

Market Comment | Italian budget issue drives markets once again

Global Financial Markets Unit
03 Oct 2018

- **Fresh news about Italian spending plans in coming years was the main driver in financial markets today**, giving some relief to European assets, especially those hit by this issue in recent sessions. The Italian government **left the door open to mitigating the planned deficit for 2021 from 2.4% to 2%(see)**.
- Against this backdrop, **Italy's risk premium narrowed from its four-year high and distanced itself from the 300 point threshold**, at least for the moment. The German Bund yields also took advantage of the improvement in market sentiment, while the **euro failed to recover** from recent drops against the USD. The release of worse-than-expected economic data in the euro area (confidence and retail sales) may have contained the increase in German yields.
- The **positive trend remained in the US** despite potential political uncertainty following the release of reports that could affect the US president (see). However, Treasury yields inched up, while equity indices continued to hover around their historical highest levels.
- The GBP also remained in the spotlight after May's remarks about the position of the UK on a Brexit deal at the **Conservative Party conference (see)**.
- **Calm in emerging markets continued despite the USD's continuing appreciation trend.** EM currencies were very little changed, with the main exception of the BRL for the second day in a row after the release of new polls on this weekend's first round of the general election. Turkish lira depreciated slightly despite higher than expected inflation data (see).

Table 1

Update 18:00 CET October 3

Debt markets (10Y, % change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.54	3.3	2.9	2.2	9.2
US	3.12	5.2	6.7	26	65
GER (2-yr)	-0.53	3.0	-3.2	7	8
Germany	0.48	5.3	-5.1	14	-5
France	0.82	3.4	-2.3	13	0
Spain	1.94	-0.3	1.3	9	-14
Italy	3.31	13.9	45.4	15	122
Portugal	1.89	-0.6	-0.3	-1	-12
Greece	4.41	10.3	35.9	-4	30
Japan (2-yr)	-0.11	-0.1	-0.5	-1	2
Japan	0.14	1.1	1.5	2	5.9
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.23	-19.0	-48.0	-112	98
Chile	4.53	0.5	-3.6	7	2
Colombia	6.92	0.2	-0.3	3	48
Mexico	7.91	-1.2	-6.3	-1	33
Peru	5.28	-0.6	-3.6	15	41
Poland	3.27	2.9	2.3	5	-5
Russia	8.64	5.1	-12.6	-15	100
Turkey	18.53	100.0	82.0	-168	717
India	8.11	12.6	4.2	12	73
Indonesia	8.26	11.8	3.3	5	197
Country risk (bp change in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	-1.9	2.8	-1	4
Italy	284	-19.2	50.5	1	127
Portugal	142	-5.9	4.8	-15	-7
Spain	106	-5.6	6.4	-6	-9
2-yr sovereign spread vs Germany					
France	19	0.0	1.6	2	3
Italy	174	-20.5	48.4	-25	138
Portugal	44	-3.8	3.9	-4	-5
Spain	35	-4.0	8.4	2	8
Emerging Markets					
5-yr sovereign CDS*					
level	Daily	Weekly	Monthly	YTD	
Brazil	250	-13.5	-18	-50	90
Chile	43	-1.6	-3	-13	-6
Colombia	108	-2.9	6	-4	3
Argentina	574	-18.0	9	-204	336
Mexico	108	-2.8	11	-12	1
Peru	72	-1.6	-5	-11	0
Poland	67	1.6	1	4	18
Russia	138	-3.3	-15	-29	20
Turkey	391	14.3	12	-190	227
China	57	2.0	-2	-3	7
India	105	-0.7	-4	16	36
Indonesia	134	5.8	-2	7	49
Risk indicators					
Volatility indicators (change in pts)					
level	Daily	Weekly	Monthly	YTD	
VIX	12	-0.4	-1	-1	2
VST OXX	15	-0.9	2	-1	1
EM EFT volatility Index	20	0.6	0	0	4
Robustness volatility	7	0.0	1	0	1
EMFT volatility Index	10	0.2	-1	-2	2
