

Market Comment | OPEC agreement boosts inflation expectations

Global Financial Markets Unit
01 Dec 2016

- In the wake of the announcement of the OPEC deal, US and European financial markets saw high volatility in equities, and sovereign yields extended their upward trend (also in EM, especially in USD-denominated debt), while Asian financial markets showed slightly lower risk aversion. The major market sensitive events were the following:
- **Oil prices extended yesterday's sharp increase after OPEC members agreed to cut oil production** (see [official statement](#) and see [BBVA report](#)). Oil companies' shares outperformed, while inflation expectations increased, boosting sovereign bond yields. Nonetheless, EM currencies depreciated for a number of reasons: currencies of oil importing countries suffered (such as the TRY) and the MXN depreciated on reports that the Mexican Central Bank Governor will stand down in mid-2017 (see [details](#)).
- **US Treasury yields** rose significantly for a second day in a row, led by higher oil prices coupled with **higher-than-expected ISM US manufacturing data** in November (see [details](#)).
- **Asian financial markets** bucked the trend, showing **gains in stock prices** and lower risk aversion (underpinned also by the surge in oil prices) as **China's manufacturing sector surprisingly expanded**, reaching its historical high since July 2012 (see [BBVA report](#)).
- **The pound sterling climbed** as the **UK is considering making contributions to the EU budget to gain access to EU markets**, reducing the perceived risk of a "hard" Brexit (see [details](#)).

