

Market Comment | Sharp fall in crude oil prices weighed on Latam currencies

Global Financial Markets Unit
13 Nov 2018

- **Caution in financial markets after yesterday's negative tone was offset somewhat due to the restart of trade talks** between China and the US ahead of the G-20 meeting later this [month](#) (see). While investors are waiting for the re-submission of Italy's 2019 budget plan to the European Commission, **the sharp decline in crude oil prices increased the pressure on some related assets**.
- **Equity markets recovered from their recent falls:** US and European stocks showed timid gains, however equity implied volatility remained close to its recent highest bound (VIX at 20%). Meanwhile the slight rebound in Chinese equity indices - on the back of hopes for easing of trade tensions - was not enough to avoid losses in other Asian markets.
- **In the first trading day of the week** after yesterday's holiday, **the US Treasury yield inched down** below 3.20%. Meanwhile **the 10Y Bund yield continued steady** despite the release of better-than-expected economic sentiment (ZEW) ([see](#)) and final inflation figures (in line with expectations) ([see](#)), both for Germany. **Peripheral risk premia remained broadly steady** with focus on the Italian risk premium ahead of its deadline for submitting the revised 2019 budget ([see](#)).
- **The US dollar lost some ground and the euro recovered**, approaching the 1.13 USD/EUR level. The GBP also bounced back from its recent lowest level amid hopes for a [Brexit deal](#) (see). In EM FX markets, **Latam currencies depreciated across the board** due to the return of the downward trend in oil prices. The latest position shown by US President Trump to a potential cut in global oil supply weighed on the price of crude ([see](#)), as did the downward revision of demand by OPEC ([see](#)).

