

Market Comment | Financial markets moderately positive ahead of Trump-Xi meeting

Global Financial Markets Unit
05 Apr 2017

- Financial markets extended yesterday's positive sentiment following Trump's [comments](#) (see) on a reduction of Dodd-Frank regulation coupled with the remarks of the Fed's Tarullo on the "Volcker rule", ([see](#)) rekindling expectations of a **potentially looser regulatory framework in the US**. Equities rose moderately (especially in the banking sector) and with more intensity in Asia, after the announcement of a new Special Economic Zone in China's Hebei province ([see](#)).
- Encouraging **ADP employment data in the US** ([see](#)) also added optimism in financial markets ahead of this Friday's payroll figures. Consequently, the USD inched up and US stock indices went higher. Nonetheless, the positive sentiment was rather moderate, as investors still remain cautious ahead of tomorrow's Trump-Xi meeting ([see](#)), and awaiting **tomorrow's ECB and late today's FOMC minutes** - the first official talks on the reduction of the Fed's balance sheet are expected.
- The EUR was steady amid mixed news flows. On the one hand, last night's **French political debate** allayed concerns of a potential victory for Marine Le Pen's populist candidacy ([see](#)), but on the other hand the euro zone composite and services PMI was lower than expected ([see](#)) - though still well above 50 points. Regarding the ECB exit strategy, the **Bundesbank president urged the ECB to end its QE programme earlier than expected**, ([see](#)) with muted impact on financial markets.
- Oil prices - in a very volatile session - inched up despite the surprise build-up in US crude oil inventories. Under these circumstances, commodity currencies appreciated across the board.

