

Market Comment | Geopolitical risk slightly increases prices of safe-haven assets

Global Financial Markets Unit
09 Aug 2017

- With few significant economic data releases today, **financial markets focused on the heightening tension between the US and North Korea, with investors finding shelter in safe-haven assets. Nonetheless, market movements were very limited, and tail risk measures remained broadly stable.**
- Although the US Secretary of State played down Trump's rhetoric, **(see) safe-haven bonds increased**, with 10Y yields of US, German and UK bonds falling by around 5 bps. **Safe-haven currencies such as the Japanese yen and the Swiss franc also appreciated, as did the US dollar**, slightly, while currencies physically close to the conflict depreciated. Moreover, gold prices increased. On the other hand, risk assets declined, with equity markets decreasing across the board, led by the banking sector -big names underperformed-, and implied volatility in the S&P500 (VIX) increasing up to 12.
- **The Euro depreciated, breaking through below the 1.17 level during the day but ending above**, though close, to USD 1.17, although the implied probability of a Fed rate hike in 2018 returned to levels below 40%.
- **Oil prices trimmed early gains as US gasoline inventories disappointed(see).** Moreover, OPEC's announcement that Iraq, the United Arab Emirates and Kazakhstan had affirmed their commitment to the cut in oil production failed to support early gains in oil prices **(see)**.

