

Market Comment | Calm in markets ahead of today's FOMC meeting

Global Financial Markets Unit
08 Nov 2018

- **Calm in financial markets after yesterday's stocks rally due to US mid-term elections and ahead of today's FOMC meeting** in which no changes are expected. Nonetheless, the Fed is likely to reaffirm its message of progressive tightening (next rate hike is expected in December). Moreover, the positive trade data in China have eased trade fears with the US ahead of Xi-Trump talks at the G-20 meeting at the end of this month ([see](#)).
- **Equity markets trimmed early gains:** US and European stocks showed timid losses, however Asian equity indices rose following yesterday's rally in stock markets. Chinese stocks recovered somewhat also favoured by the release of China's October export data which were above expectations, despite trade disputes with the US.
- **Core yields remained little changed:** the US Treasury 10Y yield continued to hover around 3.20% while the release of export data in Germany, which dropped more than expected, had a muted effect on the 10Y Bund yield (currently steady around 0.45%) ([see](#)).
- **Volatility of Italy's risk premium continued ahead of next week's submission of Italy's revised 2019 budget plan.** In this context, today the European Commission announced a cut in its forecast for the Italian economy's growth ([see](#)), fuelling Italy's 10Y yield and widening its risk premium.
- In FX markets, **the USD recovered from yesterday's depreciation**, and the euro depreciated slightly after Draghi showed concerns about global trade tensions ([see](#)). Meanwhile, EM currencies were mixed, with the TRY underperforming other EM currencies. The drop in crude oil prices weighed on most Latam currencies.

