

# Market Comment | Negative mood in financial markets ahead of developments in Europe

Global Financial Markets Unit  
12 Nov 2018

- **Negative mood in financial markets, with the US bond markets closed for Veterans Day.** Nonetheless, after last week's key events in the US, **this week investors' focus will be on developments in Europe**, such as the uncertainty surrounding Italy's 2019 budget, the Brexit deal and the release of Germany's 3Q18 GDP data.
- Last Thursday, **the FOMC left its benchmark interest rates unchanged at 2%-2.25%, as expected**, and reaffirmed its intentions for further gradual tightening. The Fed's inflation outlook in the US was also left unchanged. After the meeting, sovereign yields changed slightly, while the USD appreciated somewhat. The release of US inflation figures this week will be crucial.
- In the euro zone, the 10Y Bund yield continued to decrease and positioned below 0.45%, while **Italy's risk premium remained above 300 bps ahead of tomorrow's deadline for the submission of a revised Italian budget** to the European Commission.
- **Downward trend in developed equity markets:** US stocks continued Friday's fall as weaker forecasts and poor earnings weighed [\(see\)](#). Meanwhile, European equity indices also fell, dragged down by disappointing company earnings results [\(see\)](#). Asian stock markets were little changed in today's session despite last week's falls in US stocks.
- **The USD appreciated across the board and the EUR remained under heavy pressure** amid ongoing concerns in Europe (currently trading below 1.13 USD/EUR). The GBP continued to depreciate as uncertainty about a Brexit deal increases. The comments from the EU's Brexit negotiator about a potential deal had a muted effect on markets [\(see\)](#).
- **The strength of the US dollar weighed on EM currencies, which depreciated across the board**, with the sole exception of the RUB. In Latam, the MXN underperformed due to the potential negative impact on confidence of recent developments in the country and ahead of this week's Banxico meeting. The PEN remained steady after its Central Bank left its benchmark interest rate unchanged last Thursday at 2.75%, as expected [\(see\)](#).
- **Crude oil prices rebounded**, after Saudi Arabia supported a cut in oil supply for the end of the year amid worries about a slowdown in global oil demand [\(see\)](#).

