

Market Comment | Up-and-down USD and US treasury yields during the week

Global Financial Markets Unit
17 Feb 2017

- **Volatility returned - slightly - to US assets as the Fed's route map returned to the spotlight.** Early this week, US yields and the USD reacted to Yellen's and other Fed officials' remarks ([see](#)) that put a March rate-hike somehow on the table and led markets to price in three rate-hikes within 2017. This mood was also backed by positive economic data in the US: core **inflation** ([see](#)) and **retail sales** ([see](#)) beat expectations in January. Nonetheless, this movement reversed somewhat amid **US political uncertainty** late in the week.
- **Eurozone yields declined** across the board amid **disappointing economic indicators**: EZ GDP ([see](#)), German GDP growth in 4Q16 and German ZEW economic sentiment missed forecast. **Peripheral risk premiums narrowed**, supported among others, by diminishing **odds of an Italian early election within 2017** after Renzi's call for a primary election ([see](#)). On the other hand, the **Italian banking sector showed high volatility during the week**, coinciding with reports that Italy is considering a **state bailout** of two regional banks that were in difficulties ([see](#)).
- **ECB minutes did not bring fresh news**: as was announced in the last ECB meeting, they play down the recent increase in inflation and remarked that purchases below the DFR will be carried out only if it is necessary to maintain capital key, although they recognise that there could be slight and temporary deviations ([see](#)).
- Greek sovereign bond yields rose during the week, despite reports suggesting ([see](#)) that Germany may consider that IMF participation is no longer crucial for **Greece's bailout programme**, leaving the door open to the programme's **continuation without IMF participation**.
- **Oil prices** declined during the week, as investors remained uncertain about two opposite factors driving oil markets: on the one hand, rising US oil production and, on the other hand, OPEC compliance with proposed oil production curbs.

BBVA Research suggests the following reading list:

- EM growth picks up sharply in January ([see](#))
- Does Growing Mismeasurement Explain Disappointing Growth? ([see](#))
- Do not blame the euro simply because it's there ([see](#))
- The Great Recession: A Macroeconomic Earthquake ([see](#))

