

Market Comment | Bond supply weighs on peripheral yields

Global Financial Markets Unit
05 Jan 2017

- Equity markets registered another session characterized by calm trade, with no significant movements. However, **European peripheral bond yields increased due to seasonal supply effects at the start of the year**. Moreover, **Portuguese sovereign bonds remained under pressure** as DBR will review the country's sovereign rating on April 27, while the ECB seems to be slowing down Portuguese bond purchases to avoiding reaching the 32% limit. The major market sensitive events were the following:
- **FOMC minutes had a muted impact on financial markets**. The minutes from December's FOMC meeting ([see](#)) showed that the committee sees some upside to their outlook for growth and the labour market given a higher likelihood of expansionary fiscal policy and stronger growth abroad. That being said, the committee underscored that the strength of the dollar and assumed path of long-term interest rates would provide a counterbalance to these trends. While the consensus seemed to be that the upside risks had increased after the election, members' views on how fiscal policy and deregulation would impact aggregate supply and demand were mixed. This balanced view is consistent with our current outlook for moderate labour market improvement and slightly higher inflation, which implies two additional rate increases in 2017.
- **China's yuan rose for a second day in a row against the USD**, being the biggest two-day gain on record, on reports that China's authorities are making efforts to shore up their currency ([see](#)). Moreover, the renminbi appreciation coincides with **positive Caixin services PMI**, with the highest figure in 17 months ([see](#)). The USD weakened, abandoning the 13-year high, as the recent appreciation of the yuan may underscore that the Chinese authorities support a strong yuan. **The USD declined further when December's ADP Nonfarm Employment Change rose less than expected** ([see](#)), ahead of tomorrow's publication of December's Nonfarm payrolls data.
- The **TRY tumbled to a fresh record low** amid higher political uncertainty, triggering fears of another rating downgrade, ahead of the upcoming decision of Fitch on sovereign Turkish debt on January 27 ([see](#)). The **MXN halted its downward trend** on reports that the Mexican Central Bank intervened to support its currency ([see](#)).

