

# Market Comment | Mild impact on financial markets of Central Bank minutes

Global Financial Markets Unit  
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- Once geopolitical tensions seem to be dissipating momentarily, markets start to focus their attention on the development of the central banks' exit strategy from their extra loose monetary policies. Nonetheless, the official positioning of **Trump's administration** after the Charlottesville clashes -that caused the resignation of some economic advisors- could be an additional source of uncertainty as his **ability to pursue growth policies, could be undermined**.
- Regarding central banks, **yesterday's FOMC minutes** showed the firm intention to begin the balance-sheet normalization relatively soon (highly likely in September), while an extra rate-hike of Federal Fund rates is also probable within this year (December according to our forecast). The labour market and -a potential- overvaluation of some assets are the main motivations for the adoption of a hawkish tone, while the worrisome lack of inflation pressures is the main reason for maintaining a dovish one ([see](#)).
- On another front, **today's ECB minutes** consider the upturn in financial markets after Sintra (EUR appreciation and increasing sovereign yields) showed the "improved macroeconomic conditions and fundamentals" had no significant effects on financial conditions. Nonetheless, "concerns were expressed about a possible overshooting in the repricing by financial markets, notably the foreign exchange markets, in the future."[\(see\)](#)
- **USD and EUR remained stable against their main peers after the round of minutes releases.** The EUR/USD cross also remained almost unchanged: markets read the FOMC minutes as dovish (due to inflation concerns), which caused a USD depreciation late yesterday that was offset by today's EUR depreciation on the back of ECB's concerns regarding "overshooting" in the exchange rate.
- **Sovereign yields remained almost unchanged with the exception of peripheral EZ sovereign bonds**, that decreased lead by Portugal. In Equity, **the mild negative trend in Europe early this morning was extended due to the negative opening of the US** (internal political issues weighed heavily). No surprises in economic indicators as Eurostat confirmed July's inflation for **EZ** ([see](#)) and US industrial production rises slightly less than the consensus forecast ([see](#))

