

# Market Comment | Calm in markets ahead of an eventful week. FOMC preview.

Global Financial Markets Unit  
30 Apr 2018

- **Positive mood in financial markets ahead of an eventful week**, the release of a swathe of economic data, coupled with the FOMC meeting (see preview below) will influence the mood in financial markets. Despite global trade concerns diminishing, all eyes are on the potential extension of relief from US steel and aluminium import tariffs for some countries. ([see](#))
- **In the US, all eyes are on the FOMC meeting and the release of employment data.** Both will be key events for the performance of US yields onwards. Currently, they stand close to their recent highest levels, hovering around the 3% threshold after the stronger-than-expected price deflator of personal spending ([see](#)). In this context, US equity markets started the week in a positive mood, and VIX returned to levels below 16%, favoured by some corporate transactions ([see](#))
- **In the euro zone, sovereign yields remained broadly unchanged despite the release of some economic data:** German retail sales in March performed worse than expected ([see](#)) and inflation data were very stable (in line with expectations). Peripheral premiums widened slightly while the main European indices showed mild gains today
- **The USD continued appreciating against other major currencies**, while the EUR stands at its lowest level this year. US economic data suggested the US tax reform may boost private consumption in coming months, bolstering the FOMC tightening cycle and strengthening the USD. The rally in Brent prices seems to be fading as they started the week below \$74 per barrel ([see](#)). The challenging environment for EM currencies (they depreciated across the board) continued as the USD and UST yields remained strong.

## FOMC preview

At its May 1st-2nd meeting, the FOMC is likely to focus on the delicate balance the committee is facing: a narrowing output gap, demand-side tailwinds and the possibility of a rise in inflationary pressures. Although some members in the intermeeting period began advocating for a renewed outlook and a possible reset in the committee's mindset, we do not expect the statement to deviate much from the previous ones, reinforcing the current quarterly pace of interest rate normalization. That said, the discussion in this meeting will likely center around the possibility of a faster return to the Fed's inflation target and the likelihood of overshooting the neutral rate or long-term rate in the shorter-to-medium run, which could imply additional rate hikes in 2019. Financial conditions have also remained auspicious, as long-term rates increased moderately, equity volatility receded, corporate bond spreads widened and policy uncertainty eased after rising in response to growing trade tensions. As such, the committee will maintain the benchmark rate at 1.5-1.75%.

