

# Market Comment | Equities continued adjusting to higher yields

Global Financial Markets Unit  
08 Feb 2018

- **Financial markets remained jittery as stocks fell across the board**, with the VIX index stabilising around the 30 level. Volatility was felt especially in US markets, where shares swung sharply between gains and losses, but currently showing falls. In Europe, stocks continued dropping notably across the board, with the exception of the banking sector which remained almost flat.
- **Equity prices fell as sovereign bond yields continued rising steadily**: the German Bund reached 0.8%. In the UK, sovereign bond yields rose sharply after the BoE hinted at a rate hike sooner than expected by markets ([see](#)).
- In developed currency markets, the GBP rose sharply following the BoE's hawkish tone. Meanwhile, the recent USD recovery halted today, leaving the USD broadly flat, despite the fact that the Senate may pass a budget deal today, averting a government shutdown ([see](#)).
- The EUR also remained little changed against its main peers, despite ECB members' comments. The ECB's Praet said that German wage rises were in line with forecast, while the ECB's Weidmann said that he could accept a gradual tapering instead of a sharp ending of QE ([see](#)).
- Oil prices continued dropping on record US oil output ([see](#)). Moreover, **China's trade balance data** were below expectations, as imports rose sharply. As a result, the CNY depreciated significantly, along with the rest of EM currencies.

