

Market Comment | Markets cautious after Trump's tax cut proposal

Global Financial Markets Unit
28 Sep 2017

- **US Treasury yields inched up, reaching their recent high levels, after the US President unveiled a tax cut plan** ([see](#)), although markets still remained cautious as difficulties in legislative approval are expected. US inflation expectations also rose, helped by higher oil prices and the upward revision in the **US GDP Q2** ([see](#)).
- The **USD depreciated after its recent appreciation as economic data showed weakness in weekly jobless claims** ([see](#)) and idiosyncratic strengths favoured its main peers. The **GBP rose due to the optimistic tone about Brexit negotiations** ([see](#)) while the **EUR benefited from positive economic indicators** ahead of tomorrow EZ inflation data for September.
- **European assets little changed today.** Core yields remained almost unchanged after yesterday's rebound, while **peripheral risk premiums also widened somewhat**. Stock indices also were little changed. **The main exception was Greece's indices, rising appreciably as their banks bounced back**, as the IMF discarded the requirement of asset quality check for Greek banks ([see](#)).
- **Oil prices suffered from high volatility**, as tensions over Kurdistan aroused concerns about oil supply risks ([see](#)), leading to mixed performance in EM currencies, but with not significant variations.

Update 18 CET 28 September, 2017
Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.46	-0.8	2.4	15	25
US	2.33	1.8	5.2	20	11
GER (2-yr)	0.70	0.4	-1.9	2	8
Germany	0.48	1.1	2.4	14	13
France	0.77	0.4	2.9	11	4
Spain	1.63	-2.0	0.4	-4	5
Italy	2.12	-2.9	1.2	6	25
Portugal	2.42	-4.3	0.8	-43	-176
Greece	5.71	-7.6	14.7	17	-118
Japan (2-yr)	0.11	1.0	1.7	5	8
Japan	0.07	3.4	6.5	1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.83	-0.8	20.7	25	-158
Chile	4.95	0.2	3.0	-2	3
Colombia	6.63	6.0	9.9	-12	-46
Mexico	6.89	5.5	8.8	5	-35
Peru	4.89	0.6	-3.7	-27	-158
Poland	3.36	0.4	-1.0	9	-36
Russia	7.70	-5.6	2.2	-10	-35
Turkey	10.70	-6.0	5.0	37	-30
India	6.64	-2.6	-3.4	11	26
Indonesia	6.55	5.8	10.1	23	-130
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	-0.7	0.5	-3	-17
Italy	164	-4.0	-1.2	8	13
Portugal	194	-5.4	-3.2	-57	-160
Spain	115	-3.1	-2.0	-19	-13
2-yr sovereign spread vs Germany					
France	21	0.6	0.6	0	11
Italy	48	-2.0	1.6	-9	-13
Portugal	72	-0.1	4.6	-2	-35
Spain	38	-0.6	-0.7	0	-10
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	261	-0.1	1	2	-71
Chile	61	-0.4	0	0	-21
Colombia	126	-1.3	-4	-2	-37
Mexico	113	-0.7	-2	7	-43
Peru	85	-0.2	-1	8	-23
Venezuela	6.479	134.8	-72	-228	2574
Poland	56	1.5	-2	-1	-20
Russia	146	-0.7	-3	1	-38
Turkey	190	0.5	7	21	-83
China	64	1.6	6	6	-53
India	78	-0.3	-5	-3	-49
Indonesia	105	1.4	5	2	-51
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	0.3	2	-15	-2
VSTOXX	12	0.0	8	-30	4
EM EFT volatility Index	17	-1.6	10	-2	-16
Dollar/reserve volatility	8	-3.4	7	-5	-24
EM FX volatility Index	8	2.2	6	10	-26
