

Market Comment | ECB officials' remarks boost European yields ahead of next week's meeting

Global Financial Markets Unit
06 Jun 2018

- The lack of fresh news on the main sources of uncertainty (global trade and Italy) led markets to continue their recovering path after last week's turbulences. **The ECB policy makers' remarks caught the attention today ahead of next week's ECB meeting**, while calm in US markets continued as volatility returned to very low levels (VIX:12%)
- Recent developments in the eurozone cast some doubt regarding the timing of the announcement of the end of the QE programme. Nonetheless, today's ECB comments in which it seemed relatively comfortable with the pace of approach to the inflation target and open to discussing the end of the QE during next week's meeting were read as hawkish by financial markets ([see](#)).
- Consequently, **German Bund yields increased** to around 0.50% now that the political uncertainty in Italy seems to have moderated for now. In this line the EUR also recovered some ground from very low levels. In this context, and with no news from Italy, peripheral **risk premia remained almost unchanged**.
- **Equity markets in Europe handled the increasing yields and were steady during the session** as the ECB's positive signal about the economic outlook overshadowed the proximity of the departure from financial markets of one of the major debt buyers.
- **Calm in US markets as the 10-year US Treasury yield is gradually approaching 3% while equity markets continued in a positive mood** helped by subdued volatility. Meanwhile the USD is losing some steam against its main peers now that safe-haven flows seem to be moderating. This fact gave a **break to emerging markets**, despite the sharp drop in oil prices due to the release of US inventory data ([see](#)). **BRL was the main exception** (at its lowest level in more than two years against the USD) despite Brazil's central bank intervention in the foreign exchange market ([see](#)).

