

Market Comment | Equity volatility remained subdued despite doubts about China's stability

Global Financial Markets Unit
12 May 2017

- Financial markets were steady and showed historically low levels of volatility both in equities and in interest rates during this week, as reflected in minor changes in sovereign bond yields and stock prices. The expected outcome of the French election (Macron won the Presidency by a wide margin) and the mild recovery of oil prices (**OPEC hints at extra cuts in supply**[see](#)) after last week's sharp drop contributed to calm financial markets despite the lingering uncertainties in China extended by **the slightly disappointing trade data** ([see](#)), amid first signs of liquidity squeeze concerns.
- The **EUR lose some ground this week**, after the high levels reached right after the results of the first round of the French election, while the USD appreciated - despite higher political **uncertainty** ([see](#))-backed, among other things, by Trump's (partial) victory in the house of representatives vote ([see](#)), which could increase the odds in favour of the reflationary policies advocated by the Trump administration.
- US monetary policy also supported the USD as a June rate-hike is fully priced in by markets (despite today's disappointing prices data & retail sales that dragged down US yields and USD ([see](#)), **after the Fed's Kaplan** said that "the base case for removal of accommodation is three times this year" ([see](#)) and the **Fed's Rosengren even favours three more hikes in 2017** ([see](#)).
- **Greek assets rallied during the week**, as the country's sovereign bond yields declined significantly (reaching their lowest since 2012) and its equities appreciated signally, after the country's authorities legislated reforms to unlock new bailout loans, which may well be approved by euro zone finance ministers at their next meeting ([see](#)).
- **The BoE kept its monetary policy unchanged** ([see](#)), with a slight deterioration in its growth forecast for the UK caused by a potential consumer slowdown.

BBVA Research suggests the following reading list:

- Reading the footprints: how foreign investors shape countries' participation in global value chains ([see](#))
- Stick with winning stocks but be ready for a twist ([see](#))
- R-Star and the Draghi rules: Correctly measuring the equilibrium interest rate for policy use ([see](#))

