

Market Comment | Markets steady awaiting ECB meeting

Global Financial Markets Unit
06 Sep 2017

- The risk-off mood eased somewhat during today's session, as equity volatility declined, safe-haven assets lost some ground and stock prices increased. Nonetheless, market movements were moderated and steadiness was perceived, especially in FX and bond markets waiting for the ECB meeting.
- In a cautious mood ahead of tomorrow's ECB meeting, **sovereign bond yields inched up following yesterday's significant drop**. In the meeting, two main issues will be closely watched: a revision of staff forecasts and a possible drop of the downward bias on the asset purchase programme (APP). The announcement of a reduction in the APP (from January 2018) is expected in October ([see preview](#)).
- **The resignation of the Federal Reserve's vice-chairman Stanley Fischer**, citing personal reasons ([see](#)) had a muted impact, as did the increase in the **Bank of Canada's benchmark interest rates**, ([see](#)) in a context in which investors have recently cooled their interest rate hike expectations for major central banks such as the Federal Reserve and the ECB.
- **Stock prices inched up** in the US, led by the [energy sector](#) ([see](#)), while in Europe the rise was underpinned by cyclical stocks and the prevailing note in the FX market was steadiness ([see](#)). Moves in the USD were very limited, despite debt-ceiling worries, showed in Treasury-bills premiums.
- **Oil prices continued to recover steadily**, as refineries recovered from Hurricane Harvey. At the same time, gasoline prices lost some ground, after the recent rally registered during Hurricane Harvey. EM currencies appreciated slightly against this backdrop of a stable USD and higher oil prices.