Table1

Update 18:00 CET 06 June

Debt markets (10Y % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.52	2.0	10.9	2	50
US	2.97	4.0	11.3	2	50
GER (2-yr)	-0.60	5.2	5.5	-2	1
Germany	0.46	9.5	9.2	-7	0
France	0.80	10.8	11.4	4	-2
Spain	1.58	10.8	3.1	23	-11
Italy	2.94	15.4	2.7	118	85
Portugal	1.95	9.6	-10.1	28	-6
Greece	4.60	7.5	0.2	46	49
Japan (2-yr)	-0.13	0.2	1.6	1	1
Japan	0.06	2.0	1.0	1	1
Emerging Markets					
Brazil	12.32	24.3	86.5	240	207
China	4.57	-0.9	0.9	12	5
Colombia	6.53	-4.0	-8.3	5	9
Mexico	7.81	-9.9	4.9	17	23
Peru	5.33	-8.0	2.7	29	48
Poland	3.25	2.6	-0.2	11	-6
Russia	7.52	3.6	7.4	6	-12
Turkey	14.67	-1.0	100.0	120	331
India	7.52	8.3	13.5	30	53
Indonesia	7.20	6.0	9.3	4	90
Country risk (bp, change in bps)					
10-yr sovereign spread vs Germany					
France	34	1.3	2.2	10	5
Italy	248	5.9	-6.5	125	85
Portugal	149	0.1	-9.3	35	5
Spain	104	1.1	-12.3	29	-11
2-yr sovereign spread vs Germany					
France	12	-0.8	-7.4	3	-5
Italy	198	32.0	-37.3	171	161
Portugal	64	-0.9	-7.8	6	-4
Spain	38	-2.5	-34.5	14	11
Emerging Markets					
5-yr sovereign CDS *					
Brazil	234	5.1	24	52	74
Chile	56	1.7	-2	3	7
Colombia	119	2.6	0	11	14
Argentina	348	-6.1	-25	27	109
Mexico	147	10.3	17	33	41
Peru	90	1.4	-2	9	18
Venezuela	16,590	0.0	0	0	0
Poland	66	-0.3	1	16	17
Russia	133	0.6	3	9	15
Turkey	277	2.4	24	46	113
China	55	-0.5	3	-4	5
India	91	0.0	1	15	22
Indonesia	122	0.1	5	7	37
Risk indicators					
Volatility indicators (change in pp)					
VIX	12	0.4	3	3	2
VSTOXX	15	0.0	-4	1	1
EM EFT volatility Index	17	-0.4	3	-2	1
Dollar Euro volatility	8	0.3	0	1	1
EM FX volatility Index	9	0.1	0	1	1
Credit spread (BAA) (change in bps)	185	-4.0	-4	-2	8
US bonds volatility index	54	0.2	-7	6	5
Inflation expectations (%)					
US Inflation expectations (5Y)	2.52	-	14	8	20
EU Inflation expectations (5Y)	1.72	-	4	3	-1
Bonding 5y CDS (bps) *					
US	58	0.0	-5	2	15
CZ	68	6.6	16	31	48
UK	48	1.7	-10	3	7
Large Spanish	88	5.5	22	38	52
Medium Spanish	97	3.6	-9	27	22
Corporate 5y CDS (bps) *					
US Non-financial	151	0.0	-5	2	15
EU Non-financial	77	6.6	16	31	48
UK Non-financial	106	0.1	-5	1	13
Interbank markets (% change in bps)					
EDMA Index	-0.36	0	0	0	1
Euro 3m	-0.32	0	0	1	1
Barclay 12m	-0.18	0	0	1	1
Libor 3m	2.32	1	1	-5	62
Libor 12m	2.74	0	3	-4	63
Stock markets (%)					
Main indices					
S&P500	2,559	0.4	1.3	3.2	2
Dow Jones	24,994	0.8	1.3	2.6	1
Nikkei	22,626	0.4	2.8	0.7	-1
