

Market Comment | Equity indices move up, favoured by positive US earnings

Global Financial Markets Unit
17 Apr 2018

- **European markets joined yesterday's US indices gains, as earnings returned to the forefront**([see](#)). Moreover, prospects for global trade started to look less worrying, especially due to China's efforts to seek European allies to support free trade ([see](#)) and its willingness to open key industries to foreign investors ([see](#)). **In this context, global volatility receded, and the VIX returned to its lower bound.** The absence of negative surprises in China's GDP also supported the positive mood
- **China Q1 GDP growth reached 6.8% y/y, in line with the previous reading and market expectations**, indicating that Q1 economic growth is robust. However, growth headwinds remain in place, mainly from domestic policy tightening initiatives and trade skirmishes with the US, which, in our baseline scenario, are unlikely to evolve into a full-blown trade war between the world's largest economies. That said, growth is likely to moderate through the rest of the year ([see](#)). In this context of robust but moderating growth, the **PBoC decided to cut the reserve requirement ratio** for banks but emphasizing that it continued to maintain a "prudent" monetary stance ([see](#))
- **Bond markets remained almost unchanged today, while forex markets were more active during the session.** The USD appreciated, especially against the EUR, which was hampered slightly by worse-than-expected confidence data ([ZEW, see](#)), which added to other confidence indicators that are showing signs of stress after the rise in volatility.
- **High volatility in oil prices amid geopolitical concerns in the Middle East.** Today they recovered some ground after yesterday's drop, and remained above US\$70 per barrel. Consequently, EM currencies very sensitive to oil prices appreciated across the board, with some exceptions such as the Russian rouble, which continued to suffer from geopolitical uncertainties

