

# Market Comment | Spanish assets underperform as Catalanian uncertainty increases

Global Financial Markets Unit  
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- **Financial markets showed a slight negative tone in the Euro zone**, dragged down by Spain's political uncertainty. Meanwhile in the US the main equity indices remained at their highest historical levels ahead of this Friday's payroll data.
- **European sovereign yields were little changed today**, with the main **exception of Spanish sovereign bonds**. Spanish yields rose appreciably amid institutional interventions: King Felipe VI's speech ([see](#)), Puigdemont interview ([see](#)) and ahead of the Catalanian president's speech later today ([see](#)). In equity markets, major European equity indices fell, driven by IBEX, which closed below 10,000 points, dragged down in particular by an underperforming banking sector. The EUR was little changed, as uncertainty in the political field was moderated by positive confidence data in the euro zone PMI ([see](#)).
- **US Treasury yields inched up**, after the release of positive economic data. **ADP non-farm employment** data showed a higher-than-expected figure ([see](#)), while ISM Non-Manufacturing PMI was also above expectations. Nonetheless, the USD was broadly steady, ahead of Yellen's speech later today.
- **Oil prices remained broadly flat** after a surprising increase in US crude [exports](#) ([see](#)) while EM currencies appreciated slightly.

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Table 1

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.48	0.4	0.4	1.3	26
US	2.34	1.2	2.5	1.7	10
GER (2-yr)	0.70	0.0	0.3	3	7
Germany	0.45	-1.0	-1.5	9	10
France	0.75	0.4	1.5	7	6
Spain	1.78	6.1	13.8	14	21
Italy	2.29	2.9	4.4	16	33
Portugal	2.42	0.5	-4.6	-42	-176
Greece	5.60	0.0	-18.2	7	-128
Japan (2-yr)	0.13	-2.2	1.3	2	6
Japan	0.96	0.4	6.4	1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.74	-4.1	9.8	26	-167
Chile	4.43	0.0	8.3	9	11
Colombia	6.47	-4.2	-10.1	-28	-62
Mexico	6.91	2.4	7.5	5	-33
Peru	4.86	-0.2	-2.3	-35	-161
Poland	3.39	1.1	3.2	11	-33
Russia	7.66	-3.4	-9.6	-4	-39
Turkey	10.74	2.0	-2.0	39	-26
India	6.70	5.5	3.6	21	32
Indonesia	6.50	1.6	0.6	20	-135
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	29	0.6	0.0	-2	-16
Italy	174	9.9	5.9	7	23
Portugal	196	1.5	-3.1	-50	-158
Spain	133	7.1	15.3	3	5
<b>2-yr sovereign spread vs Germany</b>					
France	22	0.4	1.3	1	11
Italy	48	0.6	-2.0	-7	-13
Portugal	69	-0.4	3.2	-4	-78
Spain	45	-0.2	6.3	7	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	186	-4.7	15	-4	-86
Chile	56	-1.3	-5	-1	-26
Colombia	113	-4.2	-14	-6	-50
Mexico	102	-4.5	-12	3	-54
Peru	79	-3.0	-7	3	-29
Venezuela	5,966	-300.0	-378	-491	2061
Poland	50	-3.0	-3	-3	-25
Russia	135	-2.3	-12	-4	-42
Turkey	179	-1.5	-11	21	-94
China	60	-2.6	-3	4	-57
India	76	-0.8	-2	-4	-51
Indonesia	102	-2.0	-2	2	-54
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	3.5	0	-3	-2
VSTOXX	13	7.9	5	-21	4
EM EFT volatility Index	16	-0.1	-8	3	-22
Dollar/reserve volatility	8	1.0	-8	-9	-28
EM FX volatility Index	8	-0.1	-5	2	-29