Credit spread (GAA) (change in bps)	177	-5.2	-8	-15	0
US bonds volatility index	45	1.1	-2	-5	-4
Inflation expectations (bps)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)	2.43	-	-2	2	11
EZ Inflation expectations (5Y)	1.88	-	-2	3	6
Banking (bps)					
level	Daily	Weekly	Monthly	YTD	
US	48	-0.1	-2	-5	6
EZ	92	4.6	10	-5	53
UK	72	0.9	4	4	31
Large Spanish	74	4.2	9	-11	38
Medium Spanish	94	-0.4	1	1	19
Corporate (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	154	-0.1	-2	-5	5
EZ Non-financial	78	4.6	10	-5	53
UK Non-financial	100	0.5	-2	0	8
Interbank markets (% change in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	-1	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.16	0	1	1	3
Libor 3m	2.41	1	3	9	71
Libor 12m	2.92	0	1	6	62
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,933	0.3	0.9	1.1	5
Dow Jones	26,926	0.6	2.0	3.7	8
Nikkei	24,111	-0.7	0.3	6.2	6
FTSE 100	7,510	0.5	0.0	0.1	-2
Euro Stoxx 50	3,405	0.5	-0.8	0.3	-2
IBEX	9,281	0.6	1.7	0.2	-7
DAX	12,289	0.0	-0.8	-0.5	-5
CAC	5,491	0.4	-0.4	1.4	4
MI8	20,736	0.8	-4.2	1.7	-5
ASE Athens	667	-2.1	-5.0	-8.2	-19
MSO Latam*	87,741	1.7	1.8	3.4	2
Koreaex (Korea)	83,884	2.8	6.6	10.1	8
Mexor (Mexico)	49,312	-0.1	0.6	-0.3	1
Merval (Argentina)	33,112	1.2	2.4	14.9	7
MSO EM Europe*	5,499	0.8	0.1	2.6	2
Poland	2,298	0.8	0.3	2.4	-7
Mico 10 (Russia)	4,493	1.3	1.0	5.0	9
Nse Nifty (Turkey)	97,188	-1.8	-2.0	3.5	-17
MSO EM Asia*	657	-1.9	-1.4	-3.3	-7
Shanghai Com (China)	2,821	0.0	0.5	3.7	-16
Jakarta (Indonesia)	5,868	-1.3	-0.1	-2.5	-8
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	145.1	1.2	-0.2	-1.4	-2
WFC	115.1	1.0	0.1	0.5	7
Citi	22.5	1.0	0.1	1.9	-2
BoA	30.0	1.5	-0.3	2.9	0
MS	47.3	1.5	0.8	-3.1	-9
GS	228.2	0.9	-0.3	-4.1	-11
EZ banks					
BNP	52.1	0.3	4.6	2.9	-16
Credit Agricole	12.4	1.5	-4.2	4.3	-11
Deutsche Bank	9.6	0.0	-6.2	-1.7	-40
ING	11.2	0.7	-3.1	-4.1	-27
Intesa	2.1	0.5	-11.9	2.4	-29
SG	36.8	0.6	-3.7	3.9	-15
Unicredit	12.5	0.7	-11.5	0.2	-20
UK banks					
HSBC	692.1	1.1	-2.5	-1.0	-13
RBS	669.1	0.8	-1.8	-0.8	-13
Barclays	248.2	0.9	-2.7	2.2	-10
Lloyds	117.5	1.3	1.8	2.8	-15
Large Spanish banks					
Santander	65.5	0.6	-3.8	0.7	-23
BBVA	4.3	1.8	-3.3	1.7	-20
CaixaBank	5.3	-0.5	-4.2	-0.2	-25
Medium Spanish banks					
Celabank	70.0	0.3	-3.7	2.1	-9
Sabobank	3.9	0.4	-3.6	0.7	-3
Bankinter	1.3	0.5	-6.8	-1.1	-22
Banque	8.1	0.2	-1.5	6.0	1
Banque	3.4	0.1	-5.7	2.6	-17
Commodities (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.153	-0.2	-1.8	-0.8	-4
GBPUSD	1.30	0.1	-1.3	1.0	-4
USDJPY	114.22	-0.5	-1.3	-2.8	-2
DX	95.89	0.2	1.0	0.6	2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	37.95	0.3	1.5	1.4	-52
USDBRL (Brazil)	3.88	1.5	3.9	7.2	-16
USDCJP (China)	661.33	-0.4	0.2	3.5	-8
USDCOP (Colombia)	3015	0.1	-0.5	1.2	-3
USDMXN (Mexico)	18.83	-0.2	0.1	1.9	4
USDINR (India)	3.31	0.0	-0.3	-0.3	-2
LACI	55.69	0.8	1.4	3.5	-12
USDPLN (Poland)	3.73	-0.2	2.4	-1.0	-7
USD RUB (Russia)	65.69	-0.3	0.3	3.4	-12
USDTRY (Turkey)	6.02	-0.5	1.6	10.3	-37
USDQY (China)	6.87	0.0	0.1	-0.7	-5
USDIDR (Indonesia)	73.24	-0.6	-1.9	-2.9	-13
USDIDR (Indonesia)	15.075	-0.2	-1.1	-1.7	-10
ADXY	104.3	-0.2	-0.5	-0.8	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	85.2	0.5	4.7	9	28
WTX	75	0.3	5.4	8	25
Copper	279	-0.3	-0.7	5	-14
Gold	1200	-0.3	0.5	0	-9
S&P Spot commodity *	498	0.4	3.8	6	12
S&P Brent Spot *	722	-0.2	5.0	9	27
S&P Metals Spot *	350	0.9	1.5	3	-11
S&P Agriculture*	285	1.5	1.8	0	0

