

Market Comment | Lower risk aversion dragged down USD

Global Financial Markets Unit
20 Sep 2018

- **Relief rally on financial markets after China announced a reduction in import tariffs in an effort to offset pressure on prices from the trade dispute**([see](#)). Apart from this, the outcome of NAFTA talks between the US and Canada, and Brexit negotiations continued in the spotlight.
- **The rally in developed markets continued:** US and European stocks increased, while in Asia, the main exception was China, where the market reacted negatively to the government's cut in import duty. The US implied volatility decreased to 12% and some emerging equities faltered despite a relative calm in global tensions.
- **The US Treasury 10Y yield remained steady at its recent highest level and the 10Y Bund yield inched down, after reaching 0.50%**, amid lower-than-expected consumer confidence in the **EZ** ([see](#)). Peripheral risk premia were also unchanged.
- **The USD depreciated across the board and other currencies benefited:** The EUR appreciated approaching 1.18 USD/EUR and the GBP also appreciated against the US dollar as a Brexit deal started to look possible for November, although still very uncertain ([see](#)).
- **EM currencies appreciated with the exception of the MXN.** The announcement of the **new economic plan In Turkey**, in line with market expectations, favoured to boost the TRY against the USD ([see](#)). Moreover, the BRL appreciated after the **central bank of Brazil kept the Selic rate at its current level** (6.5%), as expected, amid sluggish growth, low inflation and political uncertainty. Other EM central banks such as the South African Reserve Bank also left their interest rates unchanged ([see](#)).
- **Crude oil prices decreased** after US President Trump complained about the higher level of oil prices ([see](#)), a few days before OPEC and other partners' meeting at which global supply will be discussed.

