

Market Comment | Global trade strains are back into the spotlight

Global Financial Markets Unit
18 Jun 2018

- **Cautious mood in financial markets at the start of the week on the back of increasing global trade strains.** China announced retaliations, following Trump's decision to impose tariffs on imports from China (see). Equity markets declined across the board, although equity implied volatility only inched up (VIX 12.6), while safe currencies such as Japanese yen and Swiss franc appreciated. The USD has remained steady today.
- The US bond yield was broadly steady, but **European yield declined across the board** amid political concerns in Germany (see), while the peripheral risk premia narrowed. The EUR has depreciated, breaking down 1.16 USD during the day, but it has closed broadly stable above this level.
- **Pressure on EM currencies continued**, especially on Latam. The strong USD, trade concerns and volatility in oil markets, ahead of the OPEC meeting this week (see) continued weighed on them. The ARS rebounded after last week's strong depreciation, while the TRY was steady today despite uncertainty about this week's elections.

Table 1
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Debt markets (10Y, % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.55	-0.4	3.1	-1	63
US	2.93	0.6	2.6	19	46
GER (2-yr)	-0.62	0.2	1.4	5	1
Germany	0.40	-0.5	9.5	-24	-7
France	0.72	-0.9	-18.2	-15	-10
Spain	1.25	-4.3	18.7	15	36
Italy	2.55	-5.5	-28.4	44	46
Portugal	1.75	-7.4	-25.1	5	26
Greece	4.42	-7.4	-9.2	-2	32
Japan (2-yr)	-0.13	0.0	0.6	0	0
Japan	0.04	-0.9	2.3	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.09	0.0	45.0	184	184
Chile	4.60	0.0	3.5	4	9
Colombia	6.62	-0.7	5.0	0	18
Mexico	7.95	-4.3	8.3	21	38
Peru	5.44	2.1	10.7	15	56
Poland	3.22	-3.0	7.6	9	10
Russia	7.87	12.7	35.0	52	31
Turkey	16.23	59.0	146.0	183	487
India	7.88	-1.2	8.5	0	49
Indonesia	7.30	0.0	0.0	8	100
Country risk (bp, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	33	-0.4	8.8	10	4
Italy	216	-5.0	-18.9	68	53
Portugal	135	-6.9	-15.6	19	-19
Spain	86	-3.8	-9.2	9	-29
2-yr sovereign spread vs Germany					
France	10	-2.4	-1.8	0	-7
Italy	114	-13.4	-55.4	56	77
Portugal	48	-15.6	-8.6	-11	-20
Spain	35	-3.4	-1.8	9	8
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	269	-0.2	21	82	108
Chile	56	-1.3	2	1	7
Colombia	136	-1.1	5	17	21
Argentina	412	1.6	66	58	173
Mexico	144	-5.0	6	25	37
Peru	89	-1.0	-1	6	17
Poland	64	-4.4	-4	9	16
Russia	144	-4.0	9	12	27
Turkey	313	13.7	41	54	149
China	57	1.7	0	-1	7
India	88	-0.2	0	1	19
Indonesia	130	2.7	1	10	44
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	13	0.8	0	-1	3
VSTOXX	14	1.6	0	1	0
EM EFT volatility index	19	2.0	2	0	2
Dollar euro volatility	8	0.4	0	0	1
EM FX volatility index	10	0.3	0	1	2
Credit spread (BAA) (change in bps)	187	-0.5	-2	6	10
US bonds volatility index	53	0.6	-3	-1	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.44	-	0	-2	12
EZ Inflation expectations (5Y5Y)	1.74	-	-1	0	0
Inflation (YoY, %pts)					
level	Daily	Weekly	Monthly	YTD	
US	53	-0.4	-5	0	11
EZ	85	-1.0	-22	27	46
UK	52	0.3	5	9	11
Large Spanish	81	3.7	-13	29	45
