

# Market Comment | Geopolitical tension in the spotlight

Global Financial Markets Unit  
10 Apr 2017

- **Financial markets remained cautious after the upsurge in geopolitical tension in the Middle East and the Korean peninsula**, driving the CBOE Volatility Index (VIX) to hover around its highest level of this year (although still at very low levels). The latest movements of the US on Syrian and North Korean fronts have increased tension during the weekend. Nonetheless, although the session started with a mild negative mood, risk aversion slightly eased as session went by. The rally of gold prices rally came to a halt as did the rising yen (JPY).
- US yields inched down amidst increasing tension in its relationship with Russia ([see](#)) once the **Trump- Xi meeting finished with slight concessions from China to US** to avoid a trade-war, according to the Chinese and US officials involved in the talks ([see](#)). Meanwhile, US stocks inched up ahead the start of the Q1 earnings session.
- **European yields remained almost unchanged although France's risk premium widened**. The gap between French and German yields widened to its highest levels since mid February, as uncertainty regarding the election increased - Melenchon (the far-left candidate) is polling higher, narrowing the gap on the candidates ([see](#)).
- **Asian currencies and stocks (especially South Korean) suffered the most** as investors continued to assess the geopolitical situation in the region on the back of the Pentagon's decision to send aircraft carriers to waters near the Korean peninsula in response to North Korea's recent test of a nuclear-capable missile ([see](#)).
- **Brent continues its upward trend, breaking through the 55 USD/b mark**, underpinned by the increase in geopolitical risk and supply questions due to the interruption of production in the major Libyan oilfield and Russia deciding to extend oil production cuts.

