

Market Comment | Bond yields soared in the aftermath of the US election

Global Financial Markets Unit
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- US bond yields extended their increases during the week, especially after the Fed Chair's statement [hinted at a rate hike in December](#) ([see](#)). The increase in US yields also lifted yields across the board, forcing some central banks to take action. This was the case of the Bank of Japan, **which announced that it would buy unlimited amounts of five- and two-year** bonds so as to maintain the 10Y yield close to zero, in line with its current monetary policy, which targets yield curve control. Peripheral bond yields also soared, driven by higher US yields and uncertainty about the upcoming Italian constitutional referendum. However, the 10Y German yield was broadly unchanged - due to the ongoing uncertainty about the Italian referendum. Consequently, **peripheral risk premiums widened significantly**. Moreover, the spread between the Bund and 10Y Treasury yields reached a new historical record high - above the March 2015 levels, when the PSPP started. On the other hand, EM sovereign bond yields tempered their upward trend after last week's strong increase, in particular in Latam countries.
- In FX markets, the **USD kept strengthening during the week**, underpinned by Fed interest rate hike probabilities (now close to 100 percent) and higher yield differentials, while the **EUR extended its downward trend**. EM currencies depreciated across the board, with the exception of the MXN, which slightly appreciated after the significant fall of the previous week. In this regard, Banxico decided to raise interest rates by 50 bps in light of the recent volatility in the MXN. Oil prices showed high volatility although they ended up higher, on the back of encouraging US crude oil inventories and hopes regarding the OPEC meeting to be held later this month.
- **October ECB minutes**. As Draghi pointed out after the meeting, decisions have been postponed to December, as 2019 inflation forecasts are due to be released for the first time. As was widely expected, no clues were provided on the discussion of QE extension or technical changes to cope with bond scarcity problems ("amid generally satisfactory market liquidity" in the QE implementation), nor on tapering ([see](#)).
- The equity indices rally halted, with US stocks prices hovering around historical high levels.

