

Market Comment | Confidence indicators weigh on EUR, at its lowest of this year

Global Financial Markets Unit
23 May 2018

- **Negative mood in global financial markets.** The release of disappointing macroeconomic data and the return of geopolitical concerns shifted yesterday's positive mood. Demand for safe-haven assets was high, while risk assets dropped in a context of increasing volatility.
- **Against this backdrop, the US 10Y Treasury bond yield went down, approaching the 3% threshold,** while equity indices fell after comments on trade talks with China, which increased uncertainty about global trade ([see](#)).
- **European assets were penalized across the board.** The release of worse than expected confidence data in the EZ and ongoing political tension in Italy weighed ([see](#)). All these factors dragged down the 10Y Bund yields to hover around 0.50%, contributing to widen peripheral risk premia despite the relative stability of peripheral bonds. The main exception was Italy, as its premium continued to increase today.
- In line with global equity indices, European **indices showed a very poor performance**, registering sharp drops which in some indices were close to 2%. There was some underperformance in the banking and energy sectors.
- In this context the **EUR stood at its lowest level in the year against the USD**, while the GBP suffered from weak inflation data in May in the UK ([see](#))
- **EM currencies continued their depreciation path after a short break as the global trade outlook worsened.** The stabilization in oil prices below \$80 amid rumours of OPEC increasing global supply and the release of US inventories also weighed. The TRY again underperformed its peers and hit its historical lowest level against the USD.