Table1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.39	1.3	0.3	1.0	4.7
US	2.83	0.2	2.8	-2	3.7
GER (2-yr)	-0.58	-0.2	1.1	1	3
Germany	0.331	-1.7	-0.8	5	4
France	0.73	-2.2	2.6	-9	-9
Spain	1.22	-2.2	-4.0	-15	-4.7
Italy	1.76	-4.2	-3.6	-22	-4.3
Portugal	1.62	-2.9	-10.7	-14	-3.9
Greece	4.02	2.7	4.3	-16	-8
Japan (2-yr)	-0.15	-0.1	0.3	0	-2
Japan	0.05	0.9	0.2	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.80	-3.4	-4.9	36	-45
Chile	4.39	0.2	-5.7	-12	-13
Colombia	6.38	0.8	-5.3	-32	-6
Mexico	7.36	-2.2	4.9	-18	-22
Peru	4.77	5.7	12.2	11	-11
Poland	3.06	-3.6	1.3	-20	-3.6
Russia	7.46	-6.4	-21.3	23	-17
Turkey	12.67	-10.2	-22.0	27	1.04
India	7.49	0.0	11.5	-7	10
Indonesia	6.62	1.8	2.5	-11	3.2
Country risk (change in bps)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	22	-0.5	-1.8	-3	-7
Italy	125	-2.5	-2.8	-16	-40
Portugal	111	-1.2	-9.9	-7	-3.6
Spain	71	-0.5	-3.2	-9	-3.6
2-yr sovereign spread vs Germany					
France	9	-0.5	-1.7	-3	-8
Italy	26	-2.3	-2.3	-12	-11
Portugal	38	0.3	3.4	-27	-29
Spain	25	-0.6	-1.6	-8	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	168	-0.7	-1	22	7
Chile	47	-0.5	-1	3	-2
Colombia	99	-0.7	-4	2	-6
Mexico	104	-0.5	-1	-2	-3
Peru	72	-0.8	-4	1	0
Poland	48	-1.1	-1	0	-1
Russia	146	4.0	9	40	29
Turkey	205	5.7	0	32	41
China	60	-0.2	-3	2	-1
India	75	0.8	-1	7	6
Indonesia	97	0.0	-3	6	12
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in ppt)					
VIX	15	-1.1	-5	0	6
VST OXX	13	-1.2	-3	0	0
EM EFT volatility Index	20	-1.2	-5	0	3
Dollar/euro volatility	6	0.0	0	-1	0
EM FX volatility index	8	-0.2	0	0	0
Credit spread (BAA) (change in bps)	177	-0.2	-3	-2	-1
US bonds volatility index	50	-1.4	-2	-9	1
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.42		3	5	11
EZ Inflation expectations (5Y5Y)	1.69		1	0	-5
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	54	-0.3	-4	4	12
EZ	52	-2.1	-6	4	12
UK	45	-2.0	-4	1	4
Large Spanish	44	-1.9	-6	0	8
Medium Spanish	66	-4.9	-6	-2	-9
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	156	-0.3	-4	4	12
EZ Non-financial	67	-2.1	-6	1	12
UK Non-financial	103	-0.6	-2	4	10
Interbank markets (% changes in bps)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	0
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.36	0	2	18	66
Libor 12m	2.74	1	4	14	64
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,706	1.1	1.9	-1.7	0
Dow Jones	24,832	1.1	1.7	-0.5	0
Nikkei	21,848	0.1	0.2	0.8	-4
