

Market Comment | The positive mood in markets continued

Global Financial Markets Unit
29 Nov 2017

- **Financial markets showed a positive mood across the board** despite a new ballistic missile test by North Korea ([see](#)) (previous tests caused episodes of temporary volatility in markets last summer). The positive economic data from the US and the euro zone helped to offset the effect of the geopolitical threat. In this context, stock prices increased across the board, especially in European banking, triggered by an increase in interest rates due to an upward surprise in Germany's inflation.
- **Sovereign bond yields increased**, especially in the UK, following a number of events. Firstly, the agreement between the UK and the EU on the Brexit bill was welcomed by investors ([see](#)), and the GBP appreciated significantly. Secondly, US GBP Q3 was higher than expected ([see](#)). Apart from this, German preliminary inflation (November) surprised to the upside.
- **Equity markets showed a positive performance** in developed markets, led by Europe, and especially by the banking sector. The mood in US stocks also was positive, but the technological sector dragged down the main indices.
- **The USD barely moved during today's session**, while Yellen encouraged Congress to implement policies to raise economic potential ([see](#)). She also hinted a rate hike in December. On the other hand, the US Tax reform bill remained in the spotlight ahead of tomorrow's vote in the US Senate.
- **China's recent sell-off eased**, while yields in the corporate sector continued to increase, as the authorities continued increasing efforts to reduce China's leverage.
- **Oil prices inched down**, ahead of tomorrow's important OPEC meeting ([see](#)), which may implement further oil production cuts. EM currencies showed a mixed performance. The appointment of Alejandro Díez de León as the new chairman of Banxico had a muted effect on markets