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.32	-0.8	-0.7	-3	10
US	2.22	0.5	1.8	-4	22
GER (2-yr)	0.70	0.7	0.9	-7	7
Germany	0.43	-1.8	1.2	-13	8
France	0.72	-1.9	1.0	-9	9
Spain	1.43	-3.4	-2.8	-13	-8
Italy	2.02	-2.9	-1.7	-18	15
Portugal	2.76	-7.4	11.0	-31	-142
Greece	5.62	1.9	10.9	37	-126
Japan (2-yr)	0.11	0.7	0.2	0	9
Japan	0.05	0.9	1.4	-1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.12	-3.4	2.1	-2	-129
Chile	4.38	0.0	0.1	23	6
Colombia	6.71	-2.2	8.5	4	-39
Mexico	6.85	-0.7	-1.7	3	-39
Peru	5.28	-1.5	-0.3	-14	-119
Poland	3.37	-2.9	-3.7	12	-35
Russia	7.80	-0.3	0.6	-13	-44
Turkey	10.49	-5.0	-2.0	19	-51
India	6.53	0.0	3.9	8	15
Indonesia	6.90	0.0	2.3	-5	-84
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	30	-0.1	-0.2	3	-16
Italy	159	-1.1	-2.9	-5	7
Portugal	233	-5.6	-12.2	-18	-121
Spain	100	-1.6	-4.0	0	-8
<b>2-yr sovereign spread vs Germany</b>					
France	23	-0.1	1.5	-1	13
Italy	49	-1.1	1.5	0	-12
Portugal	72	-4.7	-1.6	-4	-35
Spain	35	-1.6	-2.1	-2	-13
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>					
Brazil	197	-9.8	0	-21	-74
Chile	63	-0.1	-1	-4	-20
Colombia	130	1.6	3	-4	-33
Mexico	106	0.7	4	-2	-50
Peru	77	0.4	1	-7	-31
Venezuela	5,948	-294.0	88	1831	2043
Poland	58	0.6	-2	-3	-18
Russia	148	-0.4	-4	-15	-28
Turkey	173	0.6	0	-14	-99
China	64	-1.4	-1	-2	-52
India	87	0.5	2	0	-40
Indonesia	109	-1.4	-3	-7	-47
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	12	6.2	-22	26	1
VSTOXX	15	8.7	-16	13	-1
EM EFT volatility Index	17	5.9	-24	20	-16
Dollar/reserve volatility	8	0.1	-5	12	-25
EM FX volatility Index	8	-0.5	-5	-1	-32
Credit spread (BAA) (bps)	210	0.5	-1	1	-17
US bonds volatility index	48	-0.3	-7	-2	-37
Banking Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	55	-0.4	-2	0	-17
EZ	56	-1.3	-1	3	-52
UK	50	-1.0	0	4	-40
Large Spanish	53	-1.3	-1	-1	-64
Medium Spanish	92	0.0	1	-6	-59
Corporate Sy CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	140	-0.4	-2	0	-17
EZ Non-financial	74	-1.3	-1	3	-52
UK Non-financial	108	-0.3	0	-3	-17
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	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.32	0.00	0.0	0.0	0.3
Libor 12m	1.34	0.01	0.0	0.0	0.0
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,453	0.6	0.6	0	6
Dow Jones	21,905	-0.5	0.3	2	10
Nikkei	19,703	-0.1	-0.1	-1	1
FTSE 100	7,388	-0.7	0.0	0	-3
EuroStoxx 50	3,462	-0.6	0.8	0	4
IBEX	10,444	-1.0	-0.1	-1	10
DAX	12,203	-0.5	1.6	-2	5
CAC	5,147	-0.6	0.6	-1	5
MIB	21,789	-0.9	0.5	2	11
ASE Athens	832	-1.2	-0.2	-2	27
MSCI Latam *	81,089	-0.3	0.7	3	11
Ibovespa (Brazil)	68,328	-0.4	2.0	5	11
Moexb	51,061	-0.2	0.3	0	10
MSCI EM Europe *	5,015	0.1	-1.4	0	-1
Pabest	2,353	-1.2	-1.2	-2	-18
Micex (Russia)	1,942	-0.1	-1.0	0	-14
Ise TOI (Turkey)	106,825	0.0	-0.9	1	40
MSCI EM Asia *	852	0.6	-0.9	1	22
Shanghai Com (China)	3,268	0.7	0.2	3	3
Jakarta (Indonesia)	5,892	1.0	1.2	1	12
Banking sector					
level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>					
JPM	123.7	-0.9	-0.9	0	2
Citi	91.6	-0.5	0.6	1	5
Bank of America	67.2	-0.7	0.0	1	9
Wells Fargo	23.9	-1.0	-0.7	0	4
US Bancorp	45.7	-0.8	-1.4	1	5
GS	222.8	-1.2	-1.2	0	-8
<b>EZ banks</b>	114.7	-1.7	-0.2	1	9
BNP	66.2	-1.5	-0.7	2	5
Crédit Agricole	15.2	-2.0	-0.3	4	23
Deutsche Bank	14.1	-3.2	-2.1	-11	-13
ING	15.3	-1.1	-0.2	-1	10
Intesa	2.9	-0.3	1.4	2	15
SG	47.8	-2.3	-0.1	0	-1
Unicredit	17.7	-2.1	0.2	6	26
<b>UK banks</b>	88.2	-1.6	-1.6	-1	0
HSBC	738.0	-1.3	-1.5	1	10
RBS	258.1	-2.2	0.0	3	10
Barclays	197.3	-1.7	-3.7	-4	-16
Lloyds	64.4	-1.5	-0.7	-4	-1
<b>Large Spanish banks</b>	87.8	-2.2	-1.3	-1	13
Santander	5.5	-2.5	-1.8	-3	9
BBVA	7.5	-1.9	-1.0	3	16
<b>Medium Spanish banks</b>	81.4	-1.7	-0.2	0	11
Cabobank	4.4	-1.8	0.3	4	34
Sabadell	1.9	-1.9	0.9	3	36
Bankinter	8.1	-1.8	-1.6	-1	7
Banque	4.1	-1.6	0.2	-6	1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
<b>EURUSD</b>					
EURUSD	1.17	-0.3	-0.3	1.6	12
GBPUSD	1.29	0.0	0.7	-1.2	5
USD JPY	109.90	0.3	-0.6	-1.9	-6
DOY	93.64	0.1	0.3	1.0	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.26	-0.3	2.6	-1.0	-7
USD BRL (Brazil)	3.16	-0.3	0.5	-0.2	2
USD CLP (Chile)	645.30	0.0	0.4	1.6	4
USD COP (Colombia)	2979	-0.4	0.6	1.1	0
USD MXN (Mexico)	17.74	-0.4	1.3	-1.5	17
USD PEN (Peru)	3.24	-0.1	0.2	0.0	4
LACI	66.07	0.5	1.0	-0.2	7
USD PLN (Poland)	3.64	-0.3	-0.1	0.0	13
USD RUB (Russia)	59.19	0.3	1.5	0.5	2
USD TRY (Turkey)	3.51	0.0	0.8	0.2	2
USD CNY (China)	6.68	0.2	-0.4	1.1	4
USD INR (India)	64.15	0.0	-0.1	0.3	6
USD IDR (Indonesia)	13,358	0.1	0.2	0.4	1
ADXY	107.1	0.0	0.0	0.4	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
<b>Brent</b>					
WTX	50.7	0.9	-2.3	4	-10
Copper	47	0.4	-3.3	1	-12
Gold	293	-0.8	0.8	8	15
S&P 500	1285	0.1	-0.1	3	10
S&P Spot commodity *	374	-0.6	-2.0	0	-6
S&P Brent Spot *	426	-1.0	-3.3	2	-11
S&P Metals Spot *	361	3.1	2.0	9	19
S&P Agricultural *	278	0.9	-2.2	-6	-7

Source: Bloomberg, Datastream and Haver

\* With one day delay

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