Table1

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Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2,516	-0.4	-2.1	9	65
US (10-yr)	3,011	-4.6	-8.3	4	55
GER (2-yr)	-0.58	2.9	-0.1	-2	4
Germany	0.51	-5.1	-9.7	1.9	4
France	0.81	-2.5	-3.6	-4	-2
Spain	1,444	-1.8	-2.7	1.3	1.8
Italy	2,39	6.6	27.7	60	30
Portugal	1,95	-0.9	14.6	26	-6
Greece	4,38	-1.3	0.2	34	27
Japan (2-yr)	0.14	-0.2	-0.5	-1	-1
Japan	0.05	-1.1	-2.1	0	0
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10,70	-1.1	50.3	79	44
China	4,58	-1.1	7.6	20	7
Colombia	6.62	-2.1	3.9	19	18
Mexico	7,75	-0.6	0.5	20	17
Peru	5,43	-1.1	28.0	60	56
Poland	3,23	-2.3	-3.7	14	-8
Russia	7,46	1.4	0.7	5	-19
Turkey	14,21	-19.0	8.0	196	285
India	7,85	4.0	-4.9	11	47
Indonesia	7,62	9.4	-0.6	73	133
Country risk (bp, change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	2.6	6.1	9	1
Italy	189	11.8	37.5	73	26
Portugal	144	4.2	24.3	38	10
Spain	93	3.3	12.4	25	-22
2-yr sovereign spread vs Germany					
France	7	-5.0	-3.6	-1	9
Italy	86	5.9	20.1	61	49
Portugal	95	0.1	9.6	-4	-13
Spain	29	-2.0	1.0	5	2
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	189	-5.1	-1	20	29
Chile	55	-0.6	-1	7	6
Colombia	111	-1.5	-1	9	6
Argentina	348	-2.6	-32	78	110
Mexico	123	-1.9	1	13	16
Peru	88	-0.6	3	15	16
Venezuela	16,590	0	0	0	0
Poland	56	-1.4	1	7	7
Russia	132	-4.9	-2	-4	14
Turkey	279	0.7	19	82	113
China	55	-1.7	4	-4	5
India	89	0.4	6	16	20
Indonesia	119	-5.4	-1	20	34
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0.5	0	3	4
VSTOXX	15	2.1	1	2	2
EM EFT volatility Index	19	1.1	1	0	2
Dollar Euro volatility	8	0.4	0	1	1
EM FX volatility Index	9	-0.2	0	1	1
Credit spread (BAA) (change in bps)	188	4.6	8	11	10
US 10-yr Treasury yield	53	-0.5	-3	0	3
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)					
US Inflation expectations (5Y)	2.43	-	-3	-3	11
EU Inflation expectations (5Y)	1.21	-	-3	-2	-3
Bonding 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US					
US	53	-0.8	0	-1	10
CZ	64	-0.5	9	13	25
UK	46	-1.3	3	2	5
Large Spanish	63	-0.2	13	19	27
Medium Spanish	76	-1.0	5	8	2
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial					
US Non-financial	149	-0.8	0	-1	10
EU Non-financial	71	-0.5	9	13	25
UK Non-financial	105	-0.2	1	3	12
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index					
EONIA Index	-0.36	0	1	0	1
Euro 3m					
Euro 3m	-0.32	0	0	1	1
Euro 12m					
Euro 12m	-0.19	0	0	0	0
Libor 3m					
Libor 3m	2.33	0	-1	-3	64
Libor 12m					
Libor 12m	2.76	0	1	0	66
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500					
S&P500	2,716	-0.3	0.2	1.7	1
Dow Jones	24,733	-0.4	-0.1	1.2	0
Nikkei	22,690	-1.2	-0.1	2.7	0
FTSE 100	7,388	-1.1	0.7	5.3	2
EuroStoxx 50	3,542	-1.3	-0.6	0.8	1
IBEX	10,025	-1.1	-0.9	1.0	-1
DAK	12,977	-1.5	-0.1	3.2	1
CAC	5,566	-1.3	0.0	2.3	5
MB	22,912	-1.3	-3.5	4.5	5