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.33	-2.4	-3.2	-6	11
US	2.23	-3.6	-4.5	-15	21
Germany (2-yr)	0.69	-2.6	0.2	8	8
Germany	0.43	-4.7	-5.9	-11	8
France	0.72	-4.2	-3.3	-19	9
Spain	1.43	-2.4	-2.8	-24	8
Italy	2.01	0.6	-0.4	-27	14
Portugal	2.84	2.0	-2.4	-28	-133
Greece	5.50	5.1	2.0	12	-138
Japan (2-yr)	0.11	-1.1	0.0	-2	8
Japan	0.06	2.0	-3.6	-1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.96	-0.0	7.5	-5	-145
Chile	4.36	0.7	7.8	14	4
Colombia	6.87	-3.4	-3.5	14	-22
Mexico	6.88	0.6	2.8	7	-35
Peru	5.29	2.2	-0.1	-39	-118
Poland	3.39	2.0	2.5	6	-33
Russia	7.84	4.9	-3.6	-10	-60
Turkey	10.49	9.0	17.0	-2	-51
India	6.47	0.8	0.2	-1	8
Indonesia	6.57	1.2	-5.4	-28	-97
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	0.5	2.6	-8	-17
Italy	158	5.3	5.5	-16	7
Portugal	242	2.7	3.7	-17	-113
Spain	100	2.3	3.1	-13	-8
2-yr sovereign spread vs Germany					
France	21	-0.4	1.6	-3	11
Italy	46	1.9	-0.4	-3	-15
Portugal	72	1.2	10.2	3	-35
Spain	37	0.1	1.0	-5	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	194	2.5	-10	-44	-78
Chile	62	0.0	-2	-6	-21
Colombia	124	1.7	2	-17	-39
Mexico	100	1.7	0	-15	-57
Peru	74	0.1	-5	-13	-34
Venezuela	5,438	-182.7	-844	1120	1532
Poland	58	0.0	2	-3	-17
Russia	151	-3.5	-11	-26	-26
Turkey	170	-1.0	-10	-35	-102
China	63	-0.4	0	-9	-53
India	85	-0.2	-1	-6	-42
Indonesia	109	0.2	-1	-15	-47
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	12	6.9	14	5	0
VSTOXX	15	17.4	9	2	1
EM EFT volatility Index	17	9.2	18	7	-15
Dollar/reserve volatility	8	5.7	7	31	-19
EM FX volatility Index	7	0.7	-3	-4	-33
Credit spread (BAA) (bps)	213	3.6	8	1	-14
US bonds volatility index	47	0.9	-3	-11	-38
Banking 5y CDS (bps) *					
US	54	2.1	2	2	-10
EZ	54	0.8	2	-5	-54
UK	48	1.2	3	-2	-43
Large Spanish	52	0.4	3	-9	-65
Medium Spanish	89	0.2	-2	-9	-82
Corporate 5y CDS (bps) *					
US Non-financial	140	2.1	2	2	-18
EZ Non-financial	72	0.8	2	-5	-54
UK Non-financial	106	0.0	0	-10	-19
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EDNA Index	-0.36	0.00	0.0	0.0	0.0
Earbar 3m	-0.33	0.00	0.0	0.0	0.0
Earbar 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	0.00	0.0	0.0	0.0
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Indices					
S&P500	2,469	0.2	0.3	2	9
Dow Jones	22,037	-0.2	0.1	3	11
Nikkei	19,739	-1.3	-1.7	-2	1
FTSE 100	7,498	-0.6	1.2	-2	4
EuroStoxx 50	3,468	-1.3	0.3	0	5
IBEX	10,596	-1.3	0.8	1	12
DAX	12,154	-1.1	-0.2	-2	5
CAC	5,195	-1.4	0.8	0	5
MIB	21,848	-0.9	1.3	3	11
ASE Athens	834	0.4	0.9	-1	27
MSCI Latam *	60,666	-0.1	1.1	6	10
Ibovespa (Brazil)	67,442	-0.7	0.5	7	10
Mexbol	51,109	-0.4	0.2	1	10
MSCI EM Europe *	5,120	0.8	2.7	6	1
Pobor	2,408	-0.7	1.8	5	20
Micex (Russia)	1,976	-0.7	0.5	3	-13
Ise TOI (Turkey)	108,715	-0.8	2.1	8	43
MSCI EM Asia *	866	-0.2	0.8	6	24
Shanghai Com (China)	3,276	-0.2	-0.3	2	4
Jakarta (Indonesia)	5,824	1.3	0.3	0	10
Banking sector					
US banks	126.2	1.0	0.0	1	5
JPM	93.2	-0.6	0.0	0	7
CB	68.0	-1.2	-2.0	1	11
Bok	24.7	-0.8	0.4	-1	8
MS	47.5	-1.0	0.3	3	9
GS	229.9	-0.9	1.6	2	-5
EZ banks	116.3	-2.2	1.1	0	10
BNP	67.3	-2.4	1.1	3	7
Credit Agricole	15.4	-2.1	3.7	5	25
Deutsche Bank	14.9	-3.8	-1.7	-10	-9
ING	15.5	-1.4	-1.1	0	12
Intesa	2.9	-1.3	-0.6	1	14
SG	48.4	-3.0	0.6	-2	0
Unicredit	18.0	-1.8	8.2	3	28
UK banks	91.3	-0.9	1.2	-2	4
HSBC	764.2	-0.7	-0.1	4	14
RBS	259.1	-2.1	3.3	1	11
Barclays	208.8	-0.8	0.5	1	-11
Lloyds	66.9	-0.5	2.1	1	3
Large Spanish banks	90.8	-2.3	0.0	1	16
Santander	5.7	-2.1	0.3	-1	14
BBVA	7.7	-2.5	-0.3	-2	19
Medium Spanish banks	83.1	-1.4	0.5	0	14
Cabobank	4.4	-1.5	0.1	4	35
Sabadi	1.9	-0.9	0.0	3	38
Bankinter	8.4	-1.0	1.7	1	11
Banque	4.3	-2.7	-1.1	-7	4
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	Year
Developed					
EURUSD	1.17	-0.1	-0.9	-3.0	12
GBPUSD	1.30	0.1	-1.7	0.9	6
USD JPY	110.02	0.3	0.6	-3.5	-6
DKK	93.60	-0.1	0.6	2.5	9
Emerging					
USDARS (Argentina)	17.80	-0.5	-1.2	-4.8	-11
USDRL (Brazil)	3.15	-0.8	-1.2	-3.2	2
USDCLP (Chile)	649.24	-0.1	0.1	2.6	3
USDCOP (Colombia)	3015	-0.6	-1.7	1.6	-2
USDMXN (Mexico)	17.99	-0.8	-0.9	-0.2	16
USDPEN (Peru)	3.25	-0.2	0.3	0.2	4
LACI	65.54	-0.6	-1.0	1.0	6
USDPLN (Poland)	3.63	-0.1	-1.2	2.2	13
USDRL (Russia)	60.14	-0.5	0.7	0.2	0
USDTRY (Turkey)	3.54	-0.2	0.2	1.9	1
USDCNY (China)	6.67	0.5	0.7	1.9	4
USDINR (India)	63.84	-0.3	-0.2	1.1	6
USDIDR (Indonesia)	13,333	-0.2	-0.1	0.5	1
ADXY	107.1	0.0	0.0	1.2	4
Commodities (%)	level	Daily	Weekly	Monthly	Year
Brent					
WTX	49	0.0	-0.8	11	-8
Copper	292	-0.7	1.4	11	15
Gold	127.3	1.0	0.5	5	9
S&P Spot commodity *	385	0.0	-0.2	5	-3
S&P Brent Spot *	444	-0.4	-0.4	11	-8
S&P Meats Spot *	352	2.1	3.5	9	15
S&P Agricultural *	291	0.1	0.5	-6	-3