Medium Spanish	98	-1.3	-2	26	24
Commodity prices (Bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	144	-0.4	-5	0	11
EZ Non-financial	77	-1.0	-22	27	46
UK Non-financial	106	-0.8	-3	1	13
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.37	0	-1	0	1
Eurobor 3m	-0.32	0	0	0	1
Earlibor 12m	-0.18	0	0	0	0
Libor 3m	2.33	-1	0	0	63
Libor 12m	2.77	0	3	1	67
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,769	-0.4	0.5	1.8	3
Dow Jones	24,941	-0.6	-1.5	0.9	0
Nikkei	22,690	-0.8	0.5	0.2	0
FTSE 100	7,631	0.0	-1.4	2.0	0
HangSeng 50	3,467	-1.1	-0.4	-3.5	-1
IBEX	9,769	-0.8	-1.3	-4.4	-3
DAX	12,834	-1.4	0.1	2.1	0
CAC	5,450	-0.9	0.4	-3.8	3
MI8	22,099	0.4	0.1	7.2	1
ASE Athens	771	1.0	1.6	-1.9	-6
MSCI Latam *	80,976	-0.8	-1.3	-11.4	-6
Ibovespa (Brazil)	69,664	-1.5	-3.7	-16.7	-11
Merbi (Mexico)	46,586	-0.8	0.6	1.7	-7
Merval (Argentina)	28,241	-6.0	-10.6	-10.9	-9
MSCI EM Europe *	5,201	-1.1	-1.7	-5.2	-3
Poland	2,151	-2.4	-3.7	-4.6	-13
Stoxx 10 (Russia)	4,234	0.3	1.5	4.5	5
Ise 100 (Turkey)	92,043	-1.6	-3.7	-8.7	-21
MSCI EM Asia	933	-0.3	-1.1	-0.7	1
Shanghai Com (China)	3,932	0.0	1.0	-4.2	-10
Jakarta Indonesia	5,994	0.0	0.0	2.6	6
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	141.8	-0.1	2.3	5.4	5
C	108.0	0.1	2.5	4.4	0
Ch	66.4	0.1	2.5	7.2	-11
Ba	29.4	0.3	2.3	-4.6	-2
MS	50.8	-0.7	-1.9	-7.4	-3
GS	229.9	-0.9	-1.8	-3.8	-10
EZ banks					
BNP	91.7	-0.1	7.0	-12.5	-16
Credit Agricole	54.0	-0.4	-1.3	-13.2	-13
ING	11.8	-0.3	-2.4	-13.5	-16
Diada Bank	6.5	-0.1	2.0	-14.0	-41
ING	12.6	0.4	-2.5	5.0	-18
Intesa	2.6	0.2	-1.3	-17.8	-7
SC	36.6	-1.0	-3.3	-12.4	-15
Unicredit	14.4	0.3	0.6	-13.9	-9
UK banks	86.2	-0.1	-2.4	-6.2	-6
RSC	724.7	0.3	0.7	0.7	-5
RBS	254.5	0.0	5.5	-13.6	-8
Barclays	195.0	0.2	2.5	-6.7	-4
Lloyds	61.6	-0.8	-2.3	-7.0	-9
Large Spanish banks					
Santander	71.5	-0.8	4.2	-12.4	-16
Banco	4.7	-0.6	-3.7	-13.1	-15
BBVA	5.9	-1.0	-4.6	-11.7	-16
Medium Spanish banks					
Cajabank	71.5	-0.1	4.6	-10.1	-7
Cajabank	3.7	-0.5	-6.8	-11.7	-7
Sabadel	1.4	-0.6	5.4	-15.1	-15
Bankinter	8.5	0.7	2.7	5.7	7
Banica	3.3	0.6	4.9	-11.6	-19
Commodities (% change in currency deposit)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,160	-0.1	-1.5	-1.6	-4
GBPUSD	1.32	-0.3	-1.0	-2.8	-3
USDJPY	110.48	0.2	-0.4	0.3	2
DXY	94.86	0.1	1.3	1.5	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.96	1.1	-7.3	-15.0	-52
USDZAR (Brazil)	3.75	-0.6	-1.1	-1.5	-15
USDCJP (China)	637.37	-0.6	0.8	0.8	5
USDCOP (Colombia)	2928	-1.1	-2.5	-0.8	0
USDMMN (Mexico)	20.60	0.1	0.0	-4.4	-5
USDREN (Peru)	3.28	0.0	0.5	0.2	-1
LACI	56.76	0.1	-1.5	-3.5	-11
USDPLN (Poland)	3.70	-0.4	-2.3	-1.6	-7
USDINR (Russia)	63.55	-0.6	-1.1	-2.2	-11
USDTRY (Turkey)	4.72	0.2	4.4	5.8	25
USDQY (China)	6.44	0.0	0.6	-1.1	1
USDIDR (India)	67.99	0.0	0.8	0.4	-7
USDIDR (Indonesia)	13,932	0.0	0.0	0.9	-3
ADXY	108.8	-0.1	-0.9	-1.0	-1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	74.7	1.7	-2.3	-6	12
WTI	65	0.1	-1.4	-9	8
Copper	311	-0.9	-4.2	1	-4
Gold	1278	-0.1	-1.7	-1	-3
S&P Spot commodity *	464	-2.2	-2.5	-6	-6
S&P Brent Spot *	622	-3.4	-4.2	-8	-10
S&P Metals Spot *	386	-2.2	-3.6	-1	-3
S&P Agricultural *	297	-1.2	-1.8	-1	-4