Table 1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.92	0.0	1.7	8	101
US	3.18	0.0	-1.9	3	72
GER (2 yr)	0.61	-1.1	-0.1	-7	0
Germany	0.40	-0.9	-2.8	-12	-12
France	0.78	-0.6	-1.0	-10	-4
Spain	1.60	0.3	3.5	-4	-7
Italy	3.44	3.6	11.4	-13	134
Portugal	1.95	0.4	6.4	-7	-6
Greece	4.41	2.4	12.3	-8	31
Japan (2 yr)	-0.14	0.2	0.9	-2	-1
Japan	0.12	-0.4	-0.9	-3	-7
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.50	10.0	37.4	-32	24
Chile	4.54	0.9	1.8	-3	7
Colombia	7.07	0.0	-11.5	3	63
Mexico	6.89	2.5	26.7	75	132
Peru	5.50	0.3	-5.1	15	63
Poland	3.23	0.0	3.6	-4	-9
Russia	9.10	5.8	42.3	7	146
Turkey	16.25	-19.0	54.0	-290	489
India	7.80	4.1	-0.4	-18	42
Indonesia	6.23	0.8	10.9	-46	193
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	38	0.3	1.8	2	8
Italy	304	4.4	14.1	-1	147
Portugal	155	1.3	9.2	5	6
Spain	120	1.2	6.3	8	5
2 yr sovereign spread vs Germany					
France	20	0.2	0.3	2	3
Italy	162	6.5	12.0	-41	125
Portugal	45	1.0	-1.6	1	-5
Spain	48	2.1	2.2	9	23
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS *					
Brazil	201	2.3	5	30	40
Chile	50	0.5	-1	2	1
Colombia	120	-0.6	-3	-4	15
Argentina	576	4.7	4	-76	338
Mexico	141	2.9	3	18	34
Peru	80	0.9	0	0	8
Poland	67	0.0	-1	2	19
Russia	157	7.9	14	1	39
Turkey	365	2.0	-6	-51	200
China	64	0.7	-3	-1	13
India	110	0.7	-1	0	43
Indonesia	143	1.5	-7	-3	58
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	2.8	0	-5	10
VSTOXX	18	1.5	0	-3	4
EM CT volatility Index	29	2.5	1	1	12
Dollar/euro volatility	8	0.6	0	0	1
EM FX volatility index	10	0.2	0	-1	2
Credit spread (BAA)(change in bps)	199	0.9	-3	12	23
US bonds volatility index	54	2.0	-6	-3	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.30	-	5	-4	6
EZ Inflation expectations (5Y5Y)	1.70	-	1	2	-4
Ranking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	52	0.8	-4	-1	10
EZ	100	0.8	1	3	61
UK	73	3.8	7	8	32
Large Spanish	73	3.4	1	-5	37
Medium Spanish	99	-2.3	-5	4	25
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	169	0.8	-4	-1	10
EZ Non-financial	79	0.8	1	3	61
UK Non-financial	103	1.6	-1	2	11
Interbank markets (% changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	1	1
Euribor 3m	-0.32	0	0	0	1
Carbon 12m	-0.15	0	0	1	4
Libor 3m	2.62	0	3	19	92
Libor 12m	3.14	0	4	18	104
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,739	1.5	0.0	0.4	2
Dow Jones	25,980	1.5	0.5	2.1	3
Nikkei	22,270	0.1	1.7	-1.4	-2
FTSE 100	7,953	-0.7	-0.7	0.7	8
EuroStoxx 50	3,194	-1.1	-0.7	-0.5	6
IBEX	9,076	-0.6	0.7	0.8	-10
DAK	11,325	-1.8	-1.5	-1.9	-12