FTSE 100	7,226	0.4	-0.6	0.9	-6
HangSeng 50	3,479	1.1	1.2	1.2	0
BSE	9,819	0.5	0.6	0.6	-3
DAX	12,586	1.6	1.5	1.6	-2
CAC	5,354	0.8	0.9	1.3	1
MIB	23,667	1.4	2.1	3.5	8
ASE Athens	837	2.0	3.3	2.8	2
MSCI Latam*	89,926	-1.2	-0.2	-0.8	5
Ibovespa (Brazil)	83,819	1.2	-0.8	-1.3	8
Mexbol	48,784	0.7	0.9	2.8	-2
MSCI EM Europe*	5,300	-0.7	1.1	-4.9	-2
Poland	2,308	0.3	1.5	1.0	6
Micex 10 (Russia)	4,288	1.9	2.6	-4.9	-4
Ice 100 (Turkey)	108,745	-1.8	-1.8	-7.2	-7
MSCI EM Asia*	930	0.4	0.4	-3.8	1
Shanghai Com (China)	3,067	-1.4	-3.9	-6.2	-8
Jakarta (Indonesia)	6,286	0.2	0.6	0.8	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	141.9	0.0	-0.9	-5.7	-1
JPM	111.1	0.8	-1.3	-3.8	3
Ch	30.3	0.3	-0.3	-4.3	-5
BoA	30.2	0.9	-0.9	-6.1	1
MS	53.4	-0.1	-1.4	-7.2	2
GS	254.5	1.3	0.8	-4.9	8
EZ banks	107.9	0.7	1.8	-1.2	-1
BNP	61.9	0.6	1.0	-0.8	0
Credit Agricole	13.4	0.1	1.2	-2.1	-4
Deutsche Bank	11.7	0.5	2.0	-9.2	-2.7
ING	14.2	0.8	2.9	-1.1	-7
Intesa	3.1	0.9	2.3	0.9	13
SG	44.7	0.5	1.0	-1.2	3
Unicredit	17.6	2.1	2.8	2.4	12
UK banks	88.8	0.3	0.4	0.6	-4
HSBC	67.5	0.5	0.3	-4.5	-12
RBS	268.4	2.1	2.1	3.0	-3
Barclays	211.8	-1.8	-3.4	1.1	-4
Lloyds	67.7	0.0	0.9	0.2	0
Large Spanish banks	80.0	0.1	0.4	-2.2	-6
Santander	5.4	0.4	1.0	-0.6	-1
BBVA	6.4	-0.2	-0.3	-3.7	-10
Medium Spanish banks	77.3	-0.2	0.4	-0.7	1
Celabank	-4.0	0.3	-0.1	2.3	0
Sabadell	1.7	-1.4	1.1	1.9	2
Bankinter	8.5	-0.1	1.0	-2.3	7
Bankia	2.7	0.4	-0.5	-4.1	8
Currencies (% red for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.23	-0.3	-0.1	0.4	2
GBPUSD	1.43	0.3	0.9	2.6	5
USDJPY	107.13	0.0	0.1	-1.1	5
DX	89.63	0.2	0.0	-0.7	-7
Emerging					
USDARS (Argentina)	20.16	0.2	-0.1	0.1	-10
USDBRL (Brazil)	3.40	0.5	0.2	-3.8	-4
USDCLP (Chile)	596.34	0.0	0.3	1.9	-2
USDCOP (Colombia)	2727	0.0	1.6	4.5	7
USDMXN (Mexico)	17.97	0.2	1.6	3.8	8
USDINR (India)	3.22	0.0	0.6	1.5	0
USDCNY (China)	64.23	0.3	0.9	0.7	1
USDPLN (Poland)	3.37	0.5	0.5	1.7	2
USDRUB (Russia)	61.54	-0.7	2.4	-7.0	-7
USDTRY (Turkey)	4.10	-0.1	0.5	-4.6	-9
USDCNY (China)	6.28	-0.1	0.0	0.8	3
USDINR (India)	65.85	-0.2	-1.0	-1.1	-3
USDIDR (Indonesia)	13,765	0.1	-0.1	-0.1	-2
ADXY	111.7	0.0	-0.2	0.3	1
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent	71.3	0.6	0.3	6	7
WTX	66	-0.3	0.6	6	9
Copper	307	-0.7	-2.0	-1	-6
Gold	1344	-0.1	0.4	2	2
S&P Spot commodity *	465	-0.8	0.7	4	5
S&P Brent Spot *	693	-1.6	0.2	7	6
S&P Metals Spot *	394	2.7	2.7	5	0
S&P Agribusiness *	301	-1.1	-1.5	1	6

