

Market Comment | Weaker USD on healthcare vote stalemate

Global Financial Markets Unit
18 Jul 2017

- Financial investors showed a mild increase in risk aversion today, with US policy and central banks' strategy in the spotlight. **Equity volatility increased across the board** (although its levels remained at historical lows) after a **new setback to the Trump administration's healthcare reform** and disappointing inflation reports in the UK, which added to the doubts about the speed of tightening by developed countries' central banks. Following this sentiment, risk asset prices declined across the board, while sovereign bond yields receded. Safe-haven assets prices rose slightly, as was perceived in gold and JPY.
- **The USD reached 10-month lows and US Treasury yields declined, after the Trump administration once again delayed the healthcare vote, increasing the likelihood of a final rejection** [\(see\)](#). It triggered uncertainty about Trump's long-awaited reforms such as tax reform and infrastructure overhaul, triggering disappointment among investors.
- **UK sovereign bond yields declined and the GBP depreciated after disappointing UK June inflation figures** [\(see\)](#). This may delay potential rate hikes in the United Kingdom somewhat. Following this report, sovereign bond yields receded across Europe, as hawkish sentiment cooled further, following disappointing news from the US and Yellen's recent dovish testimony. In this regard, investors will be focused on this Thursday's ECB meeting, seeking hints on monetary policy sentiment.
- As a result, the EUR appreciated against the USD, exerting some pressure on European stocks, especially in the export sector. Moreover, **ZEW economic sentiment was lower than expected**, attributed to the stronger EUR [\(see\)](#). Stock prices mostly declined in Europe and in the US, also dragged down by disappointing earnings results [\(see\)](#).
- **Oil prices increased significantly today**, on hopes that Libya may join oil production cuts, as news that Libya will attend a meeting with OPEC and non-OPEC members in Russia provided support [\(see\)](#). Also, signs of strong demand drove prices higher [\(see\)](#). Moreover, a weaker USD gave support to oil prices and EM currencies, which appreciated across the board.