Table1

Update 17.45 CET 30 April

Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.49	0.4	1.1	2.2	5.7
US	2.95	-1.1	-3.0	2.1	4.8
GER (2-yr)	0.59	-0.7	-3.5	2	3
Germany	0.86	-1.1	-7.6	6	9
France	0.79	-1.0	-6.1	7	-4
Spain	1.28	2.0	-3.1	12	-41
Italy	1.79	4.4	-1.0	0	-40
Portugal	1.68	2.5	-1.8	7	-33
Greece	3.86	-6.3	-17.5	46	-24
Japan (2-yr)	0.13	0.0	-0.8	1	0
Japan	0.06	-1.2	1.5	1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.82	3.7	9.0	33	44
Chile	4.47	0.0	9.0	-1	-4
Colombia	6.42	-1.4	-1.9	9	-2
Mexico	7.49	1.8	6.2	12	9
Peru	4.93	-1.3	9.8	40	6
Poland	3.99	4.2	-0.9	9	-23
Russia	7.37	-1.6	-3.8	-2	-26
Turkey	12.22	-1.0	-3.0	2	86
India	7.77	0.0	2.7	37	38
Indonesia	6.92	-5.5	2.3	25	62
Country risk (bp, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	23	0.1	1.5	0	-6
Italy	123	5.5	6.6	-6	-42
Portugal	112	3.6	5.8	1	-35
Spain	72	3.1	4.5	6	-36
2-yr sovereign spread vs Germany					
France	9	0.5	0.5	-3	-8
Italy	28	2.5	3.5	-1	-8
Portugal	42	1.3	1.4	-18	-26
Spain	26	2.1	2.1	1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	168	-2.7	-1	1	8
Chile	49	-1.2	1	3	0
Colombia	105	-1.8	3	-4	0
Mexico	112	-2.2	1	0	5
Peru	74	-1.0	2	-9	2
Poland	49	-0.1	0	0	0
Russia	131	-1.2	-5	9	13
Turkey	194	1.4	-2	-6	29
China	56	-0.8	-1	-7	8
India	76	0.0	3	-1	7
Indonesia	106	0.1	7	2	21
Risk indicators					
Volatility indicators (change in pts)	level	Daily	Weekly	Monthly	YTD
VIX	16	0.1	-1	-4	-6
VSTOXX	14	0.6	0	-4	0
EM EFT volatility index	18	0.1	-1	-8	2
Dollar-denominated volatility	6	0.0	0	0	0
EM FX volatility index	8	-0.1	0	0	0
Credit spread (BAA) (change in bps)	181	1.1	5	-4	4
US bonds volatility index	51	-1.9	-2	-7	2
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.46	-	0	11	14
EZ Inflation expectations (5Y5Y)	1.21	-	1	2	-3
Banking CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	55	0.2	1	-5	12
EZ	52	1.3	1	-9	12
UK	43	-0.2	-1	-10	2
Large Spanish	46	0.5	1	-9	10
Medium Spanish	69	0.3	0	-6	-6
Corporate CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	155	0.2	1	-5	12
EZ Non-financial	68	1.3	1	-9	12
UK Non-financial	104	-0.9	1	-2	11
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	-2	0
Euribor 3m	-0.33	0	0	0	0
London 12m	-0.19	0	0	0	0
Libor 3m	2.36	0	0	5	66
Libor 12m	2.78	1	2	12	67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,672	0.1	0.1	1.2	-1
Dow Jones	24,351	0.2	-0.4	1.0	-2
Nikkei	22,468	0.0	1.7	6.2	-1
FTSE 100	7,509	0.1	1.5	6.4	-2
EuroStoxx 50	3,537	0.5	0.7	5.2	1
