

Market Comment | Markets benefited from today's easing in trade tensions

Global Financial Markets Unit
27 Jun 2018

- **After some sessions of high uncertainty and volatility across the board, easing tensions in global trade issues contributed to give a temporary break to risky assets in financial markets.** The US administration hinted it could follow a softer approach to limit the acquisition of American technologies by China: The US could strengthen its current national security review panel, instead of imposing specific restrictions on China ([see](#)).
- In this context, safe-haven flows moderated and the downward trend in **core yields, the US Treasury and the German Bund, softened.** Against this backdrop, European peripheral risk premia narrowed, led by Italy.
- Meanwhile, the VIX edged back below 16% once fresh news tempered the risk-aversion mood, for the time being. In this context, **European stock markets showed gains after a doubtful start dragged down by cyclical sectors, while the US indices are recovering from last week's sharp declines.** However, this softening in trade tensions was not capitalized on by Asian equity markets, which continued to suffer, with China's assets underperforming ([see](#)).
- In the FX market, **the USD appreciated against its main peers, but particularly against the EUR, which is hovering around 1.16 to the USD.**
- The USD's strength hampered EM currencies, but those closely related to oil prices, such as the Colombian peso and the Russian rouble, benefited from the sharp increase in oil prices (above \$77 per barrel) after the release of US oil inventories ([see](#)).

