

Market Comment | Calm in markets allows volatility to reach its lowest level since the 90s

Global Financial Markets Unit
09 May 2017

- Financial markets showed a moderately positive mood today ([see](#)) as reflected in the **extraordinarily low level of volatility** (the VIX reached its lowest level in 24 years), due among other things to the result of the French elections and solid corporate earnings.
- In Europe, equity indices showed a mildly positive performance, including the German index, amid the release of German trade data (March), which showed **exports beating estimates** ([see](#)). Ibex was the worst performer among the main euro area indices (dragged by banks) in a profit-taking process after the recent sharp rebound. As well as in equities, this positive mood was also reflected in **increasing sovereign bond yields** (with no significant changes in peripheral risk premiums).
- **The USD continued to gain ground** and the US yield curve held its recent gains given the mild change in investor positioning ahead of June's FOMC meeting (recent increase in market implied probabilities of a hike in that meeting) and mild increase in odds (still many doubts regarding the issue) of US inflationary policies after Trump's recent legislative approvals ([see](#)).
- Commodities struggled to recover from last week's sharp drop. In particular, oil prices went down once again despite **OPEC hints at an extension to supply cuts** ([see](#)), slightly pushing down some commodity-linked currencies.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.35	2.0	19.3	6	14
US	2.41	1.8	12.5	2	-3
GER (2-yr)	0.67	-0.6	5.2	14	10
Germany	0.43	1.3	10.3	20	16
France	0.87	2.2	4.9	-3	6
Spain	1.62	3.1	-3.5	1	11
Italy	2.28	3.5	-2.9	6	41
Portugal	3.44	3.5	-12.5	-43	-74
Greece	5.64	-4.1	-35.4	-123	-125
Japan (2-yr)	0.18	1.7	1.5	3	1
Japan	0.04	1.9	-2.1	-3	-3
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	1037	-1.9	-3.6	12	-124
Chile	4.00	-3.2	-0.9	3	-33
Colombia	6.20	0.9	5.4	-39	-89
Mexico	7.26	0.5	7.9	9	-38
Peru	5.63	1.0	11.3	-12	-85
Poland	3.48	1.8	1.1	2	-24
Russia	7.87	0.0	6.1	-13	-58
Turkey	10.30	7.0	8.0	-47	-70
India	6.94	1.3	-4.4	12	56
Indonesia	7.13	4.6	7.7	-1	-71
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
1-yr sovereign spread vs Germany					
France	44	0.9	-5.4	-23	-10
Italy	185	2.2	-13.2	-15	25
Portugal	301	2.2	-22.8	-63	-61
Spain	119	1.8	-13.8	-20	3
2-yr sovereign spread vs Germany					
France	25	0.3	-3.0	-19	14
Italy	55	0.0	-10.3	-20	-6
Portugal	103	-0.4	-7.6	-24	-44
Spain	39	-0.7	-7.8	-21	-10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	212	3	-2	-9	-59
Chile	75	1	2	2	-7
Colombia	133	5	7	-1	-30
Mexico	121	5	3	-10	-36
Peru	102	3	4	1	-6
Venezuela	3,919	67	569	80	14
Poland	67	1	0	-1	-8
Russia	156	1	3	-4	-21
Turkey	203	1	8	-30	-70
China	80	-1	-1	-3	-37
India	97	-1	-1	-2	-30
Indonesia	124	-2	-1	-6	-32
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	10	-1.8	-7	-24	-2
VST OXX	14	-2.1	-18	-28	-2
EM FTI volatility index	16	0.6	8	-7	-20
Dollar Euro volatility	7	-3.8	-8	-42	-32
EM FX volatility index	8	-2.2	-3	-12	-25
Credit spread (BAA) (bps)	222	-1.8	9	0	-6
