

Market Comment | US equity indices trigger risk aversion mood in markets

Global Financial Markets Unit
20 Nov 2018

- **Negative mood in financial markets across the board driven by yesterday's sharp correction in the tech sector in the US, which continued today**, and widespread risk aversion sentiment across sectors and countries. The release of lower-than-expected earnings reports and, mostly, the downward revision of future earnings, fuelled concerns about global growth. The lack of advance in trade negotiations between the US and China ahead of the G-20 meeting at the end of this month and a fresh sharp drop in oil prices pose a challenging context.
- In this context, **equity markets continued on their downward trend**. US volatility was at its recent highest level (VIX above 22%) following the sharp drop in US equity indices, while European indices were also down, with very little differentiation among sectors.
- **Safe-haven flows kept core yields very subdued**, and they seemed to consolidate at their recent lower bound: the UST 10Y yield was hovering around 3.05% while in Europe, the 10Y Bund yield remained close to 0.35%.
- Risk aversion in global financial markets weighed on the Italian 10Y yield. Italy's risk premium was very volatile today but remained almost unchanged, while investors are focused on tomorrow's EU decision on the draft budget ([see](#)). For the moment contagion to other peripherals is still contained.
- **The USD attracted fresh flows**, while the EUR and the GBP depreciated slightly. EM currencies dropped, hampered by a strong USD and the downward trend in **oil prices, at their lowest this year**([see](#))

