

# Market Comment | Risk-off sentiment spreads in markets amid political uncertainty

Global Financial Markets Unit

06 Feb 2017

- Financial markets showed a significant increase in **equity volatility** amid **political uncertainty** related to European **election jitters** and new US presidential actions [\(see\)](#) aimed at decreasing regulation in the financial sector.
- A **safe-haven flow** was perceived as gold prices, JPY and CHF appreciated, while risk asset prices declined across the board, led by the banking sector. Meanwhile yields of safe-haven bonds declined, whereas **yields of European peripheral countries rose markedly**. Yields also increased in Greece, after the IMF said it was prepared to discuss its participation in the Greek bailout later today [\(see\)](#).
- The **10Y yield spread between Germany and France reached its highest level since 2013** after French candidate **Marine Le Pen unveiled her party's manifesto** [\(see\)](#), defending an exit from the euro zone and a vote on exiting the EU.
- At the European Parliament, the ECB President delivered a similar statement to that of the January monetary policy meeting, playing down the increase in inflation. Moreover, Mario Draghi said that "support from our monetary policy measures is still needed if inflation rates are to converge towards our objective". Mr. Draghi said that the institution was prepared to increase its QE programme if necessary, in line with the ECB's recent communication [\(see\)](#).
- The **USD bounced back** as investors reassessed the effect that last week's US job report may have on the path of Fed interest rates.
- **Oil prices declined** significantly amid ongoing tensions between the US and Iran and rising US oil production [\(see\)](#). The USD's strength also dragged down oil prices.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.17	-3.2	4.7	0	-5
US	2.43	-3.5	5.8	9	-9
GER (2-yr)	0.77	-3.2	-10.0	-4	0
Germany	0.37	-4.2	7.9	13	9
France	1.14	5.9	8.1	35	33
Spain	1.79	10.5	15.7	31	35
Italy	2.38	11.2	4.9	45	51
Portugal	4.24	7.2	0.3	21	35
Greece	7.66	13.7	4.8	86	78
Japan (2-yr)	0.21	1.3	2.0	-2	-2
Japan	0.11	2.1	4.6	4	4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.55	-4.5	-10.6	05	-66
Chile	4.18	0.4	-3.5	-1	-14
Colombia	6.78	-0.2	-1.0	-17	-32
Mexico	7.41	0.0	-5.0	-33	-23
Peru	6.10	2.7	3.0	-34	-38
Poland	3.78	1.0	-10.4	11	6
Russia	8.25	1.2	10.4	-10	-20
Turkey	10.59	4.0	-18.0	-51	-41
India	6.41	0.5	0.8	3	3
Indonesia	7.57	-3.6	5.4	-17	-27
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	77	10.1	16.0	22	24
Italy	201	15.4	12.8	32	41
Portugal	387	11.4	8.2	9	26
Spain	142	14.7	23.6	10	26
2-yr sovereign spread vs Germany					
France	25	4.9	-1.1	14	14
Italy	83	6.9	7.2	19	21
Portugal	86	4.1	9.2	-9	4
Spain	52	5.3	8.3	5	4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	236	-4	-6	-24	-36
Chile	76	-3	-6	-4	-6
Colombia	143	-3	-7	-15	-20
Mexico	154	-6	-8	-7	-2
Peru	102	-2	-4	-3	-5
Venezuela	3,436	-14	88	-355	-469
Poland	70	0	0	-1	-5
Russia	175	-5	-2	0	-2
Turkey	244	-10	-24	-23	-28
China	105	-4	-4	-10	-11
India	116	-1	2	-10	-11
Indonesia	143	-5	-3	-10	-13
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	11	1.8	-6	-4	-1
VSTOXX	16	8.6	-6	3	0
EM EFT volatility index	17	1.3	-10	-14	-18
