

Market Comment | Trade frictions weighed on equities and commodities

Global Financial Markets Unit

11 Jul 2018

- **Risk-off mood in financial markets as trade strains reignited** after China announced retaliations following the US decision to impose new tariffs on \$200 billion worth of imports from China _____ (see). □ **Chinese assets were the most penalized, leading the drop on stock markets across the board**, while trade jitters prompted flows to safe-haven, with core yields declining and the USD strongly appreciating at the start of the session. In this context of trade tensions, the Bank of Canada raised its benchmark interest rate by 25 bps due to increasing inflation expectations (see).
- Nonetheless, **the euro trimmed depreciation after comments from ECB officials** suggesting a “lift-off” may be earlier than the markets’ expectation (see). The 10Y German yield also bounced back, ending with minor changes, while the US 10Y yield inched up due to the higher-than-expected price production data (PPI) (see).
- In Fx markets, **the dollar appreciated slightly against other G-10 currencies, appreciating more against EM currencies on global trade concerns**. Pressure on EM currencies continued due to ongoing global trade and political concerns. Moreover, the TRY depreciated sharply due to a rising current account deficit (see). In addition, falls in commodity prices also weighed on EM currencies. **Brent prices fell sharply after** Libya announced the normalization of oil exports, driving prices below \$77 per barrel (see). **Industrial metals declined**, with copper slumping by more than 3% as trade concerns escalated (see).