Update 18 CET 05 April, 2017
Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US 12-yr	1.25	-0.2	-2.0	-6	-4	
US	2.36	0.0	-1.6	-14	-8	
GER 12-yr	0.80	-1.0	-5.3	-2	-3	
Germany	0.26	0.1	0.5	8	-2	
France	0.92	-0.4	-0.9	-4	11	
Spain	1.62	0.4	-2.2	-11	11	
Italy	2.27	-0.5	-2.6	11	40	
Portugal	3.95	2.7	-5.0	-29	-22	
Greece	7.10	1.7	14.8	1	21	
Japan (2-yr)	0.20	-1.9	-5.1	10	-1	
Japan	0.07	0.8	0.8	0	0	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.89	-2.6	-22.1	-35	-153	
Chile	3.96	-0.8	-17.8	-24	-36	
Colombia	6.57	-0.9	-11.1	-50	-52	
Mexico	7.08	-1.7	-1.8	-27	-56	
Peru	5.78	-2.0	0.9	-37	-69	
Poland	3.43	-1.2	-10.6	-26	-28	
Russia	8.01	-2.1	-5.6	-29	-44	
Turkey	10.70	1.0	-6.0	-31	-30	
India	6.65	0.0	-9.8	-23	27	
Indonesia	7.65	0.8	-4.3	-44	-60	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
1-yr sovereign spread vs Germany						
France	67	-0.5	7.7	4	13	
Italy	201	-0.6	22.0	19	42	
Portugal	370	2.6	3.6	-20	-20	
Spain	136	0.3	6.4	-2	13	
2-yr sovereign spread vs Germany						
France	46	-1.8	5.7	15	35	
Italy	73	1.4	4.8	6	11	
Portugal	136	2.1	1.7	-13	-11	
Spain	58	0.1	3.3	-7	10	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	219	-2	-9	5	-53	
Chile	73	0	-1	2	-10	
Colombia	132	-1	-1	1	-31	
Mexico	130	0	-2	0	-26	
Peru	100	-1	-3	3	-8	
Venezuela	4,194	220	653	915	289	
Poland	68	0	-1	2	-2	
Russia	163	-2	-9	-1	-13	
Turkey	232	-4	-2	-8	-40	
China	82	-1	-2	-7	-35	
India	101	0	1	2	-26	
Indonesia	127	-1	-2	0	-29	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	11	-5.6	-3	-1	-1	
VST OXX	19	2.9	16	17	2	
EM EFT volatility index	16	-5.4	-2	-10	-22	
Boliviafx volatility	9	0.2	4	21	-16	
EM FX volatility index	9	0.9	0	-5	-19	
Credit spread (BAA) (bps)	226	0.0	2	10	-1	
US bonds volatility index	65	-8.8	6	-1	-15	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	65	-0.2	-1	8	-7	
EZ	111	0.0	8	5	4	
UK	80	-0.2	5	8	10	
Large Spanish	106	-2.0	-1	2	-11	
Medium Spanish	166	-2.3	4	7	15	
Government 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	153	-0.2	-1	8	-2	
EZ Non-financial	102	0.0	8	5	4	
UK Non-financial	122	0.5	0	12	-3	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EUONIA 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	1.15	0.00	0.0	0.0	0.2	
Libor 12m	1.79	-0.01	0.0	0.0	0.1	
EZTED spread 3m	51.0	-2.30	-10.0	-1.0	-15.4	
Stock markets (%)						
Index/indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,373	0.5	0.5	0	5	
Dow Jones	20,828	0.7	0.8	-1	4	
Nikkei	18,861	0.3	-1.9	-3	-4	
FTSE 100	7,332	0.1	0.6	0	2	
Eurostoxx 50	3,473	-0.3	0.1	3	5	
IBEX	10,403	0.4	0.3	6	10	
DAX	12,218	-0.5	0.1	2	5	
CAC	5,092	-0.2	0.4	2	4	
MIB	20,253	0.0	-0.1	4	3	
ASE Athens	670	0.5	0.2	4	2	
MSCI Latam *	78,035	0.9	0.6	1	7	
Ibovespa (Brazil)	65,548	-0.3	0.0	-1	6	
Mobid	49,183	-0.3	0.3	3	6	
MSCI EM Europe *	4,875	0.6	0.5	-1	-4	
Poland	2,254	0.6	1.8	2	13	
Micex (Russia)	2,056	1.5	1.6	0	-9	
He 100 (Turkey)	89,037	0.5	-0.3	-2	17	
MSCI EM Asia *	762	0.0	0.1	3	9	
Shanghai Com (China)	3,270	1.5	0.9	1	4	
Jakarta (Indonesia)	5,677	1.3	2.5	5	8	
Banking Sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	87.7	0.4	-0.7	-5	1	
Citi	60.4	1.3	1.8	0	-2	
BaK	23.6	0.5	0.9	7	3	
MS	42.6	0.3	-0.4	-8	-2	
GS	230.2	0.4	0.8	-9	-5	
EZ banks						
BNP	60.1	-1.0	-3.1	2	-4	
Crédit Agricole	12.6	0.9	0.7	4	2	
Deutsche Bank	15.6	0.3	-3.2	-1	-4	
ING	14.0	0.1	0.3	1	0	
Intesa	2.5	-0.3	0.2	8	-1	
SG	45.7	-0.1	-3.3	1	-5	
Unicredit	14.1	0.9	-1.0	4	1	
UK banks						
HSBC	654.6	0.8	-0.3	-2	-2	
RBS	239.5	1.3	0.8	0	2	
Barclays	218.6	0.4	-3.8	-4	-7	
Lloyds	65.5	0.0	-1.6	-3	1	
Large Spanish banks						
Santander	5.7	0.7	-0.4	8	11	
BBVA	7.1	1.0	-1.8	7	9	
Medium Spanish banks						
Cajabank	79.7	0.3	-1.3	9	9	
Poplar	4.0	-1.0	0.0	14	21	
Sabadell	0.8	-0.2	-12.7	-7	-18	
Bankinter	1.6	0.2	-4.1	9	20	
Banque	7.9	0.5	1.2	8	4	
BanKia	1.1	-0.3	0.1	8	4	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.07	-0.1	-1.0	0.7	2	
GBPUSD	1.25	0.3	0.4	2.0	1	
USDJPY	111.22	-0.4	-0.2	-2.3	-5	
DKK	100.69	0.1	0.7	0.9	2	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.36	0.0	0.5	0.8	4	
USDBRL (Brazil)	3.09	0.0	0.8	1.4	4	
USDCLP (Chile)	658.74	0.3	0.7	0.3	2	
USDCOP (Colombia)	2857	0.3	0.9	3.9	4	
USDMXN (Mexico)	18.73	0.5	-0.1	4.5	13	
USDPEN (Peru)	3.25	0.1	0.0	1.3	4	
LACI	66.15	-0.1	0.2	2.5	7	
USDRPLN (Poland)	3.97	0.2	-1.1	2.4	5	
USD RUB (Russia)	56.21	-0.4	0.7	3.5	7	
USDTRY (Turkey)	3.79	-0.6	1.5	0.2	-4	
USD CNY (China)	6.89	-0.1	-0.1	0.0	1	
USDINR (India)	64.88	0.2	0.0	2.7	5	
USDIR (Indonesia)	13.320	-0.1	0.0	0.2	1	
ADXY	105.3	-0.1	0.3	0.7	2	
Commodities (%)						
Brent	level	Daily	Weekly	Monthly	Year	
WTX	51	0.4	3.5	4	4	
Copper	266	2.0	0.4	1	4	
Gold	1248	-0.6	-0.4	2	7	
S&P Spot commodity *	389	1.0	1.2	-2	-2	
S&P Brent Spex *	461	2.0	3.1	-3	-4	
S&P Metals Spex *	326	0.2	-2.1	0	7	
S&P Agricultural *	286	-0.7	-1.2	-7	-5	

