

# Market Comment|After uneventful FOMC, market's positive tone deflates ahead of BoJ meeting

Global Financial Markets Unit  
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- Fed uses July statement to re-prime the policy normalization pump. **Unprecedented for a tightening cycle, Fed delays rate increase for 5th consecutive meeting.** Improvements in domestic conditions move committee closer to resuming normalization. Uncertainty and U.S. elections will complicate possibility of rate increases in September ([see](#)).
- **As was expected, the FOMC maintained the recent stance in its last meeting and consequently it had a mild impact on financial markets, focused mainly on the US markets:** 10Y US yields decreased by around 6 bps, while the USD depreciated against its main peers hours after the release. Despite the lack of tightening in the Fed's tone, coupled with tomorrow's expected easing by the BoJ (to reinforce the recent ambitious fiscal stimulus) markets opened today in a slightly risk-off mood: volatility increased (VIX, 3.3%). The recent downward trend in oil prices extended today (-1.6%) adding uncertainty to the current situation, hitting a 13-week low.
- Against this backdrop, **global equity indices broke the recent positive trend** after Japan's indices went down (Nikkei -1.1%), partially offsetting yesterday's rebound, while European and US indices dropped amid mixed results in 2Q earnings reports released (Euro Stoxx -1.1%; S&P500 -0.1%). Meanwhile, **no significant movements in government yields across the board** (10Y US +2 bps; 10Y UK -3 bps; 10Y GER -1 bps; 10Y Spain -1 bps) despite the patience shown by the Fed.
- **The USD depreciated against the JPY (+0.5%) and the EUR (+0.28%),** while appreciating against the GBP (+0.56%), EM currencies showed mixed performances (CLP +0.3%, COP -0.4%, MXN -0.5%, TRY +0.2, PLN +0.5). The positive effect of delaying interest rate hikes in the US for EM countries partly offset the negative effect of the current downward trend in oil prices.

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Table 1







CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

\*\*\*S&P GSCI with one day delay

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