

Market Comment | Equities remain under pressure amid trade talks

Global Financial Markets Unit
05 Sep 2018

- Financial markets continued under some pressure as the situation of emerging markets and trade concerns weighed. Particularly, worries about the outcome of today's NAFTA talks between the US and Canada and potential new tariffs from US on Chinese imports (at the end of the week).
- The US 10Y Treasury remained almost unchanged, favoured by **Bullard's persistence in his call for caution in the rate-hike cycle**[\(see\)](#). Meanwhile the 10Y Bund yield inched up, approaching the 0.40% threshold, favoured by fresh news from Italy and the UK: **Italy's risk premium**, which continued to narrow as optimism about next year's budget has increased over the past few days [\(see\)](#) while the GBP appreciated from its recent lowest **amid Brexit negotiations**[\(see\)](#).
- **Equity markets suffered from uncertainty across the board**: developed equity markets fell in both the US and Europe (the EZ banking sector outperformed, favoured by increasing yields) while the US implied volatility (VIX) increased to 14%. In the same line, emerging equity indices also dropped today, following the downward path of emerging currencies.
- **The USD depreciated against other main developed countries' currencies** and the EUR recovered to 1.16 USD/EUR, while the Canadian dollar remained stable after the Central Bank kept interest rates unchanged as expected, waiting for fresh news on the NAFTA negotiations.
- This event also could weigh on the MXN [\(see\)](#), which **remained unchanged in line with other EM currencies**, favoured by weak USD. The TRY continued underperforming while the ARS remained flat as focus remained on the meeting between Argentina and the IMF to bring forward disbursement of the \$50bn emergency loan. Brent prices fell below \$78 per barrel [\(see\)](#).