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
US (2-yr)	1.18	-0.0	2.3	7	15
US	2.39	-0.1	0.7	0	15
GER (2-yr)	0.73	4.5	4.7	-4	-38
Germany	0.26	-1.3	8.8	11	-30
France	0.82	0.7	16.5	1	-12
Spain	1.50	6.9	17.6	1	-22
Italy	1.55	6.2	15.6	1	40
Portugal	4.04	14.1	28.2	40	148
Greece	6.82	-6.3	-29.5	8	-133
Japan (2-yr)	0.20	-0.7	3.1	1	-19
Japan	0.06	2.0	1.0	-20	-20
Emerging Markets	level	Daily	Weekly	Monthly	Year
Brazil	11.24	-2.2	6.1	83	-507
Chile	4.24	-3.2	8.1	-20	-41
Colombia	7.03	-6.4	8.0	34	-171
Mexico	7.62	-3.5	13.5	36	141
Peru	6.48	0.5	9.7	15	-105
Poland	3.68	-3.9	14.4	5	51
Russia	8.44	-1.1	0.7	24	-108
Turkey	11.10	10.0	6.0	21	33
India	6.39	0.5	-13.6	18	-134
Indonesia	7.24	-10.3	-22.9	-22	-108
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	Year
10-yr sovereign spread vs Germany					
France	55	2.0	7.7	12	18
Italy	169	9.5	6.8	12	71
Portugal	377	15.4	19.4	51	179
Spain	124	8.2	8.8	12	9
2-yr sovereign spread vs Germany					
France	10	-0.1	-0.1	-1	7
Italy	63	2.3	4.7	5	28
Portugal	86	14.7	11.3	8	53
Spain	47	-1.0	-0.9	-2	14
Emerging Markets	level	Daily	Weekly	Monthly	Year
5-yr sovereign CDS *					
Brazil	259	-12	-16	-40	-235
Chile	80	-2	-4	-1	-51
Colombia	158	-4	-5	-26	-82
Mexico	161	5	7	-15	-11
Peru	106	-2	-1	-9	-82
Venezuela	3,791	-115	-84	-408	-2,369
Poland	71	5	-8	-12	-2
Russia	174	-2	-2	-39	-130
Turkey	267	-6	-4	-26	-8
China	115	-1	-3	1	7
India	125	-2	-2	-7	-25
Indonesia	152	-4	-5	-17	-77
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	12	-1.4	-1.3	-1	-9
VST OXX	16	-2.8	-10	-9	-11
EM EFT volatility index	20	-1.9	-6	-1	-25
Dollar Euro volatility	10	-0.1	2	8	2
EM FX volatility index	11	-0.9	-2	2	-5
Credit spread (BAA) (bps)	233	5.1	5	-16	-91
US bonds volatility index	76	0.4	7	0	11
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US	71	-1.1	-3	-6	-4
EZ	106	-1.9	-6	-27	22
UK	89	-1.5	-4	-15	11
Large Spanish	115	-1.7	-7	-27	-22
Medium Spanish	148	-2.9	0	-18	-12
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	Year
US Non-financial	152	-1.1	-3	-6	-4
EZ Non-financial	99	-1.9	-6	-27	22
UK Non-financial	123	-1.1	-3	-5	-71
Interbank markets (changes in bp)					
level	Daily	Weekly	Monthly	Year	
EONIA Index	-0.35	0.00	0.0	0.0	-0.1
Euribor 3m	-0.32	0.00	0.0	0.0	-0.2
Euribor 12m	-0.09	0.00	0.0	0.0	-0.1
Libor 3m	1.01	0.01	0.0	0.1	0.4
Libor 12m	1.69	0.00	0.0	0.0	0.5
EZTED spread 3m	66.4	-1.20	2.6	5.5	21.0
Stock markets (%)					
indices	level	Daily	Weekly	Monthly	Year
Americas					
S&P500	2,289	0.1	0.9	3	13