Update 16 CET 12 May, 2017

Table 1

Debt markets (10Y % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.30	-3.6	-1.2	10	8	
US	2.34	-5.1	-1.2	10	10	
GER (2-yr)	0.67	0.1	0.8	17	11	
Germany	0.40	-3.0	-1.6	20	13	
France	0.85	-2.8	0.5	-8	4	
Spain	1.63	-1.5	7.4	-4	12	
Italy	2.26	-3.5	0.4	-4	39	
Portugal	3.40	0.7	0.8	-46	-78	
Greece	5.69	5.7	-14.7	-97	-119	
Japan (2-yr)	0.17	0.4	2.4	4	2	
Japan	0.05	2.6	1.8	-2	-2	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.00	-1.4	-10.2	4	-153	
Chile	4.05	0.0	6.4	15	-27	
Colombia	6.30	-2.4	13.6	-33	-80	
Mexico	7.22	-3.2	-1.1	1	-41	
Peru	5.53	0.2	-4.2	-27	-94	
Poland	3.32	-4.3	-15.4	-13	-40	
Russia	7.24	-3.2	13.0	-45	-71	
Turkey	10.39	-1.0	15.0	-28	-61	
India	6.91	-3.0	-3.1	13	53	
Indonesia	7.14	-13.9	-4.4	7	-71	
Country Risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	45	0.2	2.1	-28	-9	
Italy	186	-0.5	11.0	-25	26	
Portugal	300	3.7	2.4	-67	-62	
Spain	123	1.5	9.0	-24	7	
2-yr sovereign spread vs Germany						
France	23	-1.3	-2.3	-29	12	
Italy	51	-1.0	-4.1	-32	-10	
Portugal	101	-0.9	-10.5	-20	-46	
Spain	42	2.2	3.0	-25	-6	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS*						
Brazil	202	-3	-13	-19	-70	
Chile	73	0	-4	-2	-9	
Colombia	129	0	-1	-3	-34	
Mexico	118	2	-2	-11	-39	
Peru	99	0	-2	-2	-8	
Venezuela	3,823	-53	32	193	-82	
Poland	67	0	0	-1	-9	
Russia	153	1	-4	-19	-24	
Turkey	204	1	2	-29	-68	
China	79	0	-4	-7	-38	
India	96	0	-2	-3	-31	
Indonesia	128	3	2	-6	-28	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	11	0.3	1	-33	-1	
VST OXX	14	-2.5	-18	-38	-2	
EM EFT volatility index	16	-1.0	-3	-12	-21	
Dollar Euro volatility	7	-2.2	-13	-46	-36	
EM FX volatility index	8	-2.5	-4	-12	-26	
Credit spread (BAA) (bps)	229	5.1	4	-8	2	
US bonds volatility index	54	0.0	-7	-26	-29	
Banking S&P CDS (bps)*	level	Daily	Weekly	Monthly	YTD	
US	54	-0.9	-2	-7	-17	
EZ	80	0.5	-3	-34	-28	
UK	60	-0.9	-1	-21	-30	
Large Spanish	73	1.2	-4	-32	-44	
Medium Spanish	150	0.3	-6	-12	-1	
Corporate S&P CDS (bps)*	level	Daily	Weekly	Monthly	YTD	
US Non-financial	154	-0.9	-2	-7	-17	
EZ Non-financial	90	0.5	-3	-34	-28	
UK Non-financial	116	0.2	0	-6	-9	
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	-0.13	0.0	0.0	0.0	0.0	
Libor 3m	-1.18	0.00	0.0	0.0	0.2	
Libor 12m	-1.79	0.00	0.0	0.0	0.1	
EZ TED spread 3m	55.9	-1.30	6.8	8.2	-10.5	
Stock markets (%)						
Index/Indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,331	0.2	0.4	2	5	
Dow Jones	20,889	-0.1	0.6	1	5	