Table 1

Update 17:45 CET September 05

Debt markets (10Y, % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US Q2-yr	2.65	0.4	2.6	0	73
US	2.90	0.2	1.6	-4	44
GER (2-yr)	-0.56	2.6	1.5	3	5
Germany	0.39	3.0	-1.7	0	-14
France	0.72	3.0	-1.4	1	-10
Spain	1.45	2.0	-1.5	5	-22
Italy	2.93	8.6	-10.4	3	84
Portugal	1.87	0.1	-3.0	12	-14
Greece	4.56	-0.6	33.2	55	45
Japan (2-yr)	-0.11	0.0	-0.1	-1	2
Japan	0.12	-0.8	1.2	-1	5
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
Brazil	12.46	-6.4	36.1	131	221
Chile	4.45	-0.5	0.4	-11	-7
Colombia	6.85	0.5	2.3	-2	41
Mexico	8.04	3.4	16.8	35	46
Peru	5.13	0.0	1.4	7	26
Poland	3.25	2.8	6.7	14	-6
Russia	9.02	8.8	23.2	106	139
Turkey	19.78	14.0	83.0	99	842
India	8.05	-1.0	13.4	28	67
Indonesia	8.82	21.9	87.1	83	233
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	0.0	0.3	1	3
Italy	254	-11.6	-17.7	3	97
Portugal	148	-2.9	-1.3	12	0
Spain	106	-1.0	0.2	5	-9
2-yr sovereign spread vs Germany					
France	16	-0.9	-1.2	-4	-1
Italy	160	-16.4	-17.1	4	123
Portugal	43	-3.4	-0.6	1	-7
Spain	28	-2.9	1.1	0	1
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	308	0.2	19	97	147
Chile	50	1.8	5	10	9
Colombia	115	3.7	6	12	10
Argentina	843	64.1	240	415	604
Mexico	126	5.8	11	12	19
Peru	85	2.8	5	9	13
Poland	64	0.7	1	1	15
Russia	167	-0.8	6	33	49
Turkey	592	2.2	92	248	289
China	62	1.2	6	-1	11
India	90	1.7	1	1	21
Indonesia	142	12.4	27	26	57
Risk indicators					
Volatility indicators (change in sp)					
	level	Daily	Weekly	Monthly	YTD
VIX	14	1.0	2	3	4
VST OXX	17	0.7	4	4	4
EM EFT volatility Index	24	1.2	5	6	7
Dollars/Brazil volatility	7	-0.3	1	1	1
EMFX volatility Index	12	0.2	1	3	5
Credit spread (GAA) (change in bps)	188	-0.2	-1	6	10
US bonds volatility index	50	-1.1	0	2	0
Inflation expectations (bps)					
	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.41	-	-2	-4	9
EZ Inflation expectations (5Y5Y)	1.70	-	3	3	-4
Banking (YCCS in bps)					
	level	Daily	Weekly	Monthly	YTD
US	54	1.0	3	4	11
EZ	94	-3.3	1	7	55
UK	66	-1.6	0	2	25
Large Spanish	83	-1.8	6	7	47
Medium Spanish	94	0.3	4	4	19
Government (YCCS in bps)*					
	level	Daily	Weekly	Monthly	YTD
US Non-financial	164	1.0	3	4	11
EZ Non-financial	78	-3.3	1	7	55
UK Non-financial	100	0.0	1	0	7
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.35	0	1	1	2
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.17	0	0	1	2
Libor 3m	2.32	0	0	-3	62
Libor 12m	2.84	0	1	1	73
Stock markets (%)					
Main indices					
	level	Daily	Weekly	Monthly	YTD
S&P500	2,878	-0.6	-1.2	1.0	-7
Dow Jones	25,938	-0.1	-0.7	1.7	4
Nikkei	22,581	-0.5	-1.2	0.3	-1