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Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.29	0.0	-3.5	-6	8
US	2.06	0.5	-6.6	-19	37
GER (2-yr)	0.73	2.3	0.5	-5	5
Germany	0.35	0.0	-1.2	-11	-1
France	0.66	1.5	-0.6	-8	15
Spain	1.57	3.3	-1.3	1	-1
Italy	2.03	2.8	-5.1	3	16
Portugal	2.85	0.5	-1.4	2	-133
Greece	5.47	-3.1	-6.7	2	-141
Japan (2-yr)	-0.15	0.0	0.2	-4	5
Japan	0.01	0.1	-6.0	-5	5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.83	-5.1	-25.2	-6	-159
Chile	4.31	0.0	-4.7	-3	-1
Colombia	6.74	-0.3	0.0	-18	-35
Mexico	6.86	-0.5	3.3	-1	-38
Peru	5.14	-0.6	-1.2	-12	-133
Poland	3.19	-4.5	-11.6	-18	-53
Russia	7.57	-4.4	-29.0	-23	-88
Turkey	10.47	9.0	14.0	8	-53
India	6.53	2.6	-1.1	7	14
Indonesia	6.57	5.6	-16.0	-33	-127
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	0.6	0.4	4	-14
Italy	168	1.9	-3.9	15	16
Portugal	250	-0.4	-0.2	10	-104
Spain	122	2.4	-0.1	10	-6
2-yr sovereign spread vs Germany					
France	20	-0.9	-0.8	-1	9
Italy	54	-0.3	-2.7	8	-7
Portugal	76	3.3	3.2	3	-69
Spain	40	-1.5	2.0	1	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	187	1.8	-12	-8	-85
Chile	57	1.3	-3	-6	-26
Colombia	119	-1.6	-9	-7	-45
Mexico	99	-0.7	-7	-1	-57
Peru	73	-0.7	-4	-3	-35
Venezuela	6.087	-370.4	-835	483	2182
Poland	54	0.4	-2	-4	-21
Russia	139	-0.7	-7	-16	-37
Turkey	160	-1.1	-11	-12	-113
China	60	1.3	0	-4	-57
India	81	0.5	-1	-4	-46
Indonesia	102	0.2	-4	-8	-54
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.7	8	22	0
VSTOXX	16	-0.6	-1	24	0
EM EFT volatility Index	17	-4.2	2	17	-14
Dollar/reserve volatility	9	2.0	6	8	-16
EM FX volatility Index	8	1.4	3	5	-30
Credit spread (BAA) (bps)	217	-0.5	1	10	-11
US bonds volatility index	53	7.8	3	14	-30
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	50	1.8	0	6	-14
EZ	54	-2.5	-7	2	-54
UK	47	-1.4	-3	2	-43
Large Spanish	49	-2.1	-12	-1	-68
Medium Spanish	84	-4.2	-9	-4	-67
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	138	1.8	0	6	-14
EZ Non-financial	74	-2.5	-7	2	-54
UK Non-financial	105	-0.5	-3	0	-20
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	1.31	0.00	0.0	0.0	0.0
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500					
Dow Jones	2462	0.2	0.2	1.9	8
Dow Jones	21,806	0.2	0.4	-1	9
Nikkei	19,358	-0.1	-0.8	-3	-1
FTSE 100	7,354	-0.3	-0.2	-2	-2
EuroStoxx 50	3,434	0.4	0.9	-2	4
IBEX	10,131	-0.5	-1.1	-5	7
DAX	12,215	0.7	1.8	0	5
CAC	5,101	0.3	0.8	-2	4
MIB	21,815	0.4	1.4	-1	11
ASE Athens	812	-0.1	-1.5	-2	23
MSCI Latam *	63,067	-0.3	0.0	-4	13
Ibovespa (Brazil)	73,141	1.4	3.2	8	19
Mexbol	50,557	0.5	-1.2	-2	9
MSCI EM Europe *	5,169	-0.1	0.4	3	2
Pobor	2,512	0.2	-0.5	-5	26
Micex (Russia)	2,015	0.5	0.3	2	-11
Ise TOI (Turkey)	109,612	0.7	-0.7	0	44
MSCI EM Asia *	864	-0.1	0.2	1	24
Shanghai Com (China)	3,385	0.0	0.6	3	7
Jakarta (Indonesia)	5,824	0.2	-1.1	1	10
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	120.5	-0.1	-1.9	-5	1
Citi	90.0	0.5	-1.4	-4	4
CB	67.1	0.0	-1.3	-3	9
BofA	23.3	-0.2	-2.6	-7	11
MS	44.8	-0.2	-1.8	-7	3
GS	218.2	0.2	-1.9	-6	-10
EZ banks	109.9	0.0	-0.5	-7	4
BNP	62.6	-0.1	-0.9	-9	0
Crédit Agricole	14.6	0.0	0.5	-4	19
Deutsche Bank	13.4	1.5	-0.3	-13	-18
ING	14.6	-0.3	-1.1	-7	5
Intesa	2.8	-0.1	-0.1	-4	11
SG	46.2	-0.2	-0.7	-8	-4
Unicredit	16.9	0.1	-0.4	-8	21
UK banks	85.3	-0.8	-2.0	-7	3
HSBC	728.9	-0.7	-2.7	-5	9
RBS	244.6	-1.5	-1.6	-6	4
Barclays	185.9	-1.1	2.5	-12	-21
Lloyds	63.1	-0.1	-0.9	-5	3
Large Spanish banks	84.6	-0.5	-1.7	-9	8
Santander	5.3	-0.9	-1.9	-9	5
BBVA	7.2	-0.1	-1.4	-8	11
Medium Spanish banks	77.2	-0.6	-2.8	-8	6
Cabobank	4.1	-2.0	-4.0	-8	26
Sabidell	1.8	-0.6	-2.9	-8	28
Bankinter	7.8	0.3	-1.7	-8	3
Banque	3.9	-0.2	-2.9	-11	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.19	0.2	0.5	1.2	14
GBPUSD	1.31	0.3	1.1	0.3	6
USD JPY	108.74	-0.1	1.4	-1.8	-7
USDY	92.00	-0.8	-1.0	1.5	10
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.22	0.2	1.0	2.7	-7
USD BRL (Brazil)	3.11	0.3	1.6	0.6	3
USD CLP (Chile)	618.54	0.5	1.9	5.0	8
USD COP (Colombia)	2918	0.5	1.2	2.2	2
USD MXN (Mexico)	17.80	0.6	-0.5	0.7	17
USD PEN (Peru)	3.24	0.1	0.2	0.2	4
LACI	66.79	2.4	0.7	1.4	8
USD PLN (Poland)	3.56	0.0	0.6	1.3	15
USD RUB (Russia)	57.35	0.3	2.0	4.5	5
USD TRY (Turkey)	3.43	0.4	0.7	2.9	4
USD CNY (China)	6.52	0.2	1.1	2.9	6
USD INR (India)	64.11	0.0	-0.2	-0.5	6
USD IDR (Indonesia)	13,333	0.0	0.1	0.1	1
ADXY	108.4	0.1	0.4	1.2	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	54.0	1.2	6.2	3	-4
WTI	49	1.2	7.1	0	-8
Copper	312	0.5	1.9	7	23
Gold	1340	0.0	2.4	7	15
S&P Spot commodity *	390	0.9	3.8	1	-2
S&P Brent Spot *	454	1.2	5.2	2	-5
S&P Metals Spot *	370	-0.6	1.2	7	21
S&P Agricultural *	283	1.5	3.2	-3	-6