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.13	3.0	2.6	32	10
US	2.46	7.6	10.7	63	19
GER (2-yr)	0.73	-0.5	0.2	11	-39
Germany	0.37	9.4	11.0	19	26
France	0.82	6.6	2.7	32	17
Spain	1.62	6.4	2.6	32	16
Italy	2.05	6.2	-8.1	30	45
Portugal	3.77	5.5	9.8	41	125
Greece	6.50	-7.1	-43.6	-160	-178
Japan (2-yr)	0.17	-1.3	0.9	7	-16
Japan	0.03	-0.1	7.7	-23	-23
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.20	37.2	31.8	70	-43
Chile	4.60	0.1	-3.2	31	-8
Colombia	7.28	-1.1	-25.3	-11	-137
Mexico	7.33	7.6	-13.1	97	107
Peru	6.31	-1.0	-10.9	61	116
Poland	3.78	12.6	17.3	65	83
Russia	8.81	-5.4	-2.1	19	-75
Turkey	11.02	18.0	8.0	113	95
India	6.22	-3.2	2.8	60	155
Indonesia	8.07	-6.4	-15.9	83	-67
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	45	-2.8	-8.3	13	9
Italy	166	-3.2	-19.1	11	71
Portugal	340	-3.9	-1.2	22	153
Spain	125	-3.0	-8.4	13	10
2-yr sovereign spread vs Germany					
France	13	2.3	-2.7	8	9
Italy	82	4.2	0.6	17	51
Portugal	110	4.0	-1.6	9	65
Spain	64	3.2	2.5	18	29
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	290	-4	-11	21	202
Chile	87	-3	7	1	40
Colombia	188	-6	-10	14	-51
Mexico	179	-5	9	24	8
Peru	113	-2	7	15	-68
Venezuela	4,388	-40	126	642	-1655
Poland	83	0	-1	7	11
Russia	223	-3	-2	3	-79
Turkey	286	-1	-7	33	13
China	116	-1	-2	7	8
India	133	0	-12	-6	-16
Indonesia	166	-1	7	13	-60
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	14	3.1	11	26	-4
VSTOXX	23	5.4	13	4	0
EM EFT volatility Index	22	2.0	1	-17	-5
Dollar/euro volatility	11	-6.9	2	41	13
EM FX volatility index	11	-1.1	4	5	-6
Credit spread (BAA) (bps)	236	-7.6	-14	-17	87
US bonds volatility index	81	4.7	3	19	19
Emerging 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	75	-0.7	2	-2	0
EZ	135	1.8	3	16	52
UK	102	0.1	0	4	25
Large Spanish	143	0.9	0	22	6
Medium Spanish	171	-1.3	3	13	14
Composite 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	188	-0.7	2	-2	0
EZ Non-financial	108	1.8	3	16	52
UK Non-financial	129	-2.2	1	7	63
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	0.34	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	0.93	0.00	0.0	0.1	0.3
Libor 12m	1.64	0.00	0.0	0.1	0.5
EZ TED spread 3m	50.0	0.40	1.1	5.7	9.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,199	0.0	-0.3	4	8
Dow Jones	19,200	0.4	0.6	6	10
Nikkei	18,513	1.1	1.0	6	-3
FTSE 100	6,753	0.5	-1.1	2	8
EuroStoxx 50	3,031	-0.7	0.3	0	7