Fuente: BBVA Research

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
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GER (2-yr)	-0.69	-2.6	0.2	-8	8
Germany	0.43	-4.7	-5.9	-11	8
France	0.72	-4.2	-3.3	-19	9
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Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.96	3.0	7.5	-55	-145
Chile	4.36	0.7	7.8	14	4
Colombia	6.87	-3.4	-3.5	14	-22
Mexico	6.88	0.6	2.8	7	-75
Peru	5.29	2.2	-0.1	-39	-118
Poland	3.39	2.0	2.5	6	-33
Russia	7.84	4.9	-3.6	-10	-60
Turkey	10.49	0.8	17.0	-2	-51
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Country risk (bp, changes in bp)					
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Portugal	72	1.2	-10.2	3	-75
Spain	37	0.1	1.0	-5	-12
Emerging Markets					
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Poland	59	0.0	2	-3	-17
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Turkey	170	-1.0	-10	-35	-102
China	63	-4.4	0	-9	-53
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Indonesia	109	-0.2	-1	-15	-47
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Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	54	2.1	2	2	16
EZ	54	0.8	2	-5	-54
UK	48	1.2	3	-2	-43
Large Spanish	52	0.4	3	-9	-65
Medium Spanish	89	0.2	-2	-9	-62
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	140	2.1	2	2	-18
EZ Non-financial	72	0.8	2	-5	-54
UK Non-financial	106	0.0	0	-10	-19
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	2,469	-0.2	-0.3	2	9
Dow Jones	22,937	-0.2	0.1	3	11
Nikkei	19,739	-1.3	-1.7	-2	1
FTSE 100	7,498	-0.6	1.2	2	4
EuroStoxx 50	3,468	-1.3	0.3	0	5
IBEX	10,596	-1.3	0.8	1	12
DAX	12,154	-1.1	-0.2	-2	5
CAC	5,146	-1.4	0.8	0	5
MBI	21,848	-0.9	1.3	3	11
ASE Athens	834	0.4	0.9	-1	27
MSCI Latam *	80,666	-0.1	1.1	6	10
Ibovespa (Brazil)	67,442	-0.7	0.5	7	10
Mumbai	51,199	-0.4	-0.2	1	10
MSCI EM Europe *	5,120	0.8	2.7	6	1
Poland	2,408	-0.7	1.8	5	20
Moscow (Russia)	1,976	-0.7	0.5	-3	-13
Ise 100 (Turkey)	108,715	-0.8	2.1	8	43
MSCI EM Asia *	866	0.2	0.8	6	24
Shanghai Com (China)	3,276	-0.2	-0.3	2	4
Jakarta (Indonesia)	5,824	1.3	0.5	0	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	93.2	-0.6	0.0	0	7
CB	68.0	-1.2	-2.0	1	11
BoA	24.7	-0.8	0.4	-1	8
MS	47.5	-1.0	0.3	3	9
GS	228.9	-0.9	1.6	2	-5
EZ banks	116.3	-2.2	1.1	0	10
BNP	67.3	-2.4	1.1	3	7
Credit Agricole	15.4	-2.1	3.7	5	25
Deutsche Bank	14.9	-0.8	-1.7	-10	-9
ING	15.5	-1.4	-1.1	0	12
Intesa	2.9	-1.3	-0.6	1	14
SG	48.4	-3.0	0.6	-2	0
Unicredit	18.0	-1.6	0.2	3	28
UK banks	91.3	-0.9	1.2	2	4
HSBC	764.2	-0.7	-0.1	4	14
RBS	258.1	-2.1	3.3	1	11
Barclays	208.8	-0.8	0.5	1	-11
Lloyds	66.9	-0.5	2.1	1	3
Large Spanish banks					
Santander	90.8	-2.3	0.0	1	16
Banco Sabadell	5.7	-2.1	0.3	-1	14
BBVA	7.7	-2.5	-0.3	3	19
Medium Spanish banks					
Cajabank	83.1	-1.4	0.5	0	14
Caja de Pensiones	4.4	-1.5	0.1	-4	35
Sabadell	1.9	-0.9	0.8	3	38
Bankinter	8.4	-1.0	1.7	1	11
Banco de Valencia	4.3	-2.7	-1.3	-7	4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.17	-0.1	-0.9	3.0	12
GBPUSD	1.30	0.1	-1.7	0.9	6
USDJPY	110.02	0.3	0.6	-3.5	-6
USDY	93.60	-0.1	0.8	2.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.80	-0.5	-1.2	-4.8	-11
USD BRL (Brazil)	3.15	-0.8	-1.2	3.2	2
USD COP (Colombia)	649.24	-0.1	0.3	2.6	3
USD COP (Colombia)	3015	-0.6	-1.7	1.6	-2
USD MXN (Mexico)	17.99	-0.8	-0.9	-0.2	16
USD PEN (Peru)	3.25	-0.2	-0.3	0.2	4
LACI	65.54	-0.6	-1.0	1.0	6
USD PLN (Poland)	3.63	-0.1	-1.2	2.2	13
USD RUB (Russia)	60.14	-0.5	0.7	0.2	0
USD TRY (Turkey)	3.54	-0.2	-0.2	1.9	1
USD CNY (China)	6.67	0.5	0.7	1.9	4
USD INR (India)	63.84	-0.3	-0.2	1.1	6
USD IDR (Indonesia)	13,333	-0.2	-0.1	0.5	1
ADXY	102.1	0.0	0.0	1.2	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	52.3	0.3	-0.1	12	-7
WTI	49	0.0	-0.8	11	-8
Copper	292	-0.7	1.4	11	15
Gold	1273	1.0	0.5	5	9
S&P Spot commodity *	385	0.0	-0.2	5	-3
S&P Brent Spot *	444	-0.4	0.4	11	-8
S&P Metals Spot *	352	2.1	3.5	9	15
S&P Agricultural *	291	0.1	0.5	-6	-3

Fuente: BBVA Research

Source: Bloomberg, Datastream and Haver

* With one day delay

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