

Market Comment | Markets steady at the start of the week

Global Financial Markets Unit
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- **Financial markets were steady at the start of the week.** However, a mild increase in equity volatility was noted, as geopolitical tensions in the Korean Peninsula heightened, after North Korea test-fired an intercontinental ballistic missile late on Friday ([see](#)).
- **The euro extended its appreciation** (close to the USD 1.18 level, supported by positive economic figures and the ongoing weakness of the US dollar. **Euro zone preliminary inflation figures remained stable at 1.3% YoY in July, as expected, although core inflation increased slightly more than expected** (+0.1pp to 1.3% YoY) ([see](#)). Moreover, the unemployment rate declined to its lowest level since 2009. These figures may give the ECB more grounds for changing its monetary policy stance in the autumn.
- **Bond and stock prices were little changed across the board**, although peripheral risk premiums slightly narrowed. Also, the euro's strength weighed slightly on European stocks, and US equities mildly outperformed. Meanwhile, **commodity prices increased after China's upbeat construction data**. Nonetheless, China's NBS PMI data showed a slightly lower-than-expected figure in July ([see](#)).
- **Stanley Fischer aligned with a gradual tightening path.** The natural rate of interest has declined since the crisis; according to some econometric models it is currently around 0.5% in the US and broadly zero in the euro zone. From the point of view of the monetary policy makers, Mr. Fischer suggested that a transparent and sound monetary policy can boost confidence in the stability of the growth outlook, encouraging investment and pushing up the equilibrium rate ([see](#)).
- **Although oil prices breached the \$50 level, they inched down, awaiting more signals of oil supply glut reduction.** Meanwhile, EM currencies showed a mixed performance. The RUB showed the largest depreciation, weighed down by US sanctions ([see](#)).