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

Fuente: BBVA Research

Debt markets (10Y, %; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.55	0.4	3.1	-1	63
US	2.93	0.6	2.6	-19	46
GER (2-yr)	0.62	0.2	-1.4	5	-1
Germany	0.40	0.5	-9.5	-24	-7
France	0.72	-0.9	-18.3	-15	-10
Spain	1.25	-4.3	-18.7	-15	-36
Italy	2.55	-5.5	-28.4	-44	-46
Portugal	1.75	-7.4	-25.1	-5	-26
Greece	4.42	-7.4	-9.2	-2	-32
Japan (2-yr)	0.13	0.0	0.6	0	0
Japan	0.24	-0.9	2.3	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.09	0.0	45.0	184	184
Chile	4.60	0.0	3.5	6	9
Colombia	6.62	-0.7	5.0	0	18
Mexico	7.95	-4.3	8.3	21	38
Peru	5.44	2.1	10.7	15	56
Poland	3.22	-3.0	-7.6	-9	-10
Russia	7.87	12.7	35.0	52	33
Turkey	16.23	59.0	146.0	183	487
India	7.88	-1.2	8.5	0	49
Indonesia	7.30	0.0	0.0	8	100
Country risk (bp; changes in bps)					
Developed Markets					
10-yr sovereign spread vs Germany					
level	Daily	Weekly	Monthly	YTD	
France	33	-0.4	8.8	10	4
Italy	216	-5.0	-18.9	68	53
Portugal	135	-6.9	-15.2	19	-19
Spain	86	3.8	9.2	9	-29
2-yr sovereign spread vs Germany					
France	10	-2.4	-1.8	0	-7
Italy	114	-13.4	-5.4	56	77
Portugal	48	-1.6	-8.8	-11	-20
Spain	35	-3.4	-1.8	9	8
Emerging Markets					
5-yr sovereign CDS *					
level	Daily	Weekly	Monthly	YTD	
Brazil	269	-0.2	21	82	108
Chile	56	-1.3	2	1	7
Colombia	126	-1.1	5	17	21
Argentina	412	1.6	66	58	173
Mexico	144	-5.0	-6	25	37
Peru	89	-1.0	-1	6	17
Poland	64	-4.4	4	9	16
Russia	144	-4.0	9	12	27
Turkey	313	13.7	41	54	149
China	57	1.7	0	-1	7
India	88	-0.2	0	1	19
Indonesia	130	2.7	1	10	44
Risk indicators					
Volatility indicators (change in bps)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	0.6	0	-1	3
VSTOXX	14	1.6	0	1	0
EM EFT volatility index	19	2.0	2	0	2
Dinlerano volatility	6	0.4	0	0	1
EM FX volatility index	10	0.3	0	1	2
Credit spread (BAA) change in bps	187	-0.5	-2	6	10
US bonds volatility index	53	0.6	-5	-1	4
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US inflation expectations (5Y5Y)	2.44	-	0	-2	12
EZ inflation expectations (5Y5Y)	1.24	-	-1	1	0
Bonding 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	53	-0.4	-5	0	11
EZ	85	-1.0	-22	27	46
UK	52	0.3	-5	9	11
Large Spanish	81	3.7	-13	29	45
Medium Spanish	98	-1.3	-2	26	24
Corporate 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	144	-0.4	-5	0	11
EZ Non-financial	77	-1.0	-22	27	46
UK Non-financial	106	-0.8	-3	1	13
Interbank markets (%; changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.37	0	-1	0	1
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.18	0	0	0	0
Libor 3m	2.33	-1	0	0	63
Libor 12m	2.77	0	3	1	67
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,769	-0.4	0.5	1.8	3
Dow Jones	24,941	-0.6	-1.5	0.9	0
Nikkei	22,600	-0.5	0.5	0.7	0