Table 1

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Debt markets (10Y, % changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2 yr)	2.80	1.3	4.7	21	85	
US	3.06	0.2	9.1	23	60	
GER (2 yr)	0.53	0.4	1.3	7	8	
Germany	0.47	-1.6	4.8	14	-5	
France	0.79	-1.2	5.4	12	-3	
Spain	1.51	1.6	4.2	14	-16	
Italy	2.88	3.0	6.9	-11	79	
Portugal	1.88	-0.9	1.9	11	-13	
Greece	4.07	-3.3	4.5	-17	-3	
Japan (2 yr)	-0.10	0.2	0.3	2	3	
Japan	0.12	-0.1	1.1	4	-6	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
Brazil	11.94	-18.6	-51.6	-46	169	
Chile	4.20	0.5	0.4	3	-1	
Colombia	6.92	-0.2	0.6	7	48	
Mexico	8.07	3.1	8.0	24	59	
Peru	5.21	0.3	-0.2	6	34	
Poland	3.24	1.6	1.1	11	-8	
Russia	8.83	1.1	9.5	14	119	
Turkey	18.18	33.0	1.0	-273	682	
India	8.07	0.0	-6.2	24	65	
Indonesia	8.22	3.7	30.2	38	159	
Country risk (bp, changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	32	0.4	0.6	-2	2	
Italy	241	4.6	-11.7	-25	84	
Portugal	141	0.7	2.9	-3	-8	
Spain	104	0.0	0.6	0	-11	
2-yr sovereign spread vs Germany						
France	17	-0.6	0.5	-1	0	
Italy	135	8.3	-3.8	-32	98	
Portugal	45	1.0	2.4	3	-5	
Spain	32	-0.8	0.6	6	5	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
5-yr sovereign CDS*						
Brazil	275	-2.1	-3	31	115	
Chile	45	-1.1	-8	-8	-4	
Colombia	105	0.2	-6	-6	0	
Argentina	606	-35.5	-84	41	368	
Mexico	107	0.6	-12	-13	0	
Peru	73	-1.2	-9	-9	1	
Poland	63	1.0	1	-1	14	
Russia	152	5.6	-20	-13	34	
Turkey	419	-19.3	-94	-92	255	
China	55	-1.2	-2	-6	4	
India	89	0.7	-2	10	30	
Indonesia	133	-1.0	-8	10	48	
Risk indicators						
Volatility indicators (change in bp)	level	Daily	Weekly	Monthly	YTD	
VIX	12	-0.2	-1	-1	2	
VSTOXX	13	-0.3	-1	-1	0	
EM CT volatility index	19	0.5	-2	0	2	
Dollar/euro volatility	7	0.0	0	-1	0	
EM FX volatility index	12	-0.1	0	-1	4	
Credit spread (BAA)(change in bps)	190	0.7	3	3	13	
US bonds volatility index	49	0.8	3	-2	0	
Inflation expectations (%)						
level	Daily	Weekly	Monthly	YTD		
US Inflation expectations (5Y5Y)						
US	2.44	-	2	4	12	
EZ Inflation expectations (5Y5Y)						
EZ	1.68	-	0	-2	-6	
Ranking by CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US						
US	46	-0.8	-3	-8	4	
EZ	78	0.1	-3	-16	39	
UK	59	5.0	3	-7	18	
Large Spanish	63	-0.8	-3	-24	27	
Medium Spanish	90	6.3	0	-3	15	
Corporate by CDS (bps)*						
level	Daily	Weekly	Monthly	YTD		
US Non-financial						
US Non-financial	151	-0.8	-3	-8	4	
EZ Non-financial						
EZ Non-financial	72	0.1	-3	-16	39	
UK Non-financial	97	-0.7	-2	-6	4	
Interbank markets (% changes in bp)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index						
EONIA Index	-0.37	0	0	0	1	
Euro 3m						
Euro 3m	-0.32	0	0	0	1	
Euro 12m						
Euro 12m	-0.17	0	0	0	2	
Libor 3m						
Libor 3m	2.35	2	2	4	66	
Libor 12m						
Libor 12m	2.89	1	2	7	78	
Stock markets (%)						
level	Daily	Weekly	Monthly	YTD		
Main indices						
S&P500	2,929	0.7	0.9	2.3	9	
Dow Jones	26,654	0.9	1.9	3.2	7	
Nikkei	23,675	0.0	3.7	6.5	4	
FTSE 100	7,267	0.5	1.2	2.6	-4	
Euro Stoxx 50	3,493	1.0	2.1	-0.3	-2	
IBEX	9,584	1.0	2.7	0.4	-5	