Table 1

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Debt markets (% change in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US GYV	2.58	1.2	5.8	6	66
US	2.86	0.7	2.6	10	39
GER (2-yr)	-0.63	0.6	2.9	-3	-2
Germany	0.37	-0.7	0.8	-18	-15
France	0.65	-0.6	0.5	-26	-17
Spain	1.30	2.6	0.5	-14	-31
Italy	2.69	1.8	3.5	-15	59
Portugal	1.77	1.8	1.7	-23	-24
Greece	3.88	2.8	8.5	-63	-22
Japan (2-yr)	-0.13	-0.3	0.0	0	1
Japan	0.04	1.4	0.6	-1	-1
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.25	-4.2	-10.2	-39	100
Chile	4.61	0.1	0.1	4	9
Colombia	6.55	-0.2	0.4	-2	11
Mexico	7.72	3.6	9.8	-16	14
Peru	5.15	-0.7	-10.9	-18	27
Poland	3.18	-2.7	-6.2	-11	13
Russia	7.71	0.7	-1.1	9	7
Turkey	17.70	80.0	77.0	293	634
India	7.87	-2.9	1.9	-9	49
Indonesia	7.53	16.0	-21.7	23	123
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	0.1	-0.3	-8	-7
Italy	232	2.5	2.7	3	75
Portugal	141	2.5	0.8	-5	-8
Spain	94	3.3	-0.3	4	-16
2-yr sovereign spread vs Germany					
France	18	-0.5	-1.1	7	2
Italy	142	2.7	8.6	-27	106
Portugal	55	1.3	1.0	-1	6
Spain	37	-0.4	-4.1	0	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
1-yr sovereign CDO *					
Brazil	240	-4.7	-23	8	79
Chile	57	-0.5	-5	-1	8
Colombia	163	-2.0	-12	-18	-2
Argentina	422	2.9	-18	77	184
Mexico	110	-1.6	-20	-39	3
Peru	84	-1.6	-7	-6	12
Poland	62	0.6	-1	-7	13
Russia	126	-2.5	13	10	8
Turkey	361	26.6	3	28	134
China	68	0.5	-1	11	17
India	100	-3.0	-2	12	31
Indonesia	123	2.2	13	5	38
Risk indicators					
Volatility indicators (change in ppt)					
level	Daily	Weekly	Monthly	YTD	
VIX	14	1.1	-2	1	4
VSTOXX	15	1.6	-2	1	1
EM EFT volatility Index	19	1.7	3	2	3
Dollar Euro volatility	7	0.1	-1	-1	0
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bp)	192	-0.7	-7	3	15
US bonds volatility index	50	0.1	-1	-3	1
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
EZ Inflation expectations (5Y5Y)	2.41	-	-4	-3	9
US Inflation expectations (5Y5Y)	1.73	-	-1	-3	-1
Brexit (FYCC, %pp)					
level	Daily	Weekly	Monthly	YTD	
US	55	0.6	-2	-4	13
EZ	87	-1.5	-9	-20	48
UK	61	0.6	-1	4	21
Large Spanish	84	0.2	-12	-11	48
Medium Spanish	93	-1.7	-4	-8	18
Commodity prices (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	157	0.6	-2	-4	13
EZ Non-financial	79	-1.5	-9	-20	48
UK Non-financial	105	-1.0	-5	-4	12
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	0	1
Libor 3m	2.34	0	0	1	64
Libor 12m	2.78	1	1	4	67
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,776	-0.6	2.3	0.2	3
Dow Jones	24,723	-0.8	2.3	2.4	0
Nikkei	21,932	-1.2	1.0	3.8	-4
FTSE 100	7,592	-1.3	0.2	1.9	-1
Euro Stoxx 50	3,422	-1.5	0.3	-1.7	-2
IBEX	9,734	-1.6	0.2	-1.7	-3
DAX	12,417	-1.5	0.8	3.3	-4
CAC	5,354	-1.5	0.8	-2.8	1
MIB	21,708	-1.6	0.1	1.7	-1
ASE Athens	747	-1.1	0.3	-1.6	-9
MSCI LatAm *	84,113	-0.2	2.1	2.5	2
Bovespa (Brazil)	74,521	-0.5	0.3	3.1	4
Merck (Mexico)	48,829	-0.3	3.2	5.5	2
Merval (Argentina)	27,484	-0.5	0.8	-13.3	-12
MSCI EM Europe *	5,402	-0.2	2.0	2.1	0
Poland	2,154	-1.1	-1.3	3.6	-12
Index 10 (Russia)	4,537	-1.2	1.2	3.4	10
Isx 100 (Turkey)	91,289	-5.2	6.1	5.6	-22
MSCI EM Asia	887	0.2	1.0	6.0	-4
Shanghai Com (China)	2,278	-1.8	0.7	9.0	-17
Jakarta Indonesia	5,893	1.5	4.6	1.7	-7
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	106.6	0.0	2.9	3.8	-1
Ch	68.2	-0.1	3.2	0.1	-8
Ba	28.7	-0.4	3.3	-4.5	-4
MS	47.8	-0.6	1.7	-7.6	-8
GS	226.3	-0.2	2.7	3.3	-11
EZ banks					
BNP	89.8	-1.6	0.6	-4.0	-18
Credit Agricole	11.4	-1.7	-0.3	6.0	-19
Diocete Bank	9.6	-1.7	2.6	1.1	-40
ING	12.4	-1.3	0.5	-4.1	-19
Intesa	2.5	-2.0	-2.2	-4.3	-10
SC	36.1	-1.3	0.6	-4.5	-16
Unicredit	14.3	-1.9	2.2	0.8	-9
UK banks					
RBS	700.4	-0.9	0.2	-4.1	-8
RBS	245.0	0.2	-2.2	9.0	-12
Barclays	187.5	0.5	0.9	6.3	8
Lloyds	62.3	-0.3	0.0	-1.1	-8
Large Spanish banks					
Santander	4.6	-2.3	-0.1	-3.9	-15
BBVA	6.0	-0.7	1.5	2.6	15
Medium Spanish banks					
Cajabank	71.5	-2.1	0.8	4.5	-7
Sabadell	3.8	-2.5	-1.0	-5.3	-6
Banque	1.4	-3.6	-1.7	-5.8	-15
Bankinter	8.6	-0.9	0.7	2.3	8
Banisa	3.2	2.4	2.4	-7.1	-21
Commodities (% change in currency deposit)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,172	-0.2	0.6	0.5	-3
GBPUSD	1,32	-0.3	0.1	1.8	-3
USDJPY	111.53	-0.5	-0.9	-1.4	1
DXY	94.34	0.2	0.2	0.8	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	27.55	-0.7	1.8	5.8	-50
USD BRL (Brazil)	3.86	-1.3	1.3	-4.1	-18
USDCJP (China)	652.36	-0.8	0.0	3.2	8
USDCOP (Colombia)	2881	-0.4	0.8	0.9	2
USD MEX (Mexico)	19.00	-0.4	2.4	7.8	3
USD PEN (Peru)	3.28	-0.2	0.3	0.4	-1
LACI	57.73	-0.9	1.5	0.2	-9
USD PHP (Philippines)	3.70	-0.6	1.6	-2.2	-7
USD RUB (Russia)	62.07	-0.4	2.0	1.2	6
USD TRY (Turkey)	4.83	-2.5	3.4	6.7	-28
USD CNY (China)	6.68	-0.7	0.8	-4.4	-3
USD INR (India)	68.77	0.1	0.9	2.8	6
USD IDR (Indonesia)	14,385	-0.1	-0.2	3.3	-6
ADXY	106.5	0.5	0.3	3.0	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	76.4	-3.1	-2.4	0	15
WTI	72	-2.9	-2.3	10	20
Copper	274	-3.2	5.8	-16	-16
Gold	1247	-0.7	-0.8	-4	-6
S&P Spot commodity *	481	0.1	0.1	1	9
S&P Brent Spot *	670	0.9	1.3	3	18
S&P Metals Spot *	353	-1.3	-2.0	-12	-10
S&P Agricultural *	281	-1.1	0.6	-7	-1

