

Market Comment | Risk-off mood in financial markets across the board

Global Financial Markets Unit
23 Oct 2018

- **Negative mood in financial markets increased** as the rejection of Italy's 2019 budget and disappointing corporate releases in the US [\(see\)](#) added to the already challenging geopolitical tensions between the US and Saudi Arabia and the international trade context.
- **Equity indices went down across the board.** US and European equity indices registered sharp drops today following the reversal of Asian indices after yesterday's recovery. The release of disappointing industrials' earnings forecasts also weighed on the US indices [\(see\)](#) and volatility continued to increase (VIX rose to 23%).
- **Against this backdrop, core yields inched down in a risk-off movement in financial markets:** the US Treasury 10Y yield fell below 3.15% and the 10Y Bund yield diminished despite the release of higher-than-expected consumer confidence data for the EZ [\(see\)](#). In this line, the USD remained stable, close to its recent high, while the JPY appreciated, also favoured by safe-haven flows.
- **The unprecedented rejection of Italy's 2019 budget by the EU Commission hit Italian assets.** The Italian risk premium increased due to the combination of safe-haven flows and the rebound in Italy's 10Y yield. Contagion to the other peripheral risk premia was very slight.
- The GBP appreciated strongly during the day after talks about a potential EU offer to the UK to build a broad customs union, however it lost some ground as the session went by, hit by the worsening mood in markets. [\(see\)](#).
- **EM currencies depreciated, with the sole exception of the RMB.** The Turkish lira underperformed other EM FX markets as idiosyncratic issues weighed [\(see\)](#). Crude oil prices declined, adding pressure on Latam currencies, which depreciated today.