Dow Jones	19,909	-0.2	0.4	3	16
Nikkei	19,521	-0.4	2.0	6	6
FTSE 100	7,204	0.2	1.2	6	16
Eurostoxx 50	3,318	0.0	1.4	7	5
IBEX	9,484	0.2	1.7	7	2
DAX	11,586	0.0	1.2	8	13
CAC	4,902	0.0	1.3	8	8
MIB	19,711	0.4	2.6	11	-5
ASE Athens	860	0.4	3.7	6	6
MSCI Latam *	73,416	0.2	2.7	3	24
Ibovespa (Brazil)	62,090	0.8	3.1	2	47
Moody	46,392	-0.4	1.1	3	10
MSCI EM Europe *	5,034	-0.6	2.7	5	18
Poland	1,999	0.0	2.7	7	11
Micex (Russia)	2,220	-1.9	0.6	3	28
Ne 100 (Turkey)	76,586	0.3	-1.9	1	8
MSCI EM Asia *	699	0.4	1.9	1	5
Shanghai Com (China)	3,165	0.2	2.2	-1	-4
Jakarta (Indonesia)	5,326	0.9	2.2	1	16
Developing Sector	level	Daily	Weekly	Monthly	Year
US banks					
JPM	86.1	-1.0	0.2	3	35
Citi	60.8	-0.9	2.4	5	19
Bak	22.7	-1.2	3.0	2	38
MS	43.2	-0.9	2.6	2	37
GS	241.2	-0.8	1.3	4	36
EZ banks					
BNP	105.5	0.0	4.6	10	9
Crédit Agricole	62.3	0.8	4.1	7	22
Deutsche Bank	12.4	0.7	5.5	10	17
Indiaba	18.4	0.5	7.3	11	-14
ING	13.9	0.3	4.7	3	14
Intesa	2.6	1.1	6.5	13	-14
SG	47.3	-2.0	2.0	9	14
Unicredit	2.8	1.6	3.9	25	-43
UK banks					
HSBC	87.4	-0.5	3.5	5	2
RIS	664.9	-0.8	2.3	2	28
Barclays	234.3	-0.3	5.4	3	9
Lloyds	64.7	-0.1	3.0	9	-9
Large Spanish banks					
Santander	78.5	0.6	3.8	10	7
BBVA	5.2	0.5	5.2	13	17
Mediobanca	6.5	0.6	2.5	7	-1
Medium Spanish banks					
CajaBank	73.7	0.8	5.1	7	-10
Populr	3.3	2.0	6.3	9	4
Sabadell	1.0	1.4	9.1	5	-63
Bankinter	1.4	0.1	4.3	6	-15
Banque	7.5	-0.2	2.4	1	16
Banisa	1.0	1.6	7.3	16	0
Currencies (% ind for currency depreciation)					
level	Daily	Weekly	Monthly	Year	
Eurozone					
EURUSD	1.06	1.1	1.1	-1.1	-2
GBPUSD	1.24	0.6	1.1	-2.2	-16
USDJPY	115.35	1.6	1.0	1.2	-3
USDINR	101.61	-1.1	-1.8	-1.3	-3
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.96	0.8	-0.2	-0.3	-21
USDBRL (Brazil)	3.21	0.5	1.5	6.0	21
USDCLP (Chile)	663.07	1.3	0.5	-0.4	8
USDCOP (Colombia)	2941	1.0	2.1	2.1	9
USDMXN (Mexico)	21.36	0.4	3.0	4.7	-23
USDPER (Peru)	3.38	0.3	-0.5	1.1	1
USDLPL (Poland)	62.07	0.7	0.4	0.6	0
USDRPL (Poland)	4.12	1.1	2.0	0.9	-4
USDRUB (Russia)	59.28	1.8	1.6	7.2	19
USDTRY (Turkey)	3.61	0.9	2.3	4.6	22
USDCNY (China)	6.88	0.8	1.1	0.1	-5
USDINR (India)	67.96	0.1	0.2	0.1	-2
USDIDR (Indonesia)	13,367	0.5	0.8	0.0	-4
ADXY	103.9	0.5	0.9	0.2	-2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	57.0	1.0	1.5	6	53
Copper	53.8	1.0	0.1	6	46
Gold	255	0.2	3.0	-4	23
S&P 500 commodity *	1,192	1.6	2.1	1	10
S&P Brent Spot *	396	1.4	-0.6	2	28
S&P Metals Spot *	481	1.8	-0.7	5	50
S&P Agricultural *	305	2.0	2.3	-5	23
S&P Agricultural *	300	2.2	3.4	1	8