BSE	9,981	0.6	0.6	4.0	-1
DAX	12,612	0.2	0.3	4.3	-2
CAC	5,521	0.7	1.5	6.8	-4
MIB	23,979	0.2	0.0	7.0	10
ASE Athens	858	1.1	2.3	10.0	5
MSCI Latam*	92,359	0.1	0.6	3.7	8
Ibovespa (Brazil)	86,197	-0.3	0.7	1.0	11
Mexbol	48,443	0.3	0.0	5.0	-3
MSCI EM Europe*	5,507	0.7	1.3	1.2	2
Poland	2,292	0.7	0.0	3.7	-7
Micex 10 (Russia)	4,520	0.6	3.0	2.4	10
Ise 100 (Turkey)	104,283	-3.1	-6.0	-9.2	-11
MSCI EM Asia*	924	1.0	-0.5	0.2	0
Shanghai Com (China)	3,082	0.0	0.5	-2.5	8
Jakarta Indonesia)	5,995	1.4	5.4	-2.4	6
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	139.1	0.5	1.3	0.9	-3
Citi	109.9	0.5	-0.8	0.1	2
Chf	69.4	0.5	-0.2	2.8	-7
BoA	30.3	0.5	-0.1	1.0	-1
HS	52.2	0.7	-2.6	-3.2	0
GS	240.5	0.3	-2.5	-4.5	-6
EZ banks	109.2	0.2	-1.1	4.1	0
BNP	64.0	0.6	0.1	6.3	3
Credit Agricole	13.6	-0.3	-0.6	3.3	-2
Deutsche Bank	11.4	-0.6	-2.7	0.4	-29
ING	14.0	0.7	3.0	2.0	-9
Intesa	3.2	0.1	-0.3	6.9	15
SG	45.5	0.3	-1.2	2.9	5
Unicredit	18.0	0.4	-1.0	5.8	14
UK banks	88.5	0.2	-1.3	3.8	-3
HSC	725.4	0.8	2.6	9.0	-5
RBS	270.2	0.7	-2.1	4.4	-3
Barclays	207.3	-0.8	-4.2	0.4	2
Lloyds	64.7	-0.2	-2.7	0.0	-4
Large Spanish banks	81.9	0.8	-0.6	3.1	-3
Santander	5.4	1.1	-3.6	1.5	-1
BBVA	6.7	0.6	2.2	4.7	-5
Medium Spanish banks	77.1	0.1	-1.9	1.9	0
Cajabank	4.0	0.2	-0.6	4.3	2
Sabadell	1.6	-0.1	-2.9	-2.1	-3
Bankinter	8.7	-0.1	0.5	3.9	9
Banika	3.6	0.4	-1.0	0.2	-10
Currencies (% net for currency deposits)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.21	-0.5	-1.1	-1.8	0
GBPUSD	1.38	-0.2	-1.3	-1.9	1
USDJPY	109.27	-0.2	-0.5	-2.7	3
DXF	91.92	0.4	1.1	2.0	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)					
USDARS	203.4	0.0	-1.4	-2.0	-12
USDBRL (Brazil)	3.49	-0.8	-1.0	-5.4	-7
USDCLP (Chile)	613.79	-1.0	-1.8	-1.5	-1
USDCOP (Colombia)	2809	-0.1	0.2	0.5	-4
USDMMX (Mexico)	19.78	-0.9	0.9	-3.3	4
USDPEN (Peru)	3.25	-0.5	-0.5	-0.8	-1
LACI	62.32	-0.8	-0.4	-3.3	-2
USDPLN (Poland)	3.51	-1.2	2.0	2.6	-2
USD RUB (Russia)	62.94	-1.3	-1.7	-9.9	-9
USDTRY (Turkey)	4.06	-0.5	1.1	-3.1	-8
USDCHF (Swiss)	63.3	0.0	-0.2	-0.7	-2
USDINR (India)	66.66	0.0	-0.3	-2.3	-5
USDIDR (Indonesia)	13,913	-0.1	0.4	-1.1	-3
ADXY	113.0	-0.1	0.1	-0.8	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	74.9	0.3	0.2	7	12
WTI	68	0.0	0.8	5	13
Copper	305	0.0	-2.0	1	-6
Gold	1315	-0.6	0.7	-1	0
S&P Spot commodity*	473	-0.1	-0.1	4	-7
S&P Metals Spot*	628	-0.1	-0.3	6	11
S&P Metals Spot**	379	-2.0	-2.4	4	-4
S&P Agricultural*	307	1.3	3.0	4	8