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Table 1

D&M markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.77	2.0	3.9	19	55
US	2.38	5.2	6.2	1	6
GER (2-yr)	-0.68	1.7	1.7	7	9
Germany	0.39	-4.6	3.6	2	3
France	0.71	3.9	4.5	-5	-25
Spain	1.49	2.5	3.3	-1	1
Italy	1.79	1.3	2.7	-6	-11
Portugal	1.93	0.8	2.6	-16	-224
Greece	5.48	11.0	11.3	-7	-140
Japan (2-yr)	-0.17	-0.1	1.7	-1	2
Japan	0.03	0.5	-4.0	-1	-4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.18	4.4	9.3	33	-123
Chile	4.62	0.1	0.0	13	28
Colombia	6.55	0.0	-3.1	-3	-54
Mexico	7.24	1.9	4.7	-6	-40
Peru	4.99	2.9	-6.3	-11	-118
Poland	3.34	2.6	-4.9	-10	-37
Russia	7.68	1.3	-3.3	8	-76
Turkey	12.27	8.0	-35.0	73	127
India	7.03	-0.3	6.9	14	65
Indonesia	6.53	5.9	-5.7	-30	-131
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	-0.7	0.9	-7	-36
Italy	141	-3.3	0.9	-7	22
Portugal	155	-3.8	-1.0	-18	-200
Spain	110	-2.1	-0.3	-3	-6
2-yr sovereign spread vs Germany					
France	12	0.5	-0.5	-4	2
Italy	36	-0.5	2.2	-12	-26
Portugal	43	-4.0	4.0	-19	-103
Spain	35	-1.8	0.3	-8	-13
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	164	-0.8	-7	-7	-108
Chile	53	0.6	0	2	29
Colombia	110	0.1	-4	-1	-53
Mexico	100	-0.9	-7	-7	-56
Peru	70	0.4	-1	-3	-38
Poland	49	-1.5	-2	0	-26
Russia	128	-0.9	5	0	-49
Turkey	203	5.5	-13	16	-70
China	57	-1.1	-2	8	60
India	73	2.4	0	2	-54
Indonesia	94	-1.9	-4	0	-62
Risk indicators					
Volatility indicators (v)	level	Daily	Weekly	Monthly	YTD
VIX	11	7.6	9	3	-1
VST OXX	14	5.2	5	6	-3
EM EFT volatility index	19	4.8	14	3	8
Dobson's volatility	7	0.6	2	7	34
EM FX volatility index	8	0.3	-1	-5	-29
Credit spread (BAA) (bps)	187	-5.3	-5	0	-40
US bonds volatility index	45	-0.8	-4	-13	-41
Banking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	48	-0.4	-1	-1	-23
EZ	40	0.0	-1	-10	-67
UK	45	1.0	0	-1	-46
Large Spanish	38	0.2	-3	-13	-79
Medium Spanish	77	-1.3	-2	-7	-74
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	150	0.4	-1	-1	-23
EZ Non-financial	66	0.0	-1	-10	-67
UK Non-financial	98	0.1	0	-3	-27
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	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.48	0.00	0.0	0.1	0.5
Libor 12m	1.94	0.00	0.0	0.1	0.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,622	-0.2	1.0	2	15
Dow Jones	23,893	0.2	1.6	2	20
Nikkei	22,597	0.5	0.3	3	15
FTSE 100	7,394	-0.9	-0.3	-1	3
EuroStoxx 50	3,590	0.2	0.8	-2	8
IBEX	10,268	1.2	2.5	-2	9
DAX	13,962	0.0	0.4	1	13
CAC	5,398	0.1	0.8	-2	10
MIB	22,326	0.2	0.0	-2	14
ASE Athens	738	1.7	2.5	1	29
MSCI Latam *	82,874	0.1	-1.2	-3	13
Ibovespa (Brazil)	72,787	-1.8	-2.3	-3	18
Moexv	47,270	0.1	-1.9	-3	1
MSCI EM Europe *	5,298	-0.3	-0.6	2	5
Poland	2,436	-2.0	-2.1	-3	22
Micos (Russia)	2,124	-1.2	-1.7	3	-6
Ind 100 (Turkey)	102,342	0.3	3.4	-6	34
MSCI EM Asia *	926	0.1	-1.1	2	33
Shanghai Com (China)	3,338	0.1	2.7	-2	6
Jakarta (Indonesia)	6,061	-0.1	0.5	1	15
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	103.4	2.0	4.8	2	19
Citi	75.0	1.8	3.8	2	22
BofA	28.1	1.8	5.6	2	23
MS	51.2	1.5	4.2	1	17
GS	241.2	0.7	2.0	0	-1
EZ banks					
BNP	111.3	1.0	1.2	-4	5
Crédit Agricole	64.3	1.3	2.1	-7	2
EBS	14.2	1.0	1.9	-7	15
Deutsche Bank	16.1	2.4	0.2	15	-1
ING	19.4	1.1	1.5	-4	10
Intesa	2.8	1.6	0.3	-3	11
SG	42.9	-0.3	0.3	-11	-11
Umgroff	12.0	0.1	1.9	-2	21
UK banks					
HSBC	90.4	2.3	2.1	1	3
Barclays	743.2	-0.3	0.6	1	11
Bank of America	281.6	3.8	4.5	-1	20
Wells Fargo	194.3	3.7	2.7	6	17
Lloyds	67.1	3.5	1.8	-1	4
Large Spanish banks					
Santander	87.8	1.9	3.5	-2	12
CaixaBank	5.7	1.8	3.8	-2	13
BBVA	7.3	2.0	3.3	-2	12
Medium Spanish banks					
CaixaBank	77.8	3.2	4.9	0	6
Sabadell	4.0	3.3	3.8	1	24
Banco Popular	1.7	3.8	5.7	2	24
Bankinter	8.1	2.6	4.8	-1	7
Banque	4.0	3.7	6.0	-2	-1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent					
WTI	63.1	0.8	0.4	12	12
Copper	57	-1.2	-1.2	6	8
Gold	304	-1.0	3.0	-2	19
S&P 500	1284	0.7	0.6	1	10
S&P Spot commodity *	429	-0.2	0.1	4	8
S&P Brent Spot *	538	-0.2	0.4	4	12
S&P Metals Spot *	368	-1.7	-1.6	-2	21
S&P Agricultural *	282	-0.3	-1.3	-6	-6
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.19	0.1	0.3	1.7	13
GBPUSD	1.34	0.7	0.8	1.7	9
USDJPY	111.82	-0.3	0.5	-1.2	5
DXY	93.18	-0.1	0.0	1.5	9
Emerging					
level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	17.44	-0.4	0.1	1.5	8
USDBRL (Brazil)	3.23	0.5	0.1	1.6	0
USDCLP (Chile)	643.62	-0.3	-1.6	-0.8	4
USDCOP (Colombia)	3007	-0.3	-1.0	0.6	-1
USDMXN (Mexico)	18.52	0.1	0.6	3.7	14
USDPEN (Peru)	3.23	0.0	0.1	0.6	5
LACI	64.60	-0.2	-0.2	2.0	5
USDPLN (Poland)	3.54	0.1	0.6	2.8	15
USD RUB (Russia)	58.62	-0.4	-0.4	-1.1	3
USDTRY (Turkey)	3.95	0.3	0.9	4.5	-11
USDCNY (China)	6.62	-0.1	-0.1	0.4	5
USDINR (India)	64.32	0.1	0.5	0.8	5
USDIDR (Indonesia)	13,500	0.1	0.2	0.6	0
ADXY	108.7	0.0	0.1	1.1	5

