

Market Comment | Trade worries linger in financial markets

Global Financial Markets Unit
04 Sep 2018

- **Cautious tone in financial markets as trade worries continued lingering.** Investors' focus remained on tomorrow's NAFTA talks between the US and Canada, and the possibility of fresh US tariffs on Chinese imports at the end of the week.
- **In this context, tensions prompted outflows from developed equity markets.** After yesterday's US holiday in which markets were closed, US stocks opened with losses, despite the release of higher-than-expected confidence data for the US ([see](#)). European equity indices also dropped, while in Asia, Chinese stocks recovered from yesterday's losses.
- **Despite surrounding risks, core yields inched up:** the 10Y Treasury reached the 2.90% threshold while the 10Y Bund yield continued below 0.4%. Italy's risk premium continued to narrow from recent high levels, while other peripheral risk premia remained steady.
- **The USD benefited from the cautious mood in the markets and appreciated across the board, while the EUR fell below 1.16 against the USD.** In EM markets, pressure continued on currencies: the South African Rand fell sharply after poor growth data ([see](#)), while the Mexican peso felt the pressure ahead of NAFTA talks. The announcement of fiscal measures in Argentina was not enough to calm markets and the ARS continued its downward trend ([see](#)).
- **Crude oil prices continued to increase due to a weather-related issue in the Gulf of Mexico which affected crude production,** adding more pressure to concerns on oil supply ([see](#)).