Table 1

Update 18:0 CET June 27

Debt markets (10Y % change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10Y	2.51	-1.9	-5.2	4	60
US	2.84	-3.5	9.7	9	38
GER (2-yr)	-0.67	-0.4	2.5	0	6
Germany	0.32	-1.9	5.6	2	15
France	0.71	-2.5	0.3	2	-11
Spain	1.36	-3.8	10.8	-17	-26
Italy	2.81	-8.0	26.0	13	71
Portugal	1.85	-3.6	10.0	22	-16
Greece	4.05	-6.6	-31.7	-44	-6
Japan (2-yr)	-0.13	0.3	0.5	1	1
Japan	0.04	0.0	0.4	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.98	4.5	15.1	82	173
Chile	4.56	0.5	2.2	1	7
Colombia	6.55	-2.6	-3.8	-6	11
Mexico	7.90	3.5	10.8	5	12
Peru	5.30	-0.7	-14.6	-7	43
Poland	3.21	-0.9	2.9	2	11
Russia	7.87	1.7	6.5	45	23
Turkey	15.97	-29.0	-21.0	230	461
India	7.67	4.2	4.4	13	49
Indonesia	7.79	5.8	49.7	64	149
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	39	-0.6	5.9	4	11
Italy	249	-6.1	31.6	15	86
Portugal	153	-1.7	15.6	-20	-2
Spain	103	-1.9	16.4	-15	-11
2-yr sovereign spread vs Germany					
France	23	-0.4	12.7	12	7
Italy	157	-14.7	34.1	0	120
Portugal	57	-0.5	8.8	-40	-11
Spain	45	-1.8	8.9	-10	18
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	259	-2.0	-10	67	98
Chile	58	-0.6	-1	5	9
Colombia	122	-2.8	-7	9	17
Argentina	409	6.0	6	62	170
Mexico	131	-3.4	-12	11	25
Peru	87	-1.7	6	1	15
Poland	67	0.5	3	7	18
Russia	142	-1.1	-11	15	25
Turkey	365	-2.9	-20	41	141
China	63	1.4	4	7	12
India	91	0.3	0	2	22
Indonesia	124	1.3	4	17	49
Risk indicators					
Volatility indicators (change in ppt)					
level	Daily	Weekly	Monthly	YTD	
VIX	16	-0.2	3	2	6
VSTOXX	17	-0.5	3	-1	4
EM EFT volatility index	21	0.9	3	3	5
Dollar euro volatility	7	0.0	0	0	1
EM FX volatility index	9	-0.1	0	0	2
Credit spread (BAA) (change in bp)	203	3.5	12	18	25
US bonds volatility index	51	1.7	1	3	2
Inflation indicators (bps)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.42	-	-	3	10
EZ Inflation expectations (5Y5Y)	1.73	-	-	4	-1
Inflation (YoY %)					
level	Daily	Weekly	Monthly	YTD	
US	57	-0.9	2	2	15
EZ	99	2.1	10	22	60
UK	58	1.1	4	6	17
Large Spanish	98	2.9	12	12	63
Medium Spanish	95	1.1	4	4	20
Commodity prices (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	156	-0.9	2	2	15
EZ Non-financial	83	2.1	10	22	60
UK Non-financial	110	0.8	1	2	17
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
LIBOR Index	-0.36	0	0	0	1
Eurobor 3m	-0.32	0	0	0	1
Earlibor 12m	-0.18	0	0	1	1
Libor 3m	2.34	0	1	2	64
Libor 12m	2.77	0	1	4	66
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,736	0.5	-1.1	0.5	1
Dow Jones	24,422	0.8	-0.8	-1.1	-1
Nikkei	22,272	-0.3	1.3	0.9	-2
FTSE 100	7,622	1.1	-0.1	-1.4	0