Update 17.30 CET 17 February, 2017

Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.19	-1.2	0.1	-3	-2
US	2.41	-3.4	0.6	-2	-4
GER (2-yr)	0.81	-4.0	-2.4	-10	-4
Germany	0.30	-5.0	2.1	6	2
France	1.04	2.3	-1.8	21	23
Spain	1.62	2.1	-7.8	18	19
Italy	2.18	2.4	-9.1	22	31
Portugal	4.03	5.2	-8.1	20	14
Greece	7.84	5.3	44.9	75	96
Japan (2-yr)	0.24	-0.1	-2.9	-1	-5
Japan	0.09	0.2	3.7	3	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.41	-4.5	7.1	65	-100
Chile	4.20	3.6	1.4	-1	-13
Colombia	6.86	0.0	16.8	-2	-23
Mexico	7.43	1.6	19.0	26	-21
Peru	6.15	-0.1	2.2	-2	-32
Poland	3.83	-0.6	-0.9	20	11
Russia	8.31	-1.6	7.2	13	-13
Turkey	10.65	1.0	-5.0	-41	-35
India	6.85	0.6	4.7	40	47
Indonesia	7.54	-1.3	2.0	2	-30
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	74	7.3	0.3	27	21
Italy	188	7.4	-7.0	28	29
Portugal	374	10.2	6.0	25	12
Spain	133	7.1	-5.7	23	17
2-yr sovereign spread vs Germany					
France	31	3.5	4.8	17	21
Italy	80	5.3	1.4	10	19
Portugal	83	5.6	-3.7	-6	2
Spain	56	4.9	4.2	14	8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	227	8	-3	-19	-45
Chile	82	3	4	1	0
Colombia	144	-1	-1	-4	-19
Mexico	155	6	3	-13	-1
Peru	107	3	2	2	-1
Venezuela	3,512	59	114	-296	-393
Poland	69	0	-1	-1	-6
Russia	175	10	-2	-5	-2
Turkey	233	1	-15	-46	-39
China	98	0	-7	-16	-18
India	110	3	-1	-12	-17
Indonesia	137	0	-2	-14	-19
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	12	1.3	10	-5	0
VST OXX	15	-4.1	-2	-1	-2
EM EFT volatility index	16	3.5	-12	-12	-19
Dollars vs volatility	8	0.6	4	-7	-19
EM FX volatility index	10	-0.6	-4	-10	-12
Credit spread (BAA) (bps)	224	3.4	0	-1	-3
US bonds volatility index	60	-1.1	-2	-6	-11
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	66	0.0	-2	-7	-6
EZ	113	2.4	-1	5	5
UK	81	0.2	-2	-11	-9
Large Spanish	113	2.5	0	-6	-4
Medium Spanish	154	1.4	3	-2	2
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	142	0.0	-2	-7	-5
EZ Non-financial	100	2.4	-1	5	5
UK Non-financial	113	0.8	-4	-10	-11
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	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.06	0.01	0.0	0.0	0.1
Libor 12m	1.75	0.02	0.1	0.0	0.1
EZTED spread 3m	55.6	0.80	6.5	2.0	-10.8
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Americas					
S&P500	2,243	0.2	1.2	3	5
Dow Jones	20,551	-0.3	1.4	4	3
Nikkei	19,235	-0.6	0.7	2	-2
FTSE 100	7,301	0.3	0.6	1	-2
EuroStoxx 50	3,305	-0.2	1.1	0	0
IBEX	9,489	-0.7	1.2	1	0
DAX	11,745	-0.1	0.7	1	1
CAC	4,801	-0.8	0.7	0	1
MIB	19,017	-0.4	0.8	-2	-3
ASE Athens	639	1.6	2.5	-1	-3
MSCI Latam*	78,190	0.1	2.7	4	7
Ibovespa Brazil	67,689	-0.2	2.4	6	10
Moody	47,118	-0.4	1.4	2	1
MSCI EM Europe*	5,023	0.6	0.4	1	-1
Poland	2,188	-1.2	1.6	9	9
Micex (Russia)	2,128	-0.9	-1.6	-2	-6
Moody (Turkey)	88,830	0.7	1.6	7	17
MSCI EM Asia*	744	0.4	1.3	4	7
Shanghai Com (China)	3,202	-0.9	0.2	3	1
Jakarta (Indonesia)	5,551	-0.6	-0.4	2	1
Developing Sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	90.2	-0.4	3.7	7	4
Citi	59.9	-0.9	3.9	4	-3
BofA	24.4	-0.8	3.7	6	6
MS	45.8	-0.6	2.5	7	5
GS	250.0	0.2	3.0	7	3
EZ banks					
BNP	55.7	-2.4	-0.1	-7	-11
Crédit Agricole	11.8	-2.8	3.6	-4	-4
Deutsche Bank	18.2	-1.9	2.0	3	-3
ING	13.4	-1.8	0.0	1	-3
Intesa	2.2	-1.0	1.9	-10	-14
SG	42.3	-2.7	-0.1	-7	-12
Unicredit	12.8	-1.7	1.6	-5	-8
UK banks					
HSBC	706.4	0.2	2.8	4	5
RIS	242.6	-0.4	6.0	11	3
Barclays	236.9	-0.5	3.6	4	1
Lloyds	66.9	-0.6	1.9	3	3
Large Spanish banks					
Santander	76.3	-1.5	3.0	1	-2
Santander	5.1	-1.4	1.9	2	0
BBVA	6.2	-1.5	4.1	1	-4
Medium Spanish banks					
Celabank	71.7	-1.1	0.2	0	-2
Populr	3.4	-1.2	1.3	4	3
Populr	0.8	1.3	-0.2	-13	-14
Sabadell	1.5	-1.2	-1.1	11	6
Banqueparibas	7.2	-1.7	-0.2	-5	-4
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Currencies (% ind for currency depreciation)					
level	Daily	Weekly	Monthly	Year	
Eurozone					
EURUSD	1.06	-0.5	-0.2	0.1	1
GBPUSD	1.24	-0.6	0.6	1.3	1
USD JPY	112.75	0.4	0.4	-1.7	-4
DXF	100.82	0.4	0.0	0.1	2
Emerging					
USDARS (Argentina)	15.58	-1.0	-0.3	2.5	3
USD BRL (Brazil)	3.11	-0.5	0.3	3.6	4
USDCLP (Chile)	644.82	-0.9	0.8	2.2	4
USDCOP (Colombia)	2911	-1.2	-2.0	0.8	2
USDMXN (Mexico)	20.48	-0.5	0.6	6.7	5
USDPER (Peru)	3.26	-0.4	-0.4	2.3	4
USDRPL (Poland)	64.12	-0.7	0.4	4.2	1
USDRUB (Russia)	4.08	-0.8	-1.0	0.7	2
USDTRY (Turkey)	58.27	-1.1	0.1	2.1	3
USDCNY (China)	3.64	0.8	1.6	4.2	-2
USDCNY (China)	6.87	-0.2	0.2	-0.2	1
USDINR (India)	67.02	0.1	-0.2	1.5	2
USDIR (Indonesia)	13,333	-0.1	-0.2	0.1	1
ADXY	104.6	-0.2	0.0	0.8	1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	53.0	-0.6	-1.6	4	0
Copper	2.68	-1.3	-2.9	3	5
Gold	1,239	0.0	0.4	3	6
S&P Spot commodity*	404	-0.4	-1.0	2	2
S&P Brent Spoz*	477	-0.2	-1.7	3	-1
S&P Metals Spot*	332	-0.9	-0.8	3	9
S&P Agricultural*	314	-1.1	0.2	2	5

