

Market Comment | Fed is expected to hike rates today

Global Financial Markets Unit
13 Dec 2017

- **Stock prices remained little changed**, showing small gains in the US and slight losses in Europe, ahead of the **FOMC meeting later today**, for which markets have already priced a rate hike. Investors will be closely watching Janet Yellen's speech and the "dot-plot" (interest rate forecasts of FOMC members) update, to re-evaluate their scenario onwards ([check our preview](#)).
- Sovereign yields in Europe remained almost unchanged ahead of tomorrow's ECB meeting, at which no changes are expected ([check our preview](#)). **Italian sovereign bond yields rose significantly after the announcement of Italian general elections next year, on 4 March** ([see](#)), which increased political uncertainty in the country.
- **US Treasury yields inched down and the USD suffered from a lower than expected inflation figure in the US in November**, right before the Fed's monetary policy meeting ([see](#)). On the other hand, investors will be watching Trump's speech later today.
- **Oil prices declined today after OPEC increased its forecasts for non-OPEC oil production**, whereas crude oil inventories declined by more than expected. However, a cooler US inflation figure along with a lower US led EM currencies to widespread appreciation.

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Table 1

D&K markets (10Y % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	1.82	-0.4	1.7	14	61
US	2.39	-1.6	4.2	-2	-5
GER (2-yr)	-0.74	-0.2	1.0	0	4
Germany	0.51	0.0	1.9	-10	4
France	0.66	1.6	4.8	-12	-15
Spain	1.50	3.5	6.3	-4	6
Italy	1.80	8.9	7.0	-4	7
Portugal	1.88	4.9	0.4	-11	-201
Greece	4.26	-11.6	-54.8	-81	-262
Japan (2-yr)	-0.15	-0.4	1.8	1	4
Japan	0.05	0.2	0.9	-2	-2
Emerging Markets					
Brazil	10.25	-8.3	11.3	-3	-116
Chile	4.71	4.8	6.3	25	39
Colombia	6.59	-5.3	14.0	-16	-50
Mexico	7.36	2.4	5.1	9	-28
Peru	4.88	-0.9	-0.2	-13	-160
Poland	3.24	-0.4	-0.3	-19	-47
Russia	7.64	-2.3	-3.9	-13	-80
Turkey	11.85	11.0	18.0	-13	85
India	7.17	-1.1	14.3	20	79
Indonesia	6.53	0.7	-0.1	-15	-132
Country risk (bp changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
France	35	1.6	2.9	-2	-34
Italy	148	0.9	5.1	7	14
Portugal	157	4.3	-1.5	-1	-197
Spain	118	3.5	4.4	7	3
2-yr sovereign spread vs Germany					
France	16	0.9	1.6	-1	6
Italy	44	6.3	5.8	-2	-17
Portugal	50	2.3	4.8	-6	-96
Spain	41	2.8	2.0	1	7
Emerging Markets					
5-yr sovereign CDS *					
Brazil	166	0.5	6	-13	-106
Chile	56	-1.1	-1	3	-26
Colombia	112	2.1	5	-12	-51
Mexico	105	0.8	7	-5	-51
Peru	72	-0.0	3	-2	-36
Poland	50	-0.3	0	-3	-26
Russia	128	-1.2	-2	-12	-49
Turkey	180	-3.4	-5	-33	-93
China	54	-1.6	-3	-9	-63
India	72	-0.1	0	-4	-55
Indonesia	91	-1.9	-3	-12	-65
Risk indicators					
Volatility indicators (v)					
VIX	10	-0.5	-10	-14	-2
VST OXX	13	2.1	-8	-11	-4
EM EFT volatility index	16	-4.0	-15	-5	-20
Dobrosrta volatility	6	0.9	-6	3	-43
EM FX volatility index	8	-0.8	-3	-5	-30