ASE Athens	785	-1.6	0.4	6.4	4
MSCI Latam *	88,287	0.7	-2.6	-3.8	3
Bovespa (Brazil)	81,337	-1.7	-6.0	5.0	4
Ibovespa (Mexico)	45,096	0.0	-1.8	6.9	9
Merval (Argentina)	30,451	-1.7	-3.8	1.6	2
MSCI EM Europe *	5,454	0.0	-0.5	0.3	1
Poland	2,209	-1.8	-2.9	3.6	10
Micex 10 (Russia)	4,473	-1.1	-1.7	1.9	9
IXM 100 (Turkey)	101,892	-1.8	-0.3	8.1	-13
MSCI EM Asia *	934	0.0	0.4	0.6	1
Shanghai Com (China)	3,169	-1.4	0.0	3.3	-5
Jakarta (Indonesia)	5,792	-1.0	0.8	8.6	9
Banks (%)					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	147.2	-1.7	-2.3	0.6	-1
CIT	111.6	-1.3	-1.6	0.6	3
Ch	69.7	-1.9	-3.1	0.3	-6
BaA	30.3	-2.0	-2.5	0.1	1
MS	53.8	-2.0	-2.2	0.2	3
GS	238.9	-1.3	-2.5	-4.8	-8
EU banks	101.7	-1.4	-3.3	7.9	-7
BNP	81.8	-1.5	-4.8	3.3	0
Credit Agricole	15.1	-1.2	-3.0	-4.5	6
Deutsche Bank	10.9	-0.6	-0.7	6.7	32
ING	13.3	-1.2	0.2	7.5	13
Intesa	2.8	-1.8	-11.3	-13.2	0
SG	41.2	-1.2	-1.9	-10.4	-4
Unicredit	16.3	-2.2	-4.0	-10.1	4
UK banks	92.4	-0.8	0.6	2.0	0
HSBC	739.3	0.9	0.1	4.5	3
RBS	294.4	-0.5	1.0	6.7	6
Barclays	208.8	-1.1	0.1	3.5	3
Lloyds	66.6	-0.6	1.4	0.3	-2
Large Spanish banks	78.7	-2.1	-2.7	4.5	-7
Santander	5.2	-1.9	-3.2	-7.4	-5
BBVA	6.5	-2.2	-2.3	-1.7	-9
Medium Spanish banks	78.0	-1.0	-1.5	0.7	2
Caixabank	4.2	-0.8	0.5	2.5	5
Sabadel	1.6	-1.2	-2.2	-7.4	-3
Banqueparibas	8.9	-0.7	-2.2	2.5	11
Banque	3.6	-1.8	-2.1	2.4	-11
Commodities (%, net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.17	-0.7	-0.9	-4.2	-3
USDJPY					
USDJPY	1.33	-0.7	-1.1	-4.3	-2
USDJPY	119.05	0.8	0.3	1.2	2
DXY	93.99	0.4	0.6	3.3	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Argentina)	24.80	-0.8	-0.9	-10.8	33
USDBRL (Brazil)					
USDBRL (Brazil)	3.64	0.2	0.9	5.5	12
USDCJP (China)					
USDCJP (China)	624.79	0.0	0.9	3.7	3
USDCOP (Colombia)					
USDCOP (Colombia)	2863	-0.4	-0.1	1.8	2
USDMXN (Mexico)					
USDMXN (Mexico)	19.77	0.0	-1.0	-4.4	-1
USDPEN (Peru)					
USDPEN (Peru)	3.27	0.0	-0.3	-1.1	-1
USDRUB (Russia)					
USDRUB (Russia)	59.12	0.3	0.2	6.5	-7
USDPIN (Poland)					
USDPIN (Poland)	3.68	-1.3	-1.8	7.0	-7
USDRLB (Russia)					
USDRLB (Russia)	61.56	-0.5	0.3	0.5	-7
USDTRY (Turkey)					
USDTRY (Turkey)	4.85	-3.9	-9.8	18.1	-29
USDYNY (China)					
USDYNY (China)	6.39	-0.3	-0.3	-1.1	-2
USDINR (India)					
USDINR (India)	68.43	-0.6	-0.9	-2.9	8
USDIDR (Indonesia)					
USDIDR (Indonesia)	14,209	-0.5	0.8	1.7	-5
ADXY					
ADXY	109.6	-0.4	-0.4	-1.1	0
Commodity (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	79.2	-0.5	-0.1	6	19
WTI					
WTI	72	-0.7	0.2	4	19
Copper					
Copper	396	-1.9	0.0	-2	-6
Gold					
Gold	1293	0.1	0.2	-2	-2
S&P Spot Commodity *					
S&P Spot Commodity *	489	0.4	1.2	5	12
S&P Brent Spot *					
S&P Brent Spot *	677	0.4	0.5	8	20
S&P Metals Spot *					
S&P Metals Spot *	389	0.5	0.4	0	-1
S&P Agricultural *					
S&P Agricultural *	311	0.9	3.1	4	9