US bonds volatility index	55	5.6	-8	-19	-27
Banking S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	56	-0.8	2	-6	-16
EZ	82	-0.1	-7	-27	-26
UK	60	0.3	-3	-19	-30
Large Spanish	75	-0.1	9	-27	-42
Medium Spanish	156	-2.8	2	-10	5
Corporate S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	151	-0.8	-2	-6	-16
EZ Non-financial	92	-0.1	-7	-27	-26
UK Non-financial	117	-0.2	1	-4	-8
Interbank markets (%, changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	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	1.18	0.00	0.0	0.0	0.2
Libor 12m	1.79	0.01	0.0	0.0	0.1
EZ TED spread 3m	50.3	1.20	-0.3	-4.7	-16.1
Stock markets (%)					
Index indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,490	0.0	0.4	2	6
Dow Jones	21,018	0.0	0.3	2	5
Nikkei	19,843	-0.3	2.0	6	1
FTSE 100	7,342	0.6	1.3	0	2
Eurostoxx 50	3,649	0.2	2.0	4	10
IBEX	11,049	-0.4	2.1	5	17
DAK	12,749	0.4	1.9	4	10
CAC	5,398	-0.3	1.8	5	10
MIB	21,487	0.3	3.6	6	9
ASE Athens	778	2.0	6.1	14	18
MSCI LatAm *	77,599	-0.1	0.3	1	6
Ibovespa (Brazil)	66,372	1.3	0.5	3	8
Madrid	49,991	1.0	0.8	1	7
MSCI EM Europe *	4,954	0.1	0.7	0	2
Poland	2,414	1.7	0.9	7	21
Moex (Russia)	2,002	0.0	-1.2	-1	-12
Nse 100 (Turkey)	95,223	1.6	1.0	8	25
MSCI EM Asia *	764	1.1	1.0	3	13
Shanghai Com (China)	3,081	0.1	-2.0	-6	-2
Jakarta Indonesia	5,697	0.2	0.2	0	8
Banking Sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	87.4	0.3	1.0	1	1
Citi	60.6	0.2	1.5	2	-1
BofA	24.1	0.7	2.6	4	5
MS	43.0	-0.1	-0.8	2	-1
GS	225.1	0.0	0.0	-1	-7
EZ banks					
BNP	66.7	-0.3	1.4	9	6
Crédit Agricole	14.2	-1.0	3.2	13	16
Dresdner Bank	17.3	-0.6	1.0	12	6
ING	15.6	-0.8	3.0	11	12
Intesa	2.8	-0.1	6.3	12	12
SG	49.6	-2.0	-1.8	7	3
UniCredit	15.9	-0.7	5.1	13	13
UK banks	87.8	-0.2	0.5	3	0
HSBC	664.9	0.7	3.9	2	-1
RIS	263.3	-1.2	0.5	10	12
Barclays	205.3	0.2	-2.2	-5	-13
Lloyds	69.0	-0.6	0.3	10	7
Large Spanish banks					
Santander	92.4	-1.9	2.0	7	18
Banque	6.2	-1.7	1.7	7	20
BBVA					
Mediam Spanish banks	7.6	-2.0	2.2	7	17
Cajabank	85.5	-1.4	2.6	6	17
Cálabank	4.3	-1.5	0.9	5	30
Populr	0.8	2.1	16.0	-5	-21
Sabotell	1.9	-1.2	3.5	11	35
Bankinter	0.5	-1.8	2.1	6	12
Bankia	1.1	-1.5	1.5	3	9
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EUR/USD	1.09	-0.5	0.5	2.7	4
GBP/USD	1.29	0.0	0.0	4.6	5
USD/JPY	114.21	-0.8	-2.0	2.8	-3
DKK	99.57	0.5	0.6	1.6	3
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.56	-0.5	-1.7	-1.4	3
USD BRL (Brazil)	3.18	0.5	-1.0	-1.2	1
USD CIP (Chile)	678.15	0.0	-1.5	-3.4	-1
USD COP (Colombia)	2964	-0.1	-0.7	-3.5	0
USDMXN (Mexico)	19.14	0.3	2.0	2.5	11
USD PEN (Peru)	3.29	-0.1	-1.5	-1.4	3
LACI	64.57	0.2	-1.4	-1.9	5
USDRPLN (Poland)	3.89	-0.5	-1.1	2.5	7
USD RUB (Russia)	58.34	-0.1	-2.3	-1.9	3
USD TRY (Turkey)	3.59	0.1	-1.7	3.9	0
USD CNY (China)	6.91	0.0	-0.2	-0.1	0
USD INR (India)	64.63	-0.5	-0.6	-0.5	5
USD IDR (Indonesia)	13,352	-0.4	-0.3	-0.2	1
ADXY	105.2	-0.2	-0.4	0.0	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	46	-0.7	-3.3	-12	-13
Copper	249	0.4	-5.0	-6	-2
Gold	1217	-0.7	-3.0	-3	5
S&P Spot commodity *	371	-0.1	-1.9	-6	-6
S&P Brent Spoz *	421	0.7	-1.9	-10	-12
S&P Metals Spoz *	311	-1.1	-3.9	-5	2
S&P Agricultural *	288	0.8	-2.1	0	-4