Dollar/Euro volatility	8	-1	-8	-25	-25
EM FX volatility index	10	1.0	-2	-7	-5
Credit spread (BAA) (bps)	230	3.5	9	-1	3
US bonds volatility index	67	-5.6	-7	-12	-12
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	67	-2.9	-3	-4	-5
EZ	109	-2.8	-1	3	1
UK	81	-1.7	-2	-8	-10
Large Spanish	101	-3.9	-4	-14	-16
Medium Spanish	156	4.8	7	7	4
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	145	-2.9	-3	-4	-5
EZ Non-financial	101	-2.8	-1	3	1
UK Non-financial	116	-0.7	0	-7	-8
Interbank markets (% change in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.35	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.10	0.00	0.0	0.0	0.0
Libor 3m	1.03	0.00	0.0	0.0	0.0
Libor 12m	1.71	0.00	0.0	0.0	0.0
EETED spread 3m	40.2	-2.30	-1.7	-14.0	-13.2
Stock markets (%)					
Europe indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,294	0.2	0.6	1	1
Dow Jones	20,063	0.0	0.5	1	1
Nikkei	18,977	0.3	2.0	-3	-3
FTSE 100	7,172	-0.2	0.0	0	0
EuroStoxx 50	3,238	-1.1	0.7	-2	-2
IBEX	9,357	-1.1	0.0	-1	-1
DAX	11,510	-1.2	-1.5	-1	-1
CAC	4,778	-1.0	-0.1	-3	-2
MIB	18,694	-2.2	-0.4	-5	-5
ASE Athens	621	-1.3	1.1	-6	-6
MSCI Latam *	76,078	0.6	1.2	4	4
Ibovespa (Brazil)	64,718	-0.4	0.6	4	5
Mobdol	47,225	0.0	0.3	1	1
MSCI EM Europe *	5,060	-0.7	-0.7	1	0
Poland	2,090	0.6	1.9	5	4
Moor (Russia)	2,211	0.7	-1.1	0	-2
Ice 100 (Turkey)	87,358	-1.2	1.3	14	15
MSCI EM Asia *	724	0.1	0.1	4	4
Shanghai Com (China)	3,157	0.5	-0.1	0	0
Jakarta (Indonesia)	5,396	0.8	1.6	2	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	119.4	0.4	2.8	-1	0
JPM	87.1	-0.1	1.2	1	0
Citi	58.0	0.3	2.4	-4	-6
BofA	23.3	-0.1	1.4	3	1
MS	44.8	0.8	3.8	4	3
GS	242.4	0.6	3.6	0	0
EZ banks	99.5	-2.4	1.6	-5	-6
BNP	60.0	-1.8	-0.4	-4	-4
Crédit Agricole	12.0	-2.5	-2.6	-3	-3
Deutsche Bank	18.5	-1.9	0.7	2	11
ING	13.6	-1.3	2.0	-2	-2
Intesa	2.2	-2.4	-0.6	-15	-14
SG	44.8	-2.4	-4.1	-5	-7
Unicredit	12.2	-6.9	-7.0	-13	-13
UK banks	87.5	-0.4	1.1	1	0
HSBC	686.5	0.2	1.0	4	2
RBS	223.9	-2.0	-0.7	-3	-4
Barclays	227.4	-0.6	1.8	-2	-3
Lloyds	66.1	0.3	1.8	2	2
Large Spanish banks	76.3	-1.6	-1.4	-3	-2
Santander	5.2	-2.1	0.4	1	2
BBVA	6.1	-1.0	-3.1	-6	-6
Medium Spanish banks	72.2	-2.5	-0.9	-2	-1
Cajabank	3.5	-2.3	1.8	4	6
Popular	0.8	-2.6	-11.7	-15	-14
Sabadell	1.4	-2.3	1.6	4	3
Bankinter	7.4	-2.1	1.2	-2	-2
Bankia	1.0	-3.5	-1.9	-7	-6
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD	1.07	-0.5	0.3	1.2	2
GBP/USD	1.25	-0.3	-0.3	0.2	1
USD/JPY	112.33	0.2	1.3	-2.6	-4
DKK	100.10	0.2	-0.3	1.4	2
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.64	-0.1	1.8	2.0	3
USDBRL (Brazil)	3.12	0.1	0.2	2.5	3
USDCLP (Chile)	640.29	-0.2	1.3	3.3	5
USDCOP (Colombia)	2859	-0.3	2.5	2.4	4
USDMXN (Mexico)	20.52	-0.8	1.3	4.2	4
USDPEN (Peru)	3.28	-0.6	0.2	2.6	3
USC	64.00	-0.2	1.0	3.3	4
USDPOLN (Poland)	4.00	-0.3	1.3	2.7	4
USD RUB (Russia)	58.97	0.1	1.6	0.6	2
USDTRY (Turkey)	3.69	0.2	2.4	-2.7	-3
USDCNY (China)	6.86	0.1	0.3	0.2	1
USDINR (India)	67.22	0.1	1.1	1.1	1
USDIDR (Indonesia)	13,320	0.2	0.2	0.4	1
ADXY	105.0	-0.1	0.9	1.1	2
Commodities (%)					
	level	Daily	Weekly	Monthly	Year
Brent	56.0	-1.4	1.4	-2	-1
WTI	53.3	-1.1	1.2	-1	0
Copper	263	0.7	-0.8	4	3
Gold	1,2219	0.7	2.8	4	6
S&P Spot commodity *	400	0.0	1.7	1	1
S&P Brent Spot *	483	0.4	2.7	0	1
S&P Metals Spot *	321	-1.1	0.5	6	5
S&P Agricultural *	305	-0.2	2.1	1	2