Table 1

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Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.85	5.4	-1.2	5	93
US	3.12	7.7	-4.3	6	66
GER (2 yr)	0.61	1.6	-4.2	-7	1
Germany	0.41	-3.9	-8.2	-5	-11
France	0.79	-3.5	-5.7	1	-4
Spain	1.66	-3.3	2.0	17	-1
Italy	3.59	10.2	13.9	76	150
Portugal	2.01	-0.7	0.8	14	0
Greece	4.32	-1.5	3.6	25	21
Japan (2 yr)	-0.11	0.3	0.3	-1	2
Japan	0.15	0.2	0.4	2	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.30	8.3	-4.5	-148	4
Chile	4.99	0.5	-2.4	9	16
Colombia	7.08	3.2	2.5	17	64
Mexico	8.35	1.5	20.6	31	78
Peru	5.43	0.2	6.0	22	56
Poland	3.21	-5.4	-0.8	-3	-10
Russia	8.64	3.4	-3.2	-18	100
Turkey	18.77	49.0	126.0	65	241
India	2.89	-3.9	1.7	-19	50
Indonesia	8.66	1.9	17.1	52	236
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	0.4	2.5	6	8
Italy	318	14.1	22.1	82	161
Portugal	160	3.2	14.8	19	11
Spain	125	0.6	10.2	22	10
2-yr sovereign spread vs Germany					
France	20	0.1	2.3	4	4
Italy	184	9.2	-2.3	55	142
Portugal	51	1.2	5.2	7	1
Spain	46	-1.0	4.5	16	19
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS*					
Brazil	209	3.8	12	64	46
Chile	49	0.2	3	1	0
Colombia	126	1.2	5	13	21
Argentina	626	-1.7	31	56	387
Mexico	133	3.8	12	17	26
Peru	80	0.6	2	3	8
Poland	67	0.0	0	2	18
Russia	151	1.5	3	6	33
Turkey	390	-0.9	2	-11	226
China	67	-0.8	1	8	17
India	110	0.3	0	5	43
Indonesia	147	-0.2	2	8	62
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	23	3.3	5	11	13
VSTOIX	21	2.0	5	9	8
EM CT volatility index	28	2.7	4	9	12
Dollar/euro volatility	7	0.0	0	0	0
EM FX volatility index	10	-0.2	0	-2	2
Credit spread (BAA)(change in bps)	200	7.7	12	16	23
US bonds volatility index	52	-0.2	2	3	3
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.39	-	-1	-10	2
EZ Inflation expectations (5Y5Y)	1.67	-	-1	-2	-7
Ranking by CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US	58	0.4	1	9	15
EZ	101	-1.7	-1	18	62
UK	69	-0.7	1	5	28
Large Spanish	79	-1.1	-2	11	43
Medium Spanish	102	7.6	7	20	27
Corporate by CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	166	0.4	1	9	15
EZ Non-financial	83	-1.7	-1	18	62
UK Non-financial	104	-0.8	1	3	11
Interbank markets (%, changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0
EURibor 3m	-0.32	0	0	0	1
Carbon 12m	-0.15	0	1	2	4
Libor 3m	2.49	1	4	12	79
Libor 12m	3.03	1	6	13	92
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,705	1.8	-3.7	-7.7	0
Dow Jones	24,899	1.8	-3.6	-7.0	0
Nikkei	22,011	2.7	2.4	-7.8	-3
FTSE 100	6,955	-1.2	-1.5	-7.1	-8
Euro Stoxx 50	3,141	-1.5	-3.6	-8.4	-10
IBEX	8,726	-0.9	-3.8	-9.0	-13
DAK	11,274	-2.2	-4.3	-9.3	-12
CAC	4,268	-1.7	-4.0	-9.6	-6
MI8	18,802	-0.9	-4.6	-12.7	-14
ASE Athens	619	-1.1	-3.8	-11.3	-24
MSCI Latam*	88,159	0.6	0.8	2.7	3
Ibovespa (Brazil)	84,721	-1.0	-1.2	6.6	9
Ibovexa (Mexico)	46,617	-0.7	-3.2	-5.5	-7
Merval (Argentina)	28,206	-1.3	-4.2	-17.8	-9
MSCI EM Europe*	5,230	-0.9	-1.8	-2.7	-3
Poland	2,148	-2.1	-3.1	-4.9	-13
Mosx 10 (Russia)	4,134	-0.3	-4.0	-6.5	0
Ise 100 (Turkey)	93,469	-1.3	-5.1	-4.6	-20
MSCI EM Asia*	606	1.3	1.2	-7.3	-13
Shanghai Com (China)	2,595	-2.3	-1.9	-7.2	-23
Jakarta (Indonesia)	5,798	-0.7	1.2	-2.2	-9
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks	132.5	-2.1	-4.9	-11.4	-11
JPM	104.6	-1.7	-3.7	-11.3	-3
Cit	65.1	-2.2	-6.6	-12.2	-12
BofA	26.8	-2.0	-5.8	-13.5	-10
MS	44.1	-2.3	-4.0	-10.8	-16
GS	215.8	-2.6	-2.7	-8.3	-16
EZ banks	80.1	-1.0	-4.7	-13.5	-27
BNP	47.6	-1.5	-4.3	-12.8	-23
Credit Agricole	11.5	-1.8	-4.8	-11.1	-17
Deutsche Bank	9.2	-0.9	-3.2	-11.6	-42
ING	10.3	0.4	-4.5	-11.0	-33