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

Fuente: BBVA Research

Debt markets (10Y, %, changes in bps)					
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Spain	1.30	2.6	0.5	-14	-33
Portugal	1.77	1.8	1.7	-23	-24
Greece	3.88	2.8	6.2	-63	-22
Japan (2-yr)	0.13	-0.3	0.0	0	1
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Peru	84	1.6	-7	-6	12
Poland	62	0.6	-1	-7	13
Russia	186	-2.5	-13	-10	8
Turkey	391	26.6	3	28	136
China	68	0.5	-1	11	17
India	100	-3.0	-2	12	31
Indonesia	123	-2.2	-13	-5	38
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Volatility indicators (change in bps)					
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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	0	1
Libor 3m	2.34	0	0	1	64
Libor 12m	2.78	1	1	4	67
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Poland	2,154	-1.1	-1.3	3.6	-12
Moon 10 (Russia)	4,537	-1.2	1.2	3.4	10
Ru 100 (Turkey)	91,289	-5.2	-6.1	5.6	-22
MSCI EM Asia *	897	0.2	1.0	6.0	-4
Shanghai Com (China)	2,778	-1.8	0.7	9.0	-17
Jakarta Indonesia	5,093	-1.5	1.6	-1.7	-7
European banks					
level	Daily	Weekly	Monthly	YTD	
US banks	131.6	-0.3	-2.9	9.3	-11
JPM	106.6	0.0	2.9	3.2	-1
Ch	68.2	-0.1	1.2	0.1	-8
BoA	28.7	-0.4	3.3	4.5	-4
MS	47.8	-0.6	1.7	7.6	-8
GS	226.3	-0.2	2.7	3.3	-11
EZ banks	89.8	-1.6	0.6	-4.0	-18
BNP	52.6	-1.5	-1.2	3.8	-15
Credit Agricole	11.4	-1.7	0.3	4.0	-19
Deutsche Bank	9.6	-1.7	2.6	-1.1	-40
ING	12.4	-1.3	0.5	-4.1	-19
Intesa	2.8	-2.0	7.2	-4.3	-10
SG	36.1	-1.3	0.6	-4.5	-16
Unicredit	14.3	-1.9	-2.2	0.8	-9
UK banks	84.1	-0.2	0.1	-4.8	-9
HSBC	700.4	-0.9	0.2	-4.1	-8
RBS	245.0	0.2	-2.2	9.0	-12
Barclays	187.5	0.5	0.9	6.3	-8
Lloyds	62.3	-0.3	0.0	-1.1	-8
Large Spanish banks	72.2	-2.5	0.8	3.2	-15
Santander	4.6	-2.3	0.1	3.9	-15
BBVA	6.0	-2.7	-1.5	2.6	-15
Medium Spanish banks	71.5	-2.1	-0.8	-4.5	-7
Casabank	3.8	-2.5	1.8	5.3	-6
Sabadell	1.4	-3.6	-1.7	5.8	-15
Bankinter	8.6	-0.9	0.7	2.3	8
Banisa	2.2	-2.4	-2.4	-7.1	-31
Commodities (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1,172	-0.2	0.6	0.5	-3
GBPUSD	1,322	-0.3	0.1	-1.8	-3
USDJPY	111.53	-0.5	-0.9	-1.4	1
DX	94.34	0.2	0.2	0.8	3
Emerging					
USDARS (Argentina)	27.55	-0.7	1.8	-5.8	-50
USD BRL (Brazil)	3.86	-1.3	1.3	-4.1	-18
USDCOP (Colombia)	652.36	-0.8	0.6	3.2	-8
USDCOP (Columbia)	2881	-0.4	0.8	0.9	2
USD MXN (Mexico)	19.00	-0.4	2.4	7.8	3
USD PEN (Peru)	3.28	-0.2	0.3	0.4	-1
LACI	57.73	-0.9	1.5	0.2	-9
USD PLN (Poland)	3.70	-0.6	1.6	2.2	-7
USD RUB (Russia)	62.07	-0.4	2.0	1.2	-8
USD TRY (Turkey)	4.83	-2.5	-3.4	6.7	-28
USD CNY (China)	6.68	-0.7	0.8	4.4	-3
USD INR (India)	68.77	0.1	0.0	2.0	-8
USD IDR (Indonesia)	14,385	-0.1	0.2	3.3	-6
ADXX	106.5	-0.5	0.3	3.0	-3
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	76.4	-3.1	-2.4	0	15
WTX	7.2	-2.3	-2.3	-1.0	20
Copper	274	-3.2	5.8	-16	-16
Gold	1247	-0.7	0.6	-4	-5
S&P Spot commodity *	481	-0.1	0.1	1	9
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Fuente: BBVA Research

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