Table 1

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Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.90	0.25	-2.5	5	95
US	3.16	2.2	-6.8	0	70
GER (2 yr)	0.57	3.9	3.3	-1	4
Germany	0.41	1.3	-2.5	-9	-11
France	0.79	0.4	-1.6	-8	-4
Spain	1.61	0.5	2.2	-7	-7
Italy	3.45	0.8	4.9	-13	135
Portugal	1.95	0.1	5.1	-9	-6
Greece	4.46	4.4	11.2	5	35
Japan (2 yr)	-0.14	0.1	-1.2	-3	-1
Japan	0.11	0.5	-1.7	-4	-7
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.52	4.6	27.2	-31	26
Chile	4.32	0.2	1.8	-1	1
Colombia	7.09	2.1	-7.1	2	65
Mexico	8.95	6.1	34.0	83	137
Peru	5.51	0.4	-2.5	16	63
Poland	3.23	0.1	4.3	-1	-9
Russia	9.14	4.0	42.9	23	150
Turkey	16.33	8.0	14.0	-190	497
India	7.76	-4.1	-3.6	-22	38
Indonesia	8.18	3.7	0.4	-59	188
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	38	-0.7	0.9	1	8
Italy	304	-0.3	7.4	-4	146
Portugal	154	-1.0	7.6	-1	5
Spain	120	-0.6	4.7	2	5
2 yr sovereign spread vs Germany					
France	17	-2.5	2.2	-2	1
Italy	159	-2.4	6.3	-45	122
Portugal	42	-3.4	-4.2	-5	-8
Spain	44	-4.1	-1.1	0	12
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS *					
Brazil	202	1.5	8	24	42
Chile	50	-0.4	0	2	1
Colombia	120	0.5	-1	-2	15
Argentina	576	0.2	20	-65	338
Mexico	142	0.5	6	20	35
Peru	81	0.3	1	0	9
Poland	67	0.0	0	1	19
Russia	159	1.7	18	-1	43
Turkey	365	0.5	0	-35	201
China	65	0.6	-3	-2	14
India	110	0.5	-2	0	41
Indonesia	144	1.4	-6	-5	59
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	20	-0.9	0	-2	10
VSTOIX	17	-0.8	-1	-3	4
EM CT volatility Index	27	1.5	0	1	10
Dollar/Euro volatility	8	0.3	1	1	1
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA)(change in bps)	201	2.2	4	14	23
US bonds volatility index	54	0.0	-5	-1	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.34	-	2	-7	2
EZ Inflation expectations (5Y5Y)	1.68	-	-1	0	-5
Ranking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	0.4	-2	-3	10
EZ	102	1.6	3	0	62
UK	75	1.9	8	7	34
Large Spanish	74	0.6	1	-9	38
Medium Spanish	102	2.6	-3	8	27
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	171	0.4	-2	-3	10
EZ Non-financial	80	1.6	3	0	62
UK Non-financial	104	0.9	0	2	12
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	2.61	0	2	18	92
Libor 12m	3.13	-1	2	18	103
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,744	0.6	0.4	-0.9	2
Dow Jones	25,442	0.2	-0.6	0.4	2
Nikkei	21,811	2.1	-1.5	-3.9	-4
FTSE 100	7,954	0.0	0.2	0.6	8
EuroStoxx 50	3,225	1.0	0.5	1.0	6
IBEX	9,145	0.8	1.7	2.7	9
DAK	11,472	1.3	-0.1	-0.4	-11
CAC	5,102	0.8	0.3	0.1	-4