Intesa	2.0	0.0	-4.9	-18.6	-29
SG	33.6	-1.4	-5.1	-11.2	-22
Unicredit	11.3	-0.3	-6.1	-19.9	-28
UK banks	75.3	-1.1	-1.7	9.4	-18
RBS	696.7	-2.8	-2.6	-10.8	-21
RBS	232.8	-0.9	-3.8	-11.3	-16
Barclays	165.8	0.3	1.8	-6.1	-18
Lloyds	56.4	0.1	-1.7	-8.8	-17
Large Spanish banks	61.6	-1.0	-5.8	-10.8	-27
Santander	4.0	-1.5	-6.1	-11.7	-26
BBVA	5.1	-0.5	-5.5	-10.1	-28
Medium Spanish banks	61.2	-1.7	-10.5	-16.5	-20
CaixaBank	3.5	-2.2	-10.5	-14.0	-13
Sabotek	1.1	-3.3	-15.1	-25.6	-26
Bankinter	7.2	-1.7	-9.2	-11.5	-10
Banque	2.8	0.5	-0.7	-21.0	-30
Currencies (%; not for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.148	0.2	0.8	2.3	-5
GBPUSD	1.30	0.1	-1.8	-0.7	-4
USDJPY	112.13	0.6	0.1	0.4	0
DXY	95.86	-0.2	0.9	1.7	4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	36.83	-1.0	-2.5	-1.1	-50
USDBRL (Brazil)	3.71	0.6	0.5	9.3	-12
USDCLP (Chile)	603.57	0.1	2.1	-2.8	-11
USDCOP (Colombia)	3112	-0.9	2.0	-3.7	-6
USDMXN (Mexico)	19.41	0.0	-3.4	-3.0	1
USDPEN (Peru)	3.34	0.2	0.1	-1.3	-3
LACI	55.77	-0.2	-1.5	1.4	-12
USDPLN (Poland)	3.74	0.0	-1.0	-2.0	-8
USDINR (India)	69.64	0.7	0.4	1.2	-12
USDTRY (Turkey)	5.75	-1.4	-1.1	9.4	-34
USDCNY (China)	6.94	0.1	0.4	-1.2	-6
USDIR (Russia)	73.57	0.0	0.1	1.9	-14
USDIR (Indonesia)	15,192	0.0	0.1	-2.5	-11
ADXY	103.6	0.1	0.5	1.2	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	76.7	4.0	5.8	-3	15
WTX	67	3.8	-7.5	-6	10
Copper	274	-1.3	-1.1	-3	-16
Gold	1233	0.9	0.7	3	-6
S&P Spot commodity*	475	0.1	-1.9	0	7
S&P Brent Spot*	676	0.2	2.0	2	19
S&P Metals Spot*	343	0.4	-0.2	-2	-13
S&P Agricultural*	291	-0.1	-1.2	3	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 (2-yr)	2.65	5.4	-1.2	5	33
US	3.12	-7.7	-4.3	6	66
GER (2-yr)	-0.61	-1.6	-4.2	-7	1
Germany	0.41	-3.9	-8.2	-5	-11
France	0.79	-3.5	-5.7	1	-4
Spain	1.66	-3.3	2.0	11	-1
Italy	3.59	10.2	13.9	76	150
Portugal	2.01	-0.7	6.6	14	0
Greece	4.32	-1.5	3.6	25	21
Japan (2-yr)	-0.11	0.3	0.3	-1	2
Japan	0.15	0.2	0.4	2	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.30	8.3	-4.5	-148	4
Chile	4.59	0.5	-2.4	9	6
Colombia	7.08	3.2	2.5	17	64
Mexico	8.35	1.5	28.6	31	78
Peru	5.43	0.2	6.0	22	56
Poland	3.21	-5.4	-0.8	-3	-10
Russia	8.64	3.4	-3.2	18	100
Turkey	18.77	49.0	126.0	65	241
India	7.89	-3.9	1.7	-19	50
Indonesia	8.86	1.8	-17.1	52	236
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	0.4	2.5	6	6
Italy	318	14.1	22.1	82	161
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Spain	125	0.6	10.2	22	10
2-yr sovereign spread vs Germany					
France	20	0.1	2.2	4	4
Italy	184	9.2	2.2	55	147
Portugal	51	1.2	5.2	7	1
Spain	46	-1.0	4.5	16	19
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	209	-3.8	-12	-64	48
Chile	49	0.2	3	1	0
Colombia	116	1.2	5	13	21
Argentina	626	-1.7	31	56	387
Mexico	133	3.8	12	17	26
Peru	80	0.6	2	3	9
Poland	67	0.0	0	2	18
Russia	151	-1.5	3	-6	33
Turkey	380	-0.9	2	-11	226
China	67	0.8	1	8	17
India	110	-0.3	0	5	41
Indonesia	117	-0.2	2	8	62
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	23	3.3	5	11	13
VIX CXX	21	2.0	5	9	6
EM EFT volatility Index	28	2.7	4	9	12
Dollar/euro volatility	7	0.0	0	0	0
EM FX volatility index	10	-0.2	0	-2	-2
Credit stress (BAA) (change in bps)	200	7.7	12	16	2
US bonds volatility index	52	-0.2	2	3	3
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y)					
US	2.39	-	-1	-10	-
EZ Inflation expectations (5Y)					
EZ	1.67	-	-1	-2	-7
Banking S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	58	0.4	1	9	15
EZ	101	-1.7	-1	18	62
UK	69	-0.7	1	5	28
Large Spanish	79	-1.1	-2	11	43
Medium Spanish	102	7.6	7	20	27