Table 1

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Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.05	0.6	-1.2	1	23
US	2.90	4.2	2.2	-5	44
GER (2 yr)	0.58	2.3	0.4	1	3
Germany	0.36	2.5	-2.2	-5	-16
France	0.69	0.1	-2.5	-5	-13
Spain	1.43	2.3	-2.8	1	-25
Italy	3.01	-15.0	-17.6	8	92
Portugal	1.86	-4.2	-1.2	8	-15
Greece	4.56	10.9	36.4	46	46
Japan (2 yr)	-0.11	0.5	0.3	0	2
Japan	0.12	0.5	2.5	1	8
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.35	0.2	25.6	120	210
Chile	4.95	1.2	0.8	-11	-7
Colombia	6.85	1.7	0.1	-2	41
Mexico	7.99	6.3	15.2	28	41
Peru	5.14	0.3	2.4	8	26
Poland	3.22	0.6	5.7	10	9
Russia	8.93	14.0	17.4	100	130
Turkey	19.92	-29.0	-77.0	157	856
India	8.06	6.3	16.6	30	63
Indonesia	6.40	8.9	47.1	38	211
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	34	-2.4	0.3	0	4
Italy	265	-17.5	-15.4	13	108
Portugal	151	-6.7	1.8	13	2
Spain	107	-4.8	-0.6	5	-8
2 yr sovereign spread vs Germany					
France	17	-0.8	-1.1	-3	0
Italy	171	-28.9	-14.0	12	134
Portugal	46	-2.3	3.2	2	-4
Spain	31	2.5	4.3	1	4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS*					
Brazil	307	7.1	26	92	147
Chile	56	0.5	3	7	7
Colombia	111	0.0	3	6	6
Argentina	778	0.0	187	346	540
Mexico	120	0.0	7	3	13
Peru	83	0.0	2	5	11
Poland	63	0.0	0	1	14
Russia	168	1.1	5	30	59
Turkey	580	-1.8	101	238	416
China	61	0.0	5	-3	10
India	88	0.1	-1	-1	19
Indonesia	130	3.2	15	12	45
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	14	0.7	1	2	4
VSTOXX	16	0.9	3	3	3
EM CT volatility index	22	2.1	3	4	6
Dollar/euro volatility	8	0.3	1	1	1
EM FX volatility index	13	0.1	0	2	5
Credit spread (BAA)(change in bps)	188	-4.2	-2	4	10
US bonds volatility index	51	0.0	1	3	2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.41	-	-1	-4	9
EZ Inflation expectations (5Y5Y)	1.20	-	-2	-2	-4
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	53	0.1	1	3	10
EZ	97	0.0	4	14	58
UK	68	-0.1	3	4	27
Large Spanish	85	-0.2	7	10	49
Medium Spanish	93	1.1	4	3	19
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	162	0.1	1	3	10
EZ Non-financial	79	0.0	4	14	58
UK Non-financial	100	-0.1	1	1	7
Interbank markets (%, changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	1	0	1
Euro3 3m	-0.32	0	0	0	1
Carbon 12m	-0.17	0	0	1	2
Libor 3m	2.32	-1	0	-2	62
Libor 12m	2.84	0	2	1	73
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,995	-0.2	0.1	1.9	7
Dow Jones	25,890	-0.2	-0.7	1.7	4
Nikkei	22,697	0.0	0.5	0.8	0
FTSE 100	7,459	-0.6	-2.1	-2.6	-2
EuroStoxx 50	3,359	-1.1	-2.6	-3.5	-4
IBEX	9,371	-0.1	-2.5	-3.8	-7