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Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.65	0.7	13.2	25	0	
US	2.31	0.7	16.0	57	4	
GER (2-yr)	0.67	-3.3	-6.7	0	-32	
Germany	0.27	-0.7	3.5	24	-36	
France	0.74	-0.1	-0.4	43	-24	
Spain	1.58	-1.6	10.3	46	-19	
Italy	2.06	-3.2	4.2	60	47	
Portugal	3.82	7.3	33.1	62	130	
Greece	7.06	-26.0	-9.8	-138	-123	
Japan (2-yr)	0.17	-1.0	7.4	11	-16	
Japan	0.04	6.2	9.7	-23	-23	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	12.09	3.7	2.7	94	-443	
Chile	4.61	0.0	8.5	36	-7	
Colombia	7.55	3.5	-3.3	40	-111	
Mexico	7.07	3.8	-17.4	104	81	
Peru	6.46	0.0	20.3	73	-101	
Poland	3.65	-1.0	31.1	68	71	
Russia	8.82	2.0	-10.0	46	-73	
Turkey	10.82	7.0	25.0	114	35	
India	6.43	0.9	-29.7	-30	-133	
Indonesia	7.83	2.2	-5.9	68	-91	
Country Risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	47	0.6	3.2	19	11	
Italy	179	-2.5	7.8	44	82	
Portugal	354	8.0	36.7	38	166	
Spain	131	-0.9	13.9	22	16	
2-yr sovereign spread vs Germany						
France	6	0.6	1.3	1	3	
Italy	71	1.9	3.1	13	40	
Portugal	116	5.4	21.2	22	71	
Spain	52	0.5	4.2	7	17	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	306	6	-3	43	-106	
Chile	100	5	-4	10	-27	
Colombia	282	7	0	24	-37	
Mexico	186	11	-1	40	15	
Peru	123	7	2	20	-63	
Venezuela	3,945	-36	202	-23	-2099	
Poland	86	6	5	9	14	
Russia	230	1	2	-2	-72	
Turkey	285	-2	2	33	12	
China	118	-1	1	11	9	
India	143	1	10	4	-5	
Indonesia	178	-4	10	26	-48	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)						
VIX	13	-1.0	-7	-8	-5	
VST OXX	20	2.2	-7	13	-2	
EM EFT volatility index	22	-1.3	-24	4	-4	
Dollar Euro volatility	11	0.8	22	54	17	
EM FX volatility index	11	-1.5	-4	12	-5	
Credit spread (BAA) (bps)	246	-0.7	-14	-17	-77	
US bonds volatility index	70	2.2	-6	26	14	
Banking 5y CDS (bps) *						
US	69	0.7	-1	-6	-6	
EZ	132	4.9	13	17	48	
UK	102	-0.9	12	-3	25	
Large Spanish	144	4.7	14	18	7	
Medium Spanish	173	7.3	11	16	16	
Corporate 5y CDS (bps) *						
US Non-financial	192	0.7	-1	-6	-6	
EZ Non-financial	109	4.9	13	17	48	
UK Non-financial	137	-1.1	1	-3	-55	
Interbank markets (% change in bp)	level	Daily	Weekly	Monthly	YTD	
EONIA Index						
EONIA Index	-0.35	0.00	0.0	0.0	-0.2	
Eurobor 3m						
Eurobor 3m	-0.31	0.00	0.0	0.0	-0.2	
Eurobor 12m						
Eurobor 12m	-0.08	0.00	0.0	0.0	-0.1	
Libor 3m						
Libor 3m	0.91	0.00	0.0	0.0	0.3	
Libor 12m						
Libor 12m	1.61	0.00	0.0	0.0	0.4	
EZTED spread 3m	47.0	-0.20	-8.8	-7.8	-6.2	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Americas						
S&P500	2,185	0.1	1.0	2	7	
Dow Jones	18,879	-0.1	0.2	4	8	
Nikkei	17,967	0.6	3.4	6	6	
FTSE 100	6,768	-0.4	0.6	4	8	