Table 1

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Debt markets (% 10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.95	0.4	10.9	7	103
US	3.23	0.9	9.6	2	76
GER (2 yr)	0.58	0.4	3.8	-6	3
Germany	0.46	1.1	5.9	-9	-6
France	0.82	0.9	6.3	-7	0
Spain	1.61	0.9	3.8	1	-6
Italy	3.39	5.7	1.4	-8	130
Portugal	1.84	1.0	5.8	-4	-7
Greece	4.34	2.7	9.9	-25	23
Japan (2 yr)	-0.13	0.6	1.0	-2	0
Japan	0.12	0.1	0.1	-4	-7
Emerging Markets					
Brazil	10.38	14.2	27.2	-34	13
Chile	4.95	3.0	9.3	-1	5
Colombia	7.06	0.1	9.3	12	62
Mexico	6.73	6.4	-5.3	59	116
Peru	5.50	-1.4	-8.6	16	63
Poland	3.27	3.8	5.2	-2	-4
Russia	8.91	10.8	22.7	-7	127
Turkey	16.75	32.0	-105.0	-286	539
India	7.80	0.0	-2.4	-28	41
Indonesia	8.06	5.2	42.7	-35	176
Country risk (bps, changes in bps)					
10-yr sovereign spread vs Germany					
France	36	-0.2	0.4	2	6
Italy	294	4.6	-4.5	1	136
Portugal	148	-0.1	-0.2	6	-1
Spain	115	-0.6	-2.0	10	0
2-yr sovereign spread vs Germany					
France	19	0.1	-0.5	1	3
Italy	153	4.4	-8.4	-38	116
Portugal	43	-0.3	-5.9	0	-7
Spain	44	0.8	-4.9	6	12
Emerging Markets					
5-yr sovereign CDS*					
Brazil	193	0.9	-1.0	-26	33
Chile	49	-1.3	-5	3	0
Colombia	118	-2.5	-11	-3	13
Argentina	555	1.3	-51	-81	317
Mexico	133	-2.9	-12	11	26
Peru	79	-0.9	-5	0	7
Poland	67	0.0	0	1	19
Russia	144	3.1	-2	-11	26
Turkey	355	-5.6	-30	-67	191
China	63	-2.7	-8	-1	13
India	110	0.8	-4	0	43
Indonesia	142	-5.1	-14	-5	57
Risk indicators					
Volatility indicators (change in pp)					
VIX	16	-0.1	-3	0	7
VSTOXX	16	-0.5	-3	-1	3
EM CT volatility Index	24	0.1	-2	1	8
Dollar/Euro volatility	7	0.0	0	-1	0
EM FX volatility index	10	-0.1	0	-1	2
Credit spread (BAA)(change in bps)	119	0.9	-1.0	11	10
US bonds volatility index	53	-5.9	-5	0	4
Inflation expectations (%)					
US Inflation expectations (5Y5Y)	2.30	-	6	-7	6
EZ Inflation expectations (5Y5Y)	1.71	-	4	2	-3
Ranking by CDS (bps)*					
US	52	2.6	-7	1	9
EZ	98	-2.0	-8	0	59
UK	68	0.3	0	-3	27
Large Spanish	70	3.2	-7	-12	34
Medium Spanish	103	-1.7	-2	8	28
Corporate by CDS (bps)*					
US Non-financial	166	-2.6	-7	1	9
EZ Non-financial	77	-2.0	-8	0	59
UK Non-financial	103	-0.6	-4	2	10
Interbank markets (% changes in bps)					
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	2.60	1	4	19	91
Libor 12m	3.13	1	4	17	102
Stock markets (%)					
Main indices					
S&P500	2,812	0.1	2.6	2.4	4
Dow Jones	26,244	0.2	3.4	-0.7	6
Nikkei	22,487	1.8	3.7	-4.2	-1
FTSE 100	7,141	0.3	0.4	-1.3	-7
EuroStoxx 50	3,238	0.3	1.0	-2.5	-7
IBEX	9,177	0.1	2.5	-0.9	-9
DAK	11,527	-0.4	0.5	-3.8	-10
CAC	5,131	0.1	0.9	-3.5	-3
MI8	19,429	-0.6	1.3	-3.2	-11
MSCI Japan	6,411	0.0	3.4	2.3	22
MSCI Latam*	89,737	-0.3	2.0	0.3	5
Ibovespa (Brazil)	87,312	-0.5	-1.3	1.4	12
Mexico (Mexico)	45,789	2.4	0.8	-8.6	-8
Merval (Argentina)	31,592	0.6	0.9	6.7	7
MSCI EM Europe*	5,488	1.7	4.3	0.9	2
Poland	2,263	0.6	3.2	0.5	-2
Mos 10 (Russia)	4,396	-0.3	4.1	0.4	-8
Isx 100 (Turkey)	93,506	2.1	1.2	-3.3	-20
MSCI EM Asia*	611	0.4	3.4	-1.2	-12
Shanghai Com (China)	2,636	-0.2	1.1	-3.3	-21
Jakarta (Indonesia)	5,977	0.9	2.5	3.7	-6
Lending sector					
US banks					
JPM	142.1	1.0	3.5	-1.0	-4
Citi	112.6	1.0	3.3	-1.7	4
Chf	68.9	0.9	4.6	-4.2	-7
BoA	29.1	1.9	4.5	-3.0	-3
MS	46.8	0.4	2.0	1.4	-10
GS	233.3	0.8	2.7	4.6	-9
EZ banks					
ING	81.6	0.0	1.8	-4.4	-25