FTSE 100	7,631	0.0	-1.4	-2.0	0
Euro Stoxx 50	3,467	-1.1	-0.4	3.5	-1
IBEX	9,769	-0.8	-1.3	-4.4	-3
DAX	12,834	-1.4	-0.1	2.1	0
CAC	5,450	-0.9	0.4	3.0	3
MI	22,099	-0.4	0.1	-7.2	1
ASE Athens	771	1.0	1.6	-1.9	-6
MSCI Latam *	80,976	-0.8	-1.3	-11.4	-6
Bovespa (Brazil)	89,664	-1.5	-3.7	-16.7	-11
Mexcel (Mexico)	46,586	-0.8	0.6	1.7	-7
Merval (Argentina)	28,341	-6.0	-10.6	-10.9	-9
MSCI EM Europe *	5,201	-1.1	-1.7	-5.2	-3
Poland	2,151	-2.4	-3.7	-4.6	-13
Moon 10 (Russia)	4,324	0.3	1.5	4.5	5
Ru 100 (Turkey)	93,043	-1.6	-3.7	-8.7	-24
MSCI EM Asia *	933	-0.3	-1.1	0.7	1
Shanghai Com (China)	3,022	0.0	-1.0	-4.2	-10
Jakarta Indonesia	5,094	0.0	0.0	2.6	-6
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks	141.8	-0.1	-2.2	-5.4	-5
JPM	108.0	0.1	2.5	-4.4	0
Ch	66.4	0.1	2.5	-7.2	-11
BoA	29.4	0.3	-2.3	-4.6	-2
MS	50.8	-0.7	-1.9	-7.4	-3
GS	229.9	-0.9	-1.8	-3.8	-10
EZ banks	91.7	-0.1	-2.0	-12.5	-16
BNP	54.0	-0.4	-1.3	-13.2	-13
Credit Agricole	11.8	-0.3	2.4	-13.5	-16
Deutsche Bank	9.5	-0.1	-2.0	-14.0	-41
ING	12.6	0.4	-2.5	-5.0	-18
Intesa	2.6	0.2	-1.3	-17.0	-7
SG	36.6	-1.0	-3.3	-12.4	-15
Unicredit	14.4	0.3	0.6	-13.9	-9
UK banks	86.2	-0.1	2.4	4.2	6
HSBC	724.7	0.3	-0.7	0.7	5
RBS	254.5	0.0	5.5	-13.6	-8
Barclays	195.0	0.2	2.5	6.7	4
Lloyds	61.6	-0.8	-2.3	-7.0	-9
Large Spanish banks	71.5	-0.8	-4.2	-12.4	-16
Santander	4.7	-0.6	-3.7	-13.1	-15
BBVA	5.9	-1.0	-4.6	-11.7	-16
Medium Spanish banks	71.5	-0.1	-4.6	-10.1	-7
Cabotank	3.7	-0.5	6.8	-11.7	-7
Sabadell	1.4	-0.6	5.4	-15.1	-15
Bankinter	8.5	0.7	2.7	5.7	7
Banisa	2.3	-0.6	4.9	-11.6	-15
Commodities (%; red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1,160	-0.1	-1.5	-1.6	-4
GBPUSD	1,132	0.3	1.0	2.8	-3
USDJPY	110.48	0.2	-0.4	0.3	2
DX	94.85	0.1	1.3	1.5	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.96	1.1	-7.3	-15.0	-52
USDBRL (Brazil)	3.75	-0.6	-1.1	-1.5	-15
USDCUP (Cuba)	631.37	-0.6	0.8	0.8	-5
USDCOP (Colombia)	2928	-1.1	2.5	0.8	0
USDMXN (Mexico)	20.60	0.1	0.0	-4.4	-5
USDPEN (Peru)	3.28	0.0	0.5	0.2	-1
LACI	56.76	0.1	-1.5	-3.5	-11
USDPLN (Poland)	3.70	-0.4	2.3	1.6	-7
USDRUB (Russia)	63.55	-0.6	-1.1	-2.2	-11
USDTRY (Turkey)	4.72	0.2	-4.4	-5.8	-25
USDCHF (China)	6.44	0.0	0.6	1.1	1
USDINR (India)	67.99	0.0	0.8	0.4	-7
USDIDR (Indonesia)	13,932	0.0	0.0	0.9	-3
ADXY	108.8	-0.1	0.9	-1.0	-1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	74.7	1.7	2.3	-6	12
WTX	65	0.1	-1.8	-9	8
Copper	311	-0.9	-4.2	1	-4
Gold	1278	-0.1	-1.7	-1	-3
S&P Spot commodity *	464	-2.2	-2.5	6	5
S&P Brent Spot *	622	-3.4	-4.2	8	10
S&P Metals Spot *	386	-2.2	-3.6	-1	-2
S&P Agriculture *	297	-1.2	-1.8	-1	4

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

Fuente: BBVA Research

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