Credit spread (BAA) (bps)	199	-1.2	-7	-14	-28
US bonds volatility index	55	0.3	5	10	-29
Banking Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	49	-1.1	-6	-7	-33
EZ	54	-0.8	-1	-2	-54
UK	47	-0.8	0	-1	-43
Large Spanish	58	0.5	2	8	-59
Medium Spanish	88	-0.5	4	1	-63
Corporate Sy CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	143	-1.1	-6	-7	-23
EZ Non-financial	73	-0.8	-1	-2	-54
UK Non-financial	105	1.0	-1	-1	-20
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	1.34	0.01	0.0	0.0	0.3
Libor 12m	1.80	0.01	0.0	0.1	0.1
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,539	0.2	1.3	3	12
Dow Jones	22,671	0.1	1.5	3	14
Nikkei	20,627	0.1	1.8	6	5
FTSE 100	7,468	0.0	2.3	1	4
EuroStoxx 50	3,595	-0.3	1.1	5	8
IBEX	9,965	-2.9	-3.9	-3	5
DAX	12,971	0.5	2.5	7	12
CAC	5,363	-0.1	1.6	3	9
MIB	22,456	-1.4	-0.7	3	14
ASE Athens	751	-0.2	1.9	-7	14
MSCI Latam *	66,610	2.1	2.4	4	18
Ibovespa (Brazil)	76,857	0.1	4.1	7	25
Mercol	50,746	0.3	1.1	0	9
MSCI EM Europe *	5,168	0.1	0.4	0	2
Pabest	2,444	-1.0	0.4	-3	22
Micex (Russia)	2,077	0.0	-0.2	4	-8
Ise 100 (Turkey)	104,548	0.6	3.3	-5	37
MSCI EM Asia *	887	1.5	2.2	-2	27
Shanghai Com (China)	3,349	0.0	0.1	-1	6
Jakarta (Indonesia)	5,951	0.6	1.5	1	13
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	133.6	0.2	2.6	7	11
Citi	97.2	-0.2	2.1	6	12
CB	74.6	0.6	3.1	9	21
BofA	25.9	0.0	1.8	7	13
MS	49.2	-0.1	2.4	7	13
GS	242.3	0.3	3.2	7	0
<b>EZ banks</b>					
BNP	116.4	-1.2	-0.1	4	10
Crédit Agricole	67.3	-1.8	0.2	3	7
Deutsche Bank	15.4	-0.4	0.8	4	25
ING	14.4	-1.0	2.5	7	-12
HSBC	15.6	-0.7	0.5	5	12
Intesa	2.9	-1.7	-1.9	3	16
SG	49.0	-1.1	0.6	5	2
<b>UK banks</b>					
Unicredit	17.4	-2.6	-3.5	1	24
RBS	90.0	-0.1	1.3	4	2
HSBC	749.0	0.2	2.6	1	12
NBS	271.3	-0.1	0.2	9	16
Barclays	192.4	-0.7	1.1	1	-18
Lloyds	67.6	0.0	0.6	7	4
<b>Large Spanish banks</b>					
Santander	86.4	-3.7	-4.4	0	11
Banco	5.6	-3.8	-4.4	3	11
BBVA	7.2	-3.6	-4.3	3	11
<b>Medium Spanish banks</b>					
Cabobank	74.0	-4.3	-7.7	-7	1
Sabadell	3.9	-5.0	-9.0	-9	19
Bankinter	1.6	-5.7	-12.7	-12	16
Bankia	7.7	-3.5	-4.6	-3	2
Banque	3.9	-3.7	-5.7	-4	6
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	0.2	0.2	-1.1	12
GBPUSD	1.33	0.3	0.8	2.7	8
USD JPY	112.81	0.0	0.0	2.8	-4
DKK	93.47	-0.1	0.1	-0.9	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.35	0.3	1.2	-0.5	-8
USD BRL (Brazil)	3.12	0.7	2.2	0.5	3
USD CLP (Chile)	631.63	0.3	0.9	-1.1	6
USD COP (Colombia)	2944	0.3	-0.2	0.4	1
USD MXN (Mexico)	18.23	-0.1	-0.2	-2.0	15
USD PEN (Peru)	3.26	0.2	0.4	-0.6	4
LACI	65.92	0.1	0.8	-0.7	7
USD PLN (Poland)	3.65	0.6	0.8	-2.5	12
USD RUB (Russia)	57.69	0.5	0.9	0.3	4
USD TRY (Turkey)	3.57	0.0	0.2	4.0	0
USD CNY (China)	6.65	0.0	-0.2	-1.9	4
USD INR (India)	65.01	0.7	1.1	-1.5	4
USD IDR (Indonesia)	13,477	0.5	-0.2	-1.0	0
ADXY	107.3	0.2	0.0	-1.0	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	55.8	-0.4	-3.7	7	-1
WTI	50	-0.8	-4.1	6	-6
Copper	295	0.0	1.3	-5	16
Gold	1274	0.2	-0.7	-4	9
S&P Spot commodity *	394	0.0	-2.1	2	-1
S&P Brent Spot *	477	-0.2	-2.7	6	-1
S&P Metals Spot *	365	1.1	1.8	-2	20
S&P Agricultural *	279	-0.3	-1.4	0	-7

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.