Debt markets (10Y % changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.25	-0.2	-2.0	-6	-4	
US	2.36	0.0	1.6	-14	6	
GER (2-yr)	-0.80	-1.0	-5.3	2	-3	
Germany	0.26	0.1	-8.6	-8	-2	
France	0.82	-0.4	-0.9	-4	11	
Spain	1.62	0.4	-2.2	-11	11	
Italy	2.27	-0.5	-2.6	11	40	
Portugal	3.65	2.7	-5.0	-29	22	
Greece	7.10	1.7	14.8	1	21	
Japan (2-yr)	-0.20	-1.9	5.1	10	-1	
Japan	0.07	0.8	-0.8	0	0	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.89	-2.6	-22.1	-35	-153	
Chile	3.86	-0.8	17.8	-24	-36	
Colombia	6.57	-0.9	-11.1	-50	-52	
Mexico	7.08	-1.7	1.8	-27	-56	
Peru	5.78	-2.0	0.9	-37	-69	
Poland	3.43	-1.2	-10.6	-26	-28	
Russia	8.01	-2.1	-5.6	-29	-44	
Turkey	19.20	1.0	-6.0	-31	-30	
India	6.65	0.0	-9.8	-23	27	
Indonesia	7.05	0.8	-4.3	-44	-80	
Country risk (bp changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD	
France	67	-0.5	7.7	4	13	
Italy	201	-0.6	22.0	19	42	
Portugal	370	2.6	3.6	-20	-20	
Spain	136	0.3	6.4	-2	13	
2-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD	
France	46	-1.8	5.7	15	35	
Italy	73	1.4	4.8	-6	11	
Portugal	136	2.1	1.7	-13	-11	
Spain	58	0.1	3.3	-7	10	
5-yr sovereign CDS *	level	Daily	Weekly	Monthly	YTD	
Brazil	219	-2	-9	5	-53	
Chile	72	0	-1	2	-10	
Colombia	132	-1	-1	1	-31	
Mexico	130	0	-2	0	-26	
Peru	100	-1	-3	3	-8	
Venezuela	4,194	220	653	915	289	
Poland	68	0	-1	2	-7	
Russia	163	-2	9	-1	-13	
Turkey	232	-4	-2	-8	-40	
China	82	-1	-2	-7	-35	
India	101	0	1	2	-26	
Indonesia	127	-1	-2	0	-29	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	11	-5.6	-3	-1	-1	
VSTOXX	19	2.9	16	17	2	
EM EFT volatility index	16	-5.4	2	-10	-22	
Dollar/Euro volatility	9	0.2	4	21	-16	
EM FX volatility index	9	0.9	0	-5	-19	
Credit spread (BAA) (bps)	226	0.0	2	10	-1	
US bonds volatility index	65	-5.8	-6	-1	-15	
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	65	-0.2	-1	8	-7	
EZ	111	0.0	8	5	4	
UK	80	-0.2	5	8	-10	
Large Spanish	106	-2.0	-1	2	-11	
Medium Spanish	166	-2.3	4	7	15	
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	153	-0.2	-1	8	-7	
EZ Non-financial	102	0.0	8	5	4	
UK Non-financial	122	0.5	0	12	-3	
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	1.15	0.00	0.0	0.0	0.2	
Libor 12m	1.79	-0.01	0.0	0.0	0.1	
EZ TED spread 3m	51.0	2.30	-10.0	-1.0	-15.4	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,373	0.5	0.5	0	5	
Dow Jones	29,828	0.7	0.8	-1	4	
Nikkei	18,861	0.3	-1.9	-3	-4	
FTSE 100	7,332	0.1	-0.6	0	2	
Euro Stoxx 50	3,473	-0.3	0.1	3	5	
IBEX	10,403	0.4	0.3	6	10	
DAX	12,218	-0.5	0.1	2	5	