Nikkei	19,884	0.4	2.3	7	1	
FTSE 100	7,414	0.4	1.6	1	3	
EuroStoxx 50	3,627	0.1	0.9	5	9	
IBEX	10,859	0.0	2.5	5	15	
DAX	12,731	0.2	0.1	5	10	
CAC	5,390	0.1	0.8	6	10	
MIB	21,562	0.4	0.4	8	10	
ASE Athens	789	-1.0	4.7	15	20	
MSCI Latam*	79,044	0.0	2.8	3	8	
Ibovespa (Brazil)	68,244	1.0	3.0	7	11	
MoBIx	49,380	-0.3	0.2	1	6	
MSCI EM Europe*	4,990	-0.8	1.0	4	-1	
Poland	2,366	0.1	-0.7	7	18	
Micex (Russia)	1,987	-0.8	0.8	2	-12	
Ne 100 (Turkey)	94,826	-0.3	1.0	4	25	
MSCI EM Asia*	794	0.5	1.9	5	14	
Shanghai Com (China)	3,084	0.7	-0.6	-6	-2	
Jakarta (Indonesia)	5,675	0.4	0.1	1	8	
Banking Sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	86.9	-0.3	-0.1	2	0	
Citi	60.7	-0.1	0.7	4	-1	
BaK	23.9	0.7	0.6	5	1	
MS	42.7	-0.5	-1.0	4	-2	
GS	224.1	-0.3	-1.2	-1	-8	
EZ banks						
BNP	115.4	0.3	1.8	14	9	
Crédit Agricole	66.3	-0.1	2.3	12	6	
Diéschle Agricole	14.2	0.5	-1.6	18	16	
Diéschle Bank	17.2	-0.6	-1.0	13	6	
ING	15.3	-0.3	-3.2	10	10	
Intesa	2.8	0.6	0.2	15	12	
SG	49.5	0.5	-4.5	11	3	
Unicredit	17.0	-1.9	-4.7	29	21	
UK banks						
HSBC	87.9	-0.8	-0.6	4	0	
RIS	678.8	0.1	3.1	4	1	
Barclays	259.3	-0.6	-3.6	12	11	
Barclays	205.2	-0.7	-0.6	-4	-13	
Lloyds	68.1	-2.2	-2.7	9	5	
Large Spanish banks						
Santander	89.8	-0.6	5.1	7	15	
Santander	6.0	-0.4	-4.1	9	18	
BBVA						
BBVA	7.3	-0.7	6.0	5	13	
Medium Spanish banks						
Cáceres	84.7	-0.4	-3.3	10	16	
Cáceres	4.2	-0.7	-4.7	13	29	
Poplar	0.8	-3.8	1.1	20	-23	
Sabadell	1.8	0.2	2.6	14	34	
Banque	0.4	-0.2	2.4	7	12	
Banque	1.1	0.0	4.8	7	8	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD	1.09	0.6	0.7	2.4	4	
GBPUSD	1.29	0.0	0.7	2.8	5	
USDJPY	113.39	0.4	0.6	4.0	-3	
DKK	99.39	-0.3	0.6	1.5	-3	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	15.42	0.2	-0.3	-1.6	4	
USDBRL (Brazil)	3.13	0.3	1.5	-0.2	3	
USDCLP (Chile)	670.30	0.2	0.3	2.6	0	
USDCOP (Colombia)	2916	0.4	1.1	-1.5	2	
USDMXN (Mexico)	18.75	0.5	1.3	-1.1	13	
USDPEN (Peru)	3.29	0.0	-0.5	-1.1	3	
LACI	65.89	0.4	1.1	-2.5	6	
USDRPLN (Poland)	3.86	0.8	-0.9	3.0	7	
USD RUB (Russia)	57.09	0.0	1.5	-0.9	5	
USDTRY (Turkey)	3.57	0.2	0.8	2.1	0	
USDCNY (China)	6.90	0.1	0.1	-0.1	1	
USDINR (India)	64.31	0.1	0.1	0.6	5	
USDIDR (Indonesia)	13,330	0.1	0.0	-0.4	1	
ADXY	105.5	0.0	0.1	0.1	2	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTI	48	0.2	3.7	-10	-10	
Copper	252	0.6	0.1	-1	-1	
Gold	1220	0.4	0.7	-4	6	
S&P Spot commodity*	378	0.7	1.9	-5	-5	
S&P Brent Spoz*	434	1.1	3.8	-9	-10	
S&P Metals Spoz*	312	0.6	0.6	-2	-3	
S&P Agricultural*	290	-0.2	0.3	-1	-3	