Update 18 CET 10 April, 2017  
Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2 yr)	1.26	-2.4	3.6	-11	5	
US	2.35	-1.1	3.2	-25	9	
GER (2 yr)	0.84	-3.4	-3.7	1	-7	
Germany	0.21	-2.1	7.0	22	-7	
France	0.93	3.8	-2.0	-15	12	
Spain	1.61	-0.1	-3.0	-23	10	
Italy	2.24	2.1	-24.2	-7	37	
Portugal	3.82	-4.5	-8.9	-49	-36	
Greece	6.78	-8.3	-23.2	-42	-10	
Japan (2 yr)	0.21	0.4	4.5	5	-2	
Japan	0.06	-1.6	-3.7	-1	-1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.05	0.0	6.4	-39	-136	
Chile	3.96	-0.4	-10.6	-24	-36	
Colombia	6.59	-0.1	-0.3	-55	-50	
Mexico	7.22	4.8	15.5	-17	-42	
Peru	5.76	1.4	-2.0	-37	-71	
Poland	3.48	2.1	5.1	-25	-23	
Russia	8.12	13.0	4.7	-16	-32	
Turkey	10.72	-5.0	7.0	-33	-28	
India	6.87	4.4	21.4	0	48	
Indonesia	7.12	-1.7	9.2	-38	-72	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>1-yr sovereign spread vs Germany</b>						
France	72	5.9	5.0	7	19	
Italy	203	4.2	-1.2	15	44	
Portugal	361	-2.4	-1.9	-27	-29	
Spain	141	2.0	4.0	-1	17	
<b>2-yr sovereign spread vs Germany</b>						
France	52	8.6	5.0	15	42	
Italy	79	4.9	5.6	8	18	
Portugal	128	1.3	-0.5	-27	-18	
Spain	64	4.2	4.1	-11	16	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>						
Brazil	222	0	-1	-11	-50	
Chile	73	-1	2	-3	-9	
Colombia	132	-1	-1	-6	-31	
Mexico	128	3	-2	-10	-29	
Peru	101	1	0	-1	-7	
Venezuela	3,595	-244	-349	330	-310	
Poland	69	0	0	3	-2	
Russia	169	8	3	3	-8	
Turkey	231	-1	5	-2	-41	
China	83	0	1	-7	-34	
India	98	0	-2	-3	-29	
Indonesia	130	0	2	0	-26	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	14	7.0	11	12	2	
VST OXX	22	13.1	23	45	6	
EM EFT volatility index	18	2.2	10	-1	-11	
Dollar Euro volatility	13	-8.8	30	75	21	
EM FX volatility index	9	1.6	5	-1	-15	
Credit spread (BAA) (bps)	227	3.0	-2	7	0	
US bonds volatility index	69	1.6	12	-1	-10	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	61	-0.6	3	1	-11	
EZ	110	0.2	2	2	2	
UK	80	0.6	1	7	-11	
Large Spanish	101	-1.5	-6	-7	-16	
Medium Spanish	163	-3.5	2	2	12	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	151	-0.6	-3	1	-11	
EZ Non-financial	100	0.7	2	2	2	
UK Non-financial	121	0.3	0	9	-4	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.35	0.00	0.0	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0	0.0
Euribor 12m	-0.12	0.00	0.0	0.0	0.0	0.0
Libor 3m	1.16	0.00	0.0	0.0	0.0	0.2
Libor 12m	1.80	0.00	0.0	0.0	0.0	0.1
EZTED spread 3m	55.0	-0.70	6.3	0.6	-11.4	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
<b>US indices</b>						
S&P500	2,335.0	0.0	0.1	0	4	
Dow Jones	20,668	0.1	0.1	-1	4	
