

Market Comment | Higher USD ahead of Yellen speech

Global Financial Markets Unit
26 Sep 2017

- **Financial markets were little changed across the board, ahead of Yellen's speech later today** (7 p.m.). Nonetheless, some changes were shown in currency markets. US Treasury yields inched up ahead of Yellen's speech, while the rest remained almost unchanged.
- **The USD strengthened today, despite negative economic data in the US** (consumer confidence and New Home Sales [\(see\)](#)). The EUR extended losses today as investors have moderated the long speculative positions on the currency, amid higher uncertainty about the expected announcement of the ECB's QE exit strategy in October as the level of the euro might weigh on the ECB's decision.
- **Stock prices inched up in the US, on the back of a slight recovery in the technological sector** [\(see\)](#). Meanwhile, stock prices remained little changed across the board in Europe.
- **Athens stock prices remained little changed, but with the banking sector still showing significant falls**, after the ECB said it would bring forward to May 2018 the expected stress tests on Greek banks [\(see\)](#).
- Emmanuel Macron's speech [\(see\)](#) regarding EU reforms seems to have had little impact on financial markets.
- **Oil prices**, which had been trading at their highest level in 26 months, **moderated their levels and dragged down EM currencies**. The only exception was the TRY, which was unchanged, after yesterday's significant depreciation, amid political uncertainty.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.44	1.5	3.7	11	22
US	2.23	1.2	1.2	7	21
GER (2-yr)	0.72	-0.7	-3.2	1	6
Germany	0.41	0.8	-4.4	3	8
France	0.71	0.6	1.9	1	-11
Spain	1.61	-1.2	5.6	-10	4
Italy	2.12	1.6	7.5	2	25
Portugal	2.42	-3.2	0.4	-45	-176
Greece	5.65	9.2	10.6	11	-124
Japan (2-yr)	0.12	0.0	0.5	3	7
Japan	0.03	0.5	1.5	3	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.78	-0.3	5.0	-33	-163
Chile	4.30	0.0	3.2	-4	-3
Colombia	6.54	2.5	5.3	-18	-55
Mexico	6.78	0.7	-4.9	-4	-36
Peru	4.85	-0.5	-8.8	-35	-163
Poland	3.31	2.4	-4.7	2	-41
Russia	7.67	-3.1	0.1	-15	-37
Turkey	10.69	-6.0	13.0	34	-31
India	6.67	5.1	7.8	13	29
Indonesia	6.36	6.7	-10.0	-45	-149
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	-0.2	2.5	-2	-16
Italy	172	0.8	11.9	-1	20
Portugal	201	-4.0	4.0	-48	-153
Spain	120	-2.0	10.0	-15	-7
2-yr sovereign spread vs Germany					
France	21	1.0	0.0	-3	10
Italy	51	2.3	4.3	-7	-10
Portugal	66	-1.2	2.4	-14	-39
Spain	43	2.2	4.5	3	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	263	4.0	27	8	-69
Chile	63	1.7	11	1	-20
Colombia	129	2.6	19	2	-34
Mexico	116	2.6	18	11	-40
Peru	86	2.1	16	9	-22
Venezuela	6.349	80.6	114	-139	2444
Poland	55	1.8	0	-1	-20
Russia	149	2.8	16	4	27
Turkey	191	7.9	29	18	-82
China	63	2.0	9	1	-54
India	77	0.8	2	-7	-50
Indonesia	104	1.3	12	-3	-52
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	1.7	2	-8	-1
VSTOXX	13	1.4	7	-18	4
EM EFT volatility Index	18	-0.8	13	7	-13
Dollar/reserve volatility	8	8.2	7	8	-20