Debt markets (10Y, %, changes in bps)					
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Turkey	203	5.5	-13	16	-70
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Eurobor 12m	0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.48	0.00	0.0	0.1	0.5
Libor 12m	1.94	0.00	0.0	0.1	0.2
Stock markets (%)					
Main Indices					
S&P500	2,522	0.2	1.0		15
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Banking sector					
US banks	138.1	1.5	4.0	1	15
JPM	103.4	2.0	4.8	2	19
Citi	75.0	1.8	3.8	2	22
BoA	28.1	1.8	5.6	2	23
MS	51.2	1.5	4.2	1	17
GS	241.2	0.7	2.0	0	-1
EZ banks	111.3	1.0	1.2	-4	5
BNP	64.3	1.3	2.1	-7	2
Credit Agricole	14.2	1.0	1.9	-7	15
Deutsche Bank	16.1	2.4	0.2	15	-1
ING	15.4	1.1	1.5	-4	10
Intesa	2.8	1.6	0.3	-3	11
SG	42.9	0.3	0.3	-11	-11
Unicredit	17.0	-0.1	1.9	2	21
UK banks	90.4	2.3	2.1	1	3
HSBC	743.2	-0.3	0.6	1	11
RBS	281.6	3.8	4.5	-1	20
Barclays	194.3	3.7	2.7	6	-17
Lloyds	67.1	3.5	1.8	-1	4
Large Spanish banks	87.8	1.9	3.5	-2	12
Santander	5.7	1.8	3.8	2	13
BBVA	7.3	2.0	3.3	-2	12
Medium Spanish banks	77.8	3.2	4.9	0	6
CaixaBank	4.0	3.3	3.8	1	24
Sabadell	1.7	3.8	5.7	2	24
Bankinter	8.1	2.6	4.8	-1	7
Banque	4.0	3.7	6.0	-2	-1
Currencies (% red for currency depreciation)					
Developed					
EURUSD	1.19	0.1	0.3	1.7	13
GBPUSD	1.34	0.7	0.8	1.7	9
USD JPY	111.82	-0.3	-0.5	-1.2	5
DOY	93.18	-0.1	0.0	1.5	9
Emerging					
USDARS (Argentina)	17.44	-0.4	-0.1	1.5	8
USD BRL (Brazil)	3.23	-0.5	-0.1	1.6	0
USD CNY (China)	643.62	-0.3	-1.6	-0.8	4
USD COP (Colombia)	3007	-0.3	-1.0	0.6	-1
USD MXN (Mexico)	18.52	0.1	0.6	3.7	14
USD PEN (Peru)	3.23	0.0	0.1	0.6	5
LACI	64.60	-0.2	-0.2	2.0	5
USD PLN (Poland)	3.54	0.1	0.6	2.8	15
USD RUB (Russia)	58.62	-0.4	-0.4	-1.1	3
USD TRY (Turkey)	3.95	0.3	0.9	-4.5	-11
USD CNY (China)	6.62	-0.1	-0.1	0.4	5
USD INR (India)	64.32	0.1	0.9	0.8	5
USD IDR (Indonesia)	13,500	0.1	0.2	0.6	0
ADXY	108.7	0.0	0.1	1.1	5
Commodities (%)					
Brent	63.1	-0.8	-0.4	-4	12
WTX	57	-1.2	-1.2	6	8
Copper	304	-1.0	-3.0	-2	19
Gold	1284	-0.7	0.6	1	10
S&P Spot commodity *	429	-0.2	-0.1	4	8
S&P Brent Spot *	538	-0.2	0.4	4	12
S&P Metals Spot *	368	-1.7	-1.6	-2	21
S&P Agricultural *	282	-0.3	-1.3	1	6

Source: Bloomberg, Datastream and Haver

* With one day delay

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