

Market Comment | Sovereign bond yields increased across the board

Global Financial Markets Unit
18 Oct 2017

- **Sovereign bond yields increased across the board**, led by US Treasury yields on fresh talks that the next Fed Chair could be a policy hawk in early November [\(see\)](#). Moreover, European peripheral risk premiums inched up, **amid political uncertainty in Catalonia** ahead of tomorrow's deadline before the potential application of Article 155 of the Constitution [\(see\)](#). German sovereign bond yields also rose amid disappointing **German talks, which may delay the forming of a German government until 2018** [\(see\)](#).
- **Stock prices remained little changed**. European equities continued to show a positive trend, including Spanish assets and with an outperforming banking sector while in the US the main equity indices continued to hover around record high levels. In China, stocks also rose amid the start of the **Communist Party's Congress** [\(see\)](#), in which the Chinese president said that the market would play a decisive role in allocating resources.
- The DXY inched up, despite comments from the US Treasury secretary who said that US stocks might decline substantially if Congress did not push through tax reforms. **FOMC members' speeches continued to signal a rate increase at the end of the year**. Meanwhile, the EUR remained strong after speeches of top ECB members. Mario Draghi signalled that lower rates may tend to promote reforms [\(see\)](#).
- Oil prices remained little changed despite the drop in US crude oil inventories [\(see\)](#). Meanwhile, EM currencies remained stable across the board. The MXN depreciated slightly after yesterday's rebound, following the announcement of the **extension of NAFTA talks until 2018** [\(see\)](#).