Credit spread (BAA) (bps)	204	-1.8	0	-9	-23
US bonds volatility index	52	2.8	8	1	-32
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	54	-1.5	-2	-3	-18
EZ	54	-1.5	4	-5	-54
UK	46	-1.2	0	-3	-44
Large Spanish	55	-1.7	5	-3	-62
Medium Spanish	85	0.0	1	-7	-67
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	152	-1.5	-2	-3	-18
EZ Non-financial	75	-1.5	4	-5	-64
UK Non-financial	107	-0.5	1	0	-18
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	-0.17	0.00	0.0	0.0	-0.1
Libor 3m	1.33	0.00	0.0	0.0	0.3
Libor 12m	1.39	0.01	0.0	0.1	0.1
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,508	0.0	0.5	3	10
Dow Jones	22,373	0.1	0.1	2	12
Nikkei	20,363	0.5	0.1	5	4
FTSE 100	7,223	0.1	0.8	0	2
EuroStoxx 50	3,564	0.2	0.7	5	7
IBEX	10,329	-0.4	0.3	1	9
DAX	12,705	0.4	0.8	6	10
CAC	5,294	0.2	0.5	5	8
MIB	22,588	-0.2	0.4	6	15
ASE Athens	755	2.5	-1.5	-8	15
MSCI Latam *	64,369	-0.4	-1.7	-2	-15
Ibovespa (Brazil)	73,357	-0.6	-3.0	3	19
Mexbol	50,079	-0.2	0.9	-2	7
MSCI EM Europe *	5,135	-0.3	-0.7	-1	2
Rubor	2,427	-0.3	-1.7	-1	21
Micex (Russia)	2,072	-0.5	0.6	4	-8
Ise TOI (Turkey)	102,651	1.4	-1.3	-7	35
MSCI EM Asia *	871	0.4	2.2	1	25
Shanghai Com (China)	3,340	-0.2	-0.5	-1	6
Jakarta (Indonesia)	5,841	-0.4	-1.1	-1	11
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	130.2	0.0	0.7	2	9
JPM	95.2	0.0	0.2	4	10
CB	72.2	-0.1	0.7	7	18
BofA	25.5	0.3	1.3	8	11
MS	48.0	-0.1	0.5	6	10
GS	234.4	-0.1	1.4	7	-4
EZ banks	116.8	0.3	1.1	6	11
BNP	67.7	0.3	1.4	7	8
Crédit Agricole	15.3	0.2	1.2	5	25
Deutsche Bank	14.4	2.7	3.1	8	-12
ING	15.5	-0.1	0.9	5	12
Intesa	3.0	-0.1	0.5	6	18
SG	48.9	0.4	0.2	6	1
Unicredit	18.0	0.1	1.1	4	28
UK banks	88.8	0.0	1.0	2	1
HSBC	731.8	0.2	1.4	-1	9
RBS	266.4	-1.6	2.3	6	14
Barclays	192.2	-1.0	0.9	1	-18
Lloyds	67.2	0.0	0.3	5	4
Large Spanish banks	90.2	-0.2	1.2	5	16
Santander	5.9	-0.5	3.5	10	17
BBVA	7.4	-0.8	0.8	2	15
Medium Spanish banks	78.9	-1.5	1.1	0	8
Cabobank	4.2	-1.5	-0.2	-1	29
Sabadell	1.8	-0.0	2.1	-1	29
Bankinter	8.0	-0.5	2.0	2	6
Banque	4.0	-1.3	0.4	1	2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	0.3	-1.4	-1.6	12
GBPUSD	1.34	0.4	-1.1	4.0	9
USD JPY	112.66	0.2	-0.2	2.7	-4
DOY	93.18	-0.2	1.0	-1.0	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.53	0.2	-1.5	-0.8	9
USD BRL (Brazil)	3.19	0.2	-1.5	-0.7	1
USD CIP (Chile)	636.68	0.1	-1.9	-1.8	5
USD COP (Colombia)	2942	-0.2	0.9	0.2	1
USD MXN (Mexico)	18.24	-0.2	-2.0	-2.2	15
USD PEN (Peru)	3.27	0.0	-0.2	-1.0	3
LACI	65.34	-0.1	-2.3	-1.4	6
USD PLN (Poland)	3.66	0.5	-2.3	-3.1	12
USD RUB (Russia)	58.07	0.2	-0.3	1.3	4
USD TRY (Turkey)	3.86	0.4	-1.7	-3.3	0
USD CNY (China)	6.66	-0.3	-1.1	-1.0	4
USD INR (India)	65.51	0.3	-1.1	-2.3	4
USD IDR (Indonesia)	13,515	-0.5	-1.3	-1.3	1
ADXY	107.1	-0.1	-0.9	-0.7	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	57.3	-1.0	1.6	10	2
WTX	52	-1.1	2.0	11	-3
Copper	295	1.3	1.2	-4	16
Gold	1285	0.1	0.5	-2	10
S&P Spot commodity *	402	0.2	1.3	7	2
S&P Brent Spot *	490	-0.6	2.6	11	2
S&P Metals Spot *	359	0.0	-1.5	-2	18
S&P Agricultural *	283	0.4	-0.2	3	6