DAK	12,326	0.9	2.2	-0.5	-4	
CAC	5,452	1.1	2.3	0.8	3	
MIIB	21,388	0.5	2.6	2.9	-2	
MSCI Japan	681	1.2	0.3	-3.4	-17	
MSCI Latam*	85,795	-0.1	2.4	2.0	0	
Ibovexa (Brazil)	78,040	-0.2	4.5	3.8	0	
Ibovexa (Mexico)	49,640	0.1	-0.1	0.6	-1	
Merval (Argentina)	33,755	1.9	12.4	29.6	6	
MSCI EM Europe*	5,397	0.6	2.7	3.7	0	
Poland	2,259	0.0	1.1	-1.0	-8	
Moscow 10 (Russia)	4,401	-0.1	2.1	2.6	7	
Ise 100 (Turkey)	96,121	-0.5	1.8	6.6	-18	
MSCI EM Asia*	864	1.2	2.3	0.1	6	
Shanghai Com (China)	2,729	-0.1	1.6	-0.2	-18	
Jakarta Indonesia)	5,931	2.1	2.3	0.7	-7	
Banking sector						
level	Daily	Weekly	Monthly	YTD		
US banks						
JPM	150.8	1.1	-4.7	-2.2	-1	
Citi	118.7	0.9	4.6	3.0	10	
Bank of America	74.7	1.4	6.5	4.9	0	
MS	31.3	0.9	3.8	0.9	5	
GS	50.1	2.0	4.9	3.1	-4	
Wells Fargo	27.2	0.7	3.9	0.6	-7	
US banks	92.0	1.6	5.4	4.6	-16	
BNP	54.3	2.5	5.9	4.9	-13	
Credit Agricole	12.9	1.8	5.2	8.5	-7	
Deutsche Bank	10.4	1.5	6.7	4.5	-35	
ING	11.5	2.6	5.4	-3.3	-25	
Intesa	2.4	-0.5	3.7	7.7	-12	
Santander	37.9	1.9	6.6	6.0	-12	
Unicredit	14.1	1.1	4.7	6.6	-11	
UK banks	82.0	1.0	2.7	-1.3	-11	
RSCG	665.7	0.5	1.4	-3.9	-13	
RBS	259.5	1.0	4.9	5.1	-6	
Barclays	174.3	0.7	1.2	-5.5	-14	
Lloyds	61.6	1.8	4.0	1.3	-9	
Large Spanish banks	69.2	1.6	5.5	3.4	-18	
Santander	4.8	1.7	6.7	3.5	-17	
BBVA	5.7	1.5	4.4	3.3	-20	
Medium Spanish banks	74.4	0.8	5.2	8.0	-3	
CaixaBank	4.2	-0.5	3.4	7.6	-5	
Sabell	1.5	2.2	6.8	8.6	-12	
Bankinter	8.1	0.3	5.2	6.5	2	
Banca	3.6	2.0	6.7	11.6	-11	
Currencies (% not for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD						
EURUSD	1.174	0.6	0.5	1.5	-3	
GBPUSD						
GBPUSD	1.32	0.7	1.6	2.6	-8	
USDJPY						
USDJPY	112.56	-0.2	-0.6	-2.0	0	
DXY						
DXY	94.14	-0.4	-0.4	-1.2	-2	
Emerging						
level	Daily	Weekly	Monthly	YTD		
USDARS (Argentina)						
USDARS (Argentina)	38.33	2.6	3.5	-21.7	-52	
USD BRL (Brazil)						
USD BRL (Brazil)	4.08	1.1	3.1	-0.8	-20	
USD CLP (Chile)						
USD CLP (Chile)	670.57	1.4	1.5	-1.1	-10	
USD COP (Colombia)						
USD COP (Colombia)	3016	0.4	0.0	-1.2	-3	
USD MXN (Mexico)						
USD MXN (Mexico)	18.85	-0.4	-0.1	0.5	4	
USD PEN (Peru)						
USD PEN (Peru)	3.30	0.1	0.5	0.1	-2	
LACI						
LACI	54.62	0.6	1.8	-2.6	-14	
USD PLN (Poland)						
USD PLN (Poland)	3.65	0.5	0.7	1.5	-6	
USD RUB (Russia)						
USD RUB (Russia)	66.21	0.8	3.2	1.4	-13	
USD TRY (Turkey)						
USD TRY (Turkey)	6.21	0.7	2.0	2.1	-39	
USD CNY (China)						
USD CNY (China)	6.85	0.0	0.0	0.0	5	
USD INR (India)						
USD INR (India)	72.38	0.0	-0.3	-3.5	-12	
USD IDR (Indonesia)						
USD IDR (Indonesia)	14,849	0.2	-0.1	-1.9	-9	
ADXY						
ADXY	104.9	0.0	0.0	0.5	-5	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
Brent						
Brent	78.7	0.9	0.7	8	18	
WTX						
WTX	71	-0.2	3.5	5	18	
Copper						
Copper	270	-0.3	1.4	1	-17	
Gold						
Gold	1204	0.0	0.2	1	9	
S&P Spot commodity*						
S&P Spot commodity*	472	0.9	1.7	4	7	
S&P Brent Spot*						
S&P Brent Spot*	672	0.5	1.4	8	19	
S&P Metals Spot*						
S&P Metals Spot*	336	0.3	0.2	-1	-15	
S&P Agricultural*						
S&P Agricultural*	277	1.3	-0.2	-4	-2	