Update 18.00 CET 18 October 2017
Table 1

Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	1.56	1.7	4.4	17	35	
US	2.34	4.0	-0.9	11	-10	
GER (2-yr)	-0.72	0.6	-3.1	-3	5	
Germany	0.40	3.1	-6.7	-6	4	
France	0.81	3.1	-7.7	-7	-16	
Spain	1.62	7.6	-1.5	4	15	
Italy	2.05	4.6	-11.7	-6	15	
Portugal	2.35	3.2	1.6	8	-182	
Greece	5.51	5.1	-6.0	3	-137	
Japan (2-yr)	-0.13	0.7	1.3	1	6	
Japan	0.07	0.7	4.4	1	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.74	1.5	-5.9	-4	-168	
Chile	4.58	0.3	9.5	25	25	
Colombia	6.42	1.6	-1.7	-7	-67	
Mexico	7.12	-3.7	-0.4	30	-51	
Peru	5.00	0.7	14.7	6	-147	
Poland	3.31	1.9	-10.9	4	-41	
Russia	7.63	-2.9	-0.5	-7	-82	
Turkey	11.11	7.0	8.0	63	11	
India	6.76	-0.1	2.1	15	38	
Indonesia	6.63	1.4	3.0	15	-122	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	41	0.0	-1.0	-2	-28	
Italy	165	1.5	-5.0	0	3	
Portugal	196	0.1	8.3	-2	-159	
Spain	123	4.5	5.2	10	7	
2-yr sovereign spread vs Germany						
France	21	0.4	0.0	-1	10	
Italy	50	0.5	2.3	0	-12	
Portugal	74	0.4	6.5	4	-73	
Spain	45	0.9	0.7	5	-4	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD	
VIX	10	-3.1	1	-2	-2	
VSTOXX	11	-5.0	-13	-7	-5	
EM EFT volatility Index	15	-0.5	-3	4	-26	
Dollar/euro volatility	7	-0.8	-8	-10	-33	
EM FX volatility index	8	0.4	-1	6	-26	
Credit spread (BAA) (bps)	191	-4.0	-6	15	-36	
US bonds volatility index	49	-0.5	-7	-2	-36	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	51	-0.4	2	-2	-21	
EZ	54	-0.7	-1	3	-54	
UK	49	0.3	2	1	-41	
Large Spanish	54	-1.7	-3	5	-63	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.36	0.00	0.0	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0	0.0
Euribor 12m	-0.18	0.00	0.0	0.0	0.0	-0.1
Libor 3m	1.36	0.00	0.0	0.0	0.0	0.4
Libor 12m	1.82	0.01	0.0	0.1	0.1	0.1
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,561	0.0	0.2	2	13	
Dow Jones	23,140	0.6	1.2	4	16	
Nikkei	21,363	0.1	2.3	7	9	
FTSE 100	7,542	0.3	0.1	4	5	
EuroStoxx 50	3,617	0.3	0.3	3	9	
IBEX	10,266	0.5	-0.1	-1	8	
DAX	13,037	0.3	0.5	4	13	
CAC	5,382	0.4	0.4	3	10	
MIB	22,328	0.0	-1.0	0	14	
ASE Athens	757	-0.6	1.2	0	15	
MSCI Latam *	86,289	-0.3	-0.3	1	18	
Ibovespa (Brazil)	76,180	0.0	-0.6	0	24	
Mexbol	49,945	-0.4	-0.4	-1	7	
MSCI EM Europe *	5,258	-0.5	1.0	2	4	
Poland	2,502	-0.5	-1.9	0	25	
Micex (Russia)	2,094	0.1	0.3	2	-7	
Isx 100 (Turkey)	106,926	-0.1	3.0	0	40	
MSCI EM Asia *	911	-0.2	1.3	3	31	
Shanghai Com (China)	3,382	0.3	-0.2	1	7	
Jakarta (Indonesia)	5,929	-0.3	0.4	1	12	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	134.2	1.6	0.4	6	12	
Cit	98.1	0.5	1.3	6	13	
Wells Fargo	73.0	1.1	-2.6	3	19	
Bank of America	26.5	1.0	2.4	7	15	
MS	50.3	2.5	2.3	6	15	
GS	241.2	2.2	0.5	6	-1	
EZ banks						
BNP	115.0	1.1	-0.5	0	9	
BNP	67.5	1.8	0.2	2	7	
Crédit Agricole	15.0	1.5	-0.5	0	22	
Deutsche Bank	14.4	0.8	0.3	4	-12	
ING	15.7	0.8	-0.2	4	13	
Intesa	2.9	0.7	-0.3	-2	13	
SG	48.1	1.4	-1.1	-1	0	
Unicredit	17.0	0.0	-2.0	-5	21	
UK banks						
HSBC	90.3	1.0	0.3	5	3	
HSBC	749.2	0.8	-1.2	4	12	
RBS	279.3	2.2	1.4	10	19	
Barclays	192.8	0.7	1.2	3	-18	
Lloyds	66.9	0.8	0.6	2	3	
Large Spanish banks						
Santander	87.2	0.4	-0.9	-1	12	
BBVA	5.6	0.1	-0.2	0	12	
BBVA	7.3	0.7	-1.4	-2	12	
Median Spanish banks						
CaixaBank	77.0	1.0	-0.3	-2	5	
CaixaBank	4.0	0.0	-2.7	-7	21	
Sabadell	1.7	1.2	-0.9	-7	21	
Bankinter	8.0	1.5	1.3	2	7	
Bankia	4.1	1.3	0.7	2	0	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EURUSD						
GBPUSD	1.18	0.0	0.8	-1.5	12	
GBPUSD	1.32	-0.1	-0.3	-2.3	7	
USDJPY	112.99	-0.7	-0.4	1.3	-4	
DX	93.59	0.1	0.6	-1.7	9	
Emerging						
USDARS (Argentina)	17.32	0.1	0.5	-1.3	-8	
USDBRL (Brazil)	3.18	-0.6	-0.2	-1.3	1	
USDCLP (Chile)	626.32	-0.5	0.1	-0.2	7	
USDCOP (Colombia)	2940	0.2	0.5	-1.1	1	
USDMXN (Mexico)	18.90	-0.6	-1.0	-6.4	12	
USDPEN (Peru)	3.25	0.0	0.4	0.0	4	
USDL	64.88	-0.4	-0.4	-2.7	5	
USDPOL (Poland)	3.60	0.1	0.1	-0.2	14	
USDRUB (Russia)	57.48	-0.2	0.6	1.1	5	
USDTRY (Turkey)	3.68	-0.3	0.8	-5.3	-3	
USDCNY (China)	6.63	-0.1	-0.6	-0.8	4	
USDINR (India)	65.04	0.0	0.2	-1.4	4	
USDIDR (Indonesia)	13,513	0.0	0.1	-1.9	-1	
ADXY	107.6	-0.1	-0.2	-0.6	4	
Commodities (%)						
level	Daily	Weekly	Monthly	Year		
Brent						
WTX	57.9	0.0	1.7	4	-3	
Copper	52	-0.1	1.1	4	-3	
Copper	316	-0.7	2.5	7	24	
Gold	1281	-0.3	-0.9	-2	10	
S&P Spot commodity *	403	-0.4	0.9	2	2	
S&P Brent Spot *	490	0.0	1.4	4	-2	
S&P Metals Spot *	376	-1.2	1.1	5	24	
S&P Agricultural *	279	-0.3	0.4	-2	-7	

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BEVA	7.9	0.7	-1.4	-2	12
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DXY	93.59	0.1	0.6	-1.7	9
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USD ARS (Argentina)	17.32	0.1	0.6	-1.3	-8
USD BRL (Brazil)	3.18	-0.6	-0.2	1.3	1
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USD COP (Colombia)	2940	0.2	0.5	-1.1	1
USD MXN (Mexico)	18.90	-0.6	-1.0	-6.4	12
USD PEN (Peru)	3.25	0.0	0.4	0.0	4
LACI	64.88	-0.4	-0.4	-2.7	5
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Source: Bloomberg, Datastream and Haver

* With one day delay

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