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Table 1

Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.35	-0.8	-2.7	3	13	
US	2.26	-5.9	-10.0	1	18	
GER (2-yr)	0.64	-1.3	-3.7	2	14	
Germany	0.55	-2.7	-7.2	20	20	
France	0.82	-2.6	-9.5	19	1	
Spain	1.56	-3.6	-13.7	10	4	
Italy	2.19	-4.3	-13.1	21	33	
Portugal	3.06	-3.8	-8.7	14	-111	
Greece	5.26	-2.0	-12.1	-42	-162	
Japan (2-yr)	0.10	0.3	0.2	1	9	
Japan	0.07	-2.4	1.6	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	10.14	-5.3	-35.5	-31	-127	
Chile	4.35	-0.1	-2.5	8	-18	
Colombia	6.62	-1.4	-14.6	20	-47	
Mexico	6.79	-1.4	-4.0	-8	-35	
Peru	5.39	-6.3	-28.2	0	-109	
Poland	3.25	-4.8	-9.7	10	-47	
Russia	7.93	1.3	-8.2	-6	-51	
Turkey	10.30	-7.0	-24.0	8	-70	
India	6.46	0.0	-2.9	-3	7	
Indonesia	6.96	-0.5	-19.8	13	-89	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	27	0.1	-2.7	-2	-19	
Italy	164	1.6	-5.9	1	12	
Portugal	251	-1.1	-1.5	-6	-103	
Spain	100	-1.0	-6.6	-10	-8	
2-yr sovereign spread vs Germany						
France	24	0.5	0.0	5	13	
Italy	49	0.6	0.3	1	-13	
Portugal	74	-2.7	1.9	-2	-93	
Spain	36	0.5	-2.4	-3	-12	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	218	-1.5	15	-14	-53	
Chile	67	-0.4	0	-1	-16	
Colombia	134	-0.2	-6	11	-29	
Mexico	108	-1.0	-4	0	-48	
Peru	83	-0.1	-3	-1	-25	
Venezuela	4,118	-6.3	-65	-428	212	
Poland	61	0.2	0	-1	-14	
Russia	164	0.6	-9	0	-13	
Turkey	187	-0.8	-13	2	-85	
China	66	0.0	-4	0	-51	
India	86	-0.4	-5	-3	-41	
Indonesia	116	-0.2	-4	2	-40	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	10	2.4	-8	-3	-2	
VSTOXX	14	0.6	-7	0	-3	
EM EFT volatility Index	14	0.8	-12	-6	-29	
Dollar/reserve volatility	7	11.4	7	22	-32	
EM FX volatility Index	7	-1.2	-4	-1	-33	
Credit spread (BAA) (bps)	214	5.3	5	-11	-13	
US bonds volatility index	50	-2.0	-6	-3	-35	
Banking Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	54	0.2	1	-3	-18	
EZ	53	-1.2	-6	-18	-55	
UK	46	-1.8	-4	-12	-45	
Large Spanish	54	-1.2	-6	-15	-63	
Medium Spanish	98	0.3	-2	-17	-54	
Corporate Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	138	0.2	1	-3	-18	
EZ Non-financial	79	-1.2	-6	-18	-55	
UK Non-financial	111	-0.8	-4	-2	-14	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EDNA Index	-0.36	0.00	0.0	0.0	0.0	
Earlibor 3m	-0.33	0.00	0.0	0.0	0.0	
Earlibor 12m	-0.15	0.00	0.0	0.0	-0.1	
Libor 3m	1.31	0.00	0.0	0.0	0.3	
Libor 12m	1.33	-0.01	0.0	0.0	0.0	
Stock markets (%)						
Index	level	Daily	Weekly	Monthly	YTD	
US indices						
S&P500	2,456	0.1	1.3	1	8	