FTSE 100	7,384	-1.3	-2.6	-3.9	-4
Euro Stoxx 50	3,320	-1.2	-3.9	-4.7	-5
IBEX	9,326	-0.5	-2.5	-4.1	-7
DAX	12,045	-1.3	-4.1	-4.4	-6
CAC	5,284	-1.5	-4.3	-3.9	0
MIB	20,646	0.2	-0.6	-4.3	-5
ASE Athens	696	-2.0	-6.3	-8.4	-15
MSO Latam*	83,014	1.6	-3.1	-5.7	-3
Bovespa (Brazil)	24,773	0.1	-4.6	-7.7	-4
Merck (Mexico)	46,842	0.1	-2.7	-1.0	-7
Merval (Argentina)	26,990	1.7	10.6	2.8	-10
MSCI EM Europe*	5,313	-0.9	-1.0	-0.7	-1
Poland	2,300	-0.9	-3.4	0.2	-7
Micex 10 (Russia)	4,242	-0.3	-1.2	2.2	3
Nse 100 (Turkey)	93,131	-0.1	-0.2	-1.1	-21
MSCI EM Asia*	691	0.1	-1.3	0.2	-4
Shanghai Com (China)	2,704	-1.7	-2.3	0.0	-19
Jakarta (Indonesia)	5,684	-4.8	-5.9	-5.1	-11
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	115.0	-0.1	-0.7	-1.8	-7
C	21.3	-0.2	-1.7	-1.5	-4
BofA	31.0	-0.4	-0.4	-1.6	-4
MS	46.7	-0.1	-2.6	-2.7	-7
GS	237.8	0.0	-1.5	0.8	-7
EZ banks					
BNP	51.3	0.8	1.3	-5.0	-17
Credit Agricole	12.3	1.6	2.5	-0.5	-12
Deutsche Bank	9.9	0.5	-0.8	-8.2	-38
ING	11.6	0.1	-3.3	-8.8	-25
Intesa	2.4	2.8	6.4	-3.7	-15
SG	36.2	1.5	0.7	-2.8	-16
Unicredit	13.3	2.4	4.6	-7.5	-15
UK banks					
HSBC	61.6	-0.4	-0.8	-4.0	-11
HSBC	667.4	-1.5	-2.6	-5.8	-13
RBS	250.9	1.8	2.2	-0.4	-10
Barclays	178.3	1.5	1.8	5.5	-12
Lloyds	60.7	0.5	0.4	-3.0	-10
Large Spanish banks					
Santander	65.5	0.3	2.2	9.6	23
Cajamar	4.3	0.1	-1.7	-6.3	-21
BBVA	5.4	0.4	-2.6	-10.8	-24
Medium Spanish banks					
CaixaBank	77.1	1.3	1.4	0.4	-7
Sabadell	4.1	0.5	3.1	3.1	3
Santitas	1.4	1.8	0.5	-4.9	-19
Bankinter	7.8	0.7	0.1	-2.2	-2
Banco	3.4	2.8	2.3	2.5	-16
Commodities (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.162	0.3	0.7	0.6	-4
GBPUSD	1.30	0.2	0.7	0.1	5
USDJPY	111.60	-0.2	0.1	-0.2	1
DX	95.17	-0.3	0.6	-0.2	2
Emerging					
	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.85	0.3	-12.6	-29.6	-53
USDBRL (Brazil)	4.16	0.0	-1.3	-10.2	-22
USDCLP (Chile)	693.30	-0.1	-3.9	-6.7	-12
USDCOP (Colombia)	3100	-0.2	-3.3	-6.8	-5
USDMXN (Mexico)	19.44	-0.2	-2.5	-4.7	-1
USDINR (India)	3.32	0.0	-0.7	-1.4	-3
LACI	53.33	-0.3	-3.5	-9.5	-16
USDPLN (Poland)	3.72	-0.1	-1.6	-1.0	-7
USD RUB (Russia)	69.36	-0.3	-0.5	-6.7	-16
USDTRY (Turkey)	6.61	0.9	-2.1	-19.4	-43
USD CNY (China)	6.83	0.2	0.1	0.3	-5
USDIDR (Indonesia)	71.76	-0.3	-1.6	-4.0	-12
USDIDR (Indonesia)	14,938	0.0	-2.0	-3.1	-10
ADXY	104.8	-0.1	-0.5	-0.4	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	77.2	-1.2	0.1	5	16
WTX	69	-1.5	-1.3	0	14
Copper	259	0.3	-4.3	-5	-20
Gold	1196	0.4	0.9	-1	9
S&P Spot commodity*	468	-0.1	0.0	1	6
S&P Brent Spot*	665	0.7	0.9	6	17
S&P Metals Spot*	332	-2.6	-4.7	-3	-16
S&P Agriculture*	285	0.4	0.7	-4	0