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

Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.80	1.3	4.7	21	88
US	3.06	-0.2	9.1	23	60
GER (2-yr)	-0.53	-0.4	1.3	7	8
Germany	0.47	-1.6	4.8	14	-5
France	0.79	-1.2	5.4	12	-3
Spain	1.91	-1.6	4.2	14	-16
Italy	2.88	3.0	-6.9	-11	79
Portugal	1.88	-0.9	1.9	11	-13
Greece	4.07	-3.3	4.5	-17	-3
Japan (2-yr)	-0.10	-0.2	0.3	2	3
Japan	0.12	-0.1	1.1	4	8
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.94	-18.0	-51.6	-46	169
Chile	4.90	-0.5	-0.4	3	-1
Colombia	6.92	-0.2	0.6	7	48
Mexico	8.07	3.1	8.0	24	50
Peru	5.21	0.3	0.2	6	24
Poland	3.24	1.6	1.1	11	-8
Russia	8.83	-1.1	-9.5	14	119
Turkey	18.18	33.0	1.0	-273	692
India	8.07	0.0	-6.2	24	69
Indonesia	8.22	-3.7	-30.2	38	192
Country risk (bp changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
level	Daily	Weekly	Monthly	YTD	
France	32	0.4	0.6	-2	2
Italy	241	4.6	-11.7	-25	84
Portugal	141	0.7	-2.9	-3	-8
Spain	104	0.0	-0.6	0	-11
2-yr sovereign spread vs Germany					
France	17	0.6	0.5	-1	0
Italy	135	8.3	-3.8	-32	98
Portugal	45	1.0	2.4	3	-5
Spain	32	-0.8	0.6	6	5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
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Chile	45	-1.1	-8	-8	-4
Colombia	105	0.2	6	-6	0
Argentina	606	-35.5	-84	41	368
Mexico	107	0.6	-12	-13	0
Peru	73	-1.2	-9	-9	1
Poland	63	1.0	1	-1	14
Russia	152	-5.6	-20	-13	34
Turkey	419	-19.3	-94	-92	255
China	55	-1.2	-2	-6	-1
India	99	-0.7	-2	10	30
Indonesia	133	-1.0	-8	10	48
Risk indicators					
Volatility indicators (change in bp)					
level	Daily	Weekly	Monthly	YTD	
VIX	12	-0.2	-1	-1	2
VSTOXX	18	-0.3	-1	-1	0
EM EFT volatility Index	19	-0.6	-2	0	2
Dollar/euro volatility	7	0.0	0	-1	0
EM FX volatility index	12	-0.1	0	-1	4
Credit stress (BAA) (change in bp)	190	0.2	3	0	12
US bonds volatility index	49	0.8	3	-2	0
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.44	-	2	4	-2
EZ Inflation expectations (5Y)	1.68	-	0	-2	-6
Banking S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	46	0.8	-3	-8	4
EZ	78	0.1	-3	-16	39
UK	59	5.0	3	-7	18
Large Spanish	63	0.8	-3	-24	27
Medium Spanish	90	6.3	0	-3	15
Corporate S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	151	-0.8	-3	-8	-4
EZ Non-financial	72	0.1	-3	-16	39
UK Non-financial	97	-0.7	-2	-6	-4
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.17	0	0	0	2
Libor 3m	2.38	2	2	4	66
Libor 12m	2.89	1	2	7	78
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,929	0.7	0.9	2.3	9
Dow Jones	26,654	0.9	1.9	3.2	7
Nikkei	23,675	0.0	3.7	6.5	4
FTSE 100	7,387	0.5	1.2	2.6	-4
Euro Stoxx 50	3,403	1.0	2.1	-0.3	-2
