

Market Comment | Earnings reports and Spanish political risks weighed on equities

Global Financial Markets Unit
19 Oct 2017

- **Equity volatility rose across the board**, leading to a widespread **decline in stock prices**, amid political risk in Spain and disappointing third-quarter earnings reports in the US. **Among the worst performers was the Spanish Index** ahead of the triggering of Article 155 of the Spanish Constitution after the Catalanian regional government missed Mr Rajoy's deadline ([see](#)).
- **Sovereign bond yields remained little changed across the board**, however, after yesterday's increase, the Spanish risk premium also remained steady ahead of tomorrow's Moody's sovereign credit rating review. At the same time, the EUR also remained steady.
- **Chinese stocks also underperformed**, as the PBOC governor expressed concern that debt is rising quickly ([see](#)), amid the celebration of the 19th Communist Party Congress. Iron ore also declined significantly. Investors are also waiting for more clarity from the Congress. On the other hand, China's GDP Q3 was 6.8%, in line with expectations ([see](#)).
- **The USD declined ahead of the meeting between Trump and Yellen on the future Fed Chair**. On the other hand, the focus is on a crucial legislative vote for US tax reform later [today](#) ([see](#)). The GBP declined against the USD as UK retail sales disappointed market expectations, being the weakest in four years ([see](#)).
- **Oil prices declined although remaining near recent high level on prospects of oil production cuts** ([see](#)). EM currencies showed a mixed performance, amid a weaker USD and lower oil prices