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Peru	5.14	-0.6	-1.2	-12	-133
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US bonds volatility index	53	7.8	3	14	-30
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	59	1.8	0	2	14
EZ	54	-2.5	-7	2	-54
UK	47	-1.4	-3	2	-43
Large Spanish	49	-2.1	-12	-1	-68
Medium Spanish	84	-4.2	-9	-4	-67
Corporate by CDS (bps) *					
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UK Non-financial	105	0.5	-3	0	-20
Interbank markets (% , changes in bp)					
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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	-0.16	0.00	0.0	0.0	-0.1
Libor 3m	1.32	0.00	0.0	0.0	0.3
Libor 12m	1.71	0.00	0.0	0.0	0.0
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,462	0.2	0.2	-1	8
Dow Jones	21,806	0.2	0.4	-1	9
Nikkei	19,358	-0.1	-0.8	-3	-1
FTSE 100	7,354	-0.3	-0.2	-2	2
EuroStoxx 50	3,434	-0.4	0.9	-2	4
IBEX	10,131	-0.5	-1.1	-5	7
DAX	12,215	0.7	1.8	0	5
CAC	5,101	0.3	0.9	-2	4
MBI	21,915	0.4	1.4	-1	11
ASE Athens	812	-0.1	-1.5	-2	-23
MSCI Latam *	83,067	-0.3	0.0	4	13
Ibovespa (Brazil)	73,141	1.4	3.2	8	19
Merval	59,557	0.5	-1.2	-2	9
MSCI EM Europe *	5,169	-0.1	0.4	3	2
Poland	2,512	-0.2	-0.5	5	26
Mikex (Russia)	2,015	-0.5	0.3	-2	-11
Isr 100 (Turkey)	109,612	0.7	-0.7	0	44
MSCI EM Asia *	864	0.1	0.2	1	24
Shanghai Com (China)	3,385	0.0	0.6	3	7
Jakarta (Indonesia)	5,824	0.2	-1.3	1	10
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	120.5	-0.1	-1.9	-6	1
JPM	90.0	0.5	-1.4	-4	4
CB	67.1	0.0	-1.3	-3	9
BoA	23.3	-0.2	-2.6	-7	1
MS	44.8	-0.2	-1.8	-7	3
GS	218.2	0.2	1.9	-6	-10
EZ banks	109.9	0.0	-0.5	-7	4
BNP	62.6	-0.1	-0.9	-9	0
Credit Agricole	14.6	0.0	0.5	-4	19
Deutsche Bank	13.4	1.5	-0.3	-13	-18
ING	14.6	-0.3	-1.1	-7	5
Intesa	2.8	-0.1	-0.1	-4	11
SG	46.2	-0.2	-0.7	-8	-4
Unicredit	16.9	-0.1	-0.4	-6	21
UK banks	85.3	-0.8	-2.0	-7	-3
HSBC	728.9	-0.7	-2.7	-5	9
RBS	244.6	-1.5	-1.6	-6	4
Barclays	185.9	-1.1	-2.5	-12	-21
Lloyds	63.1	-0.1	-0.9	-5	-3
Large Spanish banks	84.6	-0.5	-1.7	-9	8
Santander	5.3	-0.9	-1.9	-9	5
BBVA	7.2	-0.1	-1.4	-8	11
Medium Spanish banks	77.2	-0.6	-2.8	-8	6
CaixaBank	4.1	-2.0	-4.0	-8	26
Sabadell	1.8	-0.6	-2.9	-8	28
Bankinter	7.8	0.3	-1.7	-8	3
Bankia	3.9	-0.2	-2.9	-11	5
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.19	0.2	0.5	1.2	14
GBPUSD	1.31	0.3	1.1	0.3	6
USD JPY	108.74	0.1	1.4	-1.8	-7
DXY	92.00	-0.3	-1.0	1.5	10
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.22	0.2	1.0	2.7	-7
USD BRL (Brazil)	3.11	0.3	1.6	0.6	3
USD CUP (Cuba)	618.54	0.5	1.9	5.0	8
USDCOP (Colombia)	2918	0.5	1.2	2.2	2
USDMXN (Mexico)	17.80	0.6	-0.5	0.7	17
USD PEN (Peru)	3.24	0.1	0.2	0.2	4
LACI	66.79	2.4	0.7	1.4	8
USD PLN (Poland)	3.56	0.0	0.6	1.3	15
USD RUB (Russia)	57.35	0.3	2.0	4.5	5
USD TRY (Turkey)	3.43	0.4	0.7	2.9	4
USDCNY (China)	6.52	0.2	1.1	2.9	6
USD INR (India)	64.11	0.0	-0.2	-0.5	6
USD IDR (Indonesia)	13,333	0.0	0.1	-0.1	1
ADXY	108.4	0.1	0.4	1.2	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	54.0	1.2	6.2	-3	-4
WTI	49	1.2	7.1	0	8
Copper	312	0.5	1.9	7	23
Gold	1340	0.0	2.4	7	15
S&P Spot commodity *	390	0.9	3.8	1	-2
S&P Brent Spot *	454	1.2	5.2	2	5
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S&P Agricultural *	283	1.5	3.2	-3	6

Source: Bloomberg, Datastream and Haver

* With one day delay

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