Dow Jones	21,544	-0.4	0.6	1	8	
Nikkei	20,000	-0.6	-1.0	0	2	
FTSE 100	7,382	-0.2	0.8	-1	-3	
EuroStoxx 50	3,479	-1.1	0.4	-2	5	
IBEX	10,531	-1.1	0.8	-2	11	
DAX	12,428	-1.3	-0.1	-3	7	
CAC	5,177	-1.0	0.7	-2	6	
MIB	21,366	-0.6	1.2	2	9	
ASE Athens	848	-1.2	0.4	5	29	
MSCI Latam *	78,306	0.0	2.7	5	8	
Ibovespa (Brazil)	64,943	-0.4	1.7	5	5	
Mexbol	51,164	-0.3	1.3	4	10	
MSCI EM Europe *	5,029	0.4	2.9	6	0	
Pobor	2,361	-0.5	2.7	2	18	
Micex (Russia)	1,946	-0.7	0.4	7	-14	
Ise TOI (Turkey)	105,718	-0.5	2.5	8	39	
MSCI EM Asia *	846	0.2	3.0	4	21	
Shanghai Com (China)	3,188	0.3	-0.5	2	1	
Jakarta (Indonesia)	5,822	-0.2	0.9	1	10	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	121.7	-1.2	-1.2	2	2	
CB	90.9	-0.6	-2.1	5	5	
BofA	66.9	0.0	0.1	5	9	
MS	23.7	-1.3	-3.6	1	3	
GS	44.8	-1.2	-1.5	1	3	
GS	223.5	-2.5	-1.5	1	-8	
EZ banks	114.0	-1.4	-1.3	5	8	
BNP	64.9	-1.5	-0.6	5	3	
Crédit Agricole	14.5	-1.0	-1.3	5	18	
Deutsche Bank	16.0	-2.3	-3.7	6	-2	
ING	15.4	-1.4	-1.1	2	11	
Intesa	2.9	-0.6	0.6	12	12	
SG	48.0	-1.6	-1.7	3	-1	
Unicredit	16.7	-1.4	-2.7	7	19	
UK banks	89.2	-0.8	-0.4	2	1	
HSBC	734.2	-0.4	-1.1	7	10	
RBS	250.5	-1.1	-2.3	0	7	
Barclays	205.4	-1.7	-0.2	1	-13	
Lloyds	66.9	-0.4	-2.0	-2	3	
Large Spanish banks	89.0	-1.5	0.9	1	14	
Santander	5.7	-1.0	-1.5	-1	12	
BBVA	7.5	-1.8	-0.4	2	15	
Medium Spanish banks	81.6	-1.9	-1.3	4	12	
Cababank	4.2	-2.3	-0.4	3	29	
Sabadell	1.8	-1.9	-1.1	5	23	
Bankinter	8.2	-1.8	-1.0	1	9	
Banque	4.4	-1.6	-2.8	11	8	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
EURUSD	1.16	0.8	0.9	3.3	10	
GBPUSD	1.30	-0.2	1.4	1.9	6	
USD JPY	111.89	-0.7	1.8	0.9	-8	
USDY	94.55	-0.6	-1.2	2.7	8	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.04	-0.7	0.2	-6.2	-6	
USD BRL (Brazil)	3.16	0.7	2.9	4.0	2	
USD CIP (Chile)	655.41	0.7	1.7	1.3	2	
USD COP (Colombia)	3012	0.6	2.0	-1.2	-1	
USD MXN (Mexico)	17.51	0.5	2.2	2.3	18	
USD PEN (Peru)	3.25	0.8	0.2	0.8	4	
LACI	66.26	0.3	2.0	1.8	8	
USD PLN (Poland)	3.63	1.0	1.9	3.6	13	
USD RUB (Russia)	59.07	0.5	2.9	-2.5	2	
USD TRY (Turkey)	3.52	0.1	2.5	0.6	1	
USD CNY (China)	6.75	0.3	0.8	0.9	3	
USD INR (India)	64.33	0.0	0.4	0.1	5	
USD IDR (Indonesia)	13,309	0.1	0.6	0.1	1	
ADXY	106.8	0.2	0.8	0.5	3	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	48.7	0.6	2.5	3	-14	
Copper	46	0.5	2.6	3	-13	
Gold	272	0.1	2.0	6	7	
S&P 500 commodity *	124.2	0.7	2.0	-1	7	
S&P Brent Spot *	372	-0.4	0.4	2	-6	
S&P Meats Spot *	414	-1.0	2.2	2	-14	
S&P Metals Spot *	330	0.4	1.4	6	8	
S&P Agrikultural *	297	0.5	-4.4	1	-1	