* 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)	2.65	0.4	2.0	0	73
US	2.90	0.2	1.6	-4	44
GER (2-yr)	0.56	2.6	1.5	3	5
Germany	0.39	3.0	-1.7	0	-14
France	0.72	3.0	-1.4	1	-10
Spain	1.45	2.0	-1.5	5	-22
Italy	2.93	8.6	-19.4	3	64
Portugal	1.87	0.1	-3.0	12	-14
Greece	4.56	-0.6	33.2	55	45
Japan (2-yr)	-0.11	0.0	-0.1	-1	2
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Emerging Markets					
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Mexico	8.04	3.4	16.8	35	46
Peru	5.13	0.0	1.4	7	26
Poland	3.25	2.8	6.7	14	6
Russia	9.02	8.8	23.2	106	139
Turkey	19.78	-14.0	83.0	99	842
India	9.05	-1.0	13.4	28	67
Indonesia	8.62	21.9	67.1	83	233
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	0.0	0.3	1	3
Italy	254	-11.6	-17.7	3	97
Portugal	148	-2.9	-1.3	12	0
Spain	106	-1.0	0.2	5	-9
2-yr sovereign spread vs Germany					
France	16	-0.9	-1.7	-4	-1
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Spain	28	-2.9	1.1	0	1
Emerging Markets					
5-yr sovereign CDS *					
Brazil	308	0.2	19	97	147
Chile	58	1.8	5	10	9
Colombia	115	3.7	6	12	10
Argentina	843	64.1	240	415	604
Mexico	126	5.8	11	12	19
Peru	85	2.8	5	9	13
Poland	64	0.7	1	3	15
Russia	187	-0.8	6	33	48
Turkey	582	2.2	92	248	418
China	62	1.2	6	-1	11
India	80	1.7	1	1	21
Indonesia	142	12.4	27	26	57
Risk indicators					
Volatility indicators (change in ppt)	level	Daily	Weekly	Monthly	YTD
VIX	14	1.0	2	2	4
VSTOXX	17	0.7	4	4	4
EM EFT volatility index	24	1.2	5	6	7
Dollar Euro volatility	7	0.2	1	1	1
EM FX volatility index	13	0.2	1	3	5
Credit spread (BAA) (change in bps)	188	-0.2	-1	6	10
US bonds volatility index	59	-1.1	0	2	0
Inflation expectations (%)					
US Inflation expectations (5Y5Y)	2.41	-	-2	-4	9
EZ Inflation expectations (5Y5Y)	1.70	-	-3	-2	-4
Banking 5Y CDS (bps) *					
US	54	1.0	3	4	11
EZ	94	-3.3	1	7	55
UK	66	-1.6	0	2	25
Large Spanish	83	-1.8	6	7	47
Medium Spanish	94	0.3	4	4	19
Corporate 5Y CDS (bps) *					
US Non-financial	164	1.0	3	3	11
EZ Non-financial	78	-3.3	1	7	55
UK Non-financial	100	0.0	1	0	7
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0	1	1	2
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.17	0	0	1	2
Libor 3m	2.32	0	0	-3	62
Libor 12m	2.84	0	1	1	73
Stock markets (%)					
Index	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,878	0.6	1.2	1.0	7
Dow Jones	25,938	0.1	0.7	1.7	4
Nikkei	22,581	0.5	-1.2	0.3	-1
FTSE 100	7,364	1.3	2.6	-3.9	-4
EuroStoxx 50	3,320	-1.2	-3.9	-4.7	-5
IBEX	9,326	0.5	2.5	-4.1	-7
DAX	12,046	-1.3	-4.1	-4.4	-6
CAC	5,264	-1.5	-4.3	-3.9	0
MIB	20,646	0.2	0.6	-4.3	-5
ASE Athens	696	-2.0	-6.3	-8.4	-15
MSCI Latam *	83,014	-1.6	-3.1	-5.7	-3
Ibovpa (Brazil)	74,773	0.1	-4.6	-7.7	-4
Merval (Mexico)	48,842	-0.1	-2.7	-1.0	-2
Merval (Argentina)	28,990	1.7	10.6	-2.8	-10
MSCI EM Europe *	5,313	-0.9	-1.0	-0.7	-1
Poland	2,300	0.9	3.4	0.2	-7
Mosc 10 (Russia)	4,242	0.3	-1.2	-2.2	3
Ise 100 (Turkey)	93,131	-0.1	-0.2	-1.1	-21
MSCI EM Asia *	891	0.1	-1.3	0.2	-4
Shanghai Com (China)	2,794	1.7	2.1	0.0	-19
Jakarta (Indonesia)	5,684	-4.8	-5.9	-5.4	-11
Banking sector					
US banks	147.4	-0.2	-1.3	-1.5	-4
JPM	115.0	0.1	0.7	-1.8	7
Cit	71.3	-0.2	-1.7	-1.5	-4
BoA	31.0	-0.4	-0.4	-1.6	4
MS	49.7	0.1	-2.6	-2.7	7
GS	237.8	0.0	-1.5	0.8	-7
EZ banks	89.5	1.4	1.0	-4.8	-19
BNP	91.3	0.8	-1.3	-5.0	-17
Credit Agricole	12.3	1.6	2.5	-0.5	-12
Deutsche Bank	9.9	0.5	0.8	-8.2	-38
ING	11.6	0.1	-3.3	-8.8	-25
Intesa	2.4	2.9	6.4	-3.7	-15
SG	36.2	1.5	0.7	-2.8	-16
Unicredito	13.3	2.4	4.6	-7.5	-15
UK banks	81.6	-0.4	-0.8	-4.0	-11
HSBC	667.4	-1.5	-2.6	-5.8	-13
RBS	250.0	1.8	2.2	-0.4	-10
Barclays	178.3	-1.5	-1.8	-5.5	-12
Lloyds	60.7	0.5	0.4	-3.0	-10
Large Spanish banks	65.5	0.3	-2.2	-8.6	-23
Santander	4.3	0.1	-1.7	-8.3	-21
BBVA	5.4	0.4	-2.6	-10.8	-24
Medium Spanish banks	71.1	1.3	1.4	-0.4	-7
Casabank	4.1	0.5	3.1	3.4	3
Sabadell	1.4	1.8	0.5	-4.9	-19
Bankinter	7.8	0.7	0.1	-2.2	-2
Bankia	3.4	2.8	2.3	2.5	-16
Commodities (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.162	0.3	0.7	0.6	-4
GBPUSD	1.30	0.8	0.5	0.1	5
USDJPY	111.60	-0.2	0.1	-0.2	1
DX1	95.17	-0.3	0.2	-0.2	4
Emerging					
USDARS (Argentina)	38.85	0.3	-12.6	-29.6	-53
USD/BRL (Brazil)	4.16	0.0	-1.3	-10.2	-22
USD/COP (Colombia)	693.30	-0.1	-3.9	-6.7	-12
USD/COP (Colombia)	3100	-0.2	-3.3	-6.8	-5
USD/MXN (Mexico)	19.44	-0.2	-2.5	-4.7	1
USD/PEN (Peru)	3.32	0.0	0.7	-1.4	-3
LACI	53.33	-0.3	-3.5	-9.5	-16
USD/PLN (Poland)	3.72	-0.1	-1.6	-1.0	-7
USD/RUB (Russia)	66.36	-0.3	-0.5	-6.7	-18
USDTRY (Turkey)	6.61	0.9	2.1	-19.4	-43
USD/CNY (China)	6.83	0.2	0.1	0.3	-5
USD/INR (India)	71.76	-0.3	-1.6	-4.0	-12
USD/IDR (Indonesia)	14,936	0.0	-2.0	-3.1	-10
ADXY	104.8	-0.1	0.5	0.4	5
Commodities (%)					
Brent	77.2	-1.2	0.3	5	16
WTX	69	-1.5	-1.0	0	14
Copper	259	0.3	-4.3	-5	-30
Gold	1196	0.4	-0.9	-1	-9
S&P Spot commodity *	468	0.1	0.0	1	6
S&P Brent Spot *	665	0.7	0.3	6	17
S&P Metals Spot *	332	-2.6	-4.7	-3	-16
S&P Agricultural *	285	-0.4	0.7	-4	0

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

Fuente: BBVA Research

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Update 17:40 CET August 28