Table 1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.80	0.8	-9.4	-11	68
US 3-yr	3.05	0.9	-8.6	-14	59
GER (2-yr)	-0.59	-0.8	-2.4	-1	7
Germany	0.35	-2.3	-5.9	-11	-17
France	0.76	-2.2	-2.8	-8	-6
Spain	1.65	-0.4	4.0	-9	-3
Italy	3.61	1.3	16.4	13	152
Portugal	1.98	-0.3	3.5	-4	-3
Greece	4.69	11.7	23.4	34	58
Japan (2-yr)	-0.14	0.4	-0.2	-2	-1
Japan	0.10	0.5	-1.2	-5	-5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.12	-0.3	-42.2	-21	-14
Chile	4.43	-3.6	-9.1	20	8
Colombia	7.07	2.3	-2.1	3	63
Mexico	9.09	8.1	8.6	88	151
Peru	5.47	2.2	-3.6	10	60
Poland	3.21	-2.6	-1.5	-5	-10
Russia	8.87	7.3	-26.5	19	123
Turkey	16.69	69.0	36.0	-135	533
India	7.79	0.3	3.4	-13	41
Indonesia	6.04	0.0	-13.2	62	175
Country risk (Change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	0.1	3.1	3	11
Italy	326	3.6	22.3	24	169
Portugal	163	2.0	9.4	7	15
Spain	130	1.9	9.9	2	15
2-yr sovereign spread vs Germany					
France	14	-0.3	-3.6	-7	-3
Italy	195	-1.9	35.9	19	158
Portugal	44	1.0	2.5	-7	-6
Spain	47	0.9	3.8	-5	20
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	207	4.3	4	-9	46
Chile	55	2.4	5	6	6
Colombia	136	5.6	16	11	31
Argentina	602	14.2	26	-30	364
Mexico	155	6.0	14	28	49
Peru	84	1.5	3	3	12
Poland	68	0.7	1	2	20
Russia	154	1.5	-5	0	36
Turkey	373	3.6	7	-16	208
China	72	2.5	7	5	21
India	111	0.9	1	1	42
Indonesia	150	2.3	6	3	64
Risk Indicators					
Volatility indicators (change in bp)					
level	Daily	Weekly	Monthly	YTD	
VIX	23	2.4	3	3	13
VSTOXX	20	1.9	3	1	7
EMFTI volatility Index	29	0.4	1	4	13
Dollar/Euro volatility	8	0.3	0	1	1
EMFX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bps)	217	0.9	13	24	39
US bonds volatility index	59	1.0	7	7	10
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.29	-	-9	-11	-3
EZ Inflation expectations (5Y5Y)	1.68	-	-1	0	-6
Brexit by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	69	3.8	10	11	26
EZ	114	2.3	12	9	74
UK	87	2.1	12	18	46
Large Spanish	84	2.6	10	4	48
Medium Spanish	105	0.6	2	8	30
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	185	3.9	10	12	26
EZ Non-financial	85	2.3	12	9	74
UK Non-financial	110	0.3	5	7	17
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	1	1
Euro3 3m	-0.32	0	0	0	1
Euro3 12m	-0.15	0	0	1	4
Libor 3m	2.65	0	3	18	95
Libor 12m	3.11	-2	-3	11	100
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main Indices					
S&P500	2,659	-1.2	-2.9	-3.9	-1
Dow Jones	24,655	-1.4	-2.5	-3.1	-1
Nikkei	21,583	-1.1	-1.0	-4.2	-5
FTSE 100	6,948	-0.8	-1.5	-1.4	-3
EuroStoxx 50	3,116	-1.4	-3.4	-3.0	-11
IBEX	8,867	-1.6	-3.0	-0.3	-12
DAK	11,066	-1.6	-3.5	-4.2	-14
CAC	4,929	-1.2	-3.5	-3.1	-7
MI8	18,471	-1.9	-3.9	-3.2	-15
ASE Athens	593	-3.9	-7.9	-5.1	-28
MSCI Latam *	81,668	0.5	1.3	0.5	2
Ibovespa (Brazil)	87,901	0.0	3.5	4.4	13
Ibovcl (Mexico)	42,348	0.1	-0.2	-10.7	-15
Merval (Argentina)	30,191	-3.0	5.8	-5.3	-3
MSCI EM Europe *	5,334	0.4	0.4	0.4	-1
Poland	2,161	-1.3	2.6	-1.7	-12
Mircx 10 (Russia)	4,190	-1.6	-2.2	-0.5	7
Ise 100 (Turkey)	91,686	-3.1	-3.1	-4.9	-22
MSCI EM Asia *	807	0.1	1.7	1.5	-12
Shanghai Com (China)	2,646	-2.1	-0.3	3.7	-21
Jakarta (Indonesia)	6,005	-0.1	4.0	2.7	-6
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	130.5	2.3	2.7	-6.1	-12
CBS	108.7	-2.0	-0.9	0.7	1
WFC	62.9	2.7	-3.0	-8.7	-15
BAC	27.3	-1.6	-1.7	-3.8	-9
MS	43.0	-3.2	-3.7	-7.3	-18
GS	192.9	2.7	-5.9	-15.0	-25
EZ banks					
BNP	76.1	2.5	5.4	-7.0	-30
BNP	44.3	-2.2	4.2	9.1	-29
Credit Agricole	10.6	2.3	5.7	-10.6	-24
Dresdner Bank	8.2	-8.8	-7.6	-14.2	-49
ING	10.6	-2.3	-5.6	0.7	-31
Intesa	1.9	-2.5	-6.2	-5.3	-32
SG	32.3	-2.1	-4.0	-6.2	-25
Unicredit	10.5	-2.8	-6.3	-8.8	-33
UK banks					
HSBC	74.6	-1.8	-6.4	-1.4	-19
RBS	642.6	-1.4	-0.3	3.5	-16
FRS	210.8	-2.9	-15.7	-10.5	-24
Barclays	161.5	2.7	7.9	-1.2	-21
Lloyds	55.4	-0.8	-5.8	-1.4	-18
Large Spanish banks					
Santander	60.9	2.0	3.9	-4.1	-29
Banco Sabadell	4.1	-2.9	-4.9	-1.1	-25
BBVA	4.9	-1.2	-3.0	-6.8	-31
Medium Spanish banks					
CajaBank	63.6	-1.7	-2.4	-1.2	-17
Sabadell	3.7	-1.4	-1.4	0.1	-8
Santander	1.1	-2.0	-6.5	-4.1	-33
Bankinter	7.5	-1.9	1.4	1.1	-6
Bankia	2.8	-1.7	-2.1	-4.5	-30
Currencies (% red for currency depreciation)					
level	Daily	Weekly	Monthly	YTD	
Developed					
EURUSD	1.139	-0.5	0.9	-1.1	-6
GBPUSD	1.28	0.3	-1.3	-2.0	-6
USDJPY	112.67	-0.1	1.0	0.1	0
DOY	96.65	0.3	-0.7	1.0	5
Emerging					
USDARS (Argentina)	36.32	-1.1	-0.8	0.6	-49
USDBRL (Brazil)	3.76	0.1	1.1	-1.2	-13
USDCLP (Chile)	671.58	-0.5	3.1	1.4	-10
USDCOP (Colombia)	3190	-0.4	0.1	-3.6	-8
USDPEN (Peru)	29.35	0.1	0.7	-5.3	-4
USDPEN (Peru)	3.38	-0.2	0.1	-1.5	-4
LACI	54.73	-0.1	1.0	-2.1	-14
USDRN (Russia)	3.78	0.0	0.6	-1.3	-9
USDRUS (Russia)	65.96	-0.5	3.2	-0.8	-13
USDTRY (Turkey)	5.39	-1.3	1.6	4.6	-30
USDZNY (China)	6.95	0.0	0.2	-0.2	-7
USDINR (India)	71.46	0.3	1.7	2.6	-11
USDIDR (Indonesia)	14,588	0.0	1.5	4.1	-7
ADNY	104.2	-0.1	0.3	0.3	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	62.4	-5.1	-3.2	-2.1	-5
WTX	54	-4.4	-2.6	-2.2	-10
Copper	279	-0.7	3.6	1	-14
Gold	1224	0.0	1.8	0	-7
S&P Spot commodity *	435	0.7	2.1	-8	-2
S&P Brent Spot *	57.1	0.1	1.9	-15	-1
S&P Metals Spot *	334	0.1	1.3	-2	-15
S&P Agri Cultural *	288	-1.0	-0.7	1	1

