	113.33	0.1	-0.3	-0.1	-1
DXF	95.95	-0.4	-1.2	0.2	-4
Emerging					
USDARS (Argentina)					
USDARS	35.75	0.3	0.4	4.9	-49
USD BRL (Brazil)					
USD BRL	3.76	0.1	-1.0	0.5	-13
USD CUP (Cuba)					
USD CUP	676.25	0.5	3.0	0.9	-10
USD COP (Colombia)					
USD COP	3139	0.3	2.5	3.1	-7
USD MXN (Mexico)					
USD MXN	19.80	-0.4	2.7	-4.3	-1
USD PEN (Peru)					
USD PEN	3.36	0.2	0.3	-1.2	-4
IACI	55.33	0.1	1.1	-1.0	-13
USD PLN (Poland)					
USD PLN	3.74	0.6	2.6	0.4	-8
USD RUB (Russia)					
USD RUB	66.17	0.0	0.4	0.7	-13
USD TRY (Turkey)					
USD TRY	5.38	0.4	3.8	13.6	-20
USD CNY (China)					
USD CNY	6.92	0.0	0.8	0.2	-6
USD INR (India)					
USD INR	73.00	0.0	1.3	1.5	-13
USD IDR (Indonesia)					
USD IDR	14,590	1.5	4.2	4.3	-7
ADXY	104.5	0.2	1.2	0.7	-5
Commodities (%)					
Brent					
Brent	72.1	-0.1	-4.5	-14	-8
WTX	62	-0.5	-5.3	-17	2
Copper	275	0.6	3.1	0	-16
Gold	1228	0.0	1.1	3	-7
S&P Spot commodity *	447	-1.0	-2.0	-9	1
S&P Brent Spot *	614	-1.4	-3.9	-14	8
S&P Metals Spot *	332	0.7	1.2	-3	-16
S&P Agricultural *	290	-0.3	2.2	1	2

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

---

Fuente: BBVA Research

---

Fuente: BBVA Research

---

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](http://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