DAK	12,207	-1.1	-2.6	-3.2	-5
CAC	5,243	-1.3	-2.6	-2.5	-1
MI8	20,600	1.0	-0.1	-4.6	-6
ASE Athens	710	2.2	-3.7	-8.8	-13
MSCI Latam*	84,399	-0.5	-1.9	-2.9	-2
Ibovespa (Brazil)	75,316	1.2	2.8	7.5	-3
Mexbol (Mexico)	49,080	-0.8	-1.9	-0.5	-2
Merval (Argentina)	28,400	1.2	13.6	-2.6	8
MSCI EM Europe*	5,360	0.1	0.7	0.4	0
Poland	2,321	1.5	8.9	1.5	6
Mosx 10 (Russia)	4,254	0.6	-0.1	-1.6	-3
Ise 100 (Turkey)	93,189	-0.8	-0.7	-2.5	-21
MSCI EM Asia*	680	-0.8	-1.2	0.3	5
Shanghai Com (China)	2,751	1.1	-1.0	0.4	-18
Jakarta Indonesia)	5,905	-1.9	-2.0	-1.8	-7
Emerging sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	114.5	-0.1	-1.4	-2.2	6
Cit	71.2	-0.1	-1.2	-1.2	-4
BofA	31.0	0.2	-0.8	-1.6	-4
MS	48.5	-0.7	-3.0	-2.8	-7
GS	236.7	-0.5	-2.4	1.1	-7
EZ banks	87.3	1.5	0.0	-6.3	-20
BNP	50.9	0.5	2.1	6.4	-18
Credit Agricole	12.1	1.8	0.7	-1.1	-13
Deutsche Bank	9.9	0.6	-0.2	-8.6	-38
ING	11.5	-1.2	-3.1	-10.2	-25
Intesa	2.3	5.1	0.7	-8.6	-17
SF	35.7	1.0	-0.6	-4.3	-17
Unicredit	13.0	3.8	2.3	9.9	-17
UK banks	82.0	1.2	-1.1	-4.4	-11
R SSC	677.3	0.4	-1.9	-5.4	-11
RBS	247.0	1.7	0.2	-4.2	-11
Barclays	180.9	1.9	-1.5	-6.1	-11
Lloyds	60.4	1.2	0.7	-3.5	-11
Large Spanish banks					
Santander	65.3	0.3	2.0	10.1	-23
Caixa	4.3	0.4	-1.8	8.2	-21
BBVA	5.4	0.3	2.2	-11.4	-24
Medium Spanish banks					
CaixaBank	70.1	2.2	0.4	-1.9	-9
Sabadell	4.0	1.0	2.8	2.6	-2
Banque	1.3	1.1	1.5	-7.1	-21
Banque	7.8	2.0	0.3	-3.4	-2
Banque	3.3	1.8	0.1	-0.1	-18
Currencies (% , not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,156	0.5	1.1	0.0	-4
GBPUSD	1,126	-0.3	-0.3	-1.3	-6
USD JPY	111.45	-0.3	-0.2	-0.2	1
DXY	95.58	0.5	0.9	0.4	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USD ARS (Argentina)					
USD BRL (Brazil)	39.28	2.0	19.9	-30.5	-53
USD CLP (Chile)	4.15	0.2	0.3	10.7	-21
USD COP (Colombia)	692.69	1.2	4.4	-7.2	-12
USD MXN (Mexico)	3091	-1.3	-3.4	-6.9	-5
USD PEN (Peru)	19.36	0.9	-1.4	-4.1	1
USD PLN (Poland)	3.31	0.4	0.6	1.4	-2
LACI	53.39	-0.8	-3.4	-9.6	-16
USD RUB (Russia)	3.72	0.9	1.9	-1.1	-7
USD TRY (Turkey)	68.01	0.1	-0.2	6.9	-15
USD CNY (China)	6.68	-0.6	-6.0	-23.9	-44
USD IDR (Indonesia)	6.84	-0.3	0.6	-0.3	-5
USD AUD (Australia)	71.57	0.5	2.0	4.1	-11
USD ZAR (South Africa)	14.935	-0.8	-2.1	-2.9	-10
ADXY	104.8	0.3	0.6	0.5	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	78.5	0.4	3.3	7	18
WTX	70	0.5	2.4	2	16
Copper	257	-2.9	-5.9	-7	-21
Gold	1192	-0.7	-0.7	-2	-10
S&P Spot commodity*	469	0.0	1.2	1	6
S&P Brent Spot*	661	0.0	1.8	6	17
S&P Metals Spot*	340	0.0	-2.1	-1	-14
S&P Agricultural*	286	0.0	2.2	-3	1