CAC	5,959	-0.9	0.6	-0.9	-4
MI8	19,056	-1.0	-1.2	-1.6	-13
ASE Athens	635	-1.3	2.6	1.3	-22
MSI Latam *	87,133	-0.1	-2.5	-0.8	7
Bovespa (Brazil)	85,393	-0.3	-4.7	3.0	10
Mexico (Mexico)	45,193	-2.4	-7.7	-9.2	-14
Merval (Argentina)	28,475	1.5	-6.2	6.7	-6
MSI EM Europe *	5,392	1.3	1.3	0.7	0
Poland	2,232	0.0	0.1	3.4	-9
Moscow 10 (Russia)	4,330	0.1	1.8	2.0	5
Istanbul 100 (Turkey)	91,445	1.5	-4.7	-3.5	-22
MSI EM Asia *	798	1.6	2.0	-2.1	-13
Shanghai Com (China)	2,631	1.2	-1.3	1.8	-21
Jakarta Indonesia)	5,777	-3.3	-2.2	-0.7	-9
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	134.1	3.0	-3.0	-1.3	-10
JPM	109.1	-2.0	0.0	0.9	1
Cit	64.3	-2.2	-4.4	-5.9	-13
BofA	27.8	-2.5	-0.9	-2.0	-7
MS	44.1	-3.5	-3.7	1.4	-15
GS	209.7	-5.8	-8.3	-1.5	-18
EZ banks					
BNP	79.3	1.8	-2.1	-5.9	-27
BNP	45.6	-1.7	-1.9	9.2	-27
Credit Agricole	11.2	-1.8	-3.5	-8.9	-20
Deutsche Bank	6.7	-3.2	-5.5	-8.4	-46
ING	11.2	-1.4	-1.0	3.1	-27
Intesa	2.0	-2.3	-0.8	-3.6	-29
SG	33.2	-1.4	0.0	-7.9	-23
Unicredit	11.0	-1.8	-4.9	-7.7	-30
UK banks					
Barclays	76.2	-2.1	-1.0	0.7	-15
RSC	634.9	0.2	-0.9	0.6	-17
RBS	244.7	-2.9	0.8	0.2	-12
Barclays	170.7	-3.4	-2.4	1.6	-16
Lloyds	57.8	-3.4	-1.1	0.0	-14
Large Spanish banks					
Santander	61.8	-0.5	-3.6	-4.4	-27
BBVA	4.2	-1.0	-1.4	-1.5	-23
Caixa	4.9	0.0	-5.7	-7.1	-31
Medium Spanish banks					
CaixaBank	64.4	-0.4	0.7	-6.8	-16
Sabadell	3.7	0.0	2.1	-5.0	-8
Santitas	1.2	-0.8	-1.5	-0.5	-30
Bankinter	7.5	-0.3	1.5	-5.3	-5
Banca	2.9	-1.0	-0.2	-11.1	-29
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.125	0.7	1.4	2.0	-7
GBPUSD	1.29	-0.9	-1.4	2.8	-5
USDJPY	113.75	0.1	-0.5	-1.4	-1
DX1	97.45	0.6	1.2	2.6	6
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	35.55	-0.4	0.2	3.0	-48
USDRL (Brazil)	3.76	-0.7	-0.8	0.6	-13
USDCLP (Chile)	607.30	0.4	-1.1	-1.0	-12
USD COP (Colombia)	3180	0.0	0.1	-3.0	-8
USD MXN (Mexico)	20.31	0.9	-2.1	-6.6	-4
USD PEN (Peru)	3.37	0.1	0.2	1.4	-4
LACI	54.75	-0.6	-1.0	-1.5	-14
USD PLN (Poland)	3.82	-1.0	-1.2	-2.8	-10
USD RUB (Russia)	67.68	0.4	2.4	2.1	-15
USD TRY (Turkey)	5.46	-0.1	-2.7	8.5	-31
USD CNY (China)	6.96	0.1	0.5	-1.1	-7
USD INR (India)	72.99	-0.5	0.3	1.7	-13
USD IDR (Indonesia)	14,820	-1.0	1.1	2.6	-9
ADXY	103.6	-0.3	0.6	0.5	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	71.2	1.4	-2.7	-11	-7
WTX	61	1.2	-3.4	-14	1
Copper	269	0.0	-2.5	-4	-17
Gold	1204	0.5	-2.3	-2	9
S&P Spot commodity *	441	-0.6	-2.4	-8	0
S&P Brent Spot *	598	-0.6	-3.9	-12	6
S&P Metals Spot *	330	-1.6	-1.3	-4	-16
S&P Agricultural *	290	-0.4	-0.2	1	2