BNP	46.8	0.1	1.2	8.6	-25
Credit Agricole	11.5	0.8	0.3	-7.8	-18
Deutsche Bank	9.2	-0.3	2.3	-4.7	-13
ING	11.4	0.0	2.9	5.1	-26
Intesa	2.0	-1.3	2.2	2.2	-26
SG	33.9	2.1	3.6	-6.6	-22
Unicredit	11.4	-3.8	0.7	6.3	-28
UK banks					
RSC	80.5	1.7	2.0	2.4	-13
HSC	644.2	1.0	0.6	-1.8	-16
RBS	252.9	1.9	5.1	3.0	-9
Barclays	178.9	2.0	1.9	6.6	-12
Lloyds	59.7	2.4	1.4	4.1	-12
Large Spanish banks					
Santander	64.5	-0.3	2.7	-1.5	-24
BBVA	4.3	-0.1	1.7	-1.6	-21
Cajamar	5.2	0.5	3.7	-1.5	-26
Medium Spanish banks					
CaixaBank	65.0	0.1	3.7	-7.6	-15
Sabadell	3.7	-0.9	5.0	-5.8	-7
Banque	1.2	0.4	3.5	-5.4	-28
Banque	7.5	0.3	2.8	-7.7	-5
Banque	2.9	0.7	4.7	-12.8	-28
Currencies (% net for currency depreciation)					
Developed					
EURUSD	1.142	0.1	0.1	0.6	-5
GBPUSD	1.131	-0.1	0.8	0.2	-3
USDJPY	113.86	-0.3	-1.0	-0.8	-1
DXY	96.29	0.3	0.0	0.6	5
Emerging					
USDARS (Argentina)	35.58	0.2	0.3	4.3	48
USD BRL (Brazil)	3.76	0.5	-1.5	-1.1	-13
USD CIP (Chile)	676.43	0.0	1.8	0.9	-10
USD COP (Colombia)	3150	-0.6	1.4	2.9	-7
USD MXN (Mexico)	20.05	-0.9	0.5	-5.1	-3
USD PEN (Peru)	3.37	-0.2	0.4	1.3	-4
LACI	55.12	-0.5	0.1	-1.5	-13
USD PLN (Poland)	3.75	0.2	1.2	0.0	-8
USD RUB (Russia)	66.59	0.5	1.4	0.5	-14
USD TRY (Turkey)	5.45	-1.7	1.1	11.9	-31
USD CNY (China)	6.93	0.2	0.2	0.2	-6
USD INR (India)	73.00	0.0	0.6	1.9	-13
USD IDR (Indonesia)	14,539	0.4	4.1	4.8	-7
ADXY	104.3	0.2	0.3	0.5	-5
Commodities (%)					
Brent	71.2	-1.2	-2.3	-16	-7
WTX	61	-1.0	-4.2	-19	-1
Copper	273	-0.7	0.4	-2	-16
Gold	1224	0.2	0.7	3	-7
S&P Spot commodity*	447	0.1	-0.2	-10	1
S&P Brent Spot*	613	-0.1	-1.1	-15	8
S&P Metals Spot*	333	0.4	0.3	-4	-15
S&P Agricultural*	291	0.4	0.8	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	2.95	0.4	10.5	10.3	10.3
US	3.23	0.9	9.6	2	7.6
GER (2-yr)	-0.58	0.4	3.9	-5	3
Germany	0.46	1.1	5.9	-9	-6
France	0.82	0.9	6.3	-7	0
Spain	1.61	0.5	2.8	1	-6
Italy	3.39	5.7	1.4	-8	130
Portugal	1.94	1.0	5.6	-4	-7
Greece	4.34	2.7	9.8	-25	23
Japan (2-yr)	-0.13	-0.6	-1.0	-2	0
Japan	0.12	-0.1	0.1	-4	7
Emerging Markets					
Brazil	10.38	14.2	27.2	-34	13
Chile	4.56	3.0	0.5	1	5
Colombia	7.06	-0.1	-9.3	12	62
Mexico	8.73	6.4	-5.9	59	116
Peru	5.50	-1.4	-0.5	16	63
Poland	3.27	3.8	5.2	-2	-4
Russia	8.91	10.8	22.2	-7	127
Turkey	16.25	32.9	105.0	-266	539
India	7.80	0.0	-2.4	-28	41
Indonesia	8.06	-5.2	-42.7	-55	176
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	35	0.2	0.4	2	6
Italy	294	4.6	-4.5	1	136
Portugal	148	-0.1	-0.3	6	-1
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2-yr sovereign spread vs Germany					
France	19	0.1	0.5	1	3
Italy	153	4.4	-8.4	-38	116
Portugal	43	-0.3	-5.9	0	-7
Spain	44	0.8	-4.9	6	17
Emerging Markets					
5-yr sovereign CDS *					
Brazil	193	-0.9	-10	-28	33
Chile	49	-1.3	-5	3	0
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Risk indicators					
Volatility indicators (change in bp)					
VIX	16	-0.1	-3	0	7
VSTOXX	16	-0.5	-3	-1	3
EM EFT volatility Index	24	-0.1	-2	1	6
Dollar/euro volatility	7	0.0	0	-1	0
EM FX volatility index	10	-0.1	0	-1	2
Credit stress (BAA) (change in bp)	195	-0.9	-10	11	18
US bonds volatility index	53	-5.9	-5	0	4
Inflation expectations (%)					
US Inflation expectations (5Y)					
US	2.38	-	6	-7	-
EZ Inflation expectations (5Y)					
EZ	1.71	-	4	2	-3