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Table 1

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.34	-0.4	-1.4	-3	13
US	2.29	0.0	3.4	7	15
GER (2-yr)	-0.68	-0.3	-2.7	-12	9
Germany	0.54	0.1	3.5	9	19
France	0.80	-0.4	5.2	0	-1
Spain	1.50	-2.5	1.5	-3	-1
Italy	2.09	-2.8	3.9	-6	23
Portugal	2.68	-4.5	2.3	-15	-129
Greece	5.40	2.2	14.3	-4	-149
Japan (2-yr)	0.11	0.1	0.4	0	8
Japan	0.88	1.1	2.0	2	7
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.00	-1.0	-5.2	-63	-141
Chile	4.29	-0.4	-1.2	15	-3
Colombia	6.80	-3.9	3.2	38	-30
Mexico	6.87	0.4	1.0	14	-77
Peru	5.38	0.1	-2.6	0	-109
Poland	3.36	3.2	9.3	1	-35
Russia	7.86	-0.7	-8.1	0	-59
Turkey	10.34	-1.0	4.0	6	-66
India	6.47	0.6	5.5	-4	9
Indonesia	6.95	-0.5	1.9	12	89
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	26	-0.5	1.7	-10	-20
Italy	155	-2.9	0.4	-15	3
Portugal	234	-4.6	-5.3	-24	-121
Spain	96	-2.6	-2.0	-12	-12
2-yr sovereign spread vs Germany					
France	24	-2.5	0.9	4	13
Italy	48	-0.9	3.4	4	-13
Portugal	80	-1.3	5.9	7	-66
Spain	37	-3.0	-3.6	6	-12
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	211	-2.4	2	-25	-61
Chile	66	-1.2	0	1	-16
Colombia	128	-2.2	-3	-3	-35
Mexico	103	-2.3	-3	-8	-54
Peru	83	-0.8	-1	-2	-25
Venezuela	5,541	116.3	827	1239	1636
Poland	59	-1.4	-2	-1	-19
Russia	162	2.2	2	-6	-14
Turkey	181	0.7	1	-9	-91
China	64	0.8	-2	-6	-52
India	81	-0.3	-3	-9	-46
Indonesia	111	0.6	-4	-5	-45
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	11	2.0	11	-9	-1
VSTOXX	14	1.2	-8	-21	-3
EM EFT volatility Index	15	1.9	1	-13	-26
Dollar/Euro volatility	8	1.9	12	6	-28
EM FX volatility index	8	1.5	0	-1	-32
Credit spread (BAA) (bps)	206	0.0	0	-5	-21
US bonds volatility index	49	0.2	3	-11	-36
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	53	0.1	0	0	-19
EZ	52	0.7	1	-8	-56
UK	45	0.4	0	5	-45
Large Spanish	50	0.9	1	-8	-67
Medium Spanish	93	1.6	-2	-8	-58
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	134	-0.1	0	0	-19
EZ Non-financial	74	0.7	1	-8	-56
UK Non-financial	102	1.3	-1	-7	-18
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	0.00	0.0	0.0	0.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,473	0.0	0.1	2	9
Dow Jones	21,989	0.4	1.8	3	10
Nikkei	19,925	-0.2	-0.3	-1	2
FTSE 100	7,372	0.0	-0.1	0	3
EuroStoxx 50	3,449	-0.5	-0.1	-1	4
IBEX	10,502	-0.3	0.5	0	11
DAX	12,118	-0.4	-0.7	-2	5
CAC	5,094	-0.7	0.7	-1	4
MBI	21,487	-0.3	0.8	4	9
ASE Athens	812	-1.0	-4.3	-1	24
MSCI Latam *	79,143	0.3	0.8	5	8
Ibovespa (Brazil)	65,756	0.4	1.0	6	7
Mobx (Russia)	51,040	-0.3	-1.2	4	10
MSCI EM Europe *	4,968	-0.6	-0.2	2	-2
Poland	2,374	0.6	1.7	2	19
Micex (Russia)	1,920	0.1	0.6	2	-15
Isr 100 (Turkey)	107,531	-0.2	0.8	7	41
MSCI EM Asia *	854	-0.6	0.2	4	23
Shanghai Com (China)	3,273	0.6	0.7	3	4
Jakarta (Indonesia)	5,841	0.4	1.3	0	11
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	91.8	0.5	0.5	1	6
CB	67.9	0.7	2.8	1	11
BoA	24.1	0.5	1.0	-1	5
MS	46.7	0.1	0.0	4	7
GS	223.6	0.0	2.5	0	8
EZ banks					
BNP	65.6	-0.8	2.1	3	4
Credit Agricole	14.9	-0.6	2.4	4	21
Deutsche Bank	15.1	-2.1	-5.7	-5	-7
ING	15.8	0.0	2.1	4	14
Intesa	2.9	0.3	1.7	5	15
SG	49.6	-0.7	3.0	2	3
Unicredit	16.6	-0.7	-0.7	0	19
UK banks					
HSBC	757.0	1.8	2.7	6	13
RBS	248.6	0.7	1.1	-2	8
Barclays	203.0	-1.0	-1.2	-1	-14
Lloyds	65.6	-1.4	-3.4	-2	1
Large Spanish banks					
Santander	90.7	-0.6	1.5	1	16
Banco Sabadell	5.8	-0.4	1.2	-1	14
BBVA	7.7	-0.7	1.8	3	18
Medium Spanish banks					
Cajabank	4.4	-0.6	4.1	4	35
Sabadell	1.9	0.4	2.7	5	38
Bankinter	8.2	-0.2	1.5	1	9
Banco Popular	4.3	-1.4	-0.3	0	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.18	0.6	1.6	3.4	13
GBPUSD	1.32	0.4	1.3	1.4	7
USD JPY	110.37	0.3	0.7	-1.6	-6
DXY	93.13	-0.1	-0.9	2.6	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.65	0.8	-1.2	-7.0	-10
USD BRL (Brazil)	3.13	-0.1	0.4	5.1	3
USD CUP (Cuba)	651.54	0.4	0.0	2.0	3
USDCOP (Colombia)	2989	0.4	1.3	1.9	-1
USDMXN (Mexico)	17.86	-0.5	-0.7	1.0	17
USD PEN (Peru)	3.24	0.2	0.2	0.2	4
LACI	65.90	0.0	-0.1	1.8	7
USD PLN (Poland)	3.60	0.5	1.6	2.8	14
USD RUB (Russia)	60.04	-0.8	0.0	-1.0	1
USD TRY (Turkey)	3.53	0.0	0.8	0.0	1
USDCNY (China)	6.73	0.2	0.4	0.9	3
USD INR (India)	64.19	-0.1	0.2	0.7	6
USD IDR (Indonesia)	13,325	0.0	-0.1	0.0	1
ADXY	102.1	0.1	0.1	1.0	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	52.3	-0.4	7.7	10	-7
WTI	49	-0.8	6.5	10	-7
Copper	289	0.6	5.8	8	13
Gold	1269	-0.1	1.0	2	9
S&P Spot commodity *	387	0.7	4.2	6	-2
S&P Brent Spot *	444	1.4	7.0	10	8
S&P Metals Spot *	337	-0.6	2.3	3	11
S&P Agricultural *	295	0.2	-0.2	3	-2

Source: Bloomberg, Datastream and Haver

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* With one day delay

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