FTSE 100	7,312	0.3	0.3	1.9	1
EuroStoxx 50	3,461	0.1	0.6	2.9	-1
IBEX	9,792	1.1	2.4	-3.4	-3
DAK	12,830	0.3	0.4	0.9	0
CAC	5,458	-0.1	0.6	-1.3	3
MB	21,808	0.3	0.0	-11.1	0
ASE Athens	781	-1.0	4.2	3.7	5
MSCI Latam *	83,975	-1.5	0.8	5.9	-2
Bovespa (Brazil)	75,853	-1.0	-1.2	8.3	3
Mexcel (Mexico)	45,233	0.2	1.1	2.7	-10
Merval (Argentina)	30,334	-0.1	6.9	10.3	2
MSCI EM Europe *	5,388	-0.1	0.6	-0.3	0
Poland	2,297	0.0	4.6	1.9	8
Micex 10 (Russia)	4,446	-0.3	-0.8	-1.5	8
IXG TSE (Turkey)	96,588	-1.2	-6.9	-4.2	-18
MSCI EM Asia *	945	0.3	1.6	3.0	2
Shanghai Com (China)	3,115	0.0	2.4	-0.7	-7
Jakarta (Indonesia)	6,070	0.0	0.0	4.8	-4
US banks					
JPM	110.2	2.2	1.7	0.7	2
Ch	62.9	1.8	1.9	0.8	9
Ba	29.8	2.4	1.1	0.6	0
MS	51.8	2.0	1.7	-1.1	-1
GS	231.0	1.2	0.8	2.6	-10
EU banks					
BNP	53.7	1.1	-1.0	-13.8	-14
Credit Agricole	11.9	0.0	0.2	-11.4	-15
Deutsche Bank	9.6	1.5	-3.1	-17.1	-40
ING	12.7	0.5	0.5	9.1	17
Intesa	2.5	-0.5	1.4	-21.4	-10
SG	37.2	-0.2	-0.7	-12.0	-14
Unicredit	14.2	0.9	0.1	-20.8	-10
UK banks					
HSBC	728.2	0.6	0.3	1.9	5
RBS	270.6	1.7	-2.0	0.6	2
Barclays	201.3	1.7	1.0	2.1	-1
loyds	63.7	1.9	-0.8	-2.6	-6
Large Spanish banks					
Santander	72.9	3.5	3.7	-11.5	-14
BBVA	4.8	1.8	2.2	-11.2	-12
Caixa	6.0	1.3	1.3	-11.7	-15
Medium Spanish banks					
Banco Sabadell	71.6	1.5	0.3	4.3	-7
CaixaBank	3.7	0.9	-1.1	-12.1	-7
Sabadell	1.5	1.5	-2.3	-13.2	-13
Bankinter	8.4	2.0	1.3	-3.4	6
Banella	3.3	1.8	0.3	7.7	-18
Commodities (€, net for currency depreciation)					
Developed					
EURUSD	1,178	0.5	1.0	-1.2	-2
GBPUSD	1.34	0.2	1.1	-1.0	-1
USDJPY	109.98	0.2	1.0	0.8	2
DXY	93.60	-0.3	-0.5	0.9	2
Emerging					
USDARS (Argentina)	24.93	0.1	0.0	-13.6	35
USDBRL (Brazil)	3.82	-0.4	-2.7	7.7	-17
USDCUP (Cuba)	628.74	0.6	-0.1	0.1	-4
USDCOP (Colombia)	2823	1.0	1.9	0.3	4
USDMXN (Mexico)	20.27	0.9	-2.8	-4.1	-4
USDPEN (Peru)	3.26	0.3	0.4	0.6	1
USCL	57.62	0.2	1.7	5.0	9
USDPLN (Poland)	3.62	0.9	1.9	-1.3	5
USDRLB (Russia)	61.96	0.3	0.2	1.5	-8
USDTRY (Turkey)	4.56	0.9	2.1	6.8	-21
USDTRY (China)	6.39	0.3	0.5	-0.3	-2
USDINR (India)	66.93	0.3	0.8	0.3	5
USDIDR (Indonesia)	13,853	0.2	1.0	1.1	-3
ADXY	110.3	0.2	0.6	0.1	0
Commodity (%)					
Brent	75.0	-0.5	-3.2	-2	13
WTI	65	-1.3	-6.0	-8	7
Copper	324	1.6	6.0	6	0
Gold	1300	0.3	-0.1	-1	-1
S&P Spot Commodity *	472	0.4	-2.4	-2	7
S&P Brent Spot *	642	0.1	-3.0	-1	13
S&P Metals Spot *	399	1.0	3.0	3	1
S&P Agriculture *	302	0.2	-2.7	-1	6

Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

Debt markets (10Y, % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.52	-2.4	-10.9	2	60
US	2.97	4.0	11.3	2	50
GER (2-yr)	0.60	5.2	5.5	-2	1
Germany	0.46	9.5	9.2	-7	0
France	0.80	10.8	11.4	4	-2
Spain	1.50	10.6	-3.1	23	-11
Italy	2.94	15.4	2.7	118	85
Portugal	1.95	9.6	-10.1	28	-6
Greece	4.69	7.5	-0.2	46	49
Japan (2-yr)	-0.13	0.2	1.6	1	1
Japan	0.06	2.0	1.0	1	1
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	12.32	24.3	86.5	240	207
Chile	4.57	-0.9	-0.9	12	5
Colombia	6.53	-4.0	0.9	5	9
Mexico	7.81	-3.9	4.3	17	23
Peru	5.33	-6.0	2.7	29	46
Poland	3.25	2.6	-0.2	11	-6
Russia	7.52	3.6	7.4	6	-12
Turkey	14.67	-1.0	100.0	120	33
India	7.92	8.3	13.5	30	53
Indonesia	7.20	8.0	9.3	4	90
Country risk (bp, change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	1.3	2.2	10	5
Italy	248	5.9	-6.5	125	85
Portugal	149	0.1	-19.3	35	-5
Spain	104	1.1	-12.3	29	-11
2-yr sovereign spread vs Germany					
France	12	-0.8	-7.4	3	-5
Italy	198	32.0	-37.3	111	161
Portugal	64	-0.9	-17.8	6	-4
Spain	38	-2.5	-34.5	14	11
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	234	5.1	24	52	74
Chile	56	1.7	-2	3	7
Colombia	119	2.6	0	11	14
Argentina	348	-6.1	-25	27	109
Mexico	147	10.3	17	33	41
Peru	90	1.4	-2	9	18
Venezuela	16.599	0.0	0	0	0
Poland	66	-0.3	1	16	17
Russia	133	0.6	3	9	16
Turkey	277	2.4	25	46	113
China	55	-0.5	3	4	5
India	91	0.0	1	15	22
Indonesia	122	0.1	5	7	37
Risk indicators					
	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in pp)					
VIX	12	-0.4	-3	-3	2
VSTOXX	15	0.0	-4	1	1
EM EFT volatility index	17	-0.4	3	-2	1
Dollar/euro volatility	6	0.3	0	1	1
EM FX volatility index	9	0.1	0	1	1
Credit spread (BAA) change in bp	165	-4.0	4	-2	5
US bonds volatility index	54	0.2	-7	6	5
Inflation expectations (%)					
	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.52	-0.2	14	8	20
EZ Inflation expectations (5Y5Y)	1.73	-	4	3	-1
Banking 5Y CDS (pp) *					
	level	Daily	Weekly	Monthly	YTD
US	58	0.0	-5	2	15
EZ	88	6.6	1.6	31	48
UK	48	1.7	-10	3	7
Large Spanish	88	5.5	-22	38	52
Medium Spanish	97	6.6	-9	27	22
Corporate 5Y CDS (pp) *					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	151	0.0	-5	2	15
EZ Non-financial	77	6.6	1.6	31	48
UK Non-financial	106	0.1	-5	1	13
Interbank markets (% change in bp)					
	level	Daily	Weekly	Monthly	YTD
EOBA Index	-0.26	0	0	0	1
Euribor 3m	-0.32	0	0	1	1
Euribor 12m	-0.18	0	0	1	1
Libor 3m	2.32	1	1	5	62
Libor 12m	2.74	0	3	4	63
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,759	0.4	1.3	3.2	2
Dow Jones	24,994	0.8	1.3	2.6	1
Nike	22,626	0.4	2.8	0.7	-1
FTSE 100	7,712	0.3	0.3	1.9	1
EuroStoxx 50	3,461	0.1	0.6	2.9	-1
IBEX	9,792	1.1	2.4	3.4	3
DAX	12,830	0.3	0.4	0.9	0
CAC	5,458	-0.1	0.6	1.3	3
MB	21,808	0.3	0.0	-11.1	0
ASE Athens	781	-1.0	4.2	3.7	5
MSCI Latam *					
Bovespa (Brazil)	63,975	-1.5	0.8	5.9	2
Ibovespa (Brazil)	75,853	-1.0	-1.2	8.3	3
Merval (Mexico)	45,223	0.2	1.1	2.7	-10
Merval (Argentina)	30,334	-0.1	6.9	10.3	2
MSCI Europe *					
Poland	2,257	0.0	4.6	1.9	8
Nikkei 10 (Russia)	4,446	0.3	0.8	1.5	5
Ise 100 (Turkey)	96,658	-1.2	-6.9	-4.2	-18
MSCI Asia *					
Shanghai Com (China)	3,115	0.0	2.4	0.7	-7
Jakarta (Indonesia)	6,070	0.9	0.0	4.8	-4
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	136.3	-3.7	-4.2	6.0	8
Cit	67.9	1.8	1.9	0.8	-9
BofA	29.8	2.4	1.1	0.6	0
MS	51.8	2.0	1.7	-1.1	-1
GS	231.0	1.2	0.8	2.6	-10
EZ banks					
BNP	53.7	1.1	-1.0	-13.9	-14
Credit Agricob	11.9	0.0	0.2	-11.4	-15
Deutsche Bank	9.6	1.5	-3.1	-17.1	-40
ING	12.7	0.5	0.5	9.1	-17
Intesa	2.5	-0.5	-1.4	-21.4	-10
SG	37.2	-0.2	-0.7	-12.0	-14
Unicredit	14.2	0.9	0.1	20.8	-10
UK banks					
HSBC	88.7	1.4	-0.2	0.6	-4
HSBC	228.2	0.6	0.3	1.9	5
RBS	270.6	1.7	2.0	0.6	-2
Barclays	201.3	1.7	1.0	2.1	-1
Lloyds	63.7	1.9	-0.8	2.6	-6
Large Spanish banks					
Santander	4.8	1.8	2.2	-11.2	-12
BBVA	6.0	1.3	1.3	-11.7	-15
Medium Spanish banks					
Caixabank	71.6	1.5	-0.3	8.3	-7
Sabadell	3.7	0.9	-1.1	-12.1	-7
Sabadell	1.5	1.5	-2.3	-13.2	-13
Bankiatar	8.4	2.0	1.3	3.4	6
Bankia	3.3	1.8	-0.3	7.7	-18
Currencies (% net for currency appreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.178	0.5	1.0	-1.2	-2
GBPUSD	1.34	0.2	1.1	-1.0	-1
USDJPY	109.98	-0.2	-1.0	0.8	2
DX	93.60	-0.3	-0.5	0.9	2
Emerging					
	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)					
USDARS	24.93	0.1	0.0	-13.6	-35
USDBRL (Brazil)					
USDBRL	3.82	-0.4	-2.7	7.7	17
USDCPL (Chile)					
USDCPL	628.74	0.6	0.1	0.1	4
USDCOP (Colombia)					
USDCOP	2823	1.0	1.9	0.3	4
USDMXN (Mexico)					
USDMXN	20.27	0.9	-2.8	-4.1	-4
USDPEN (Peru)					
USDPEN	3.26	0.3	0.4	0.6	-1
USDPK (Poland)					
USDPK	57.62	0.2	1.7	5.0	9
USDPLN (Poland)					
USDPLN	3.62	0.9	1.9	1.3	5
USDRLB (Russia)					
USDRLB	61.96	0.3	0.2	1.5	8
USDTRY (Turkey)					
USDTRY	4.56	0.9	2.1	6.8	21
USDCNY (China)					
USDCNY	6.39	0.3	0.5	0.3	2
USDINR (India)					
USDINR	66.93	0.3	0.8	0.3	-5
USDIDR (Indonesia)					
USDIDR	13,853	0.2	1.0	1.1	-3
ADXY	110.3	0.2	0.6	0.1	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
Brent	75.0	-0.5	-3.2	-2	13
WTX	65	-1.1	-5.0	8	7
Copper	324	1.6	6.0	6	0
Gold	1300	0.3	0.1	-1	-1
S&P Spot commodity *	472	0.4	-2.4	-2	7
S&P Brent Spot *	642	0.1	-3.0	-1	13
S&P Metals Spot *	399	1.0	3.0	3	1
S&P Agriculture *	302	0.2	-2.7	-1	6

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

Fuente: BBVA Research

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.

Fuente: BBVA Research

Fuente: BBVA Research