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.46	-0.8	2.4	15	25
US	2.33	1.8	5.2	20	111
GER (2-yr)	-0.70	0.4	-1.9	2	8
Germany	0.48	1.1	2.4	14	13
France	0.77	0.4	2.9	11	4
Spain	1.63	-2.0	0.4	-4	5
Italy	2.12	-2.9	1.2	6	25
Portugal	2.42	-4.3	-0.3	-43	-176
Greece	5.71	-7.6	14.7	17	-118
Japan (2-yr)	0.11	1.0	1.7	5	8
Japan	0.07	3.4	6.5	1	1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.83	-0.8	20.7	-25	-158
Chile	4.35	0.2	3.0	-2	3
Colombia	6.63	6.0	9.9	-12	-46
Mexico	6.89	5.5	8.8	5	-75
Peru	4.89	0.6	-3.7	-27	-158
Poland	3.36	0.4	-1.0	9	-36
Russia	7.70	-5.6	2.2	-10	-75
Turkey	10.70	-5.0	5.0	37	-30
India	6.64	-2.6	-3.4	11	26
Indonesia	6.55	5.8	10.1	-23	-130
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	29	-0.7	0.5	-3	-17
Italy	164	-4.0	-1.2	-8	13
Portugal	194	-5.4	-3.2	-57	-160
Spain	115	-3.1	-2.0	-19	-13
2-yr sovereign spread vs Germany					
France	21	0.0	0.6	0	11
Italy	48	-2.0	1.6	-9	-13
Portugal	72	-0.1	4.6	-2	-75
Spain	38	-0.6	0.7	0	-10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	201	-0.1	1	2	-71
Chile	61	-0.4	0	0	-21
Colombia	126	-1.3	-4	-2	-37
Mexico	113	-0.7	-2	7	-43
Peru	85	-0.2	-1	8	-23
Venezuela	6,479	134.8	-72	-228	2574
Poland	95	1.5	-2	-1	-20
Russia	146	-0.7	-3	1	-30
Turkey	190	0.5	7	21	-83
China	64	1.6	6	6	-53
India	78	-0.3	-5	-3	-49
Indonesia	105	1.4	5	2	-51
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)					
VIX	10	0.3	2	-15	-2
VSTOXX	12	0.0	8	-30	-4
EM EFT volatility Index	17	-1.6	10	-2	-16
Dollar/euro volatility	8	-3.4	7	-5	-24
EM FX volatility index	8	2.2	6	10	26
Credit spread (BAA) (bps)	204	-1.8	0	-9	-23
US bonds volatility index	52	2.8	8	1	-32
Banking by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	54	1.5	-2	-3	18
EZ	54	-1.5	4	-5	-54
UK	46	-1.2	0	-3	-44
Large Spanish	95	-1.7	5	-3	-62
Medium Spanish	85	0.0	1	-7	-67
Corporate by CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	152	-1.5	-2	-3	-18
EZ Non-financial	75	-1.5	4	-5	-54
UK Non-financial	102	0.5	1	0	-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	-0.17	0.00	0.0	0.0	-0.1
Libor 3m	1.33	0.00	0.0	0.0	0.3
Libor 12m	1.79	0.01	0.0	0.1	0.1
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,508	0.0	0.3	3	10
Dow Jones	22,373	0.1	0.1	2	12
Nikkei	20,363	0.5	0.1	5	4
FTSE 100	7,323	0.1	0.8	0	2
EuroStoxx 50	3,564	0.2	0.7	5	7
IBEX	10,329	-0.4	0.3	1	9
DAX	12,705	0.4	0.8	6	10
CAC	5,294	0.2	0.5	5	8