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US bonds volatility index	68	-1.1	-2	-8	-11
Banking S&P CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US	66	0.0	-2	-7	-6
EZ	113	2.4	-1	5	5
UK	81	0.2	-2	-11	9
Large Spanish	113	2.5	0	-6	-4
Medium Spanish	154	1.4	3	-2	2
Commodity S&P CDS (bps) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	142	0.0	-2	-7	-6
EZ Non-financial	100	2.4	-1	5	5
UK Non-financial	113	0.8	-4	-10	-11
Interbank markets (% changes 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	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.06	0.01	0.0	0.0	0.1
Libor 12m	1.75	0.02	0.1	0.0	0.1
EZ TED spread 3m	55.6	0.80	6.5	2.0	-10.8
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,343	-0.2	1.2	3	3
Dow Jones	20,551	0.3	1.4	4	3
Nikkei	19,235	-0.6	-0.7	2	-2
FTSE 100	7,301	0.3	0.6	1	2
Eurostoxx 50	3,305	-0.2	1.1	0	0
IBEX	9,489	-0.7	1.2	1	0
DAX	11,745	-0.1	0.7	1	1
CAC	4,861	-0.8	0.7	0	-1
MBI	19,017	0.4	0.8	-2	-3
ASE Athens	639	1.6	2.5	-1	-3
MSCI Latam *	78,180	-0.1	2.7	4	7
Bovespa (Brazil)	67,889	-0.2	2.4	6	10
Moodi	47,118	-0.4	-1.4	2	1
MSCI EM Europe *	5,023	0.6	0.4	1	-1
Poland	2,188	-1.2	1.6	9	9
Misc (Russia)	2,138	-0.9	-1.6	-2	-6
Ise 100 (Turkey)	88,830	0.7	1.6	7	17
MSCI EM Asia *	744	0.4	1.3	4	7
Shanghai Com (China)	3,202	-0.9	0.2	3	1
Jakarta (Indonesia)	5,351	-0.6	0.4	2	1
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks	123.5	-0.5	3.8	6	3
JPM	90.2	-0.4	3.7	7	4
Citi	99.9	-0.9	3.9	4	-3
BoA	24.4	-0.8	5.7	8	6
MS	45.8	-0.6	2.5	7	5
GS	250.0	0.2	3.0	7	3
EZ banks	96.9	-1.9	1.1	-4	-8
BNP	55.7	-2.4	0.1	-7	-11
Credit Agricole	11.8	-2.8	3.6	-4	-4
Deutsche Bank	18.2	-1.9	2.0	3	-1
ING	13.4	-1.8	0.0	1	-3
Intesa	2.2	-1.0	1.9	-10	-14
SG	42.3	-2.7	-0.1	-7	-12
Unicredit	12.8	1.7	1.6	-5	-8
UK banks	90.8	-0.3	3.3	5	3
HSBC	706.4	-0.2	2.8	4	5
RBS	245.6	-0.4	6.0	11	3
Barclays	236.9	-0.5	3.6	4	1
Lloyds	66.9	-0.6	1.9	3	3
Large Spanish banks	76.3	-1.5	3.0	1	-2
Santander	5.1	-1.4	1.9	2	0
BBVA	6.2	-1.5	4.1	1	-4
Medium Spanish banks	71.7	-1.1	0.2	0	-2
Cajabank	-3.4	-1.2	1.3	4	3
Popubir	0.8	1.3	-0.2	-13	-14
Sabadell	1.5	-1.2	-1.1	11	6
Bankinter	7.2	-1.7	-0.2	5	4
Bankia	1.0	-0.5	1.0	-1	-7
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	-0.5	0.2	-0.1	1
GBPUSD	1.24	-0.6	-0.6	1.3	1
USDJPY	112.75	0.4	0.4	-1.7	-4
DKY	100.82	0.4	0.0	0.1	2
Emerging					
	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.58	-1.0	-0.3	2.5	3
USDBRL (Brazil)	3.11	-0.5	0.3	3.6	4
USDCUP (Cuba)	644.82	-0.9	-0.8	2.2	4
USDCOP (Colombia)	291.1	-2.7	-2.0	0.8	2
USDMXN (Mexico)	20.48	-0.5	-0.6	6.7	5
USDPEN (Peru)	3.26	-0.4	-0.4	2.3	4
LACI	64.12	-0.7	0.4	4.2	4
USDPLN (Poland)	4.08	-0.8	-1.0	0.7	2
USD RUB (Russia)	58.27	-1.1	0.1	2.1	3
USDTRY (Turkey)	3.64	0.8	1.6	4.2	-2
USD CNY (China)	6.87	-0.2	0.2	0.2	1
USDINR (India)	67.02	0.1	-0.2	1.5	2
USDIDR (Indonesia)	13,333	-0.1	-0.2	0.1	1
ADXY	104.6	-0.2	0.0	0.8	1
Commodities (%)					
	level	Daily	Weekly	Monthly	Year
Brent	55.4	-0.4	-2.2	3	-2
WTX	53.0	-0.6	-1.6	4	0
Copper	268	-1.3	-2.9	3	5
Gold	1,239	0.0	0.4	3	6
S&P Spot commodity *	404	-0.4	-1.0	2	2
S&P Brent Spot *	477	-0.2	-1.2	3	11
S&P Metals Spot *	332	-0.9	-0.8	3	9
S&P Agricultural *	314	-1.1	-0.2	2	5

Source: Bloomberg, Datastream and Haver

* With one day delay

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