HangSeng 50	3,397	0.8	-1.2	-2.5	-3
IBEX	8,659	0.2	-1.3	-1.1	-4
DAX	12,349	0.9	2.7	4.0	4
CAC	5,377	0.8	0.8	-3.3	1
MIB	21,558	0.6	2.5	1.7	-1
ASE Athens	768	-0.1	0.3	1.6	6
MSCI Latam *	80,964	0.5	0.9	5.2	6
Ibovespa (Brazil)	71,232	-0.2	-1.2	5.5	9
Merbi (Mexico)	46,877	-0.1	0.3	4.5	6
IBVL (Argentina)	22,277	-4.2	-6.3	-4.8	-12
MSCI Europe *	5,169	-0.3	0.9	-3.9	-4
Poland	2,143	-0.5	-0.5	-3.4	-13
Wse 10 (Russia)	4,414	1.0	0.6	1.7	7
Wse 100 (Turkey)	95,955	1.6	1.5	9.9	-18
MSCI EM Asia	892	-0.4	-2.1	-4.5	-3
Shanghai Com (China)	2,813	-1.1	3.5	16.3	-16
Jakarta Indonesia	5,788	-1.2	-3.4	-3.1	-9
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	126.2	0.5	2.1	5.3	-7
C	105.0	0.2	-2.3	-5.1	-3
Ch	66.9	1.0	-0.7	-2.2	-10
Ba	28.6	0.1	2.3	5.2	-4
MS	48.2	0.8	-3.4	-9.1	-8
GS	223.9	1.0	-1.7	-4.7	-12
EZ banks					
BNP	89.2	-0.4	-3.2	-8.2	-18
Credit Agricole	52.9	0.2	-1.6	-11.8	-15
Diada Bank	11.5	-0.3	-1.7	-7.6	-18
Diada Bank	9.1	-1.7	16.6	-13.0	-43
ING	12.4	0.2	-2.1	-5.3	-19
Intesa	2.4	-1.5	-6.6	-4.4	-11
SC	35.9	0.3	-1.1	-10.0	-12
Unicredit	13.9	-1.8	-6.7	-6.2	-12
UK banks	85.0	-0.1	-1.6	-6.9	-8
RBS	710.4	0.3	2.3	-3.1	-7
RBS	254.8	-1.1	-1.2	-12.0	-8
Barclays	188.0	-0.6	-2.9	-8.8	-7
Lloyds	61.8	0.7	0.3	5.8	-9
Large Spanish banks					
Santander	71.3	-0.7	-1.8	-4.4	-16
Santander	4.6	-0.8	-3.0	-6.3	-16
BBVA	6.0	0.8	0.7	2.7	16
Medium Spanish banks					
Cajabank	69.9	0.0	3.1	5.7	9
Cajabank	3.8	0.0	-4.3	-8.0	-10
Sabadel	1.4	0.5	-2.7	-12.1	-16
Bankinter	8.3	0.1	-3.4	-0.2	5
Banisa	3.2	-0.9	1.9	-6.4	-20
Commodities (% change in currency deposit)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,159	-0.5	0.1	0.3	-4
GBPUSD	1,311	-0.6	0.2	1.3	-3
USDJPY	110.36	-0.3	0.0	0.9	2
DXY	95.12	0.5	0.0	0.7	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.28	-0.7	1.7	-10.4	-48
USDZAR (Brazil)	3.85	-1.3	-2.0	-3.0	-18
USDCJP (China)	647.13	-1.0	1.3	3.6	7
USDCOP (Colombia)	2942	-0.4	0.5	2.3	0
USDMXN (Mexico)	20.06	-0.5	1.5	2.4	3
USDREN (Peru)	3.27	-0.1	0.2	0.1	-1
LACI	56.80	-0.8	-0.1	3.2	-11
USDPLN (Poland)	3.75	-0.8	-0.6	-1.3	-9
USDINR (Russia)	63.06	0.0	0.8	1.2	-10
USDTRY (Turkey)	4.63	-0.3	2.2	0.9	23
USDCHF (China)	6.61	-0.4	2.1	3.3	-2
USDIDR (India)	68.63	-0.6	0.8	1.8	-8
USDIDR (Indonesia)	14,179	0.0	-1.8	-1.3	-5
ADXY	107.1	0.5	-1.3	-2.5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	76.1	2.4	4.5	4	17
WTI	73	2.4	10.2	7	21
Copper	299	-0.4	-2.0	-3	-8
Gold	1255	-0.3	-1.0	-3	-5
S&P Spot commodity *	473	1.5	2.0	2	7
S&P Brent Spot *	648	2.1	2.4	0	14
S&P Metals Spot *	372	-0.2	-1.1	-4	-6
S&P Agricultural *	285	-0.4	-1.5	-10	0