Update 18.00 CET 19 October 2017
Table 1

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.54	-2.0	3.0	14	33
US	2.31	-3.6	-0.7	7	-13
GER (2-yr)	-0.73	-1.0	-2.9	-5	-4
Germany	0.39	-0.2	-5.1	-6	4
France	0.81	0.3	-5.3	-7	-15
Spain	1.64	1.6	-0.2	8	16
Italy	2.03	-1.2	-0.9	-5	13
Portugal	2.31	-3.8	-1.3	-11	-187
Greece	5.56	4.8	-2.4	1	-133
Japan (2-yr)	-0.14	-1.6	-0.2	-2	5
Japan	0.07	0.0	2.8	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.67	-3.6	-12.0	-6	-174
Chile	4.57	0.3	8.5	24	24
Colombia	6.42	-0.9	3.5	7	-67
Mexico	7.06	-2.5	-5.8	23	-58
Peru	4.94	-1.4	6.2	1	-153
Poland	3.29	-1.3	-7.3	-6	-42
Russia	7.60	-2.6	-0.3	-7	-85
Turkey	11.10	-1.0	13.0	54	10
India	6.76	0.0	0.7	17	38
Indonesia	6.63	0.0	5.8	17	-122
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	42	0.5	-0.2	-1	-27
Italy	164	-1.0	-3.8	1	1
Portugal	191	-3.6	3.8	-6	-163
Spain	124	1.8	4.9	14	8
2-yr sovereign spread vs Germany					
France	20	-0.6	-0.2	0	10
Italy	49	-0.7	-0.1	2	-12
Portugal	72	-0.9	3.6	7	-75
Spain	45	0.8	0.9	7	-3
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	10	-4.0	6	3	-1
VSTOXX	12	12.6	1	6	-4
EM EFT volatility Index	16	5.7	6	6	-19
Dollar/euro volatility	7	1.4	-4	-10	-33
EM FX volatility index	8	-1.3	-1	5	-27
Credit spread (BAA) (bps)	198	3.6	0	14	-29
US bonds volatility index	50	2.6	-3	1	-34
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	50	-0.3	1	-1	-22
EZ	54	0.2	0	5	-53
UK	50	0.7	1	2	-41
Large Spanish	55	1.5	1	8	-62
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.18	0.00	0.0	0.0	-0.1
Libor 3m	1.36	0.01	0.0	0.0	0.4
Libor 12m	1.83	0.01	0.0	0.1	0.1
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,555	-0.2	0.2	2	13
Dow Jones	23,107	-0.2	1.2	3	16
Nikkei	21,449	0.4	2.4	6	9
FTSE 100	7,523	-0.3	-0.4	3	5
EuroStoxx 50	3,602	-0.5	-0.1	2	9
IBEX	10,198	-0.7	-0.8	-2	8
DAX	12,990	-0.4	0.1	3	12
CAC	5,368	-0.3	0.1	2	10
MIB	22,133	-1.0	-1.2	-1	13
ASE Athens	746	-1.5	-0.7	-2	14
MSCI Latam *	86,483	0.2	0.1	1	18
Ibovespa (Brazil)	75,442	-1.5	-1.6	-1	22
Mexbol	49,804	-0.3	-0.3	-1	7
MSCI EM Europe *	5,247	-0.2	0.0	1	4
Poland	2,467	-1.4	-2.8	-1	23
Mosc (Russia)	2,073	-1.0	-1.1	1	-8
Isx 100 (Turkey)	108,434	1.4	2.4	3	42
MSCI EM Asia *	911	0.1	0.9	2	31
Shanghai Com (China)	3,370	-0.3	-0.5	0	7
Jakarta (Indonesia)	5,911	-0.6	0.5	0	12
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	132.8	-1.1	1.2	4	11
JPM	97.4	-0.6	1.5	4	12
Cit	72.3	-1.1	0.0	2	18
BoA	26.3	-0.6	3.4	6	15
MS	49.4	-1.5	1.7	4	13
GS	238.6	-1.4	0.5	4	-2
EZ banks	114.5	-0.5	-0.1	0	9
BNP	67.3	-0.2	1.1	2	7
Crédit Agricole	14.9	-0.3	-0.3	0	21
Deutsche Bank	14.2	-1.4	0.1	3	-13
ING	15.7	0.2	0.4	4	13
Intesa	2.9	-1.0	-0.3	-3	12
SG	48.0	-0.1	-0.8	0	-1
Unicredit	16.7	-1.6	-1.9	-6	19
UK banks	90.1	-0.2	0.4	3	3
HSBC	742.9	-0.7	0.5	2	11
HBS	280.1	0.3	2.2	10	19
Barclays	192.0	-0.3	-0.5	2	-18
Lloyds	67.0	0.2	1.0	1	3
Large Spanish banks	86.4	-1.0	-1.5	-3	11
Santander	5.6	-1.2	-1.0	-2	10
BBVA	7.2	-0.8	-2.0	-3	11
Median Spanish banks	76.2	-1.0	-1.2	-3	4
CaixaBank	3.9	-1.5	-4.6	-8	19
Sabadell	1.6	-1.7	-1.9	-9	19
Bankinter	8.0	-0.2	1.2	2	7
Bankia	4.0	-0.8	0.0	1	-1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	0.5	0.1	-1.3	13
GBPUSD	1.32	-0.2	-0.6	-2.4	7
USDJPY	112.52	0.4	-0.2	0.8	-4
DX1	93.14	-0.2	0.1	-1.5	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.41	-0.2	0.1	-1.6	-8
USDBRL (Brazil)	3.18	-0.2	-0.1	-1.3	1
USDCLP (Chile)	624.98	0.3	-0.1	0.1	7
USDCOP (Colombia)	2925	0.0	0.6	-0.7	1
USDMXN (Mexico)	18.84	0.1	0.3	-5.9	12
USDPEN (Peru)	3.24	0.0	0.5	0.3	4
USDLACI	64.97	0.0	0.1	-2.5	5
USDPLN (Poland)	3.58	0.4	0.9	-0.2	14
USD RUB (Russia)	57.37	0.2	0.6	1.3	5
USD TRY (Turkey)	3.66	0.5	0.0	-4.8	-2
USD CNY (China)	6.61	0.2	-0.4	-0.5	5
USDINR (India)	65.04	0.0	0.1	-1.1	4
USDIDR (Indonesia)	13,515	0.0	-0.1	-1.8	-1
ADXY	107.7	0.0	-0.2	-0.5	4
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	57.4	-1.2	2.1	4	2
WTX	52	-0.9	1.9	4	-3
Copper	316	-0.3	1.6	7	24
Gold	1288	0.5	-0.4	-2	11
S&P Spot commodity *	403	0.0	1.3	2	2
S&P Brent spot *	492	0.5	3.1	5	2
S&P Metals Spot *	375	-0.3	-0.3	4	23
S&P Agricultural *	278	-0.4	-0.5	-1	-7

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USD CLP (Chile)	624.98	0.3	-0.1	0.1	7
USD COP (Colombia)	2925	0.0	0.6	-0.7	1
USD MXN (Mexico)	18.84	0.1	0.3	-5.9	12
USD PEN (Peru)	3.24	0.0	0.5	0.3	4
LACI	64.97	0.0	0.1	2.5	5
USD PLN (Poland)	3.58	0.4	0.9	-0.2	14
USD RUB (Russia)	57.37	0.2	0.6	1.3	5
USD TRY (Turkey)	3.66	0.5	0.0	-4.8	-2
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Source: Bloomberg, Datastream and Haver

* With one day delay

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