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

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Turkey	16.25	19.0	14.0	-290	489
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Indonesia	8.23	1.8	-10.9	-48	193
Country risk (bp changes in 1p)	level	Daily	Weekly	Monthly	YTD
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Poland	67	0.0	-1	2	19
Russia	157	7.9	14	1	39
Turkey	365	2.0	-6	-51	200
China	64	0.7	-1	-1	13
India	110	0.7	-1	0	41
Indonesia	113	1.5	-7	-3	58
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	20	2.8	0	-5	10
VIX CRIX	18	1.5	0	-3	4
EMFT volatility Index	29	2.5	1	1	12
Dollar/euro volatility	8	0.6	0	0	1
EM FX volatility index	10	0.2	0	-1	-2
Credit stress (BAA) (change in bps)	199	0.3	-3	12	1
US bonds volatility index	54	2.0	-6	-3	4
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y)	2.38	-	-	-	-4
EZ Inflation expectations (5Y)	1.70	-	-	-	-4
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	52	0.8	-4	-1	10
EZ	100	0.8	1	3	61
UK	73	3.8	7	8	32
Large Spanish	73	3.4	1	-5	37
Medium Spanish	99	-2.3	-5	4	25
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	169	0.8	-4	-1	10
EZ Non-financial	79	0.8	1	3	61
UK Non-financial	103	1.6	-1	2	11
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	1	4
Libor 3m	2.62	0	3	19	92
Libor 12m	3.14	0	4	18	104
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,739	-1.5	0.0	0.4	-2
Dow Jones	25,589	-1.5	0.5	2.1	-3
Nikkei	22,270	0.1	1.7	-1.4	-2
FTSE 100	7,953	-0.7	0.7	0.7	-8
Euro Stoxx 50	3,194	-1.1	-0.7	-0.5	-9
IBEX	9,076	-0.6	0.7	0.8	-10
DAX	11,325	-1.8	-1.5	-1.9	-12
CAC	5,959	-0.8	-0.8	-0.8	-4
MI8	19,056	-1.0	-1.2	-1.6	-13
ASE Athens *	635	-1.3	2.6	1.3	-22
MSCI Latin *	87,133	-0.1	-2.5	-0.8	2
Bovespa (Brazil)	85,393	0.3	-4.2	-3.0	10
Mexbol (Mexico)	43,193	-2.4	-7.7	-9.2	-14
Merval (Argentina)	29,475	-1.5	-6.2	6.7	-5
MSCI EM Europe *	5,392	-1.3	1.3	0.7	0
Poland	2,232	0.0	-0.1	3.4	-9
Mosx 10 (Russia)	4,330	0.1	1.8	2.0	5
Isx 100 (Turkey)	91,445	-1.5	-4.2	-3.5	-22
MSCI EM Asia *	798	-1.6	-2.0	-2.1	-13
Shanghai Com (China)	2,631	1.2	-1.3	1.8	-21
Jakarta (Indonesia)	5,777	-3.3	-2.2	-0.7	-9
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	134.1	3.0	-3.0	-1.3	-10
JPM	189.1	-2.9	0.0	0.9	-1
CS	64.3	2.2	-4.4	-5.9	-13
BoA	27.8	-2.5	-0.9	-2.0	-7
MS	44.1	-3.5	-3.7	1.4	-15
GS	289.7	5.9	8.3	-1.5	-18
EZ banks	79.3	-1.8	-2.1	-5.9	-27
BNP	45.8	-1.7	-1.9	-9.2	-27
Credit Agricole	11.2	-1.8	-3.5	-8.9	-20
Deutsche Bank	8.7	-3.2	-5.5	-8.4	-46
ING	11.2	-1.4	-1.0	3.1	-27
Intesa	2.0	-2.3	-0.6	-3.6	-29
SG	33.2	-1.4	0.0	-7.9	-23
Unicredit	11.0	-1.8	-4.9	-7.7	-30
UK banks	79.2	-2.1	-1.0	0.7	-15
HSBC	634.9	0.2	-0.9	0.8	-17
RES	244.7	-2.9	0.8	0.2	-12
Barclays	170.7	-3.4	-2.4	1.6	-16
Lloyds	57.9	-3.4	-1.1	0.0	-14
Large Spanish banks	61.8	-0.5	-3.6	-4.4	-27
Santander	4.2	-1.0	-1.4	-1.5	-23
BBVA	4.9	0.0	-5.7	-7.1	-31
Medium Spanish banks	64.4	-0.4	0.7	-6.8	-16
Cabotbank	-2.7	0.0	2.1	-5.0	-8
Sabadell	1.2	-0.8	-1.5	-8.5	-30
Bankinter	7.5	-0.3	1.5	-5.3	-5
Bankia	-2.9	-1.0	-0.2	-11.1	-29
Currencies (% ind for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.125	-0.7	-1.4	-2.9	-7
GBPUSD	1.29	-0.9	-1.4	-2.8	-5
USDJPY	113.75	0.1	-0.5	-1.4	-1
DXF	97.45	0.6	1.2	2.6	6
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	35.55	-0.4	0.2	3.0	-48
USDBRL (Brazil)	3.76	-0.7	0.8	0.6	-13
USDCLP (Chile)	687.30	-0.4	-1.1	-1.0	-12
USDCOP (Colombia)	3180	0.0	0.1	-3.0	-9
USDMXN (Mexico)	20.31	-0.9	-2.1	-6.6	-4
USDPEN (Peru)	3.37	-0.1	0.2	-1.4	-1
LACT	54.75	0.6	-1.0	-1.5	-14
USDPLN (Poland)	3.82	-1.0	-1.2	-2.8	-10
USD RUB (Russia)	67.68	0.4	-2.4	-2.1	-15
USDTRY (Turkey)	5.46	0.1	-2.7	6.5	-31
USD CNY (China)	6.96	-0.1	-0.5	-1.1	-7
USD INR (India)	72.89	-0.5	0.3	1.7	-13
USD IDR (Indonesia)	14,820	-1.0	1.1	2.8	-9
ADFX	103.6	-0.3	0.6	-0.5	-6
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	71.2	1.4	-2.7	-11	-7
WTX	61	1.2	-3.4	-14	1
Copper	269	0.0	-2.5	-4	-17
Gold	1204	-0.5	-2.3	-2	-9
S&P Spot commodity *	441	-0.6	-2.4	-8	0
S&P Brent Spot *	598	-1.6	-3.9	-12	6
S&P Metals Spot *	330	-1.6	-1.3	-4	-16
S&P Agricultural *	290	-0.4	0.2	1	2

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Fuente: BBVA Research

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