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Turkey	10.30	-7.0	-24.0	8	-70
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Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	2.4	-3	-2	-2
VSTOXX	14	8.6	-7	0	-3
EM EFT volatility Index	14	0.8	-12	-6	-29
Dollar/euro volatility	7	11.4	7	22	-32
EM FX volatility index	7	-1.2	-4	-1	-33
Credit spread (BAA) (bps)	214	5.3	5	-11	-13
US bonds volatility index	50	-2.0	-6	-3	-35
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
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EZ	53	-1.2	-6	-18	-55
UK	46	-1.8	-4	-12	-45
Large Spanish	54	-1.2	-6	-15	-63
Medium Spanish	98	-0.3	-2	-17	-54
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Interbank markets (% , changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0.00	0.0	0.0	0.0
Eurbor 3m	-0.33	0.00	0.0	0.0	0.0
Eurbor 12m	-0.15	0.00	0.0	0.0	-0.1
Libor 3m	1.31	0.00	0.0	0.0	0.3
Libor 12m	1.73	-0.01	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,456	-0.1	1.3	1	8
Dow Jones	21,544	-0.4	0.6	1	8
Nikkei	20,000	-0.6	-1.0	0	2
FTSE 100	7,392	-0.2	0.8	-1	3
EuroStoxx 50	3,479	-1.1	0.4	-2	5
IBEX	10,531	-1.1	0.8	-2	11
DAX	12,428	-1.3	-0.1	-3	7
CAC	5,177	-1.0	0.7	-2	6
MBI	21,366	-0.6	1.2	2	9
ASE Athens	848	-1.2	0.4	5	29
MSCI Latam *	78,806	0.0	2.7	5	8
Ibovespa (Brazil)	64,943	-0.4	1.7	5	5
Merbi	51,164	-0.3	1.3	10	10
MSCI EM Europe *	5,029	0.4	2.9	6	0
Poland	2,361	-0.5	2.7	2	18
Micox (Russia)	1,546	-0.7	0.4	7	-14
Ise 100 (Turkey)	105,718	-0.5	2.5	8	39
MSCI EM Asia *	846	0.2	3.0	4	21
Shanghai Com (China)	3,188	0.3	-0.5	2	1
Jakarta (Indonesia)	5,822	-0.2	0.9	1	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	121.7	-1.2	-1.7	2	2
Citi	90.9	-0.6	-2.1	5	5
BoA	66.9	0.0	0.1	5	9
MS	23.7	-1.3	-3.6	1	3
GS	44.8	-1.2	-1.5	1	3
Wells	223.5	-2.5	-1.5	1	8
EZ banks	114.0	-1.4	-1.3	5	8
BNP	64.9	-1.5	-0.6	5	3
Credit Agricole	14.5	-1.0	-1.3	5	18
Deutsche Bank	16.0	-2.3	-3.7	6	-2
ING	15.4	-1.4	-1.1	2	11
Intesa	2.9	-0.6	0.6	12	12
SG	48.0	-1.6	-1.7	3	-1
Unicredit	16.7	-1.4	-2.7	7	19
UK banks	89.2	-0.8	-0.4	2	1
HSBC	734.2	-0.4	-1.3	7	10
RBS	250.5	-1.1	-2.3	0	7
Barclays	205.4	-1.7	-0.2	1	-13
Lloyds	66.9	-0.4	2.0	-2	3
Large Spanish banks					
Santander	89.0	-1.5	0.9	1	14
Banco Sabadell	5.7	-1.0	-1.5	-1	12
BBVA	7.5	-1.8	-0.4	2	15
Medium Spanish banks					
CaixaBank	81.6	-1.9	-1.3	4	12
Bankia	4.2	-2.3	-0.4	3	29
Bank of Valencia	1.8	-1.9	-1.1	5	33
Bankinter	8.2	-1.8	-1.0	1	9
Bankia	4.4	-1.6	-2.8	11	8
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.16	0.8	0.9	3.3	10
GBPUSD	1.30	-0.2	1.4	1.9	6
USDJPY	111.89	0.7	1.8	0.9	5
USDCHF	94.55	-0.6	-1.2	2.7	8
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.04	-0.7	-0.2	-6.2	-6
USD BRL (Brazil)	3.16	0.7	2.9	4.0	2
USD COP (Colombia)	655.41	0.7	1.7	1.3	2
USD COP (Colombia)	3012	0.6	2.0	-1.2	-1
USD MXN (Mexico)	17.51	0.5	2.2	2.3	18
USD PEN (Peru)	3.25	0.0	0.3	0.8	4
LACI	66.26	0.3	2.0	1.8	8
USD PLN (Poland)	3.63	1.0	1.9	3.6	13
USD RUB (Russia)	59.07	0.5	2.9	-2.5	2
USD TRY (Turkey)	3.52	0.1	2.5	-0.6	1
USD CNY (China)	6.75	0.3	0.8	0.9	3
USD INR (India)	64.33	0.0	0.4	0.1	5
USD IDR (Indonesia)	13,309	0.1	0.6	-0.1	1
ADXY	106.8	0.2	0.8	0.5	3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	48.7	0.6	2.5	-3	-14
WTI	46	0.5	2.6	3	13
Copper	272	0.1	2.0	6	7
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S&P Spot commodity *	372	-0.4	0.4	2	-6
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S&P Metals Spot *	330	0.4	1.4	6	8
S&P Agricultural *	297	-0.5	-4.4	1	-1

Source: Bloomberg, Datastream and Haver

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* With one day delay

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