IBEX	8,669	-0.2	0.1	4	9
DAX	10,534	-1.0	-1.5	0	-2
CAC	4,561	-0.4	0.4	2	-2
MI8	17,098	1.0	3.6	1	-20
ASE Athens	615	-2.2	-1.4	6	-3
MSCI Latam *	73,103	1.1	0.1	5	23
Bovespa (B3SP)	60,667	-1.7	0.9	4	40
Mobxol	45,287	-0.1	0.0	4	5
MSCI EM Europe *	4,672	1.5	0.4	3	10
Poland	1,764	0.8	-1.3	-2	-4
Micro (Brazil)	2,122	0.8	0.9	6	20
Ise TOX (Turkey)	72,520	-2.0	-2.3	-6	1
MSCI EM Asia *	699	0.2	0.7	2	6
Shanghai Com (China)	3,273	0.7	1.0	5	-8
Jakarta (Indonesia)	5,199	1.2	-0.3	4	13
Emerging sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	113.5	2.7	-4.4	26	-21
Citi	82.1	2.4	4.1	19	24
CB	57.5	1.9	1.4	17	11
BAC	21.9	3.7	6.5	32	30
MS	42.4	2.6	3.4	27	33
GS	224.8	2.5	5.9	26	25
EZ banks					
BNP	91.2	1.5	3.8	9	16
BNP	55.9	2.0	3.1	6	7
Crédit Agricole	10.8	0.9	-1.2	11	-1
Indische Bank	15.1	1.8	1.9	20	33
ING	13.0	0.9	1.3	10	4
Intesa	2.1	2.1	4.9	3	31
SG	41.0	0.9	2.3	17	-8
UniCredit	2.1	3.0	4.7	6	59
UK banks					
HSC	80.0	0.5	-1.2	7	-9
HSC	630.3	-0.8	-1.5	3	18
RIS	199.7	2.8	-1.7	7	24
Barclays	219.1	1.4	1.7	17	0
Lloyds	57.6	-0.5	-3.5	2	-21
Large Spanish banks					
Santander	68.4	0.7	0.8	5	9
Santander	4.3	0.7	0.9	1	5
BBVA	5.9	0.8	0.8	9	-13
Medium Spanish banks					
Cajamar	65.1	2.5	1.8	3	21
Cajabank	2.8	1.6	0.5	3	13
Popular	0.9	13.7	11.4	-3	-66
Sabeksa	1.2	4.1	2.1	2	-24
Bankia	7.1	0.6	2.4	3	9
Bankia	0.9	1.1	-0.6	6	-21
Currencies (% not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
GBPUSD	1.26	0.7	1.1	2.9	-15
USDJPY	114.35	0.1	-0.9	9.8	-5
DOY	101.19	-0.3	-0.5	3.6	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDINR (India)	15.01	-0.3	-2.3	5.6	23
USDBRL (Brazil)	3.47	-2.5	-2.2	7.4	12
USDCJP (China)	674.69	-0.1	0.7	-3.6	5
USDCOP (Colombia)	3064	0.3	3.5	0.6	3
USDMMN (Mexico)	20.75	-0.8	0.0	-8.1	-21
USDPEN (Peru)	3.42	-0.1	0.7	-1.5	0
LACI	60.73	-1.1	-0.7	-5.8	-3
USDPLN (Poland)	4.21	-0.1	-0.5	8.2	7
USD RUB (Russia)	63.72	0.6	1.2	0.7	12
USDTRY (Turkey)	3.49	-1.6	-1.4	-12.3	-20
USDCNY (China)	6.89	0.1	0.5	-1.8	-6
USDIDR (India)	68.35	0.1	0.6	2.4	-3
USDIDR (Indonesia)	13,565	-0.1	0.1	-4.0	2
ADXY	103.8	0.2	0.4	-2.0	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	54.3	7.5	10.8	13	46
Copper	57.6	-4.3	-7.6	11	-39
Copper	262	0.0	0.6	18	-23
Gold	1,168	-0.5	-1.4	9	10
S&P Spot commodity *	377	4.8	1.6	5	21
S&P Brent Spot *	441	9.6	3.7	8	38
S&P Metals Spot *	318	1.2	0.2	10	26
S&P Agricultural *	294	-0.6	-2.1	-1	-4