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

Fuente: BBVA Research

Debt markets (10Y, %; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.51	-1.9	-5.2	-4	60
US	2.84	-3.5	-9.7	9	38
GER (2-yr)	-0.67	-0.4	-3.5	0	-6
Germany	0.32	-1.9	-5.6	-2	-15
France	0.71	-2.5	0.3	2	-11
Spain	1.36	-3.8	-10.8	-17	-26
Italy	2.81	-8.0	-26.0	13	-71
Portugal	1.85	-3.6	-10.0	-22	-16
Greece	4.05	-5.6	-17.7	-44	-6
Japan (2-yr)	0.13	0.3	0.5	1	1
Japan	0.24	0.0	-0.4	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.98	8.5	15.1	82	173
Chile	4.59	-0.5	-2.2	1	7
Colombia	6.55	-2.6	-3.8	-6	-11
Mexico	7.70	2.5	-10.8	5	12
Peru	5.30	-0.7	-1.6	-7	-43
Poland	3.21	-0.9	2.9	-2	-11
Russia	7.87	1.7	6.5	45	23
Turkey	15.97	-29.0	-21.0	230	461
India	7.87	4.2	4.4	13	49
Indonesia	7.79	5.8	49.7	64	149
Country risk (bp; changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	39	-0.6	5.9	4	11
Italy	249	-6.1	31.6	15	86
Portugal	153	-1.7	15.6	-20	-2
Spain	103	-1.9	16.4	-15	-11
2-yr sovereign spread vs Germany					
France	23	-0.4	12.7	12	7
Italy	157	-14.7	34.1	0	120
Portugal	57	-0.5	8.8	-40	-11
Spain	45	-1.8	8.9	-10	18
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	259	-2.0	10	67	98
Chile	58	-0.6	-1	5	9
Colombia	122	-2.8	-7	9	17
Argentina	409	6.0	-6	62	170
Mexico	131	-1.4	-12	11	25
Peru	87	1.7	-6	1	15
Poland	67	0.5	3	7	18
Russia	142	-1.1	-11	15	25
Turkey	305	-2.8	-20	41	141
China	63	1.4	4	7	12
India	91	0.3	0	2	22
Indonesia	134	-1.3	-4	17	49
Risk indicators					
Volatility indicators (change in bps)	level	Daily	Weekly	Monthly	YTD
VIX	16	-0.2	3	2	6
VSTOXX	17	-0.1	3	-1	-4
EM EFT volatility index	21	0.9	3	3	5
Dineros volatility	7	0.0	0	0	1
EM FX volatility index	9	-0.1	0	0	2
Credit spread (BAA) (change in bps)	203	3.5	12	18	25
US bonds volatility index	51	-1.7	-1	-3	-7
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.42	-	-2	3	10
EZ Inflation expectations (5Y)	1.23	-	-1	4	-1
Brexit 5-yr CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	57	-0.9	2	2	15
EZ	99	2.1	10	22	60
UK	58	1.1	4	6	17
Large Spanish	98	2.9	12	12	63
Medium Spanish	95	-1.1	-4	7	20
European 5-yr CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	156	-0.9	2	2	15
EZ Non-financial	83	2.1	10	22	60
UK Non-financial	130	0.8	1	2	17
Interbank markets (%; changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EURIBOR Index	-0.36	0	0	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.18	0	0	1	1
Libor 3m	2.34	0	1	2	64
Libor 12m	2.77	0	1	4	66
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,736	0.5	-1.1	0.5	1
Dow Jones	24,472	0.8	-0.8	-1.1	-1
Nikkei	22,272	-0.3	-1.3	0.9	-2
FTSE 100	7,622	1.1	-0.1	-1.4	0
Euro Stoxx 50	3,397	0.8	-1.2	2.5	-3
IBEX	9,659	0.2	-1.3	-1.1	-4
DAX	12,349	0.9	-2.7	-4.0	-4
CAC	5,327	0.9	-0.8	3.3	1
MI	21,558	0.6	-2.5	-1.7	-1
ASE Athens	768	-0.1	0.3	1.6	-6
MSCI Latam *	80,964	0.5	0.0	5.2	-6
Bovespa (Brazil)	71,232	-4.2	-1.2	5.8	-9
Mexcel (Mexico)	46,877	-0.1	0.3	4.5	-6
Merval (Argentina)	27,277	-4.2	6.3	4.8	-12
MSCI EM Europe *	5,169	-0.3	0.9	3.9	4
Poland	2,143	-0.5	0.5	3.4	-13
Moon 10 (Russia)	4,414	1.0	0.6	-1.7	7
Ru 100 (Turkey)	95,955	-1.6	1.5	9.9	-18
MSCI EM Asia *	892	-0.4	-2.1	-4.5	-3
Shanghai Com (China)	2,813	-1.1	-3.5	-10.3	-16
Jakarta Indonesia	5,788	-1.2	-3.4	-3.1	-9
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	106.0	0.2	-2.3	5.1	-3
Ch	66.9	1.0	0.7	-2.2	-10
BoA	28.6	0.1	-2.3	5.2	-4
MS	48.2	0.8	-3.4	9.1	-8
GS	229.9	1.0	-1.7	-4.2	-12
EZ banks					
BNP	52.9	0.2	-1.6	-11.8	-15
Credit Agricole	11.5	-0.3	-1.7	7.6	-18
Deutsche Bank	9.1	-1.7	-5.6	-12.0	-43
ING	12.4	0.2	-2.1	-5.3	-19
Intesa	2.4	-1.5	16.6	-4.4	-11
SG	35.9	0.3	-1.1	-10.9	-17
Unicredit	13.9	-1.8	-6.7	-6.2	-12
UK banks					
HSBC	85.0	-0.1	-1.6	4.9	-6
HSBC	710.4	0.3	-2.3	-3.1	-7
RBS	254.8	-1.1	-1.2	-12.0	-8
Barclays	188.0	-0.6	-2.9	8.8	-7
Lloyds	61.8	0.7	0.3	-5.8	-9
Large Spanish banks					
Santander	71.3	-0.7	-1.8	-4.4	-16
BBVA	4.6	-0.6	-3.0	6.3	-16
Medium Spanish banks	6.0	-0.8	-0.7	2.7	-16
CaixaBank	69.9	0.0	-3.1	-5.7	-9
Sabadell	3.6	0.0	-4.3	8.8	-10
Bankinter	1.4	0.5	-2.7	-12.1	-16
Bankia	8.3	0.1	-3.4	0.2	5
Banisa	2.2	-0.8	-1.8	-6.4	-20
Commodities (%; red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,159	-0.5	0.1	0.3	-4
GBPUSD	1,311	-0.2	0.2	-1.3	-3
USDJPY	110.36	-0.3	0.0	0.9	2
DX	95.12	0.5	0.0	0.7	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Argentina)	27.28	-0.7	1.7	-10.4	-48
USDTRY (Brazil)	3.85	-1.3	-2.0	3.0	-18
USDCOP (Colombia)	647.13	-1.0	1.3	3.6	-7
USDCOP (Colombia)	294.2	-0.4	0.5	2.3	0
USDMXN (Mexico)	20.06	-0.5	1.5	-2.4	-3
USDPEN (Peru)	3.27	-0.3	0.1	-1.1	-1
LACI	56.80	-0.8	0.1	3.2	-11
USDPLN (Poland)	3.75	-0.8	0.6	1.3	-9
USDINR (India)	63.06	0.0	0.8	-1.2	-10
USDTRY (Turkey)	4.63	-0.3	2.2	0.9	-23
USDCHF (China)	6.61	-0.4	2.1	3.3	-2
USDINR (India)	68.63	-0.6	0.8	-1.8	-8
USDIDR (Indonesia)	14,179	0.0	-1.8	-1.3	-5
ADXX	107.1	-0.5	-1.3	-2.5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	78.1	2.4	4.5	4	17
WTX	7.3	3.4	10.2	7	21
Copper	2.99	-0.4	-2.0	-3	-8
Gold	1255	-0.3	-1.0	-3	-5
S&P Spot commodity *	473	1.5	2.0	-2	7
S&P Brent Spot *	648	2.1	2.4	0	14
S&P Metals Spot *	372	-0.3	-1.1	-4	-6
S&P Agriculture *	285	-0.4	-1.5	-10	0
* 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