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

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.65	0.6	-1.2	2.3	3
US	2.90	4.2	2.2	-5	44
GER (2-yr)	-0.58	2.2	-0.4	1	3
Germany	0.38	2.5	-2.2	-5	-16
France	0.69	0.1	-2.5	-5	-13
Spain	1.43	2.3	2.8	1	-25
Italy	3.01	-15.0	-17.6	8	92
Portugal	1.86	-4.2	-1.2	8	-15
Greece	4.56	10.8	36.4	45	45
Japan (2-yr)	-0.11	-0.5	-0.1	0	2
Japan	0.12	0.5	2.3	1	5
Emerging Markets					
Brazil	12.35	0.2	25.6	120	210
Chile	4.45	-1.2	0.8	-1	-7
Colombia	6.85	1.7	0.1	-2	41
Mexico	7.99	6.3	15.2	28	41
Peru	5.14	0.3	2.4	8	26
Poland	3.22	0.6	5.7	10	-9
Russia	8.93	14.0	17.4	100	130
Turkey	19.92	-29.0	-77.0	137	856
India	8.06	6.3	16.6	30	68
Indonesia	8.40	0.8	47.1	58	211
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
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Risk indicators					
Volatility indicators (change in bp)					
VIX	14	0.7	1	2	4
VST OAX	16	0.9	3	3	3
EM EFT volatility Index	22	2.1	3	4	6
Dollar/euro volatility	8	0.3	1	1	1
EM FX volatility index	13	0.1	0	2	5
Credit stress (BAA) (change in bp)	188	-4.2	-2	4	10
US bonds volatility index	51	0.0	1	3	2
Inflation expectations (%)					
US Inflation expectations (5Y)					
US	2.41	-	-1	-4	-
EZ Inflation expectations (5Y)					
EZ	1.70	-	-2	-2	-4
Banking S&P CDS (bps) *					
US	53	0.1	1	3	10
EZ	97	0.0	4	14	58
UK	68	-0.1	3	4	27
Large Spanish	85	-0.2	7	10	49
Medium Spanish	93	1.1	4	3	19
Corporate S&P CDS (bps) *					
US Non-financial	162	0.1	1	3	10
EZ Non-financial	79	0.0	4	14	58
UK Non-financial	100	-0.1	1	1	7
Interbank markets (% changes in bp)					
EONIA Index					
EONIA Index	-0.36	0	0	0	1
Eurobor 3m					
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m					
Eurobor 12m	-0.17	0	0	1	2
Libor 3m					
Libor 3m	2.32	-1	0	-2	62
Libor 12m					
Libor 12m	2.84	0	2	1	73
Stock markets (%)					
Main indices					
S&P500	2,895	0.2	0.1	1.9	7
Dow Jones	25,890	-0.3	0.7	1.7	-4
Nikkei	22,697	0.0	0.5	0.8	0
FTSE 100	7,459	0.6	2.1	2.6	-2
Euro Stoxx 50	3,359	-1.1	-2.6	-3.5	-4
IBEX	9,371	-0.1	-2.5	-3.8	-7
DAX	12,207	-1.1	-2.6	-3.2	-5
CAC	5,443	-1.3	-2.6	-2.5	-1
MI8	20,600	1.0	-0.1	-4.6	-5
ASE Athens *	710	-2.2	-3.7	-6.8	-13
MSCI Latin *	84,299	-0.5	-1.9	-2.9	-2
Ibovespa (Brazil)	75,316	-1.2	-2.6	-7.5	-3
Imbol (Mexico)	49,080	-0.8	-1.9	-0.5	-2
Mercol (Argentina)	28,450	-1.2	-13.6	-2.6	-8
MSCI EM Europe *	5,360	0.1	0.7	0.4	0
Poland	2,321	-1.5	-2.9	1.5	-6
Moscow 10 (Russia)	4,254	-0.6	-0.1	-1.6	-3
Isx 100 (Turkey)	93,189	-0.8	-0.2	-2.5	-21
MSCI EM Asia *	880	-0.8	-1.2	0.3	-5
Shanghai Com (China)	2,751	1.1	1.0	0.4	-18
Jakarta (Indonesia)	5,905	-1.9	-2.0	-1.8	-7
Banking sector					
US banks					
JPM	114.5	-0.1	-1.4	-2.2	6
CS	71.2	-0.1	-1.7	-1.7	-4
BoA	31.0	0.2	-0.8	-1.6	4
MS	48.5	0.7	-3.0	-2.8	-7
GS	236.7	0.5	-2.4	1.1	-7
EZ banks					
BNP	87.3	1.5	0.0	-6.3	-20
ING	59.9	0.5	-2.1	-6.4	-18
Credit Agricole	12.1	1.8	0.2	-1.1	-13
Deutsche Bank	9.8	0.6	-0.2	-8.6	-38
ING	11.5	-1.2	-3.1	-10.2	-25
Intesa	2.3	3.1	4.7	6.6	-17
SG	35.7	1.0	-0.6	-4.3	-17
Unicredit	13.0	3.8	2.3	9.9	-17
UK banks					
HSBC	82.0	1.2	-1.1	-4.4	-11
HSBC	677.3	0.4	-1.9	-5.4	-11
RBS	247.0	1.7	0.2	-4.2	-11
Barclays	189.8	1.9	-1.5	-4.1	-11
Lloyds	60.4	1.2	-0.7	-3.5	-11
Large Spanish banks					
Santander	65.3	0.3	2.0	10.1	-23
BBVA	4.3	0.4	-1.8	8.7	-21
CaixaBank	5.4	0.3	-2.2	-11.4	-24
Medium Spanish banks					
Sabadell	70.1	2.2	0.4	-1.9	-9
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Bankinter	7.8	2.0	0.3	-3.4	-2
Bankia	3.3	1.3	0.1	-0.1	-18
Currencies (% rd for currency depreciation)					
Developed					
EURUSD	1,156	0.5	-1.1	0.0	-4
GBPUSD	1,126	0.3	-0.3	-1.3	-6
USD JPY	111.45	-0.3	-0.2	-0.2	1
DKY	95.58	0.5	0.0	0.4	-4
Emerging					
USDARS (Argentina)	39.28	2.0	19.9	-30.5	53
USDBRL (Brazil)	4.15	0.2	0.3	10.7	-21
USDCLP (Chile)	692.89	-1.2	-4.4	-7.2	-12
USDCOP (Colombia)	3991	-1.3	-3.1	-6.9	-5
USDMXN (Mexico)	19.36	-0.9	-1.4	-4.1	1
USDPEN (Peru)	3.31	-0.4	-0.6	-1.4	-2
LACT	53.39	0.8	3.4	-9.6	-16
USDPLN (Poland)	3.72	0.9	1.9	-1.1	-7
USD RUB (Russia)	68.01	-0.1	-0.2	-6.8	-15
USDTRY (Turkey)	6.68	0.6	6.0	-23.9	-44
USD CNY (China)	6.84	-0.3	-0.6	-0.3	-5
USD INR (India)	71.57	-0.5	2.0	-4.1	-11
USD IDR (Indonesia)	14,935	0.8	-2.1	-2.9	-10
ADXY	104.8	-0.3	-0.6	-0.5	-5
Commodities (%)					
Brent					
Brent	78.5	0.4	3.3	-7	18
WTX	70	0.5	2.4	2	16
Copper	257	-2.9	-5.9	-7	-21
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S&P Agricultural *	286	0.0	2.2	-3	1

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

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