Credit spread (BAA) (bps)	186	1.6	0	-9	-42
US bonds volatility index	47	0.4	-5	1	-29
Banking 5y CDS (bps) *					
US	45	-0.5	-1	-8	-27
EZ	39	-0.5	-1	-8	-69
UK	42	0.1	-1	-4	-48
Large Spanish	37	0.4	0	-8	-80
Medium Spanish	77	1.6	0	-5	-75
Corporate 5y CDS (bps) *					
US Non-financial	147	0.5	-1	-3	-27
EZ Non-financial	64	-0.5	-1	-8	-69
UK Non-financial	94	-0.1	-3	-6	-30
Interbank markets (% changes in bp)					
EONIA Index	-0.35	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	1.57	0.01	0.1	0.2	0.6
Libor 12m	2.03	0.01	0.0	0.1	0.3
Stock markets (%)					
Main indices					
S&P500	2,669	0.2	1.5	3	18
Dow Jones	24,645	0.6	2.1	5	24
Nikkei	22,758	-0.5	2.6	2	16
FTSE 100	7,497	-0.1	2.0	1	4
EuroStoxx 50	3,582	-0.5	0.6	0	8
IBEX	10,261	-0.3	0.8	2	8
DAX	13,126	0.4	1.0	0	13
CAC	5,399	-0.5	0.5	1	10
MIB	22,400	-1.4	0.4	0	14
ASE Athens	759	1.5	3.1	5	14
MSCI Latam *	82,745	0.8	1.5	0	13
Ibovespa (Brazil)	73,721	-0.1	0.6	2	20
Moexv	48,090	0.8	2.4	0	3
MSCI EM Europe *	5,343	0.6	1.8	0	6
Poland	2,409	-0.2	0.6	-2	20
Micos (Russia)	2,132	-1.3	0.4	-2	-6
Ise 100 (Turkey)	108,153	-0.8	2.7	-1	42
MSCI EM Asia *	900	-0.7	0.1	-3	29
Shanghai Com (China)	3,303	0.7	0.3	-4	5
Jakarta (Indonesia)	6,055	0.5	0.9	1	15
Banking sector					
US banks					
JPM	144.6	0.3	3.3	9	21
Citi	106.9	0.0	1.9	9	23
Chf	76.2	0.1	1.0	6	24
BofA	29.3	0.0	2.4	11	28
MS	54.0	0.3	4.5	11	24
GS	260.1	0.9	5.8	8	7
EZ banks					
BNP	113.1	-0.9	3.5	2	7
Crédit Agricole	64.4	-0.7	2.4	0	2
14.5	-1.1	4.7	2	18	
Deutsche Bank	16.5	0.0	5.2	7	1
ING	19.4	0.3	3.7	0	12
Intesa	2.9	-1.2	3.5	2	13
SG	44.5	0.0	5.0	2	-8
Unicredit	16.6	-4.7	-1.9	-2	18
UK banks					
HSBC	92.5	0.9	4.9	5	5
RBS	768.8	1.5	6.1	5	15
RIS	280.9	0.0	2.3	2	20
Barclays	203.8	1.6	6.7	14	13
Lloyds	67.4	-0.1	3.9	1	4
Large Spanish banks					
Santander	86.9	-0.4	2.2	2	11
BBVA	5.7	0.5	2.8	2	12
7.2	-0.2	1.7	1	11	
Medium Spanish banks					
Cajabank	76.8	-0.2	2.5	2	5
CaixaBank	4.0	-0.3	3.7	2	22
Sabadel	1.7	-1.0	2.6	0	21
Bankinter	7.9	-0.3	0.9	3	5
Banque	4.1	0.6	3.7	5	0
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1.18	0.2	-0.3	0.8	12
GBPUSD	1.34	0.3	-0.3	1.9	8
USDJPY	113.12	0.4	0.7	-0.4	4
DOY	93.90	-0.2	0.3	0.6	9
Emerging					
USDARS (Argentina)	17.36	0.0	0.6	0.8	-8
USDBRL (Brazil)	3.31	0.4	-2.2	-0.8	-3
USDCLP (Chile)	646.63	1.1	1.2	-2.6	4
USDCOP (Colombia)	3006	0.8	0.1	0.1	-1
USDMXN (Mexico)	19.12	0.3	-1.3	0.0	11
USDPEN (Peru)	3.23	-0.0	0.1	-0.3	4
LACI	63.41	0.4	-1.1	-0.5	3
USDPLN (Poland)	3.58	0.1	0.3	1.3	14
USDRUB (Russia)	58.85	0.6	0.6	0.9	3
USDTRY (Turkey)	3.83	0.5	0.5	1.1	7
USDCNY (China)	6.62	0.0	-0.1	0.3	5
USDINR (India)	64.44	-0.1	0.1	1.5	5
USDIDR (Indonesia)	13,590	-0.1	-0.3	-0.3	-1
ADXY	108.5	0.1	0.0	0.9	5
Commodities (%)					
Brent					
WTX	62.4	-1.4	2.0	11	11
Copper	57	-0.8	1.3	0	6
Gold	302	0.7	2.8	-3	18
S&P Spot commodity *	1246	0.1	-1.4	-3	7
S&P Brent Spot *	418	-1.2	0.9	-2	6
S&P Metals Spot *	535	-2.2	2.7	0	11
S&P Energy Spot *	361	0.0	1.3	-4	19
S&P Agricultural *	274	-0.6	2.4	4	9