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.30	-3.6	-1.2	10	16
US	2.34	-5.1	-1.2	10	10
GER (2-yr)	-0.67	0.1	0.8	17	11
Germany	0.40	-3.0	-1.5	20	13
France	0.85	-2.8	0.5	-9	4
Spain	1.63	-1.5	7.4	-4	12
Italy	2.26	-3.5	9.4	-4	39
Portugal	3.40	0.7	0.8	-46	-28
Greece	5.69	5.7	-14.7	-97	-119
Japan (2-yr)	-0.17	0.4	2.4	4	2
Japan	0.05	2.6	1.8	-2	-2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.08	-1.4	-10.2	4	-133
Chile	4.05	0.0	6.4	15	-27
Colombia	6.30	-2.4	13.6	-33	-80
Mexico	7.22	-3.2	-1.1	1	-41
Peru	5.53	0.2	-4.2	-27	-94
Poland	3.32	-4.3	-15.4	-13	-40
Russia	7.74	-3.2	-13.0	-45	-71
Turkey	10.39	-1.0	15.0	-28	-61
India	6.91	-3.0	-3.1	13	53
Indonesia	7.14	-11.5	4.4	7	-71
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	45	0.2	2.1	-28	-9
Italy	186	-0.5	11.0	-25	26
Portugal	300	3.7	2.4	-67	-62
Spain	123	1.5	9.0	-24	7
2-yr sovereign spread vs Germany					
France	23	-1.3	-2.3	-29	12
Italy	51	-1.0	-4.1	-32	-10
Portugal	101	-0.9	-10.5	-20	-46
Spain	42	2.2	3.0	-25	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	202	-3	-13	-19	-70
Chile	72	0	-4	-2	-9
Colombia	129	0	-1	-3	-34
Mexico	118	2	-2	-11	-39
Peru	99	0	-2	-2	-8
Venezuela	3,823	-53	32	193	-82
Poland	67	0	0	-1	-8
Russia	153	1	4	-10	-24
Turkey	204	1	2	-29	-68
China	79	0	-4	-7	-38
India	96	0	-2	-3	-31
Indonesia	120	3	2	6	-28
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	11	0.3	1	-33	-1
VSTOXX	14	-2.5	-18	-38	-2
EM EFT volatility index	16	-1.0	-3	-17	-21
Dollar/euro volatility	7	-2.2	-13	-48	-36
EM FX volatility index	8	-2.5	-4	-12	-26
Credit spread (BAA) (bps)	229	5.1	4	8	2
US bonds volatility index	54	-1.0	-7	-26	-29
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	54	-0.9	-2	-7	-17
EZ	80	0.5	-3	-34	-28
UK	60	0.0	-1	-21	-30
Large Spanish	73	1.2	-4	-32	-44
Medium Spanish	150	0.3	-6	-12	-1
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	154	-0.9	-2	-7	-17
EZ Non-financial	90	0.5	-3	-34	-28
UK Non-financial	116	-0.2	0	-6	-9
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	-0.13	0.00	0.0	0.0	0.0
Libor 3m	1.18	0.00	0.0	0.0	0.2
Libor 12m	1.79	0.00	0.0	0.0	0.1
EZ TED spread 3m	55.9	1.30	6.8	8.2	-10.5
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,391	-0.2	-0.4	2	5
Dow Jones	20,889	0.1	0.6	1	5
Nikkei	19,884	-0.4	2.3	7	1
FTSE 100	7,414	0.4	1.6	1	3
Eurostoxx 50	3,627	-0.1	0.9	5	9
IBEX	10,859	0.0	2.5	5	15
DAX	12,731	0.2	0.1	5	10
CAC	5,390	0.1	0.8	6	10
MBI	21,562	0.4	0.4	8	10
ASE Athens	789	-1.0	4.7	15	20
MSCI Latam *	79,044	0.0	2.8	3	8
Bovespa (Brazil)	68,244	-1.0	3.9	7	11
Moodi	49,380	-0.3	-0.2	1	6
MSCI EM Europe *	4,990	-0.8	1.0	4	-1
Poland	2,366	0.1	-0.7	7	18
Mixc (Russia)	1,997	-0.8	0.8	2	-12
Ise 100 (Turkey)	94,826	-0.3	1.0	4	25
MSCI EM Asia *	794	0.5	1.9	5	14
Shanghai Com (China)	3,004	0.7	-0.6	-6	-2
Jakarta (Indonesia)	5,675	0.4	0.1	1	8
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	117.8	-0.4	-0.2	3	-2
JPM	86.9	-0.3	-0.1	2	0
Citi	69.7	-0.1	0.7	4	-1
BoA	23.9	-0.7	0.6	5	4
MS	42.7	-0.5	-1.0	4	-2
GS	224.1	0.3	1.2	11	-8
EZ banks	115.4	0.3	-1.8	14	9
BNP	66.3	-0.1	2.3	12	6
Credit Agricole	14.2	0.5	-1.8	18	16
Deutsche Bank	17.2	-0.6	-1.0	13	6
ING	15.3	-0.3	-3.2	10	10
Intesa	2.8	0.6	0.2	15	12
SG	49.5	0.5	-4.5	11	3
Unicredit	17.0	1.9	4.7	29	21
UK banks	87.9	-0.8	-0.6	4	0
HSBC	678.8	0.1	3.1	4	1
RBS	259.3	-0.6	-3.6	12	11
Barclays	205.2	-0.7	-0.6	-4	-13
Lloyds	68.1	-2.2	-2.7	9	5
Large Spanish banks					
BBVA	89.8	-0.6	5.1	7	15
Santander	6.0	-0.4	-4.1	9	18
CaixaBank	7.3	-0.7	-6.0	5	13
Bankia	0.4	-0.4	-3.3	10	16
Popular	4.2	-0.7	-4.7	13	29
Sabadell	0.8	-3.8	1.1	20	-23
Banqueparibas	1.8	0.2	-2.6	14	34
Banque	8.4	-0.2	2.4	7	12
Banque	1.1	0.0	-4.8	7	8
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	51.0	0.4	3.8	-9	-10
WIX	48	0.2	3.7	-10	-10
Copper	252	0.6	-0.1	-1	-1
Gold	1230	0.4	0.7	-4	6
S&P Spot commodity *	378	0.7	1.9	-5	-5
S&P Brent Spot *	434	-1.1	3.8	-8	-10
S&P Metals Spot *	312	0.6	-0.6	-2	3
S&P Agricultural *	290	-0.2	-0.3	-1	-3

Source: Bloomberg, Datastream and Haver

* With one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of

Spain with number 0182.