Nikkei	18,798	0.7	1.0	-3	-4	
FTSE 100	7,349	0.0	0.9	0	2	
EuroStoxx 50	3,480	-0.4	0.2	2	5	
IBEX	10,438	-0.9	1.1	4	10	
DAX	12,201	-0.2	-0.5	2	5	
CAC	5,107	-0.5	0.4	3	4	
MIB	20,202	-0.5	-0.2	3	3	
ASE Athens	681	0.1	2.1	5	4	
MSCI Latam *	77,234	0.4	0.2	2	3	
Ibovespa (Brazil)	64,339	-0.4	1.3	0	4	
Midcap	49,306	-0.1	1.0	4	6	
MSCI EM Europe *	4,882	-1.1	1.4	1	-3	
Poland	2,244	-0.2	1.1	2	12	
Micro (Russia)	1,971	-2.4	-1.9	0	-13	
Ne 100 (Turkey)	91,240	3.1	2.9	3	20	
MSCI EM Asia *	763	-0.2	0.6	3	10	
Shanghai Com (China)	3,269	-0.5	1.5	2	4	
Jakarta (Indonesia)	5,644	-0.6	1.4	5	7	
Banking sector	level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>						
JPM	115.8	-0.4	-1.5	-8	-3	
Citi	85.8	-0.5	-2.0	-6	-1	
Chf	59.2	-0.4	-0.8	-4	-4	
BofA	23.0	0.6	2.4	9	0	
MS	41.7	-0.7	-2.5	-11	-4	
GS	228.2	0.1	-0.3	-9	-6	
<b>EZ banks</b>						
BNP	103.4	-0.9	0.6	0	-2	
Crédit Agricole	60.0	-1.5	-2.0	-1	-4	
Crédit Agricole	12.4	-1.5	-0.8	0	1	
Deutsche Bank	15.6	0.1	-1.0	-3	-5	
ING	14.1	-0.1	0.5	-2	1	
Intesa	2.5	-0.6	0.8	6	-1	
SG	45.9	-1.4	-1.0	-2	-5	
Unicredit	13.9	-1.3	-0.9	1	-1	
<b>UK banks</b>						
HSBC	85.1	0.3	-1.3	-5	-3	
RBS	656.8	0.4	1.6	-2	-2	
Lloyds	239.0	0.3	0.4	-1	2	
Barclays	216.2	0.4	2.4	-7	-8	
Large Spanish banks	63.1	0.0	4.5	-8	-3	
Santander	85.4	-1.4	1.0	3	-9	
BBVA	5.7	-1.7	0.6	4	11	
Medium Spanish banks	7.0	-1.1	1.4	2	8	
Cáritas	79.3	-2.1	-0.2	5	8	
CaixaBank	3.9	-3.0	0.0	9	20	
Poplar	0.7	-9.6	-9.9	-18	-25	
Sabadell	1.7	-1.6	-1.2	4	20	
Banqueparibas	7.9	-0.9	1.2	6	5	
Banque	1.1	-1.5	1.1	7	4	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.06	0.1	0.6	0.3	1	
GBPUSD	1.24	0.4	0.6	2.1	1	
USDJPY	110.94	0.1	0.0	-3.5	-5	
DXY	100.96	-0.2	0.4	0.9	2	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.31	0.2	0.5	1.5	5	
USDBRL (Brazil)	3.14	0.1	-1.0	1.5	2	
USDCLP (Chile)	653.21	0.4	0.8	1.8	3	
USDCOP (Colombia)	2870	-0.3	0.0	4.3	3	
USDMXN (Mexico)	18.69	-0.1	0.1	5.8	13	
USDPEN (Peru)	3.25	-0.1	0.0	1.4	4	
LACI	65.90	0.1	-0.4	3.1	7	
USDPLN (Poland)	4.00	-0.3	-0.7	2.3	4	
USD RUB (Russia)	57.27	0.0	-2.1	3.4	5	
USDTRY (Turkey)	3.72	0.2	2.2	1.5	4	
USDCNY (China)	6.90	0.0	-0.2	0.1	0	
USDINR (India)	64.56	-0.4	0.7	3.2	5	
USDIDR (Indonesia)	13,286	0.3	0.3	0.8	1	
ADXY	105.1	0.0	-0.4	0.9	2	
Commodities (%)						
Brent	level	Daily	Weekly	Monthly	Year	
WTI	53	1.3	5.3	7	-1	
Copper	261	-1.4	0.4	2	2	
Gold	1255	0.1	0.1	4	8	
S&P Spot commodity *	395	0.6	2.5	3	0	
S&P Brent Spoz *	471	0.7	4.1	6	-2	
S&P Metals Spoz *	327	-0.3	0.6	3	7	
S&P Agricultural *	287	0.5	0.4	-4	-4	