MBI	22,588	-0.2	0.4	6	15
ASE Athens	755	2.5	-1.5	-8	15
MSCI Latam *	84,269	-0.4	-1.7	2	15
Ibovespa (Brazil)	73,257	-0.6	-3.0	3	19
Mumbai	59,079	-0.2	-0.9	-2	7
MSCI EM Europe *	5,135	-0.3	-0.7	-1	2
Poland	2,427	-0.3	-1.7	-3	21
Moscow (Russia)	2,072	-0.5	0.6	-4	8
Ise 100 (Turkey)	102,651	1.4	-1.3	-7	35
MSCI EM Asia *	871	0.4	-2.2	1	25
Shanghai Com (China)	3,340	-0.2	-0.5	-1	6
Jakarta (Indonesia)	5,841	-0.4	-1.1	-1	11
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	95.2	0.0	0.2	4	10
CB	72.2	-0.1	0.7	7	18
BoA	25.5	0.3	1.3	8	11
MS	48.0	-0.1	-0.5	6	10
GS	234.4	-0.1	1.4	7	4
EZ banks					
BNP	67.7	0.3	1.4	7	8
Credit Agricole	15.3	0.2	1.2	5	25
Deutsche Bank	14.4	2.7	3.1	8	-12
ING	15.5	-0.1	0.9	5	12
Intesa	3.0	-0.1	0.5	6	18
SG	48.9	0.4	0.2	6	1
Unicredit	18.0	0.1	1.1	4	28
UK banks					
HSBC	731.8	0.2	1.4	-1	9
RBS	266.4	-1.6	2.3	6	14
Barclays	192.2	1.0	0.9	1	-18
Lloyds	67.2	0.0	-0.3	5	4
Large Spanish banks					
Santander	90.2	-0.2	1.2	5	16
Banco Sabadell	5.9	0.5	3.5	10	17
BBVA	7.4	-0.8	-0.8	2	15
Medium Spanish banks					
Cajabank	78.9	-1.5	1.1	0	8
Caja de Pensiones	4.2	-1.5	-0.2	-1	29
Sabadell	1.8	-0.0	2.1	-1	29
Bankinter	8.0	-0.5	2.0	2	6
Bankia	4.0	-1.3	0.4	1	2
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD					
EURUSD	1.18	0.3	-1.4	-1.6	12
GBPUSD	1.34	0.4	-1.1	4.0	9
USDJPY	112.66	0.2	-0.2	2.7	4
USDCHF	93.18	-0.2	1.0	-1.0	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.53	0.2	-1.5	-0.8	-9
USD BRL (Brazil)	3.19	0.2	-1.5	-0.7	1
USD CUP (Cuba)	636.68	0.1	-1.9	-1.8	5
USD COP (Colombia)	2942	-0.2	-0.9	-0.2	1
USD MXN (Mexico)	18.24	-0.2	-2.0	-2.2	15
USD PEN (Peru)	3.27	0.0	-0.7	-1.0	3
LACI	65.34	-0.1	-2.1	-1.4	6
USD PLN (Poland)	3.66	0.5	-2.3	-3.1	12
USD RUB (Russia)	59.07	0.2	-0.3	1.3	4
USD TRY (Turkey)	3.56	0.4	-1.7	-3.3	0
USD CNY (China)	6.66	-0.3	-1.1	-1.0	4
USD INR (India)	65.51	0.3	-1.1	-2.3	4
USD IDR (Indonesia)	13,515	-0.5	-1.3	-1.3	-1
ADXY	102.1	-0.1	0.9	-0.7	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
Brent	57.3	-1.0	1.6	10	2
WTI	52	-1.1	2.0	11	-3
Copper	295	1.3	1.2	-4	16
Gold	1285	0.1	-0.5	-2	10
S&P Spot commodity *	402	0.2	1.3	7	2
S&P Brent Spot *	490	-0.6	2.6	11	2
S&P Metals Spot *	359	0.0	-1.5	-2	18
S&P Agricultural *	283	0.4	-0.2	3	6

Source: Bloomberg, Datastream and Haver

* With one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.

- 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.