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

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Fuente: BBVA Research

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Peru	4.93	-1.3	9.8	40	6
Poland	3.09	4.2	-0.9	-9	-23
Russia	7.37	-1.6	-3.8	22	-26
Turkey	12.22	-1.0	-3.0	2	86
India	7.77	0.0	2.7	37	38
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Colombia	105	-1.8	3	-4	-1
Mexico	112	-2.2	1	0	5
Peru	74	-1.0	2	9	2
Poland	49	-0.1	0	0	0
Russia	131	-1.2	-5	9	13
Turkey	194	1.4	-2	-6	29
China	58	0.8	-1	-7	8
India	76	0.0	3	-1	7
Indonesia	106	0.1	7	2	21
Risk indicators					
Volatility indicators (change in ppt)					
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EM FX volatility index	8	-0.1	0	0	0
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US bonds volatility index	51	-1.9	2	-7	2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5YSY)	2.46	-	0	11	14
EZ Inflation expectations (5YSY)	1.71	-	1	2	-3
Forwarding 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	55	0.2	1	-5	12
EZ	52	1.3	1	-9	12
UK	43	-0.2	-1	-10	2
Large Spanish	46	0.5	1	-9	10
Medium Spanish	69	0.3	0	6	-6
Corporate 5Y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	155	0.2	1	-5	12
EZ Non-financial	68	1.3	1	-9	12
UK Non-financial	104	-0.9	1	-2	11
Interbank markets (% change in ppt)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	-2	0
Eurobor 3m	-0.33	0	0	0	0
Eurobor 12m	-0.19	0	0	0	0
Libor 3m	2.36	0	0	5	66
Libor 12m	2.78	1	2	12	67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,672	0.1	0.1	1.2	-1
Dow Jones	24,351	0.2	-0.4	1.0	-2
Nikkei	22,468	0.0	1.7	6.2	-1
FTSE 100	7,509	0.1	1.5	6.4	-2
Eurostoxx 50	3,537	0.5	0.7	5.2	1
IBEX	9,981	0.6	0.6	4.0	-1
DAX	12,612	0.2	0.3	4.3	-2
CAC	5,521	0.7	1.5	6.8	-4
MIB	23,979	0.2	0.0	7.0	10
ASE Athens *	858	1.1	2.3	10.0	5
MSCI Latam *	92,359	0.1	0.6	3.7	8
Bovespa (Brazil)	86,197	-0.3	-0.7	1.0	11
Mexbol	48,443	0.3	0.0	5.0	3
MSCI EM Europe *	5,507	0.7	1.3	1.2	2
Poland	2,292	0.7	0.0	3.7	-7
Moor 10 (Russia)	4,520	0.6	3.0	2.4	10
Ise 100 (Turkey)	104,283	-3.1	-6.0	-9.2	-11
MSCI EM Asia *	3,24	1.0	-0.5	0.2	0
Shanghai Com (China)	3,082	0.0	0.5	-0.5	8
Jakarta (Indonesia)	5,995	1.4	-5.4	-2.4	-6
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	119.1	0.5	-1.3	-0.9	3
JPM	109.9	0.5	-0.9	-0.1	2
Citi	69.4	0.5	-0.2	2.8	-7
BoA	39.3	0.5	-0.1	1.0	1
MS	52.2	0.7	-0.6	-3.2	0
GS	240.5	0.3	-2.5	-4.5	-6
EZ banks	109.2	0.2	-1.1	4.1	0
BNP	64.0	0.6	0.1	6.3	3
Credit Agricole	13.6	-0.3	-0.6	3.3	-2
Deutsche Bank	11.4	-0.6	-2.7	0.4	29
ING	14.0	0.7	-3.0	2.0	9
Intesa	3.2	0.1	-0.3	6.9	15
SG	45.5	0.3	-1.2	2.9	5
Unicredit	18.0	0.4	-1.0	5.8	14
UK banks	69.5	0.2	-1.3	3.8	-3
HSBC	725.4	0.8	2.6	9.0	5
RBS	270.2	0.7	-2.1	4.4	-3
Barclays	207.3	0.8	-4.2	0.4	2
Lloyds	64.7	-0.2	-2.7	0.0	-4
Large Spanish banks	81.9	0.8	-0.6	3.1	-3
Santander	5.4	1.1	-3.6	1.5	-1
BBVA	6.7	0.6	2.2	4.7	-5
Medium Spanish banks	77.1	0.1	-1.9	1.9	0
Cajaenr	4.0	0.2	-0.6	-4.3	2
Sabadel	1.6	-0.1	-0.9	-2.1	-3
Bankinter	8.7	-0.1	0.5	3.9	9
Banque	3.6	0.4	-1.0	0.2	-10
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.21	-0.5	-1.1	-1.8	0
GBPUSD	1.38	-0.2	-1.3	-1.9	1
USD JPY	109.27	0.2	-0.5	0.7	3
DX	91.92	0.4	1.1	2.0	0
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	20.54	0.0	-1.4	-9.0	-12
USD BRL (Brazil)	3.49	-0.8	-1.0	-5.4	-7
USD CLP (Chile)	613.79	-1.0	-1.8	-1.5	-1
USD COP (Colombia)	2,809	0.1	0.2	-0.5	-4
USD MXN (Mexico)	18.73	-0.9	0.9	3.1	4
USD PEN (Peru)	3.25	-0.5	-0.5	-0.8	-1
LACI	62.32	-0.8	-0.4	-3.3	-2
USD PLN (Poland)	3.51	-1.2	-2.0	-2.6	-2
USD RUB (Russia)	62.94	-1.3	-1.7	-9.9	9
USD TRY (Turkey)	4.06	0.5	1.1	-3.1	8
USD CNH (China)	6.33	0.0	-0.2	-0.7	2
USD INR (India)	66.66	0.0	-0.3	-2.3	5
USD IDR (Indonesia)	13,913	-0.1	0.4	-1.1	-3
ADXY	110.5	-0.1	0.1	-0.8	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	74.9	0.3	0.2	7	12
WTI	66	0.0	-0.8	5	13
Copper	305	0.0	-2.0	1	6
Gold	1,315	-0.6	-0.7	-1	0
S&P Spot commodity *	473	-0.1	-0.1	4	7
S&P Brent Spot *	628	-0.1	-0.3	6	11
S&P Metals Spot *	379	-2.0	-2.4	4	-4
S&P Agriculture *	307	1.3	3.0	4	8

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Source: Bloomberg, Datastream and Haver

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Fuente: BBVA Research

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