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Mexico	7.22	4.8	15.5	-17	-42
Peru	5.76	1.4	2.0	-37	-71
Poland	3.48	2.1	5.1	-25	-23
Russia	8.12	13.0	4.7	-16	-32
Turkey	10.12	-5.0	7.0	-33	-29
India	6.87	4.4	21.4	0	48
Indonesia	7.12	1.2	0.2	-38	-72
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Russia	169	8	3	3	-8
Turkey	231	-1	-5	-2	-41
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India	98	0	-2	-3	-29
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Risk indicators					
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EM EFT volatility index	10	3.2	10	-1	-11
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EM FX volatility index	9	1.6	5	-1	-15
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Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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EZ	110	0.7	2	2	2
UK	80	0.6	1	7	-11
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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	-0.12	0.00	0.0	0.0	0.0
Libor 3m	1.16	0.00	0.0	0.0	0.2
Libor 12m	1.80	0.00	0.0	0.0	0.1
EZ TED spread 3m	55.0	-0.70	6.3	0.6	-11.4
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,356	0.0	-0.1	0	4
Dow Jones	20,668	0.1	0.1	-1	4
Nikkei	18,798	0.7	-1.0	-3	-4
FTSE 100	7,349	0.0	0.9	0	2
Eurostoxx 50	3,400	-0.4	0.2	2	5
IBEX	10,438	-0.9	1.1	4	10
DAX	12,201	-0.2	-0.5	2	5
CAC	5,107	-0.5	0.4	3	4
MBI	20,202	0.5	0.2	3	3
ASE Athens	681	0.1	2.1	5	4
MSCI Latam *	77,234	0.4	0.2	2	5
Bovespa (Brazil)	64,339	-0.4	-1.3	0	-4
Moodi	49,306	-0.1	1.0	4	6
MSCI EM Europe *	4,882	-1.1	1.4	1	-3
Poland	2,244	-0.2	1.1	2	12
Misc (Russia)	1,971	-4.4	-1.8	0	-13
Ise 100 (Turkey)	91,240	3.1	2.9	3	20
MSCI EM Asia *	763	-0.2	0.6	3	10
Shanghai Com (China)	3,269	-0.5	1.5	2	4
Jakarta (Indonesia)	5,644	-0.6	1.4	5	7
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	115.8	-0.4	-1.5	-8	-3
JPM	85.8	-0.5	-2.0	-6	-11
Citi	99.2	-0.4	-0.8	-4	-4
BoA	23.0	-0.6	-2.4	-9	0
MS	41.7	-0.7	-2.3	-11	-4
GS	228.2	0.1	0.3	9	6
EZ banks	103.4	-0.9	-0.6	0	-2
BNP	60.0	-1.5	-2.0	-1	-4
Credit Agricole	12.4	-1.5	-0.8	0	1
Deutsche Bank	15.6	0.1	-1.0	-3	-5
ING	14.1	-0.1	0.5	-2	1
Intesa	2.5	-0.6	0.8	6	-1
SG	45.9	-1.4	-1.0	-2	-5
Unicredit	13.9	-1.3	-0.9	1	-1
UK banks	85.1	0.3	-1.3	-5	-3
HSBC	656.8	0.4	1.6	-2	-2
RBS	239.0	0.3	0.4	-1	2
Barclays	216.2	0.4	-2.4	-7	-8
Lloyds	63.1	0.0	-4.5	-8	-3
Large Spanish banks	85.4	-1.4	1.0	3	9
Santander	5.7	-1.7	0.6	4	11
BBVA	7.0	-1.1	1.4	2	8
Medium Spanish banks	79.3	-2.1	-0.2	5	8
Cajabank	3.9	-3.0	0.0	9	20
Popular	0.7	-9.6	-9.9	-18	-25
Sabadell	1.7	-1.6	-1.2	4	20
Bankinter	7.9	0.9	1.2	6	5
Bankia	1.1	-1.5	1.1	7	4
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD	1.06	0.1	0.6	0.3	1
GBP/USD	1.24	0.4	-0.6	2.1	1
USD/JPY	110.94	0.1	0.0	-3.5	-5
DX1	100.98	-0.2	0.4	0.3	2
Emerging					
level	Daily	Weekly	Monthly	Year	
USD/ARS (Argentina)	15.31	0.2	0.5	1.5	5
USD/BRL (Brazil)	3.14	0.1	-1.0	1.5	2
USD/CLP (Chile)	653.31	0.4	0.8	1.8	3
USD/COP (Colombia)	2871	-0.3	1.0	4.3	3
USD/MXN (Mexico)	18.69	-0.1	-0.1	5.8	13
USD/PEN (Peru)	3.25	-0.1	0.0	1.4	4
LACI	65.90	0.1	0.4	3.3	7
USD/PLN (Poland)	4.00	-0.3	-0.7	2.3	4
USD/RUB (Russia)	57.27	0.0	-2.1	3.4	5
USD/TRY (Turkey)	3.72	0.2	2.2	1.3	-4
USD/CNY (China)	6.80	0.0	-0.2	0.1	0
USD/INR (India)	64.56	-0.4	0.7	3.2	5
USD/IDR (Indonesia)	13,286	0.3	0.3	0.8	1
ADXY	105.1	0.0	-0.4	0.9	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	55.8	1.0	5.1	7	-1
WTX	52	1.3	5.3	7	-1
Copper	261	-1.4	0.4	2	2
Gold	1255	0.1	0.1	4	8
S&P Spot commodity *	395	0.6	2.5	3	0
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Source: Bloomberg, Datastream and Haver

\* With one day delay

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