Banking S&P CDS (bps) *					
US	52	2.6	-7	1	9
EZ	98	-2.0	-8	0	59
UK	68	0.3	0	-3	27
Large Spanish	70	3.2	-7	-12	34
Medium Spanish	103	-1.7	-2	8	28
Corporate S&P CDS (bps) *					
US Non-financial	166	-2.6	-7	1	9
EZ Non-financial	77	-2.0	-8	0	59
UK Non-financial	103	-0.6	-4	2	10
Interbank markets (% changes in bp)					
ECONA Index	-0.36	0	-1	0	-1
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.15	0	0	1	4
Libor 3m	2.60	1	4	19	91
Libor 12m	3.13	1	4	17	102
Stock markets (%)					
Main indices					
S&P500	2,812	0.1	2.6	-2.4	-4
Dow Jones	26,244	0.2	3.4	-0.7	6
Nikkei	22,487	1.8	3.7	-4.2	-1
FTSE 100	7,141	0.3	0.4	-1.3	-7
Eurostoxx 50	3,238	0.3	1.0	-2.5	-7
IBEX	9,177	0.1	2.5	-0.9	-9
DAX	11,527	0.4	0.5	-3.8	-10
CAC	5,131	-0.1	0.9	-3.5	-9
MI8	19,428	0.6	1.3	-3.2	-11
ASE Athens *	641	0.0	3.4	2.3	-22
MSCI Latin *	89,737	-0.3	2.0	0.3	5
Ibovespa (Brazil)	87,312	-1.3	1.4	1.4	12
Imbol (Mexico)	45,789	2.4	0.8	-5.6	-8
Mercol (Argentina)	31,592	0.6	0.9	6.7	2
MSCI EM Europe *	5,488	1.7	4.3	0.9	2
Poland	2,263	-0.6	5.2	0.5	-8
Moor 10 (Russia)	4,396	-0.3	4.1	0.4	-7
Isx 100 (Turkey)	93,506	-2.1	1.2	-3.3	-20
MSCI EM Asia *	811	0.4	3.4	-1.2	-12
Shanghai Com (China)	2,636	-0.2	1.1	3.1	-21
Jakarta (Indonesia)	5,977	0.9	2.5	3.7	-5
Banking sector					
US banks					
JPM	142.1	1.0	3.5	-1.0	-4
WFC	132.6	1.0	3.3	-1.7	-4
CS	69.9	0.9	4.6	-4.2	-7
BoA	29.1	1.9	4.5	-3.0	-3
MS	46.8	0.4	2.0	1.4	-10
GS	233.1	0.8	2.7	-4.6	-9
EZ banks	81.6	0.0	1.8	-4.4	-25
BNP	46.8	0.1	1.2	-8.6	-25
Credit Agricole	11.5	0.8	0.3	-7.8	-18
Deutsche Bank	9.2	-0.3	2.3	-4.7	-43
ING	11.4	0.0	2.9	5.1	-26
Intesa	2.0	-1.3	2.2	-2.2	-26
SG	33.9	2.1	3.6	-6.6	-22
Unicredit	11.4	3.8	-0.7	6.3	-28
UK banks					
HSBC	89.5	1.7	2.0	2.4	-13
Barclays	64.2	1.0	0.8	-1.8	-16
RBS	252.9	1.9	5.1	3.0	-9
Large Spanish banks	178.9	2.0	1.9	6.6	-12
Lloyds	59.7	2.4	1.4	4.1	-12
Santander	64.5	-0.3	2.7	-1.5	-24
BBVA	4.3	-0.1	1.7	-1.6	-21
Medium Spanish banks	5.2	-0.5	3.7	-1.5	-26
Cabotbank	69.0	0.1	3.7	-7.6	-15
Sabadel	3.7	-0.9	5.0	-5.8	-9
Banque	1.2	0.4	3.5	-5.4	-28
Bankinter	7.5	-0.3	2.8	-7.7	-5
Bankia	2.9	0.7	4.7	-12.8	-28
Commodities (% change in currency depreciation)					
Developed					
EURUSD	1.142	-0.1	0.1	0.6	-5
GBPUSD	1.131	-0.1	0.8	-0.2	-3
USD JPY	113.86	-0.3	-1.0	-0.8	-1
DXF	96.29	0.3	0.0	0.6	5
Emerging					
USDARS (Argentina)	35.58	0.2	0.3	4.3	48
USDBRL (Brazil)	3.76	0.5	-1.5	-1.1	-13
USDCLP (Chile)	676.43	0.0	1.8	0.9	-10
USDCOP (Colombia)	3150	0.6	1.4	-2.9	-7
USDMXN (Mexico)	20.05	-0.9	0.5	-5.1	-3
USDPEN (Peru)	3.37	-0.2	0.4	-1.3	-4
IACI	55.12	0.5	0.1	-1.5	-13
USDPLN (Poland)	3.75	0.2	1.2	0.0	-8
USD RUB (Russia)	66.59	-0.5	-1.4	0.5	-14
USDTRY (Turkey)	5.45	-1.7	1.1	11.9	-31
USD CNY (China)	6.93	-0.2	-0.2	-0.2	-6
USD INR (India)	73.00	0.0	0.6	1.9	-13
USD IDR (Indonesia)	14,539	0.4	4.1	4.8	-7
ADXY	104.3	-0.2	0.3	0.5	-5
Commodities (%)					
Brent	71.2	-1.2	-2.3	-16	-7
WTX	61	-1.0	-4.2	-19	1
Copper	273	0.7	0.4	-2	-16
Gold	1224	-0.2	0.7	3	-7
S&P Spot commodity *	447	0.1	0.8	-10	1
S&P Brent Spot *	613	-0.1	-1.1	-15	8
S&P Metals Spot *	333	0.4	0.3	4	-15
S&P Agricultural *	291	0.4	0.8	1	2

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Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

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