EM FX volatility Index	8	-0.6	2	10	-29
Credit spread (BAA) (bps)	205	-1.2	-4	-6	-22
US bonds volatility index	51	1.2	3	1	-33
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	56	-0.8	5	-2	-16
EZ	55	1.7	5	-5	-53
UK	47	0.5	0	-2	-43
Large Spanish	57	1.6	10	-2	-60
Medium Spanish	85	1.3	1	-7	-66
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	156	-0.8	5	-2	-16
EZ Non-financial	75	1.7	5	-5	-53
UK Non-financial	108	-1.1	6	0	-17
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	-0.17	0.00	0.0	0.0	-0.1
Libor 3m	1.33	0.00	0.0	0.0	0.3
Libor 12m	1.37	0.00	0.0	0.1	0.1
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,498	0.1	0.3	2	10
Dow Jones	22,306	0.0	0.3	2	12
Nikkei	20,330	-0.3	0.2	5	4
FTSE 100	7,286	-0.2	0.1	-2	1
EuroStoxx 50	3,536	0.0	0.1	1	7
IBEX	10,190	-0.3	-1.8	-2	8
DAX	12,605	0.1	0.3	4	9
CAC	5,269	0.0	0.6	3	8
MIB	22,431	0.2	0.0	3	14
ASE Athens	740	-0.3	-2.9	-11	13
MSCI Latam *	64,150	-0.6	-1.1	2	16
Ibovespa (Brazil)	74,822	0.5	-1.5	5	21
Mexbol	50,351	0.0	0.2	-2	8
MSCI EM Europe *	5,150	-0.1	-0.5	1	2
Pobor	2,443	-0.4	-2.4	-1	22
Micex (Russia)	2,071	0.1	1.1	5	-9
Ise TOI (Turkey)	103,929	1.6	-0.9	-5	36
MSCI EM Asia *	872	-1.4	2.3	1	25
Shanghai Com (China)	3,344	0.1	-0.4	0	6
Jakarta (Indonesia)	5,864	-0.8	-0.4	-1	11
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	127.6	-0.1	-0.2	4	6
JPM	93.6	-0.5	0.3	2	8
CB	70.9	0.0	0.4	4	15
BofA	24.8	0.1	-0.3	4	8
MS	47.5	-0.5	0.4	3	9
GS	230.0	-0.1	0.5	3	-5
EZ banks	114.4	0.0	0.1	2	8
BNP	66.2	-0.9	0.0	3	5
Crédit Agricole	15.0	0.1	0.5	0	22
Deutsche Bank	13.6	-0.3	-1.3	-1	-16
ING	15.3	0.1	0.5	2	10
Intesa	3.0	0.6	1.0	5	17
SG	48.0	-0.4	0.1	2	-1
Unicredit	17.5	-0.2	2.0	-1	25
UK banks	86.9	-0.6	-0.3	-1	1
HSBC	719.3	-0.3	-1.1	-3	7
RBS	261.8	0.2	2.5	2	12
Barclays	188.3	-0.7	0.0	-3	-20
Lloyds	65.0	-1.3	-1.5	0	0
Large Spanish banks	87.9	-0.2	0.9	1	13
Santander	5.7	-0.1	-0.2	4	12
BBVA	7.3	-0.3	-1.5	-2	13
Medium Spanish banks	76.7	0.3	-2.4	-5	5
Cabobank	4.1	0.2	2.6	-6	26
Sabidell	1.7	0.1	-5.2	-8	24
Bankinter	7.7	0.4	-1.3	-3	3
Banque	4.0	0.6	0.7	-3	3
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	-0.6	-1.9	-1.3	12
GBPUSD	1.34	-0.3	0.6	4.2	9
USD JPY	112.17	-0.4	-0.5	2.6	-4
DOY	93.17	0.6	1.5	0.5	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.58	-0.5	2.6	-2.1	9
USD BRL (Brazil)	3.17	-0.4	-1.1	-0.4	2
USD CLP (Chile)	635.42	-1.0	-1.6	-0.1	5
USD COP (Colombia)	2933	-0.2	-1.0	-0.2	1
USD MXN (Mexico)	18.00	-0.4	-1.2	-2.2	16
USDRIN (Peru)	3.27	-0.3	-0.8	-1.0	3
LACI	65.75	-0.6	-1.3	-1.0	7
USD PLN (Poland)	3.64	-1.0	-2.0	-1.9	13
USD RIL (Russia)	57.89	-0.6	0.4	1.2	4
USD TRY (Turkey)	3.55	0.0	1.8	-3.2	1
USD CNY (China)	6.64	-0.3	-0.9	0.1	4
USD INR (India)	65.45	-0.5	-1.7	-2.2	4
USD IDR (Indonesia)	13,374	-0.4	-0.7	-0.2	0
ADXY	107.4	-0.2	-0.8	-0.2	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	58.4	-1.1	5.9	11	3
WTI	52	-0.5	5.0	9	-2
Copper	290	-0.8	-1.8	-5	14
Gold	1301	-0.8	0.8	-1	12
S&P Spot commodity *	404	1.6	2.7	7	2
S&P Brent Spot *	497	3.6	6.4	12	3
S&P Metals Spot *	361	0.1	0.3	0	18
S&P Agricultural *	283	-0.2	1.0	2	-6