Source: Bloomberg, Datastream and Haver

Debt markets (10Y % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.56	-0.4	-2.1	9	65
US	3.01	-4.6	-8.3	4	55
GER (2-yr)	-0.58	2.9	-0.1	-2	4
Germany	0.51	-5.1	-9.7	-13	4
France	0.81	-2.5	-3.6	-4	-2
Spain	1.44	-1.8	-2.7	13	-18
Italy	2.39	6.6	27.7	60	30
Portugal	1.95	-0.9	-14.6	26	-6
Greece	4.38	-1.3	0.2	34	27
Japan (2-yr)	-0.14	-0.2	-0.5	-1	-1
Japan	0.05	-1.1	-2.1	0	0
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	10.70	-1.1	50.3	79	44
Chile	4.58	-1.1	7.5	20	7
Colombia	6.62	-2.1	3.9	19	18
Mexico	7.75	-0.6	-0.5	20	17
Peru	5.43	-1.1	28.0	60	56
Poland	3.23	-2.3	-3.7	14	-8
Russia	7.46	1.4	-0.7	5	18
Turkey	14.21	-19.0	0.0	195	285
India	7.85	4.0	-4.9	11	47
Indonesia	7.52	3.4	40.6	73	133
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	2.6	6.1	9	1
Italy	189	11.8	37.5	73	26
Portugal	144	4.2	24.3	38	-10
Spain	93	3.3	12.4	25	22
2-yr sovereign spread vs Germany					
France	7	-5.0	-3.6	-1	-9
Italy	86	5.9	20.1	61	49
Portugal	55	0.1	9.5	-4	-13
Spain	29	-2.0	1.0	5	2
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	189	-5.1	-1	20	29
Chile	55	-0.6	-1	7	6
Colombia	111	-1.5	-1	9	6
Argentina	348	-2.6	-32	78	110
Mexico	123	-1.9	1	13	16
Peru	88	-0.6	3	15	15
Venezuela	16.599	0.0	0	0	0
Poland	56	-1.4	1	7	7
Russia	132	-4.9	-2	-4	14
Turkey	278	-9.7	19	82	113
China	55	-1.7	4	4	5
India	89	0.4	6	16	20
Indonesia	119	-3.4	-1	20	34
Risk indicators					
	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in bp)					
VIX	14	0.5	0	-3	4
VSTOXX	15	2.1	1	2	2
EM EFT volatility index	19	1.1	1	0	2
Dollar/euro volatility	6	0.4	0	1	1
EM FX volatility index	9	-0.2	0	1	1
Credit spread (BAA) change in bp	168	4.6	8	11	10
US bonds volatility index	53	-0.5	-3	0	3
Inflation expectations (%)					
	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.43	-	-3	-3	11
EZ Inflation expectations (5Y5Y)	1.71	-	-3	2	-3
Banking 5Y CDS (bp) *					
	level	Daily	Weekly	Monthly	YTD
US	53	-0.8	0	-1	10
EZ	64	-0.5	9	13	25
UK	46	-1.3	3	2	5
Large Spanish	63	-0.2	13	19	27
Medium Spanish	76	-1.0	5	8	2
Corporate 5Y CDS (bp) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	149	-0.8	0	-1	10
EZ Non-financial	71	-0.5	9	13	25
UK Non-financial	105	-0.2	1	3	12
Interbank markets (% change in bp)					
	level	Daily	Weekly	Monthly	YTD
EOBIA Index	-0.26	0	1	0	1
Euribor 3m	-0.32	0	0	1	1
Euribor 12m	-0.19	0	0	0	0
Libor 3m	2.33	0	1	-3	64
Libor 12m	2.76	0	1	0	66
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,716	-0.3	-0.2	1.7	1
Dow Jones	24,733	-0.4	-0.1	1.2	0
Nike	22,690	-1.2	-0.1	2.7	0
FTSE 100	7,288	-1.1	0.7	5.3	2
EuroStoxx 50					
EuroStoxx 50	3,542	-1.3	0.6	0.8	1
IBEX	10,025	-1.1	-0.9	1.0	-1
DAX	12,977	-1.5	-0.1	3.2	1
CAC	5,566	-1.3	0.0	2.3	5
MB	22,912	-1.3	-3.5	-4.5	5
ASE Athens	785	-1.6	-0.4	6.4	-4
MSCI Latam *					
MSCI Latam *	88,287	0.7	2.6	3.8	3
Ibovespa (Brazil)	81,337	-1.7	-6.0	5.0	4
Merval (Mexico)	45,606	0.0	-1.8	5.9	-9
Merval (Argentina)	30,451	-1.7	0.8	1.6	2
MSCI EM Europe *					
MSCI EM Europe *	5,454	0.0	-0.5	0.3	1
Poland	2,209	-1.8	-2.9	3.6	10
Mixe 10 (Russia)	4,473	-1.1	11.7	1.9	9
Ise 100 (Turkey)	101,892	-1.4	-0.3	-8.1	-13
MSCI Asia *	934	0.0	-0.4	0.6	1
Shanghai Com (China)	3,169	-1.4	0.0	3.3	5
Jakarta (Indonesia)	5,792	1.0	-0.8	0.6	-9
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	117.2	-1.7	-2.3	0.6	-1
JPM	111.6	-1.3	-1.6	0.6	3
Cit	69.7	-1.9	-3.1	0.3	-6
BofA	30.3	-2.0	-2.5	0.1	1
MS	93.8	-2.0	-2.2	0.2	3
GS	234.9	-1.3	-2.5	4.8	-8
EZ banks					
BNP	101.7	-1.4	3.3	7.9	7
BNP	61.8	-1.5	-0.8	-3.3	0
Credit Agricole	13.1	-1.2	-3.0	4.5	-6
Deutsche Bank	10.9	-0.5	-0.7	6.7	32
ING	13.3	-1.2	0.2	7.5	-13
Intesa	2.8	-1.8	-11.3	-13.2	0
SG	41.2	-1.2	-1.9	-10.4	4
Unicredit	16.3	-2.2	-4.0	-10.1	4
UK banks					
HSBC	92.4	-0.8	0.6	2.0	0
HSBC	739.3	-0.9	0.1	4.5	3
RBS	294.4	-0.5	1.0	6.7	6
Barclays	208.8	-1.1	0.1	3.5	3
Lloyds	66.6	-0.6	1.4	0.3	-2
Large Spanish banks					
Santander	78.7	-2.1	-2.7	4.5	-7
Santander	5.2	-1.9	-3.2	7.4	-5
BBVA					
BBVA	6.5	-2.2	-2.3	1.7	-9
Medium Spanish banks					
Casabank	78.0	-1.0	-1.5	0.7	2
Casabank	4.2	-0.8	0.5	2.5	5
Sabado	1.6	-1.2	-2.2	7.4	-3
Bankiatar	8.9	-0.7	-2.2	2.5	11
Bankiatar	3.6	-1.8	-2.1	2.4	-11
Commodities (% red for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.17	-0.7	-0.9	-4.2	-3
GBPUSD	1.33	-0.7	-1.1	-4.3	-2
USDJPY	110.05	0.8	0.3	-1.2	2
DXY	93.99	0.4	0.6	3.3	2
Emerging					
	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	24.48	-0.8	-0.9	-20.8	-33
USDBRL (Brazil)	3.64	0.2	0.9	5.5	12
USDCUP (Cuba)	624.79	0.0	0.9	3.7	-3
USDCOP (Colombia)	2863	0.4	0.1	1.8	2
USDMXN (Mexico)	19.77	0.0	-1.0	-4.4	-1
USDPEN (Peru)	3.27	0.0	-0.3	-1.1	-1
IACI	59.12	0.2	0.2	1.5	7
USDPIN (Poland)	3.68	-1.3	-1.8	7.0	7
USDRLB (Russia)	61.56	-0.5	0.3	0.5	7
USDTRY (Turkey)	4.85	-3.9	0.9	-18.5	-29
USDCNY (China)	6.39	-0.3	-0.3	-1.1	2
USDINR (India)	68.43	-0.6	-0.9	2.9	-8
USDIDR (Indonesia)	14,209	-0.5	0.8	1.7	5
ADXY	109.6	-0.4	-0.4	-1.1	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	79.2	-0.5	-0.1	6	19
WTX	72	-0.7	0.2	4	19
Copper	306	-1.9	0.0	-2	-6
Gold	1293	0.1	0.2	-2	-2
S&P Spot commodity *	495	0.4	1.2	5	12
S&P Metal Spot *	677	0.4	0.5	8	20
S&P Metal Spot *	389	0.5	0.4	0	-1
S&P Agriculture *	311	0.9	3.1	4	9

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

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