Corporate S&P CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	166	0.4	1	9	15
EZ Non-financial	83	-1.7	-1	18	62
UK Non-financial	104	-0.8	1	3	11
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EOANA Index	-0.37	0	0	0	0
Eurobor 3m	-0.32	0	0	0	1
Eurobor 12m	-0.15	0	1	2	4
Libor 3m	2.49	1	4	12	79
Libor 12m	3.03	1	6	13	92
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,705	1.8	-3.7	-7.7	0
Dow Jones	24,859	1.8	-3.6	-7.0	0
Nikkei	22,011	-2.7	-2.4	-7.8	-3
FTSE 100	6,955	1.2	-1.5	-7.1	-9
EuroStoxx 50	3,141	-1.5	-3.6	-8.4	-10
IBEX	8,726	-0.9	-3.0	-9.0	-13
DAX	11,274	-2.2	-4.3	-9.3	-12
CAC	4,988	-1.7	-4.0	-9.6	-6
MB	16,892	-0.9	-4.6	-12.7	-14
ASE Athens *	619	-1.1	-3.9	-11.3	-24
MSCI Latin *	88,159	0.6	0.8	2.7	3
Bovespa (Brazil)	84,221	-1.0	-1.2	-6.6	-9
Mercol (Mexico)	46,617	-0.7	-3.3	-5.5	-7
Mercol (Argentina)	28,206	-1.3	-4.2	-17.8	-9
MSCI EM Europe *	5,230	0.9	1.9	-2.7	-3
Poland	2,148	-2.1	-3.1	-4.9	-13
Moscow 10 (Russia)	4,134	-0.3	-4.0	-6.5	0
Isr 100 (Turkey)	93,468	-1.3	-5.1	-4.6	-20
MSCI EM Asia *	806	1.3	1.2	-7.3	-13
Shanghai Com (China)	2,955	-2.3	1.9	7.2	-23
Jakarta (Indonesia)	5,798	-0.7	1.2	-2.2	-9
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	132.5	2.1	4.6	11.4	-11
WFC	104.6	-1.7	-3.7	-11.3	-3
CS	65.1	-2.2	-6.6	-12.2	-12
BoA	26.8	-2.0	-5.9	-13.5	-10
MS	44.1	-2.3	-4.0	-10.8	-16
GS	215.8	2.6	-2.7	-8.3	-16
EZ banks					
BNP	80.1	-1.0	-4.7	-13.5	-27
ING	47.6	-1.5	-4.3	-12.8	-23
Credit Agricole	11.5	-1.8	-4.9	-11.1	-17
Deutsche Bank	9.3	-0.9	-3.2	-11.6	-42
ING	10.3	-0.4	-4.5	-11.0	-33
Intesa	2.0	0.0	-4.9	-18.6	-29
SG	33.6	-1.4	-5.1	-11.2	-22
Unicredit	11.3	-0.3	-6.1	-19.9	-28
UK banks					
HSBC	75.3	-1.1	-1.7	-9.4	-18
HSBC	606.7	-2.8	-2.8	-10.8	-21
RES	232.8	-0.9	-3.8	-11.3	-16
Barclays	165.8	0.3	1.8	6.1	-18
Lloyds	56.4	-0.1	-1.7	-8.8	-17
Large Spanish banks					
Santander	61.6	-1.0	-5.8	-10.8	-27
Santander	4.0	-1.5	-6.1	-11.7	-26
BBVA					
Santander	5.1	-0.5	-5.5	-10.1	-28
Medium Spanish banks					
Cajabank	61.2	-1.7	-10.5	-16.5	-20
Cajabank	3.5	-2.3	-10.5	-14.0	-13
Sabadell	1.1	-3.3	-15.1	-25.5	-36
Bankinter	7.2	-1.7	-9.2	-11.5	-10
Bankia	2.8	0.5	-9.7	-21.0	-30
Currencies (% rd for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1,148	0.2	0.8	2.3	-5
GBPUSD	1,30	0.1	-1.5	-0.7	-4
USD JPY	112.13	0.6	0.1	0.4	0
DXF	95.86	-0.2	0.0	1.7	-4
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS	36.83	1.0	2.5	13	50
USDBRL (Brazil)					
USDBRL	3.71	0.6	0.5	9.3	-12
USDCLP (Chile)					
USDCLP	683.57	-0.1	-2.1	-2.8	-11
USDCOP (Colombia)					
USDCOP	3112	0.9	-2.0	-3.7	-6
USDMXN (Mexico)					
USDMXN	19.41	0.0	-3.4	-3.0	1
USDPEN (Peru)					
USDPEN	3.34	-0.2	-0.1	-1.3	-3
LACI					
LACI	55.77	0.2	-1.5	1.4	-12
USDPLN (Poland)					
USDPLN	3.74	0.0	1.0	2.0	-8
USD RUB (Russia)					
USD RUB	65.64	-0.7	0.4	1.2	-12
USDTRY (Turkey)					
USDTRY	5.75	-1.4	-1.1	9.4	-34
USD CNY (China)					
USD CNY	6.94	0.1	-0.4	-1.2	-6
USD INR (India)					
USD INR	73.57	0.0	-0.1	-1.9	-14
USD IDR (Indonesia)					
USD IDR	15,192	0.0	0.1	2.5	-11
ADXY					
ADXY	103.6	-0.1	0.5	-1.2	-6
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	76.7	-4.0	-5.8	-3	15
WTX	67	-3.8	-7.5	6	10
Copper	274	-1.3	-1.1	-3	-16
Gold	1233	0.8	0.7	3	-6
S&P Spot commodity *	475	0.1	-1.9	0	7
S&P Brent Spot *	676	0.2	-2.0	2	19
S&P Metals Spot *	343	0.4	0.2	2	-13
S&P Agricultural *	291	-0.1	-1.2	3	2

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

Fuente: BBVA Research

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