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Portugal	68	-1.2	2.4	-14	-79
Spain	43	2.2	4.5	3	-5
Emerging Markets					
5-yr sovereign CDS *					
Brazil	203	4.0	27	8	-69
Chile	63	1.7	11	1	-20
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Interbank markets (% , changes in bp)					
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Euro3m	-0.33	0.00	0.0	0.0	0.0
Euro3m 12m	-0.17	0.00	0.0	0.0	-0.1
Libor 3m	1.33	0.00	0.0	0.0	0.3
Libor 12m	1.77	0.00	0.0	0.1	0.1
Stock markets (%)					
Main indices					
S&P500	2,498	-0.1	-0.3	2	10
Dow Jones	22,306	0.0	-0.3	2	12
Nikkei	20,330	-0.3	0.2	5	4
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Banking sector					
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JPM	93.6	-0.5	-0.3	2	8
Ch	70.9	0.0	-0.4	4	15
BoA	24.8	0.1	-0.3	4	8
MS	47.5	-0.5	-0.4	3	9
GS	230.0	-0.1	0.5	3	5
EZ banks	114.4	0.0	0.1	2	8
BNP	66.2	-0.3	0.0	3	5
Credit Agricole	15.0	0.1	0.5	0	22
Deutsche Bank	13.6	-0.3	-1.3	-1	-16
ING	15.3	0.1	0.8	2	10
Intesa	3.0	0.6	1.0	5	17
SG	48.0	-0.4	0.1	2	-1
UniCredit	17.5	-0.2	2.0	-1	25
UK banks	86.9	-0.6	-0.3	-1	-1
HSBC	719.3	-0.3	-1.1	-3	7
RBS	261.8	-0.2	2.5	2	12
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Cabobank	4.1	0.2	2.6	-6	26
Subedit	1.7	0.1	-5.2	8	24
Bankinter	7.7	0.4	-1.3	-3	3
Banque	4.0	0.6	-0.7	-3	3
Currencies (% , red for currency depreciation)					
Developed					
EURUSD	1.18	-0.6	-1.9	-13	12
GBPUSD	1.34	-0.3	-0.6	4.2	9
USDJPY	112.17	-0.4	-0.5	2.6	4
DXY	93.17	0.6	1.5	-0.5	9
Emerging					
USDARS (Argentina)	17.58	-0.5	-2.6	-2.1	-9
USDBRL (Brazil)	3.17	-0.4	-1.1	-0.4	2
USDCLP (Chile)	635.42	-1.0	-1.6	-0.1	5
USDCOP (Colombia)	2933	-0.2	-1.0	-0.2	1
USDMXN (Mexico)	18.00	-0.4	-1.2	-2.2	16
USDPEN (Peru)	3.27	-0.3	-0.8	-1.0	3
USDPY (Poland)	65.75	-0.6	-1.3	-1.0	7
USDPLN (Poland)	3.64	-1.0	-2.0	-1.9	13
USDRUB (Russia)	57.89	-0.6	0.4	1.2	4
USDTRY (Turkey)	3.55	0.0	-1.8	-3.2	1
USDCNY (China)	6.64	-0.3	-0.9	0.1	4
USDINR (India)	65.45	-0.5	-1.7	-2.2	4
USDIR (Indonesia)	13,374	-0.4	-0.7	-0.2	0
ADXY	102.4	-0.2	-0.8	-0.2	4
Commodities (%)					
Brent	58.4	-1.1	5.9	11	3
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Source: Bloomberg, Datastream and Haver

* With one day delay

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- After yesterday's widespread positive mood after easing concerns over North Korea, **today financial markets were broadly steady**, with little variation among stock and bond prices.
- The **USD continued in its recent upward trend while the EUR continued eroding its recent high level**, as factors recently weighing on USD strength started to blur: geopolitical tensions, political uncertainty and hurricane effects, among others.
- **US Treasury yields inched up after the release of PPI inflation**, which rose on the back of **surging gasoline prices due to the effects of hurricanes** ([see](#)). Financial markets will be closely watching the developments of US inflation (tomorrow), a key variable for the Fed to design the path of US interest rate hikes onwards.
- Stock prices inched up in Europe, led by industrials and the finance sector. Meanwhile, US indices remained hovering around their highest levels despite the disappointment about the release date of the new Apple product, which affected suppliers ([see](#))
- **Oil prices increased after the IEA released its report** ([see](#)) pointing to lower inventories due to higher demand. Moreover, today's release of gasoline inventories, which dropped significantly more than expected, supported the increase in oil prices. EM currencies also benefited from the higher oil prices.