* With one day delay
Source: Bloomberg, Datastream and Haver

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.39	1.3	0.3	10	47
US	2.83	0.2	2.8	-2	37
GER (2-yr)	-0.58	-0.2	-1.1	1	3
Germany	0.51	-1.7	-0.8	6	4
France	0.73	-2.2	-2.6	-9	-9
Spain	1.22	-2.2	-4.0	-15	-17
Italy	1.76	-4.2	-3.6	-22	-43
Portugal	1.62	-2.9	-10.7	-14	-39
Greece	4.02	-2.7	-4.3	-16	-8
Japan (2-yr)	0.15	-0.1	0.3	0	-2
Japan	0.05	0.9	0.7	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	9.80	-3.4	-4.9	36	-45
Chile	4.39	0.2	-5.7	-12	-13
Colombia	6.38	0.0	-5.3	-32	-6
Mexico	7.36	-2.2	4.9	-18	-22
Peru	4.77	5.7	12.2	11	-11
Poland	-3.06	-3.0	1.3	-20	-26
Russia	7.46	-6.4	-21.3	23	-17
Turkey	12.67	-10.0	32.0	27	131
India	2.49	0.0	11.5	-7	10
Indonesia	6.62	1.8	2.5	-11	32
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	22	-0.5	-1.8	-3	-7
Italy	125	-2.5	-2.8	-16	-40
Portugal	111	-1.2	-9.9	-7	-36
Spain	71	-0.5	-3.2	-9	-36
2-yr sovereign spread vs Germany					
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Poland	48	-1.1	-1	0	-1
Russia	146	4.0	9	40	29
Turkey	205	5.7	0	32	41
China	60	-0.3	-3	3	9
India	75	0.8	-1	7	6
Indonesia	97	0.0	-3	6	12
Risk indicators					
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD
VIX	15	-1.1	-5	0	6
VSTOXX	13	-1.2	-3	0	0
EM EFT volatility Index	20	-1.2	-5	0	3
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Credit spread (BAA) (change in bps)	177	-0.2	-3	-2	-1
US bonds volatility index	50	-1.4	-2	-9	1
Inflation (and expectations) (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.43	-	3	-	11
EZ inflation expectations (5Y5Y)	1.69	-	1	0	-5
Banking CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	54	0.3	-4	3	12
EZ	52	-2.1	-6	3	12
UK	45	-2.0	-4	1	4
Large Spanish	44	-1.7	-6	0	8
Medium Spanish	66	-4.9	-6	-2	9
Corporate CDS (bps) *					
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Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0
Euribor 3m	-0.33	0	0	0	0
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.36	0	-2	18	66
Libor 12m	2.74	1	4	14	64
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,706	1.1	1.9	-1.7	0
Dow Jones	24,832	1.1	1.7	-0.5	0
Nikkei	21,843	0.1	0.2	0.8	4
FTSE 100	7,226	0.4	-0.6	0.9	-6
EuroStoxx 50	3,479	1.1	1.2	1.2	0
IBEX	9,819	0.5	0.6	0.6	-3
CAC	5,354	0.8	0.9	1.3	1
MI8	23,667	1.4	2.1	3.5	8
ASE Athens	837	2.0	3.3	2.8	2
MSCI Latam *	89,926	-1.2	-0.2	-0.8	5
Bovespa (Brazil)	83,819	-1.2	-0.8	-1.3	8
Mumbai	46,794	0.7	0.9	2.8	2
MSCI EM Europe *	5,300	0.7	1.1	-4.9	-2
Poland	2,308	0.3	1.5	1.0	-6
Moscú 10 (Russia)	4,288	1.9	2.6	-0.9	4
Ise 100 (Turkey)	108,745	-1.8	-1.8	-7.2	-7
MSCI EM Asia *	930	-0.4	0.4	-3.8	1
Shanghai Com (China)	3,067	-1.4	-1.9	-6.2	8
Jakarta (Indonesia)	6,286	0.2	0.6	-0.6	-1
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	111.1	0.8	-1.3	-3.8	3
Citi	70.3	0.3	-0.3	-4.3	-5
BoA	30.2	0.9	-0.9	-6.1	1
MS	53.4	-0.1	-1.4	-7.2	2
GS	254.5	-1.3	-0.8	-4.9	0
EZ banks					
BNP	107.9	0.7	1.8	-1.2	-1
SP	61.9	0.6	1.0	-0.8	0
Credit Agricole	13.4	0.1	1.2	-2.1	-4
Deutsche Bank	11.7	0.5	2.0	-9.2	-27
ING	14.2	0.8	2.9	-1.1	7
Intesa	3.1	0.9	2.3	0.9	13
SG	44.7	0.5	1.0	-1.2	3
Unicredit	17.6	2.1	2.8	2.4	12
UK banks					
HSBC	67.5	0.5	0.3	-4.5	-12
RBS	268.4	2.1	2.1	3.0	-3
Barclays	211.8	-1.0	-1.4	1.1	4
Lloyds	67.7	0.0	0.9	0.2	0
Large Spanish banks					
Santander	80.0	0.1	0.4	-2.2	-6
BBVA	5.4	0.4	1.0	-0.6	-1
Mediana Spanish banks	6.4	-0.2	-0.3	-3.7	-10
Cáritas	77.3	-0.2	0.4	-0.7	1
Celadbank	4.0	0.3	-0.1	-2.3	0
Sabadell	1.7	-1.4	1.1	1.9	2
Bankinter	8.5	-0.1	1.0	-2.3	7
Banque	3.7	0.4	-0.5	-4.1	-8
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.23	-0.3	-0.1	0.4	2
GBPUSD	1.43	0.3	0.9	2.6	5
USDJPY	107.13	0.0	0.1	-1.1	5
DKX	89.63	0.2	0.0	-0.7	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS	20.18	0.2	-0.1	0.1	10
USD BRL (Brazil)					
USD BRL	3.40	0.5	0.2	-3.8	-4
USD CLP (Chile)					
USD CLP	596.54	0.0	0.8	1.9	2
USD COP (Colombia)					
USD COP	2722	0.0	1.6	1.5	7
USD MXN (Mexico)					
USD MXN	17.97	0.2	1.6	3.8	8
USD PEN (Peru)					
USD PEN	3.22	0.0	0.6	1.5	0
LACI					
LACI	64.23	0.3	0.9	0.7	1
USD PLN (Poland)					
USD PLN	3.37	-0.5	0.5	1.7	2
USD RUB (Russia)					
USD RUB	61.54	-0.7	2.4	-7.0	-7
USD TRY (Turkey)					
USD TRY	4.10	-0.3	0.2	-4.6	-9
USD CNY (China)					
USD CNY	6.28	-0.1	0.0	0.8	3
USD INR (India)					
USD INR	65.65	-0.2	1.0	-1.1	-3
USD IDR (Indonesia)					
USD IDR	13,766	0.1	-0.1	-0.1	-2
ADXY	111.2	0.0	-0.2	0.3	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	71.3	0.6	0.3	5	7
WTI	66	-0.3	0.8	6	9
Copper	307	-0.7	-2.0	-1	-6
Gold	1344	-0.1	0.4	2	2
S&P Spot commodity *	465	-0.8	0.7	4	5
S&P Brent Spot *	603	-1.6	0.2	7	6
S&P Metals Spot *	394	2.7	2.7	5	0
S&P Agricultural *	301	-1.1	-1.5	1	6

* With one day delay
Source: Bloomberg, Datastream and Haver

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