IBEX	9,584	1.0	2.7	0.4	-5
DAX	12,326	0.9	2.2	-0.5	-4
CAC	5,452	1.1	2.3	0.8	-3
MI8	21,388	0.5	2.6	2.9	2
ASE Athens *	681	-1.2	0.3	-3.4	-17
MSCI Latin *	85,799	-0.1	2.4	2.0	0
Ibovespa (Brazil)	78,040	-0.2	4.8	3.8	0
Mercol (Mexico)	49,640	0.1	-0.1	0.6	-1
Mercol (Argentina)	33,755	1.9	12.4	29.6	9
MSCI EM Europe *	5,397	0.6	2.7	3.7	0
Poland	2,259	0.0	1.1	-1.0	-8
Moscow 10 (Russia)	4,401	-0.1	2.1	2.8	7
Isx 100 (Turkey)	96,121	0.9	1.8	6.6	-18
MSCI EM Asia *	864	1.2	2.3	-0.1	-6
Shanghai Com (China)	2,229	-0.1	1.6	0.2	-18
Jakarta (Indonesia)	5,931	2.1	2.3	0.7	-7
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	150.8	1.1	4.7	2.2	1
JPM	118.7	0.8	4.6	3.0	10
CS	74.7	1.4	6.5	4.9	0
BoA	31.3	0.9	3.8	0.9	5
MS	50.1	2.0	4.9	3.1	-4
GS	232.2	0.7	3.8	-0.6	7
EZ banks	92.0	1.6	5.4	4.8	-16
BNP	34.3	2.5	5.9	4.9	-13
Credit Agricole	12.9	1.8	5.2	8.5	7
Deutsche Bank	10.4	1.5	6.7	4.5	-35
ING	11.5	2.6	5.4	-3.3	-25
Intesa	2.4	0.8	3.7	7.7	-12
SG	37.9	1.9	6.6	6.0	-12
Unicredit	14.3	1.1	4.7	6.6	-11
UK banks	82.0	1.0	2.7	-1.3	-11
HSBC	665.7	0.5	1.4	-3.9	-13
RES	259.5	1.0	4.9	5.1	-6
Barclays	174.3	0.7	1.2	9.5	14
Lloyds	61.6	1.8	4.0	1.3	-9
Large Spanish banks	69.2	1.6	5.5	3.4	-18
Santander	4.6	1.7	6.7	3.5	-17
BBVA	5.7	1.5	4.4	3.3	-20
Medium Spanish banks	74.4	0.8	5.2	8.0	-3
Cabotbank	4.2	0.5	3.8	7.6	5
Sabadell	1.5	2.2	6.8	8.8	-12
Bankinter	8.1	0.3	5.2	6.5	2
Bankia	3.6	2.0	6.7	11.5	-11
Currencies (% ind for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1.174	0.6	0.5	1.5	-3
GBPUSD	1.132	0.7	1.6	2.6	-3
USD JPY	112.56	-0.2	-0.6	-2.0	0
DKY	94.14	-0.4	-0.4	-1.2	7
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	38.33	2.6	3.5	-21.7	-52
USDBRL (Brazil)	4.08	1.1	3.1	-0.8	-20
USDCLP (Chile)	670.57	1.4	1.5	-1.1	-10
USDCOP (Colombia)	301.6	0.4	0.6	-1.2	-3
USDMXN (Mexico)	18.85	-0.4	-0.1	0.5	-4
USDPEN (Peru)	3.30	0.1	0.5	-0.1	-2
LACT	54.62	0.6	1.8	-2.6	-14
USDPLN (Poland)	3.65	0.5	0.7	1.5	-6
USD RUB (Russia)	66.21	0.8	3.2	1.4	-13
USDTRY (Turkey)	6.21	0.7	-2.0	-2.1	-28
USD CNY (China)	6.85	0.0	0.0	0.0	-5
USD INR (India)	72.38	0.0	-0.3	-3.5	-12
USD IDR (Indonesia)	14,849	0.2	-0.1	-1.9	-9
ADXY	104.9	0.0	0.0	-0.5	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	78.7	-0.9	0.7	8	18
WTX	71	-0.2	3.5	5	18
Copper	270	-0.3	1.4	1	-17
Gold	1204	0.0	0.2	1	-9
S&P Spot commodity *	472	0.9	1.7	4	7
S&P Brent Spot *	672	0.5	1.4	8	19
S&P Metals Spot *	336	0.3	0.2	1	15
S&P Agricultural *	277	1.3	0.2	-4	-2

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

Fuente: BBVA Research

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