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.15	3.6	2.6	32	10
US	2.46	7.6	10.7	63	19
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Germany	0.37	9.4	11.0	19	26
France	0.82	6.6	2.7	32	-17
Spain	1.62	6.4	2.6	32	-16
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Colombia	7.28	-1.1	-25.3	-11	-137
Mexico	7.33	7.6	-13.1	97	107
Peru	6.31	-1.0	-10.9	61	-116
Poland	3.78	12.6	17.3	66	83
Russia	8.81	-5.4	-2.1	19	-75
Turkey	11.02	18.0	8.0	113	55
India	6.22	-3.2	2.8	-60	-155
Indonesia	8.07	-6.4	-15.9	83	-67
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	45	-2.8	-9.3	13	9
Italy	168	-3.2	-19.1	11	71
Portugal	340	-3.9	-1.2	22	151
Spain	125	-3.0	-8.4	13	10
2-yr sovereign spread vs Germany					
France	13	2.3	-2.7	8	9
Italy	82	4.2	0.6	17	51
Portugal	110	4.0	-1.6	9	65
Spain	64	3.2	2.5	18	29
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
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Peru	117	-2	-7	15	-68
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Turkey	286	-1	-7	33	13
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Indonesia	166	-4	-7	13	-60
Risk indicators					
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VSTOXX	23	5.4	13	-4	0
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Dollar euro volatility	11	-6.9	2	41	13
EM FX volatility index	11	-1.1	-4	5	-6
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US bonds volatility index	81	4.7	3	19	19
Banking by CDS (bps)	level	Daily	Weekly	Monthly	YTD
US	75	-0.7	2	-2	0
EZ	135	1.8	3	16	52
UK	102	0.1	0	4	25
Large Spanish	143	0.9	0	22	6
Medium Spanish	171	-1.3	3	13	14
Corporate by CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	188	-0.7	2	-2	0
EZ Non-financial	108	1.8	3	16	52
UK Non-financial	129	-2.2	-1	7	-63
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	0.24	0.00	0.0	0.0	0.2
Eurobor 3m	-0.31	0.00	0.0	0.0	-0.2
Eurobor 12m	-0.08	0.00	0.0	0.0	-0.1
Libor 3m	0.58	0.00	0.0	0.1	0.3
Libor 12m	1.64	0.00	0.0	0.1	0.5
EZ TED spread 3m	50.0	0.40	1.1	5.7	9.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,159	0.0	-0.3	4	8
Dow Jones	19,200	0.4	0.6	6	10
Nikkei	18,513	1.1	1.0	6	-3
FTSE 100	6,753	-0.5	-1.1	-2	8
EuroStoxx 50	3,031	-0.7	-0.3	0	-7
BSE	6,669	-0.2	0.1	4	-8
DAX	10,534	-1.0	-1.5	0	-2
CAC	4,561	-0.4	0.4	2	-2
MBI	17,098	1.0	3.6	1	20
ASE Athens	615	-2.2	-1.4	6	-3
MSCI Latam *	73,103	1.1	0.1	5	23
Ibovespa (Brazil)	66,867	-1.7	-0.9	4	40
Merck	45,207	-0.1	0.0	4	5
MSCI Europe *	4,672	1.5	0.4	3	10
Poland	1,784	0.8	-1.3	2	-4
Mex (Russia)	2,122	0.8	0.9	6	20
Isr 100 (Turkey)	72,520	-2.0	-2.3	6	1
MSCI EM Asia *	699	0.2	0.7	2	6
Shanghai Com (China)	3,273	0.7	1.0	5	8
Jakarta (Indonesia)	5,199	1.2	-0.3	4	13
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	113.5	2.7	4.4	26	21
WFC	82.1	2.4	4.1	19	24
CB	57.5	1.9	1.4	17	11
BoA	21.9	3.7	6.5	32	30
MS	42.4	2.6	3.4	27	33
GS	224.8	2.5	5.9	26	28
EZ banks					
BNP	55.9	2.0	1.1	6	7
Credit Agricole	10.3	0.9	-1.2	11	-1
Deutsche Bank	15.1	1.8	1.9	20	-33
ING	13.0	0.9	1.3	10	4
Intesa	2.1	2.1	4.9	3	-31
SG	41.0	0.9	2.3	17	4
Unicredit	2.1	3.0	4.7	6	-59
UK banks					
HSBC	80.0	0.5	-1.2	7	-9
RBS	630.3	-0.8	-1.5	3	18
RBS	199.7	2.8	-1.7	7	-34
Barclays	219.1	1.4	1.7	17	0
Lloyds	57.6	-0.5	-3.5	2	-21
Large Spanish banks					
Santander	68.4	0.7	0.9	5	9
BBVA	4.3	0.7	0.9	-1	-5
Caixa	5.9	0.8	0.8	9	-13
Medium Spanish banks					
Celabank	65.1	2.5	1.8	3	-23
CaixaBank	2.8	1.6	-0.5	3	-13
Popubir	0.9	13.7	11.4	3	-66
Sabadell	1.2	4.1	2.1	2	24
Bankiiler	7.1	0.6	2.4	3	9
Bankia	0.9	1.1	-0.6	6	-21
Currencies (% net for currency depreciation)					
level	Daily	Weekly	Monthly	YTD	
Developed					
EURUSD	1.06	0.4	0.8	-3.8	-2
GBPUSD	1.26	0.7	1.1	2.9	-15
USDJPY	114.35	0.1	-0.9	9.8	-5
USDY	103.19	-0.3	-0.5	3.6	-3
Emerging					
USDARS (Argentina)	15.91	-0.3	-2.3	5.6	-23
USD/BRL (Brazil)	3.47	2.5	-2.2	7.4	12
USD/CNY (China)	674.69	-0.1	0.7	3.6	5
USD/COP (Colombia)	3064	0.3	3.5	0.6	3
USD/MXN (Mexico)	20.75	0.8	0.0	8.1	-21
USD/PEN (Peru)	3.42	-0.1	-0.1	1.5	0
LACI	60.73	-1.1	-0.7	-5.8	-3
USD/PLN (Poland)	4.21	-0.1	-0.5	8.2	-7
USD/RUB (Russia)	63.72	0.6	1.2	0.7	12
USDTRY (Turkey)	3.89	-1.6	1.4	-12.3	-20
USD/CNY (China)	6.89	0.1	0.5	-1.8	-6
USD/INR (India)	68.35	0.1	0.6	2.4	-3
USD/IDR (Indonesia)	13,565	-0.1	-0.1	4.0	2
ADXY	103.8	0.2	0.4	2.0	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTX	54.3	7.5	10.8	13	46
Copper	51.6	4.3	7.6	11	39
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S&P Spot commodity *	377	4.8	1.6	5	21
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Source: Bloomberg, Datastream and Haver

* With one day delay

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