EuroStoxx 50	3,022	-0.7	-0.3	-1	6	
IBEX	8,620	-1.1	-0.2	-4	-10	
DAX	10,676	-0.1	0.1	0	-1	
CAC	4,500	-0.6	0.2	0	-3	
MIB	16,309	-1.5	-3.0	-4	-24	
ASE Athens	612	1.8	5.0	3	-3	
MSCI Latam *	71,387	-1.1	2.0	-6	-20	
Ibovespa (Brazil)	59,579	-0.3	0.7	-6	37	
Mobd	44,578	-0.8	-0.9	-8	-4	
MSCI EM Europe *	4,544	0.7	0.7	1	7	
Poland	1,731	-0.6	-3.6	-1	-7	
Micro (Russia)	2,039	0.2	0.4	4	16	
Ne 100 (Turkey)	75,659	0.7	0.6	-5	5	
MSCI EM Asia *	665	-0.1	-2.7	5	4	
Shanghai Com (China)	3,193	-0.5	-0.1	4	-10	
Jakarta (Indonesia)	5,170	-0.3	-5.1	-5	-13	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	77.9	-0.1	1.6	14	18	
Citi	55.5	0.1	5.0	12	7	
Wells	20.0	-0.4	3.1	21	19	
MS	40.5	1.3	5.1	23	27	
GS	211.3	0.8	3.6	21	17	
EZ banks						
BNP	89.4	-0.5	-1.7	10	-17	
Crédit Agricole	54.3	-0.5	0.8	9	4	
Crédit Agricole	10.8	0.3	1.3	15	-1	
Deutsche Bank	15.0	0.1	1.9	20	-33	
ING	12.8	-0.8	-0.5	10	3	
Intesa	2.1	-1.5	-7.7	-1	-33	
SG	40.1	-0.4	0.7	17	-6	
Unicredit	2.0	0.0	12.5	-10	61	
UK banks						
HSBC	80.3	-0.6	2.1	9	-9	
HSBC	633.1	0.2	2.1	1	18	
RBS	204.0	-1.9	1.2	13	-32	
Barclays	211.9	-0.4	5.0	19	-3	
Lloyds	59.4	-1.1	-0.3	8	-19	
Large Spanish banks						
Santander	67.7	-2.5	0.4	1	-10	
Santander	4.3	-2.1	0.1	2	-7	
BBVA	5.9	-2.7	0.8	-2	-13	
Medium Spanish banks						
CáixaBank	65.4	-0.7	-1.9	8	-21	
CáixaBank	2.8	-1.4	-1.1	12	-12	
Populr	0.9	0.7	-9.9	-20	-68	
Sabadell	1.3	-0.9	2.8	8	-21	
Bankinter	7.0	-0.4	0.5	7	8	
Banella	0.9	-0.6	-1.0	17	-19	
Currencies (% ind for currency depreciation)	level	Daily	Weekly	Monthly	YTD	
Eurozone						
EURUSD	1.06	-0.5	2.6	-3.6	-3	
GBPUSD	1.23	-0.8	-2.2	0.3	-16	
USD JPY	110.69	-0.5	-3.8	7.0	-8	
DKK	101.24	0.3	2.2	-3.4	-3	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.49	-0.1	-1.2	-2.0	-20	
USD BRL (Brazil)	3.38	1.1	0.6	-6.7	15	
USDCLP (Chile)	679.05	-0.6	-1.4	-2.0	-4	
USDCOP (Colombia)	3158	0.0	-3.7	-8.3	1	
USDMXN (Mexico)	20.38	0.2	2.3	10.0	-18	
USDPER (Peru)	3.40	0.0	0.1	0.6	0	
LACI	61.57	0.3	0.6	-6.2	-2	
USDPLN (Poland)	4.21	-0.8	-3.3	-7.1	-7	
USD RUB (Russia)	64.82	0.1	1.6	-4.1	11	
USDTRY (Turkey)	3.58	-0.3	-4.1	10.4	16	
USDCNY (China)	6.89	-0.1	-1.1	-2.2	-6	
USDINR (India)	68.14	-0.5	-1.3	-2.2	-3	
USDIDR (Indonesia)	13,428	-0.4	0.3	-3.2	-3	
ADXY	103.9	-0.1	0.8	-2.5	-2	
Commodities (%)	level	Daily	Weekly	Monthly	YTD	
Brent						
Brent	45.2	-0.5	4.1	-12	22	
WTI	45.2	-0.5	4.1	-12	22	
Copper	248	-0.2	0.9	18	17	
Gold	1,200	-0.7	-1.6	-5	14	
S&P Spot commodity *	358	0.1	1.9	-6	15	
S&P Brent Spot *	405	0.0	3.9	-11	26	
S&P Metals Spot *	303	0.3	-0.9	11	20	
S&P Agricultural *	298	0.6	0.7	-3	5	