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

Fuente: BBVA Research

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Germany	0.25	-2.2	-5.9	-11	17
France	0.76	-2.2	-2.8	-8	-6
Spain	1.85	-0.4	4.0	-9	-3
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Japan (2-yr)	0.14	0.4	-0.2	-2	-1
Japan	0.10	0.5	-1.2	-5	5
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Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
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Dollar/Euro volatility	8	0.3	0	1	1
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Banking 5y CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	69	-3.9	16	-12	26
EZ	114	2.3	12	9	74
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Medium Spanish	105	0.6	2	8	30
Corporate 5y CDS (bps) *					
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US Non-financial	185	3.9	16	12	26
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UK Non-financial	110	-0.3	5	7	17
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	2.65	0	3	18	55
Libor 12m	3.11	-2	-3	11	100
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,659	-1.2	-2.3	-3.9	-1
Dow Jones	24,055	-1.4	-2.5	-3.1	-1
Nikkei	21,583	-1.1	-1.0	-4.2	-5
FTSE 100	6,948	-0.8	-1.5	-1.4	-9
Eurostoxx 50	3,116	-1.4	-3.4	-3.0	-11
BEX	8,867	-1.6	-3.0	-0.3	-12
DAX	11,066	-1.6	-3.5	-4.2	-14
CAC	4,925	-1.2	-3.5	-3.1	-7
MIB	16,471	-1.9	-3.9	-3.2	-15
ASE Athens	593	-3.9	-7.9	-5.1	-28
MSCI Latam *	87,668	-0.5	1.3	0.5	2
Bovespa (Brazil)	87,901	0.6	3.5	4.4	13
Mexbol (Mexico)	42,348	0.1	-0.2	-10.7	-15
Merval (Argentina)	30,191	-3.0	5.8	5.3	-3
MSCI EM Europe *	5,234	0.4	-0.4	0.4	-1
Poland	2,161	-1.3	-2.6	-1.7	-12
Moox 10 (Russia)	4,198	-1.6	-2.2	-0.5	2
Jas 100 (Taiwan)	91,685	-3.1	-1.1	-4.9	-22
MSCI EM Asia *	607	0.1	1.7	1.5	-12
Shanghai Com (China)	2,646	-2.1	-0.3	3.7	-21
Jakarta (Indonesia)	6,095	-0.1	4.0	2.7	-6
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	130.5	-2.3	-2.7	-6.1	-12
WFC	108.7	-2.0	-0.9	0.7	-1
CB	62.9	-2.7	-3.0	-6.7	-15
BoA	27.3	-1.6	-1.7	-3.6	-9
MS	43.0	-3.2	-3.7	-7.3	-18
GS	192.9	-2.7	-5.9	-15.0	-25
EZ banks					
BNP	44.3	-2.2	-4.2	-9.1	-29
Credit Agricole	10.6	-2.3	-5.7	-10.6	-24
Deutsche Bank	8.2	-4.8	-7.6	-14.2	-49
ING	10.6	-2.3	-5.6	0.7	-31
Intesa	1.9	-2.5	-6.2	-5.3	-32
SG	32.3	-2.1	-4.0	-6.2	-25
Unicredit	10.5	-2.8	-6.3	-8.8	-33
UK banks	74.6	-1.8	-6.4	-1.4	-19
H8C	642.6	1.4	0.3	3.6	-16
RBS	210.8	-2.9	-15.7	-10.5	-24
Barclays	161.5	-2.7	-7.9	-1.2	-21
Lloyds	55.4	-0.8	-5.8	-1.4	-10
Large Spanish banks					
Santander	60.5	-2.0	-3.9	-4.1	-29
Banco Sabadell	4.1	-2.9	-4.9	-1.1	-25
BBVA	4.9	-1.2	-3.0	-6.8	-31
Medium Spanish banks					
CajaBank	63.6	-1.7	-2.4	-1.2	-17
CajaBank	3.7	-1.4	-1.4	-0.1	-8
Sabadell	1.1	-2.0	-6.5	-4.1	-33
Bankia	7.5	-1.9	-5.4	1.1	-6
Bankia	2.8	-1.7	-2.1	-4.5	-30
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTI	63.4	-5.1	-3.2	-21	-5
WTI	54	-4.4	-2.6	-22	-10
Copper	279	-0.7	3.6	1	14
Gold	1224	0.0	1.8	0	-7
S&P Spot commodity *	435	0.7	2.1	-8	-2
S&P Brent Spot *	671	0.1	1.9	-15	1
S&P Metals Spot *	334	0.1	1.8	-2	-15
S&P Agriculture *	288	-1.0	-0.7	-1	1
* With one day delay					
Source: Bloomberg, Datastream and Haver					

Fuente: BBVA Research

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