CAC	5,092	-0.2	0.4	2	4	
MIIB	20,253	0.0	-0.1	4	3	
ASE Athens	670	0.5	0.2	4	2	
MSCI Latam *	78,035	0.9	0.8	1	7	
Bovespa (Brazil)	65,548	-0.3	0.0	-1	6	
Moody's	49,183	-0.3	0.3	2	6	
MSCI EM Europe *	4,875	0.6	-0.5	-1	-4	
Poland	2,254	0.6	1.8	2	13	
Mixc (Russia)	2,096	1.5	1.6	0	-9	
Ise 100 (Turkey)	89,037	0.5	-0.3	-2	17	
MSCI EM Asia *	762	0.0	-0.1	3	9	
Shanghai Com (China)	3,220	1.5	0.9	1	-4	
Jakarta (Indonesia)	5,677	1.3	2.5	5	8	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	118.0	0.6	0.8	-6	-2	
JPM	87.7	0.4	-0.7	-5	1	
Citi	60.4	1.3	1.8	0	-2	
BoA	23.6	0.5	0.9	-7	3	
MS	42.6	0.3	-0.4	-8	-2	
GS	230.2	0.4	0.8	9	-5	
EZ banks	103.6	0.0	-1.6	3	-2	
BNP	60.1	-1.0	-3.1	2	-4	
Credit Agricole	12.6	0.9	-0.7	4	2	
Deutsche Bank	15.6	0.3	-3.2	-1	-4	
ING	14.0	0.1	0.3	1	0	
Intesa	2.5	-0.3	-0.2	8	-1	
SG	45.7	-0.1	-3.3	1	5	
Unicredit	14.1	0.9	-1.0	4	1	
UK banks	86.1	0.6	-1.6	-2	-2	
HSBC	654.6	0.8	-0.3	-2	-2	
RBS	239.5	1.3	-0.8	0	2	
Barclays	218.6	0.4	-3.8	-4	-7	
Lloyds	65.5	0.0	-1.6	-3	-1	
Large Spanish banks	level	Daily	Weekly	Monthly	YTD	
Santander	95.6	0.9	-1.1	7	10	
BBVA	7.1	1.0	-1.8	7	9	
Medium Spanish banks	level	Daily	Weekly	Monthly	YTD	
Cajabank	4.0	1.0	0.0	14	21	
Popular	0.8	-0.2	-12.7	-7	-18	
Sabadell	1.6	0.2	-4.1	9	20	
Banquepar	7.9	0.5	1.2	8	4	
Banca	1.1	-0.3	-0.1	8	4	
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year	
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.07	-0.1	1.0	0.3	2	
GBPUSD	1.25	0.3	0.4	2.0	1	
USDJPY	111.22	-0.4	-0.2	-2.3	-5	
DXY	100.69	0.1	0.7	0.5	2	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.36	0.0	0.5	0.5	4	
USD BRL (Brazil)	3.09	0.0	0.8	1.4	4	
USD CUP (Cuba)	658.74	0.3	0.7	0.3	2	
USD COP (Colombia)	2867	0.3	1.8	3.9	4	
USD MXN (Mexico)	18.73	0.5	-0.1	4.5	13	
USD PEN (Peru)	3.25	0.1	0.0	1.3	4	
LACI	66.15	-0.1	0.2	2.5	7	
USD PLN (Poland)	3.97	0.2	-1.1	2.4	5	
USD RUB (Russia)	56.21	-0.4	0.7	3.5	7	
USD TRY (Turkey)	3.70	-0.6	-1.5	0.2	-4	
USD CNY (China)	6.89	0.1	-0.1	0.0	1	
USD INR (India)	64.88	0.2	0.0	2.7	5	
USD IDR (Indonesia)	13,320	0.1	0.0	0.2	1	
ADXY	105.3	-0.1	-0.3	0.7	2	
Commodities (%)	level	Daily	Weekly	Monthly	Year	
Brent	54.5	0.5	3.9	-3	-4	
WTX	91	0.4	3.5	-4	-4	
Copper	266	2.0	-0.4	1	4	
Gold	1248	-0.6	-0.4	2	7	
S&P Spot commodity *	389	1.0	1.2	-2	-2	
S&P Brent Spot *	461	-2.0	-3.1	-3	-4	
S&P Metals Spot *	326	0.2	-2.1	0	7	
S&P Agricultural *	286	-0.7	-1.2	-7	-5	

Source: Bloomberg, Datastream and Haver

* With one day delay

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