Debt markets (10Y % changes in bp)					
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France	0.74	-0.1	-0.4	43	24
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Turkey	10.82	7.0	25.0	114	38
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Poland	86	-6	6	9	14
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Turkey	285	-2	2	33	12
China	118	-1	1	11	9
India	143	1	10	4	-5
Indonesia	173	-4	10	26	-48
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	13	-1.0	-7	-8	-5
VSTOXX	20	2.2	-7	13	-2
EM EFT volatility index	22	-1.3	-24	4	4
Dollar/euro volatility	11	9.8	22	54	17
EM FX volatility index	11	-1.5	4	12	-5
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US bonds volatility index	78	-3.2	-6	-26	14
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	69	0.7	-1	-6	-6
EU	132	4.8	13	17	48
UK	102	3.9	12	-3	25
Large Spanish	144	4.7	14	18	7
Medium Spanish	123	7.3	11	16	16
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	192	0.7	-1	-6	6
EU Non-financial	109	4.9	13	17	48
UK Non-financial	137	-0.1	1	-3	-55
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Euribor 3m	-0.31	0.00	0.0	0.0	-0.2
Euribor 12m	-0.08	0.00	0.0	0.0	-0.1
Libor 3m	0.91	0.00	0.0	0.0	0.3
Libor 12m	1.61	0.00	0.0	0.0	0.4
EZ TED spread 3m	47.0	-0.20	-8.8	-7.8	6.2
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,185	-0.1	1.0	2	7
Dow Jones	18,878	-0.1	0.2	4	8
Nikkei	17,967	0.6	3.4	6	-6
FTSE 100	6,768	-0.4	0.6	-4	8
Euro Stoxx 50	3,022	-0.7	0.3	-1	-8
IBEX	8,620	-1.1	-0.2	-4	-10
DAX	10,676	-0.1	0.1	0	-1
CAC	4,500	-0.6	0.2	0	-3
MIIB	16,309	-1.5	-3.0	-4	-24
ASE Athens	612	1.8	5.0	3	-3
MSCI Latam *	71,387	-1.1	-2.0	-6	20
Bovespa (Brazil)	59,578	-0.3	0.7	-6	37
Merval	44,578	-0.8	-0.9	-8	4
MSCI EM Europe *	4,544	0.7	-0.7	1	7
Poland	1,731	-0.6	-3.6	-1	-7
MIEX (Russia)	2,939	-0.2	0.4	-4	16
Ise 100 (Turkey)	75,639	0.7	0.6	-5	5
MSCI EM Asia *	685	0.1	-2.7	-5	4
Shanghai Com (China)	3,193	-0.5	-0.1	4	-10
Jakarta (Indonesia)	5,170	-0.3	-5.1	-5	13
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	106.9	0.4	4.7	19	14
JPM	77.9	-0.1	1.6	14	18
Citi	55.5	0.1	5.0	12	7
BoA	20.0	-0.4	5.1	21	19
MS	40.5	1.3	5.1	23	27
GS	211.3	0.8	3.6	21	17
EZ banks	89.4	-0.5	-1.7	10	-17
BNP	54.3	0.5	0.8	9	4
Credit Agricole	10.8	0.3	1.3	15	-1
Deutsche Bank	15.0	0.1	1.9	20	-33
ING	12.8	-0.8	-0.5	10	3
Intesa	2.1	-1.5	-7.7	-1	-33
SG	40.1	-0.4	0.7	17	6
Unicredit	2.0	0.0	-12.5	-10	-61
UK banks	80.3	-0.6	2.1	9	-9
HSC	633.1	0.2	2.1	1	18
RBS	204.0	-1.9	1.2	13	-32
Barclays	211.9	-0.4	5.0	19	-3
Lloyds	59.4	-1.1	-0.3	8	-19
Large Spanish banks	67.7	-2.5	0.4	-1	-10
Santander	4.3	-2.1	0.1	2	-7
BBVA	5.9	-2.7	0.8	-2	-13
Medium Spanish banks	65.4	-0.7	-1.9	8	-21
Casabank	2.8	-1.4	-1.1	12	-12
Popubir	0.9	0.7	-9.9	-20	-68
Sabadell	1.3	-0.9	-2.8	8	-21
Banister	7.0	0.4	0.5	7	8
Bankia	0.9	-0.6	-1.0	17	-19
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.06	-0.5	2.6	3.6	-3
GBPUSD	1.23	-0.8	-2.2	0.3	-16
USDJPY	110.69	-0.5	-3.8	7.0	-8
DKY	101.24	0.3	2.2	-3.4	-3
Emerging					
USDARS (Argentina)	15.49	-0.1	-1.2	-2.0	-20
USD BRL (Brazil)	3.38	1.1	0.6	-6.7	15
USD CLP (Chile)	679.05	-0.6	-1.4	-2.0	4
USD COP (Colombia)	319.8	0.0	-3.7	-8.3	1
USD MXN (Mexico)	20.38	0.2	2.3	-10.0	-18
USD PEN (Peru)	3.40	0.0	0.1	-0.6	0
LACI	615.7	0.3	0.6	-6.2	-2
USD PLN (Poland)	4.21	-0.8	-3.3	-7.1	-7
USD RUB (Russia)	64.82	0.1	1.6	-4.1	11
USD TRY (Turkey)	3.38	-0.3	-4.1	-10.4	-16
USD CNY (China)	6.89	0.1	-1.1	-2.2	6
USD INR (India)	68.14	-0.5	-1.3	-2.2	-3
USD IDR (Indonesia)	13,428	-0.4	-0.3	-3.2	3
ADXY	103.9	-0.1	-0.8	-2.5	-2
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	46.2	-0.5	3.3	-12	24
WTI	45.2	-0.5	1.1	-12	22
Copper	248	-0.2	-0.9	18	17
Gold	1,208	-0.7	-1.6	-5	14
S&P Spot commodity *	358	0.1	1.9	-6	15
S&P Brent Spot *	405	0.0	3.9	-11	26
S&P Metals Spot *	303	0.3	-0.9	11	20
S&P Agricultural *	298	0.6	-0.7	-3	5

Source: Bloomberg, Datastream and Haver

* With one day delay

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