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

Fuente: BBVA Research

Debt markets (10y, % changes in bps)					
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Germany	0.46	5.3	5.1	14	5
France	0.82	3.4	-2.3	13	0
Spain	1.54	-0.3	1.3	9	-14
Italy	3.31	-13.9	45.4	15	122
Portugal	1.89	-0.6	0.3	-1	-12
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Mexico	7.91	-1.2	-6.3	-1	33
Peru	5.28	-0.6	-3.6	15	41
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Volatility indicators (change in pp)					
VIX	12	0.4	-1	0	2
VSTOXX	15	-0.9	2	-1	1
EM EFT volatility index	20	0.6	0	0	4
Dollar Euro volatility	7	0.0	1	0	1
EM FX volatility index	10	0.2	-1	-2	2
Credit spread (BAA) (change in bps)	177	-5.2	-8	-15	0
US bonds volatility index	45	1.1	-2	5	-4
Inflation expectations (%)					
US Inflation expectations (5Y5Y)	2.43	-	-2	2	11
EZ Inflation expectations (5Y5Y)	1.68	-	-2	-3	-5
Banking 5Y CDS (bps) *					
US	48	-0.1	-2	-5	6
EZ	92	4.6	10	-5	53
UK	72	0.9	4	4	31
Large Spanish	74	4.2	9	-11	38
Medium Spanish	94	-0.4	1	1	19
Corporate 5Y CDS (bps) *					
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EZ Non-financial	78	4.6	10	-5	53
UK Non-financial	100	-0.5	-2	0	8
Interbank markets (% change in bp)					
EONIA Index					
EONIA Index	-0.37	0	0	-1	1
Eurobor 3m					
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m					
Eurobor 12m	-0.16	0	1	1	3
Libor 3m					
Libor 3m	2.41	1	3	9	71
Libor 12m					
Libor 12m	2.92	0	1	8	82
Stock markets (%)					
Index indices					
S&P500	2,923	0.3	0.9	1.1	9
Dow Jones	26,926	0.6	2.0	3.7	8
Nikkei	24,111	0.7	0.3	6.2	6
FTSE 100	7,510	0.5	0.8	0.1	-2
EuroStoxx 50	3,405	0.5	-0.8	0.3	-2
IBEX	9,361	0.6	-1.7	-0.2	-7
DAAX	12,288	0.0	-0.8	-0.5	-5
CAC	5,491	0.4	0.4	1.4	4
MIB	20,736	0.8	-4.2	1.7	-5
ASE Athens	667	-2.1	-9.0	-8.2	-19
MSCI Latam *	87,743	1.7	1.9	3.4	2
Ibovespa (Brazil)	83,884	2.8	6.6	10.1	8
Merval (Mexico)	49,332	-0.1	-0.6	-0.3	-1
Merval (Argentina)	33,112	1.2	2.4	14.9	7
MSCI EM Europe *	5,499	-0.9	0.1	2.6	2
Poland	2,298	0.8	0.3	-2.4	-7
Mosc 10 (Russia)	4,493	1.3	1.0	5.0	9
Ise 100 (Turkey)	97,188	-1.0	-2.0	3.5	-17
MSCI EM Asia	857	-1.5	-1.4	-3.3	-7
Shanghai Com (China)	2,821	0.0	0.5	3.7	-16
Jakarta (Indonesia)	5,868	1.3	-0.1	-2.5	8
Banking sector					
US banks	145.1	1.2	-0.2	-1.4	-2
JPM	115.1	1.0	0.1	0.5	7
Cit	72.5	1.0	0.1	1.8	-2
BoA	30.0	1.5	0.3	-2.9	0
MS	47.3	1.5	-0.8	-1.1	9
GS	228.2	0.9	-0.3	-4.1	-11
EZ banks	86.7	0.7	6.1	0.7	-21
BNP	52.1	0.3	-4.6	-2.9	-16
Crédit Agricole	12.4	1.5	-4.2	4.3	-11
Deutsche Bank	9.6	0.0	-6.2	-1.7	-40
ING	11.2	0.7	-3.1	-4.1	-27
Intesa	2.1	0.5	-12.9	-2.4	-23
SG	36.8	0.6	-3.7	3.9	-15
Unicredit	12.5	0.7	-11.5	0.2	-30
UK banks	80.2	1.1	-2.5	-1.0	-13
HSBC	669.1	0.8	-1.8	-0.8	-13
RBS	248.2	0.9	2.7	2.2	-10
Barclays	172.5	1.3	-1.8	-2.8	-15
Lloyds	58.4	1.6	-3.9	-2.1	-14
Large Spanish banks	65.5	0.6	-3.8	0.7	-23
Santander	4.3	1.8	-3.3	1.7	-20
BBVA	5.3	0.5	-4.2	-0.2	-25
Medium Spanish banks	70.0	0.3	-3.7	2.1	-9
Casabank	3.9	0.4	-3.6	0.7	3
Sabadell	1.3	0.5	-6.8	-1.1	-22
Bankinter	8.1	0.2	-1.5	6.0	1
Bankia	3.4	0.1	-5.2	2.6	-17
Commodities (% change in bp)					
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Brent	85.2	0.5	4.7	9	28
WTX	75	0.3	5.4	8	25
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S&P Agricultural *	285	1.5	1.8	0	0
* With one day delay					
Source: Bloomberg, Datastream and Haver					

Fuente: BBVA Research

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