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
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GER (2-yr)	-0.74	-0.2	1.0	0	4
Germany	0.31	0.0	1.9	-10	4
France	0.66	1.6	4.8	-12	-15
Spain	1.90	3.5	6.3	-4	6
Italy	1.80	8.9	7.0	-4	-7
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Mexico	7.36	2.4	5.1	9	-28
Peru	4.88	-0.9	9.2	-13	-160
Poland	3.24	-0.4	0.3	-19	-47
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Mexico	105	0.8	7	-5	-51
Peru	72	0.0	3	-2	-36
Poland	50	-0.3	0	-3	-26
Russia	128	-1.2	2	-12	-49
Turkey	180	-3.4	-5	-33	-93
China	54	-1.6	-3	-9	-63
India	72	-0.1	0	-4	-55
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Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
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Dollar/euro volatility	6	-0.9	-8	3	-43
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Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	0.0
Eurobor 3m	-0.33	0.00	0.0	0.0	0.0
Eurobor 12m	-0.19	0.00	0.0	0.0	-0.1
Libor 3m	1.57	0.01	0.1	0.2	0.6
Libor 12m	2.03	0.01	0.0	0.1	0.3
Stock markets (%)					
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ASE Athens	750	1.5	3.1	5	14
MSCI Latam *	82,745	0.8	1.5	0	13
Ibovespa (Brazil)	73,721	-0.1	0.6	2	20
Mercol	48,090	0.8	2.4	0	3
MSCI EM Europe *	5,343	0.6	1.8	0	6
Poland	2,409	-0.2	0.6	-2	20
Miloo (Russia)	2,132	-1.3	0.4	-2	6
Ise 100 (Turkey)	108,153	-0.8	2.7	-1	42
MSCI EM Asia *	900	-0.7	0.1	-3	29
Shanghai Com (China)	3,203	0.7	0.3	4	5
Jakarta (Indonesia)	6,055	0.5	0.9	1	15
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	144.6	0.3	3.3	9	21
JPM	106.9	0.0	1.9	9	23
Citi	76.2	0.1	1.0	6	24
BoA	29.3	0.0	2.4	11	28
MS	54.0	0.3	4.5	11	24
GS	260.1	0.9	5.8	8	7
EZ banks	113.1	-0.9	3.5	2	7
BNP	64.4	-0.7	2.4	0	2
Credit Agricole	14.5	-1.1	4.7	2	18
Deutsche Bank	16.5	0.0	5.2	7	1
ING	15.6	-0.3	3.7	0	12
Intesa	2.9	-1.2	3.5	2	13
SG	44.5	0.0	5.0	2	8
Unicredit	16.6	-4.7	-1.9	-2	18
UK banks	92.5	0.9	4.9	5	5
HSBC	768.8	1.5	6.1	5	15
RBS	280.9	0.0	2.3	2	20
Barclays	203.8	1.6	6.7	14	-13
Lloyds	67.4	-0.1	3.9	1	4
Large Spanish banks	86.9	-0.4	2.2	2	11
Santander	5.7	-0.5	2.8	2	12
BBVA	7.2	-0.2	1.7	1	11
Medium Spanish banks	76.8	-0.2	2.5	2	5
Cajabank	4.0	-0.3	3.7	2	22
Sabadell	1.7	-1.0	2.6	0	21
Bankinter	7.9	-0.3	0.9	3	5
Bankia	4.1	0.6	3.7	5	0
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.18	0.2	-0.3	0.8	12
GBPUSD	1.34	0.3	-0.3	1.9	8
USD JPY	113.12	0.4	-0.7	-0.4	4
DOY	93.90	0.2	0.3	0.6	9
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	17.36	0.0	-0.6	0.8	8
USD BRL (Brazil)	3.91	0.4	-2.2	-0.8	-3
USD CNY (China)	646.63	1.1	1.2	-2.6	4
USD COP (Colombia)	3006	0.8	0.1	0.1	-1
USD MXN (Mexico)	19.12	0.3	-1.3	0.0	11
USD PEN (Peru)	3.23	0.0	0.1	0.3	4
LACI	63.41	0.4	-1.1	-0.5	3
USD PLN (Poland)	3.58	0.1	-0.3	1.3	14
USD RUB (Russia)	58.85	0.6	0.6	0.9	3
USD TRY (Turkey)	3.83	0.5	0.5	1.1	7
USD CNY (China)	6.62	0.0	-0.1	0.3	5
USD INR (India)	64.44	-0.1	0.1	1.5	5
USD IDR (Indonesia)	13,590	-0.1	-0.3	-0.3	-1
ADXY	108.5	0.1	0.0	0.9	5
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	62.4	-1.4	2.0	-1	11
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S&P Spot commodity *	418	-1.2	0.9	-2	6
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S&P Agricultural *	274	-0.6	2.4	-4	9

Source: Bloomberg, Datastream and Haver

* With one day delay

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