MI8	19,227	0.9	0.2	0.2	-12
ASE Athens	644	1.9	2.2	2.5	-21
MSCI Latam *	86,547	-0.7	-4.7	-0.5	1
Ibovespa (Brazil)	84,902	-0.7	-4.2	2.4	9
Ibovespa (Mexico)	42,973	-0.8	-7.2	9.4	-14
Merval (Argentina)	29,006	1.2	-6.2	-1.8	-7
MSCI EM Europe *	5,356	0.7	0.2	1.5	-1
Poland	2,218	0.6	0.6	1.4	-10
Moscow 10 (Russia)	4,290	0.9	-1.0	0.2	4
Ise 100 (Turkey)	92,709	1.4	2.1	-4.3	-21
MSCI EM Asia *	793	0.5	1.5	1.0	-14
Shanghai Com (China)	2,655	0.9	0.2	1.8	-21
Jakarta (Indonesia)	5,835	-0.7	-1.4	2.3	-8
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	134.8	1.0	-2.5	-1.0	-9
JPM	110.1	1.1	0.5	3.0	2
Cit	65.2	1.5	2.2	6.7	-12
BofA	27.9	0.7	-1.0	-1.8	-7
MS	44.8	1.4	-2.1	3.0	-14
GS	206.9	0.4	8.3	3.3	-19
EZ banks					
BNP	80.4	1.4	0.5	-4.0	-26
BNP	46.2	1.4	0.4	-7.4	-26
Credit Agricole	11.3	1.1	-2.0	-7.3	-19
Deutsche Bank	6.8	1.7	-2.0	-6.1	-45
ING	11.3	1.0	0.9	4.0	-27
Intesa	2.0	2.2	0.0	-1.2	-27
SG	33.7	1.4	1.8	-5.6	-22
Unicredit	11.2	1.9	-3.7	-5.7	-29
UK banks					
UK banks	79.7	1.9	1.6	3.0	-14
RSCC	644.5	1.5	1.2	2.5	-16
RBS	250.1	2.2	2.1	2.5	-10
Barclays	175.5	2.8	1.4	6.3	-14
Lloyds	58.8	1.5	1.9	1.1	-13
Large Spanish banks					
Santander	63.0	2.0	0.6	-1.9	-26
Santander	4.3	2.2	1.9	1.6	-21
BBVA	5.0	1.8	-3.0	-5.0	-29
Medium Spanish banks					
CaixaBank	65.2	1.2	3.0	4.5	-15
CaixaBank	3.7	1.1	-4.1	-3.3	-7
Sabell	1.2	2.5	2.4	-5.1	-28
Bankinter	7.6	0.9	3.5	-3.3	-4
Bankia	2.9	0.8	1.8	8.3	-28
Currencies (% , not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,129	0.6	1.2	2.3	-6
GBPUSD	1,130	1.4	-0.5	0.9	-4
USD JPY	113.96	-0.1	-0.5	-1.5	-1
DX1Y	97.13	-0.4	0.8	2.0	6
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	35.93	-1.1	0.8	-2.1	-49
USD BRL (Brazil)	3.80	0.9	0.9	-0.5	-14
USD CLP (Chile)	692.07	0.7	-1.8	-1.8	-12
USD COP (Colombia)	3196	-0.5	1.5	-3.3	-8
USD MXN (Mexico)	20.46	0.5	-3.6	-7.8	-4
USD PEN (Peru)	3.36	0.1	0.2	1.3	-4
LACI	54.30	-0.7	-1.8	-3.5	-15
USD PLN (Poland)	3.80	1.0	0.9	-2.2	9
USD RUB (Russia)	67.79	0.2	2.4	2.5	-15
USD TRY (Turkey)	5.49	-0.5	2.4	7.0	-31
USD CNY (China)	6.96	0.1	0.5	-0.5	-7
USD INR (India)	72.67	0.3	0.5	1.2	-13
USD IDR (Indonesia)	14,805	0.1	0.0	2.6	-9
ADXY	103.9	0.3	0.4	0.1	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	67.5	3.7	6.4	-16	1
WTX	58	3.9	7.4	-19	-5
Copper	268	0.1	-1.8	-4	-18
Gold	1203	0.2	1.9	-1	9
S&P Spot commodity *	441	0.2	-1.2	-8	0
S&P Brent Spot *	599	0.0	2.5	-12	6
S&P Metals Spot *	328	-0.7	-1.3	-5	-17
S&P Agricultural *	293	0.9	1.0	0	3