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Spain	1.79	10.5	15.7	31	35
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Mexico	7.41	0.0	-5.0	-33	-23
Peru	6.10	2.7	-3.0	-4	-38
Polar	3.78	1.0	-10.4	11	6
Russia	8.25	1.2	-10.4	-19	-20
Turkey	10.59	4.0	-18.0	-51	-41
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Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.10	0.00	0.0	0.0	0.0
Libor 3m	1.03	0.00	0.0	0.0	0.0
Libor 12m	1.71	0.00	0.0	0.0	0.0
EZ TED spread 3m	49.2	-2.30	-1.7	-14.0	-17.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,294	-0.2	0.6	1	1
Dow Jones	20,063	0.0	0.5	1	1
Nikkei	18,977	0.3	-2.0	-3	-3
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MSCI EM Europe *	5,060	0.7	-0.7	1	0
Poland	2,090	0.6	1.9	5	4
MIEX (Russia)	2,211	-0.7	1.1	0	2
Ise 100 (Turkey)	87,358	-1.2	1.3	14	15
MSCI EM Asia *	724	0.1	-0.3	4	4
Shanghai Com (China)	3,157	0.5	-0.1	0	0
Jakarta (Indonesia)	5,396	0.8	1.6	2	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	119.4	0.4	2.8	1	0
JPM	87.1	-0.1	1.2	1	0
Citi	58.0	0.3	2.4	-4	-6
BoA	23.3	-0.1	1.4	3	1
MS	44.8	0.8	3.8	4	3
GS	242.4	0.6	3.6	0	0
EZ banks	99.5	-2.4	-1.6	-5	-6
BNP	60.0	-1.8	-0.4	-4	-4
Credit Agricole	12.0	-2.5	-2.6	-3	-3
Deutsche Bank	18.5	-1.9	-0.7	2	1
ING	13.6	-1.3	2.0	-2	-2
Intesa	2.2	-2.4	-0.6	-15	-14
SG	44.8	-2.4	-4.1	-5	-7
Unicredit	12.2	-6.9	-7.0	-13	-13
UK banks	87.5	-0.4	1.1	1	0
HSBC	686.5	0.2	1.0	4	2
RBS	225.9	-2.0	-0.7	-3	-4
Barclays	227.4	-0.6	1.8	-2	-3
Lloyds	66.1	0.3	1.8	2	2
Large Spanish banks	76.3	-1.6	1.4	-3	-2
Santander	5.2	-2.1	0.4	1	2
BBVA	6.1	-1.0	-3.1	-6	-6
Medium Spanish banks	72.2	-2.5	0.9	-2	-1
Cabobank	3.5	-2.3	1.8	4	6
Popular	0.8	-2.6	-11.7	-15	-14
Sabadell	1.4	-2.3	1.6	4	3
Bankinter	7.4	-2.1	-1.2	-2	-2
Bankia	1.0	-3.5	-1.9	-7	-6
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.07	-0.5	0.3	1.2	2
GBPUSD	1.25	-0.3	-0.3	0.2	1
USDJPY	112.33	0.2	1.3	-2.6	-4
DXY	100.10	0.2	-0.3	1.4	3
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.64	-0.1	1.8	2.0	3
USDBRL (Brazil)	3.12	0.1	0.2	2.5	3
USDCLP (Chile)	640.29	-0.2	1.3	3.3	5
USDCOP (Colombia)	2869	-0.3	2.5	2.4	4
USDMXN (Mexico)	20.52	-0.8	1.3	4.2	4
USDPEN (Peru)	3.28	-0.6	0.2	2.6	3
LACI	64.08	-0.2	1.0	3.3	4
USDPLN (Poland)	4.00	-0.3	1.3	2.7	4
USD RUB (Russia)	58.97	0.1	1.6	0.6	2
USDTRY (Turkey)	3.69	0.2	2.4	-2.7	-3
USDCNY (China)	6.86	0.1	0.3	0.2	1
USDINR (India)	67.22	0.1	1.1	1.1	1
USDIDR (Indonesia)	13,320	0.2	0.2	0.4	1
ADXY	105.0	-0.1	0.9	1.1	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	56.0	-1.4	1.4	-2	-1
WTX	53.3	-1.1	1.2	-1	0
Copper	263	0.7	-0.8	4	3
Gold	1,229	0.7	2.8	4	6
S&P Spot commodity *	400	0.0	1.7	1	1
S&P Brent Spot *	483	-0.4	2.7	0	1
S&P Metals Spot *	321	-1.1	0.5	5	5
S&P Agricultural *	305	-0.2	2.1	1	2

Source: Bloomberg, Datastream and Haver

\* With one day delay

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