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Germany	0.26	-1.3	8.8	-11	-30
France	0.82	0.7	16.5	1	-17
Spain	1.50	6.9	17.6	1	-22
Italy	1.95	8.2	15.6	7	40
Portugal	4.04	14.1	28.2	40	148
Greece	6.82	-6.3	-29.5	8	-133
Japan (2-yr)	-0.20	-0.7	-3.1	-1	-19
Japan	0.86	2.0	1.0	-20	-20
Emerging Markets					
Brazil	11.34	-7.2	-6.1	-83	-507
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Chile	80	2	4	-1	-51
Colombia	159	-4	-5	-26	-82
Mexico	161	5	7	-13	-11
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Venezuela	3,791	-115	-84	-408	-2369
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Volatility indicators (%)	level	Daily	Weekly	Monthly	Year
VIX	12	-1.4	-1.3	-1	-9
VSTOXX	16	-2.8	-10	-9	-11
EM EFT volatility index	20	-1.9	6	-11	-25
Dollar/euro volatility	10	-0.1	2	8	2
EM FX volatility index	11	0.9	2	2	-5
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EZ	106	-1.9	-6	-27	22
UK	89	-1.5	-4	-15	11
Large Spanish	115	-1.7	-7	-27	-22
Medium Spanish	148	-2.9	0	-18	-12
Corporate S&P CDS (bps) *					
US Non-financial	152	-1.1	-3	-6	4
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EONIA Index	-0.35	0.00	0.0	0.0	-0.1
Euribor 3m	-0.32	0.00	0.0	0.0	-0.2
Euribor 12m	-0.09	0.00	0.0	0.0	-0.1
Libor 3m	1.01	0.01	0.0	0.1	0.4
Libor 12m	1.69	0.00	0.0	0.0	0.5
EZ TED spread 3m	66.4	-1.20	2.6	5.5	21.0
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	Year
S&P500	2,269	-0.1	0.9	3	13
Dow Jones	19,909	0.2	0.4	3	16
Nikkei	19,521	-0.4	2.0	6	6
FTSE 100	7,204	0.2	1.2	6	18
Euro Stoxx 50	3,318	0.0	1.4	7	5
IBEX	9,484	0.2	1.7	7	2
DAX	11,586	0.0	1.2	8	13
CAC	4,902	0.0	1.3	6	8
MBI	19,711	0.4	2.6	11	-5
ASE Athens	660	0.4	3.7	6	6
MSCI Latam *	73,416	0.2	2.7	3	24
Bovespa (Brazil)	62,090	0.8	3.1	2	47
Merval	46,392	-0.4	1.1	3	10
MSCI EM Europe *	5,024	-0.6	2.7	5	18
Poland	1,999	0.0	2.7	7	11
Mircz (Russia)	2,220	-1.9	0.6	3	28
Ise 100 (Turkey)	76,386	0.3	-1.9	1	8
MSCI EM Asia *	699	0.4	1.9	1	5
Shanghai Com (China)	3,165	0.2	2.2	-1	-4
Jakarta (Indonesia)	5,326	0.9	2.2	1	16
Banking sector					
level	Daily	Weekly	Monthly	Year	
US banks	118.7	-1.0	2.3	3	29
JPM	86.1	-1.0	0.2	3	35
Citi	60.8	-0.9	2.4	5	19
BoA	22.7	-1.2	3.0	2	38
MS	43.2	-0.9	2.6	2	37
GS	241.2	0.8	1.3	4	36
EZ banks	105.5	0.0	4.6	10	0
BNP	62.3	-0.8	4.1	7	22
Credit Agricole	12.4	0.7	5.5	10	17
Deutsche Bank	18.4	0.5	7.3	11	14
ING	13.9	0.3	4.7	3	14
Intesa	2.6	1.1	6.5	13	-14
SG	47.3	-2.0	2.0	9	14
Unicredit	2.8	1.6	3.9	25	-43
UK banks	87.4	-0.5	3.5	5	2
HSBC	664.9	-0.8	2.3	2	28
RBS	232.2	-0.9	3.8	11	-21
Barclays	234.3	-0.3	5.4	3	9
Lloyds	64.7	-0.1	3.0	9	-9
Large Spanish banks					
Sanja	78.5	0.6	3.8	10	7
Santander	5.2	0.5	5.2	13	17
BBVA	6.5	0.6	2.5	7	-1
Medium Spanish banks					
Cajabank	3.3	2.0	6.3	9	4
Popular	1.0	1.4	9.1	5	-63
Sabadell	1.4	0.1	4.3	6	-15
Banquepar	7.5	-0.2	2.4	1	16
Bankia	1.0	1.6	7.3	16	0
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	1.1	1.1	-1.1	-2
GBPUSD	1.24	0.6	1.1	-2.2	-16
USDJPY	115.35	1.6	1.0	1.2	-3
DKY	101.61	-1.1	1.0	-1.1	-3
Emerging					
USDARS (Argentina)	15.96	0.8	-0.2	-0.3	-21
USDBRL (Brazil)	3.21	0.5	1.5	6.0	21
USDCUP (Cuba)	663.07	1.3	0.5	-0.4	8
USDCOP (Colombia)	294.1	0.0	2.1	2.1	8
USDMXN (Mexico)	21.36	0.4	-3.0	-4.7	-23
USDPEN (Peru)	3.38	0.3	-0.5	1.1	1
LACI	62.07	0.7	0.4	0.6	0
USDPLN (Poland)	4.12	1.1	2.0	0.9	-4
USD RUB (Russia)	59.28	1.8	1.6	7.2	19
USDTRY (Turkey)	3.61	-0.9	-2.3	-4.6	-22
USDCNY (China)	6.86	0.8	1.1	0.1	5
USDINR (India)	67.96	0.1	0.2	-0.1	-2
USDIDR (Indonesia)	13,367	0.5	0.8	0.0	4
ADXY	103.9	0.5	0.9	-0.2	-2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	57.0	1.0	1.5	6	53
WTX	53.8	1.0	0.1	6	46
Copper	255	0.2	3.0	-4	23
Gold	1,182	1.6	2.1	1	10
S&P Spot commodity *	396	1.4	-0.5	2	28
S&P Brent Spot *	481	1.8	0.2	-1	50
S&P Metals Spot *	305	2.0	2.3	-5	23
S&P Agricultural *	300	2.2	3.4	1	8

Source: Bloomberg, Datastream and Haver

* With one day delay

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