Table 1  
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Debt markets (10Y, % changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
US (2-yr)	2.11	-1.0	4.7	15	90	
US	2.82	-1.7	2.9	27	38	
GER (2-yr)	0.55	-0.6	-0.9	6	22	
Germany	0.76	-1.7	4.1	30	42	
France	1.00	1.2	1.9	19	19	
Spain	1.45	3.5	4.1	-7	2	
Italy	1.59	4.3	2.8	-4	12	
Portugal	2.03	1.7	8.3	-6	-209	
Greece	3.82	12.9	10.9	13	-307	
Japan (2-yr)	-0.15	-0.1	2.3	-1		
Japan	0.08	-1.9	1.0	2	2	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
Brazil	9.87	10.9	19.2	-15	-154	
Chile	4.59	1.6	3.2	5	26	
Colombia	6.53	1.9	18.6	20	-56	
Mexico	7.62	2.4	5.6	14	-2	
Peru	4.43	3.7	6.9	-26	-204	
Poland	3.59	4.6	7.1	28	-13	
Russia	7.22	1.5	-7.4	-34	-123	
Turkey	11.61	3.0	27.0	26	61	
India	7.47	-5.9	-13.4	10	109	
Indonesia	6.36	-0.4	14.0	16	-148	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	Year	
10-yr sovereign spread vs Germany						
France	23	-0.5	-2.2	-12	-23	
Italy	123	2.6	-1.3	-34	-29	
Portugal	127	0.0	4.2	-13	-228	
Spain	69	1.8	0.0	-36	-40	
2-yr sovereign spread vs Germany						
France	14	0.2	0.2	0	4	
Italy	24	1.7	2.2	-6	-37	
Portugal	47	2.6	-15.5	-6	-52	
Spain	35	4.0	17.3	13	-13	
Emerging Markets	level	Daily	Weekly	Monthly	Year	
5-yr sovereign CDS *						
Brazil	151	-2.4	9	7	-120	
Chile	46	0.0	4	0	-36	
Colombia	95	-0.1	5	0	-68	
Mexico	101	-1.2	5	5	-55	
Peru	70	1.4	4	3	-38	
Poland	49	-0.6	1	3	-26	
Russia	106	-0.0	0	-11	-70	
Turkey	166	-5.7	2	5	-107	
China	59	-0.1	5	14	-58	
India	71	0.3	3	3	-56	
Indonesia	85	-1.3	3	7	-71	
Risk indicators						
Volatility indicators (%)	level	Daily	Weekly	Monthly	Year	
VIX	32	15.8	138	219	29	
VST OXX	32	50.0	99	184	16	
EM EFT volatility Index	31	13.9	56	88	54	
Dollar/Euro volatility	9	9.5	22	62	-11	
EM FX volatility Index	9	6.2	13	24	-16	
Credit spread (BAA) (bps)	164	1.7	9	-11	-63	
US bonds volatility Index	62	-6.2	7	31	-19	
Expectations indicators (%)	level	Daily	Weekly	Monthly	Year	
US Inflation expectations (5Y5Y)	2.48	7.3	7	13	-6	
EZ Inflation expectations (5Y5Y)	1.77	0.7	4	5	-2	
Emerging 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US	47	-0.5	5	-5	-25	
EZ	40	-2.0	3	3	-68	
UK	41	-1.3	2	1	-49	
Large Spanish	36	-1.6	2	1	-81	
Medium Spanish	64	-1.3	1	-7	-87	
Corporate 5Y CDS (bps) *	level	Daily	Weekly	Monthly	Year	
US Non-financial	146	-0.5	5	5	-25	
EZ Non-financial	60	-0.0	3	3	-68	
UK Non-financial	96	-1.0	1	6	-28	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	Year	
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	1.80	-0.01	0.0	0.1	0.8	
Libor 12m	2.29	-0.01	0.0	0.1	0.6	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	Year	
S&P500	2,634	-1.8	-6.7	-4	16	
Dow Jones	24,273	2.5	7.3	-4	22	
Nikkei	21,091	1.1	6.8	-8	12	
FTSE 100	7,171	-1.5	-4.3	-7	0	
EuroStoxx 50	3,377	-2.2	-5.6	-7	2	
IBEX	9,756	-2.2	-6.2	-6	3	
DAX	12,260	-2.6	-5.7	-8	6	
CAC	5,152	-2.0	-5.6	-7	5	
MI8	22,467	-2.3	-4.6	-2	14	
ASE Athens	941	-1.0	5.1	0	28	
MSCI Latam *	90,288	-0.9	-2.7	2	23	
Ibovpa (Brazil)	81,532	-1.5	-4.6	3	32	
Mediol	47,980	-2.0	5.1	-3	3	
MSCI EM Europe *	5,641	1.0	2.5	1	12	
Poland	2,406	-1.4	-5.0	-5	20	
Mosc (Russia)	2,227	-1.2	-3.3	0	-2	
He 100 (Turkey)	114,264	-1.1	-4.0	-1	50	
MSCI EM Asia *	923	-0.7	-6.7	-4	33	
Shanghai Com (China)	3,262	-1.4	-5.4	-4	3	
Jakarta (Indonesia)	6,545	-1.0	-0.9	2	24	
Banking sector	level	Daily	Weekly	Monthly	Year	
US banks						
JPM	142.9	-2.5	-7.3	-1	19	
JPM	110.0	-2.5	-5.9	1	27	
Citi	73.5	-2.1	-7.1	-2	20	
BoA	30.5	-2.5	-6.3	1	33	
MS	52.9	-3.0	-7.9	-1	21	
GS	250.8	-2.4	-7.9	-1	3	
EZ banks						
BNP	64.4	-0.2	-3.3	-2	3	
Citib. Agricole	14.4	-1.6	-5.7	-4	17	
Deutsche Bank	12.8	-2.4	-13.4	-15	-21	
ING	15.1	-1.4	-3.6	-5	9	
Intesa	3.1	-1.9	0.3	11	24	
SG	45.1	-2.0	-3.2	0	-6	
Unicredit	17.8	2.1	0.4	8	27	
UK banks						
HSBC	90.3	0.1	-1.9	-2	3	
HSBC	733.6	-0.8	-2.2	-4	-9	
RBS	283.6	1.0	-1.2	1	21	
Barclays	194.1	0.5	-1.6	-4	-17	
Lloyds	67.6	0.4	-2.5	-1	4	
Large Spanish banks						
Santander	85.9	-1.9	-5.2	-2	10	
Santander	5.6	-2.6	-6.1	-2	11	
BBVA	7.1	-1.3	-4.4	-2	10	
Medium Spanish banks						
CaixaBank	81.3	-1.2	-4.1	2	11	
CaixaBank	4.1	-2.6	-6.7	-2	24	
Sabadell	1.8	-1.7	-4.6	1	32	
Bankinter	9.0	-0.3	-3.1	11	20	
Bankia	3.9	-0.4	-3.5	-5	-4	
Currencies (% ind for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	Year	
EUR/USD	1.22	-0.2	2.2	2.5	17	
GBP/USD	1.39	0.1	2.6	2.6	13	
USD/JPY	108.67	0.6	0.7	3.5	7	
DXY	90.27	0.0	1.8	-2.4	-12	
Emerging	level	Daily	Weekly	Monthly	Year	
USDARS (Argentina)	19.94	-1.3	-3.0	-5.5	-24	
USDBRL (Brazil)	3.30	-0.9	-4.1	-1.6	-2	
USDCLP (Chile)	602.79	-1.3	1.0	0.8	10	
USDCOP (Colombia)	2885	-1.3	-3.2	0.9	3	
USDMXN (Mexico)	18.97	-0.9	-3.4	1.4	12	
USDPEN (Peru)	3.26	-0.4	-1.6	-1.4	4	
USCNY (China)	63.43	-1.0	-3.1	-0.5	1	
USDRPL (Poland)	3.42	-0.7	-3.1	2.4	18	
USD RUB (Russia)	58.37	-0.8	-4.3	-2.6	3	
USDTRY (Turkey)	3.63	-0.8	-2.8	-1.7	-7	
USDCNY (China)	6.33	-0.8	-0.5	3.1	9	
USDINR (India)	64.26	0.0	-0.4	-0.8	6	
USDIDR (Indonesia)	13,605	-0.4	-1.3	-1.2	-1	
ADXY	110.7	-0.5	-1.2	0.8	7	
Commodities (%)						
	level	Daily	Weekly	Monthly	Year	
Brent	64.8	-1.0	-6.9	-6	15	
WTI	61	-1.6	-7.6	-3	14	
Copper	307	-0.1	-3.9	-4	21	
Gold	1,320	0.1	2.2	1	13	
S&P Spot commodity *	440	-1.6	-4.3	-2	11	
S&P Brent Spot *	557	-2.1	-6.0	-5	16	
S&P Metals Spot *	381	-2.0	-3.8	-1	25	
S&P Agricultural *	290	1.2	1.4	3	3	

Source: Bloomberg, Datastream and Haver

\* With one day delay

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Fuente: BBVA Research

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Table 1