* 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	-2.5	-2.9	5	98
US	3.16	-2.2	-6.8	0	70
GER (2-yr)	-0.57	3.9	3.3	-1	4
Germany	0.41	1.1	-2.5	-9	-11
France	0.79	0.4	-1.6	-8	-4
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Japan (2-yr)	-0.14	-0.1	-1.2	-3	-1
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Emerging Markets	level	Daily	Weekly	Monthly	YTD
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Chile	4.52	0.2	-1.8	-4	1
Colombia	7.09	2.1	-7.1	2	65
Mexico	8.95	6.5	34.0	83	137
Peru	5.51	0.4	2.5	16	63
Poland	3.23	-0.1	4.3	-1	-9
Russia	9.14	4.0	42.9	23	150
Turkey	16.33	0.0	14.0	-190	497
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Indonesia	8.18	-3.7	-0.4	-59	188
Country risk (bp changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets					
10-yr sovereign spread vs Germany					
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India	110	0.5	-2	0	41
Indonesia	114	1.4	-6	-5	59
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in bp)					
VIX	20	-0.9	0	-2	10
VSTOXX	17	-0.8	-1	-3	4
EM EFT volatility Index	27	1.5	0	1	10
Dollar/euro volatility	8	0.3	1	1	1
EM FX volatility index	10	0.1	0	0	2
Credit stress (BAA) (change in bp)	201	2.2	4	14	3
US bonds volatility index	54	0.0	-5	-1	4
Inflation expectations (%)					
US Inflation expectations (5Y)	2.34	-	-2	-7	-
EZ Inflation expectations (5Y)	1.68	-	-1	0	-5
Banking by CDS (bps) *					
US	53	0.4	-2	3	10
EZ	102	1.6	3	0	62
UK	75	1.9	8	7	34
Large Spanish	74	0.6	1	-9	38
Medium Spanish	102	2.6	-3	8	27
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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	2.61	0	2	18	92
Libor 12m	3.13	-1	2	18	103
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
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MI8	19,227	0.9	-0.2	-0.2	-12
ASE Athens *	644	1.4	2.2	2.5	-21
MSCI Latin *	86,547	-0.7	-4.7	-0.5	1
Bovespa (Brazil)	84,902	-0.2	-2.4	0	0
Mexbol (Mexico)	42,973	-0.8	-7.2	-9.4	-14
Mercol (Argentina)	29,056	-1.2	-6.2	-1.8	-7
MSCI EM Europe *	5,356	0.7	0.2	1.8	1
Poland	2,218	-0.6	-0.6	1.4	-10
Mosx 10 (Russia)	4,290	-0.9	-1.0	0.2	-4
Isx 100 (Turkey)	92,709	1.4	2.1	4.1	-21
MSCI EM Asia *	793	-0.5	-1.5	1.0	-14
Shanghai Com (China)	2,655	0.9	-0.2	1.8	-21
Jakarta (Indonesia)	5,835	-0.7	-1.4	2.3	-6
Banking sector					
US banks					
JPM	134.9	1.0	2.5	-1.0	-9
WFC	110.1	1.1	0.5	3.0	-2
CS	65.2	1.5	2.2	-6.7	-12
BoA	27.9	0.7	-1.0	-1.8	-7
MS	44.8	1.4	-2.1	3.0	-14
GS	206.9	0.4	9.3	-3.3	-19
EZ banks					
BNP	80.4	1.4	0.5	-4.0	-26
BNP	46.2	1.4	-0.4	-7.4	-26
Credit Agricole	11.3	1.1	-2.0	-7.3	-19
Deutsche Bank	8.8	1.7	2.9	-6.1	-45
ING	11.3	1.0	0.9	4.0	-27
Intesa	2.0	2.2	0.0	-1.2	-27
SG	33.7	1.4	1.8	-5.6	-22
Unicredit	11.2	1.9	3.7	5.7	-29
UK banks					
HSBC	79.7	1.9	1.6	3.0	-14
HSBC	644.5	1.5	1.2	2.5	-16
RBS	250.1	2.2	2.1	2.5	-10
Barclays	175.5	2.8	1.4	6.3	-14
Lloyds	58.8	1.5	1.9	1.1	-13
Large Spanish banks					
Santander	63.0	2.0	-0.6	-1.9	-26
Santander	4.3	2.2	1.9	1.6	-21
BBVA	5.0	1.8	-3.0	-5.0	-29
Medium Spanish banks					
Cajabank	65.2	1.2	3.0	-4.5	-15
Cajabank	3.7	1.1	4.1	-3.3	-9
Sabadell	1.2	2.5	2.4	-5.1	-28
Bankinter	7.6	0.9	3.5	-3.3	-4
Bankia	2.9	0.9	1.5	8.3	-28
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1.129	0.6	1.2	2.3	-6
GBPUSD	1.30	1.4	-0.5	0.9	-4
USD JPY	113.96	-0.1	-0.5	-1.5	-1
DKY	97.13	-0.4	0.8	2.0	6
Emerging					
USDARS (Argentina)	35.93	1.1	0.6	2.1	-59
USDBRL (Brazil)	3.80	0.9	0.9	-0.5	-14
USDCLP (Chile)	692.87	-0.7	-1.8	-1.8	-12
USDCOP (Colombia)	3196	0.9	-1.5	-3.3	-9
USDMXN (Mexico)	20.46	-0.5	-3.6	-7.8	-4
USDPEN (Peru)	3.38	-0.1	0.2	-1.3	-1
LACT	54.30	0.7	-1.8	-3.5	-15
USDPLN (Poland)	3.80	1.0	0.9	2.2	-9
USD RUB (Russia)	67.29	0.2	2.4	2.5	-15
USDTRY (Turkey)	5.48	0.5	2.4	7.0	-31
USD CNY (China)	6.96	0.1	-0.5	-0.5	-7
USD INR (India)	72.67	0.3	0.5	1.2	-13
USDIDR (Indonesia)	14,805	0.1	0.0	2.6	-9
ADXY	103.9	0.3	-0.4	0.1	-6
Commodities (%)					
Brent					
WTX	67.5	-3.7	-6.4	-16	1
Copper	58	-3.9	-7.4	-19	-5
Copper	2.68	0.1	-1.8	-4	-18
Gold	1203	0.2	-1.9	-1	-9
S&P Spot commodity *	441	0.2	-1.2	-8	0
S&P Brent Spot *	599	0.0	-2.5	-12	6
S&P Metals Spot *	328	0.7	-1.3	-5	-17
S&P Agricultural *	293	0.9	1.0	0	3

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