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Mexico	121	5	3	-10	-36
Peru	102	3	4	1	-6
Venezuela	3,919	67	569	80	14
Poland	67	1	0	-1	-8
Russia	156	1	3	-4	-21
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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	1.18	0.00	0.0	0.0	0.2
Libor 12m	1.79	0.01	0.0	0.0	0.1
EZ TED spread 3m	50.3	1.20	-0.3	-4.7	-16.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,400	0.0	0.4	2	6
Dow Jones	21,018	0.0	0.3	2	5
Nikkei	19,843	-0.3	2.0	6	1
FTSE 100	7,342	0.6	1.3	0	2
Euro Stoxx 50	3,649	0.2	2.0	4	10
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Bovespa (Brazil)	66,372	1.3	0.5	3	6
Moodi	49,991	1.0	0.8	1	7
MSCI EM Europe *	4,954	0.1	-0.7	0	-2
Poland	2,414	1.7	0.9	7	21
Mixx (Russia)	7,002	0.0	-1.2	-1	-12
Ise 100 (Turkey)	95,323	1.6	1.0	8	25
MSCI EM Asia *	784	1.1	1.0	3	13
Shanghai Com (China)	3,001	0.1	-2.0	-6	-2
Jakarta (Indonesia)	5,697	0.2	0.2	0	8
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	118.5	0.2	0.9	2	-1
JPM	97.4	0.3	1.0	1	1
CB	60.6	0.2	1.5	2	-1
BoA	24.1	0.7	2.6	4	5
MS	43.0	-0.1	-0.8	2	-1
GS	225.1	0.0	0.0	-1	-7
EZ banks	115.4	-0.8	2.6	11	9
BNP	66.7	-0.3	1.4	9	6
Credit Agricole	14.2	-1.0	3.2	13	16
Deutsche Bank	17.3	-0.6	4.0	12	6
ING	15.6	-0.8	3.0	11	12
Intesa	2.8	-0.1	6.3	12	12
SG	49.6	-2.0	1.8	7	3
Unicredit	15.9	-0.7	5.1	13	13
UK banks	87.8	-0.2	0.5	3	0
HSBC	664.9	0.7	3.9	2	-1
RBS	263.3	-1.2	-0.5	10	12
Barclays	205.3	0.2	-2.2	-5	-13
Lloyds	69.0	-0.6	-0.3	10	7
Large Spanish banks					
BBVA	92.4	-1.9	2.0	7	18
Santander	6.2	-1.7	1.7	7	20
CaixaBank	7.6	-2.0	2.2	7	17
Medium Spanish banks					
Popublr	0.8	2.1	16.0	-5	-21
Sabadell	1.9	-1.2	3.5	11	35
Banqueparibas	0.5	-1.8	2.1	6	12
Bankia	1.1	-1.5	1.5	3	9
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.09	-0.5	0.5	2.3	4
GBPUSD	1.29	0.0	0.0	4.6	5
USDJPY	114.21	-0.8	-2.0	2.8	-3
DX	99.57	0.5	0.6	1.0	3
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.56	-0.5	-1.7	-14	3
USDBRL (Brazil)	3.18	0.5	-1.0	-1.2	1
USDCUP (Cuba)	678.15	0.0	-1.5	-3.4	-1
USDCOP (Colombia)	2964	-0.1	0.7	-1.5	0
USDMXN (Mexico)	19.14	0.3	-2.0	-2.5	11
USDPEN (Peru)	3.29	-0.1	-1.5	-1.4	3
LACI	64.57	0.2	-1.4	-1.9	5
USDPLN (Poland)	3.89	-0.5	-1.1	2.5	7
USD RUB (Russia)	58.34	-0.1	-2.3	-1.9	3
USDTRY (Turkey)	3.59	-0.1	-1.7	3.9	0
USDCNY (China)	6.91	0.0	0.2	0.1	0
USDINR (India)	64.63	-0.5	-0.6	-0.5	5
USDIDR (Indonesia)	13,352	-0.4	-0.3	0.2	1
ADXY	105.2	-0.2	-0.4	0.0	2
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTX	46	-0.7	-3.3	-12	-13
Copper	249	0.4	-5.0	-6	-2
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S&P Spot commodity *	371	-0.1	-1.9	-6	-6
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Source: Bloomberg, Datastream and Haver

* With one day delay

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