

# Market Comment | Brexit deal between EU and UK was not enough to support European markets

Global Financial Markets Unit  
22 Nov 2018

- **The potential Brexit deal between the EU and the UK was the main driver in European markets** in a context of low trading volumes as the **US markets were closed** due to the Thanksgiving holiday.
- **The UK and the EU have agreed a Brexit deal.** Donald Tusk (EU Council president) said the draft was ready to be signed by leaders on Sunday. Now, the internal situation in the UK and how Theresa May gains parliamentary support for this deal will be the keys to reaching an orderly exit of the UK ([see](#)).
- **Yesterday's rebound in most European equity markets was offset by today's sharp drops.** The release of positive news on Brexit negotiations caused a temporary recovery of stock markets. However, the euro and the GBP - which registered a sharp appreciation - were able to benefited.
- Against this backdrop, **European safe-haven German bond yields remained steady at their recent lower bound** as there were no surprises in today's release of **ECB minutes, which reiterated the ECB's intention of ending its QE programme at its December meeting**([see](#)). The worse-than-expected confidence data for the euro zone also had a mild effect on interest rates ([see](#)).
- **Italy's risk premium remained stable** (hovering around 300 bps) despite Deputy Prime Minister Di Maio saying today that there will not be any change in their budget proposal before the 2019 EU elections ([see](#)), offsetting yesterday's conciliatory mood. The implementation of excessive deficit procedures by the EU is warranted. Other peripheral risk premia were also unchanged.
- In FX markets, **despite the flat USD, Latam currencies were mixed**, among other things **due to oil prices, which resumed their downward trend**. The release of figures showing an increase in US oil inventories weighed ahead of the December OPEC meeting ([see](#)).

Table 1

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Debt markets (% 10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.81	0.0	-4.0	-7	89
US	3.06	0.0	-4.8	-10	60
GER (2 yr)	0.58	0.5	1.5	3	4
Germany	0.37	0.7	0.9	4	-15
France	0.75	-1.7	-0.2	-4	-7
Spain	1.64	0.3	0.7	-1	-3
Italy	3.44	3.0	5.2	-15	135
Portugal	1.95	-1.5	-1.5	-6	-6
Greece	4.60	-6.3	1.4	28	49
Japan (2 yr)	-0.14	0.2	0.5	-3	-1
Japan	0.10	0.5	0.5	-5	-5
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	10.02	-4.3	-38.7	-26	-24
Chile	4.42	0.8	-7.7	-16	-9
Colombia	7.00	-4.5	-7.3	-7	56
Mexico	9.02	-2.4	1.9	71	145
Peru	5.37	-1.0	-11.1	-6	49
Poland	3.24	2.4	-0.8	3	7
Russia	8.83	0.1	3.0	19	119
Turkey	16.44	-13.0	49.0	-233	508
India	2.71	-8.2	-4.5	-18	33
Indonesia	7.95	-3.0	16.6	-71	165
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10 yr sovereign spread vs Germany					
France	38	-1.0	-1.1	0	8
Italy	307	-2.3	-6.1	-11	150
Portugal	158	-0.9	2.8	-2	9
Spain	127	0.9	-0.3	1	12
2 yr sovereign spread vs Germany					
France	13	-0.5	-3.2	-7	-3
Italy	159	-12.5	-36.6	-25	122
Portugal	40	-2.7	-4.3	-11	-10
Spain	44	-2.1	-2.2	-3	12
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5 yr sovereign CDS*					
Brazil	211	-4.1	6	2	51
Chile	57	-0.1	6	8	8
Colombia	141	-1.7	16	16	36
Argentina	612	-13.1	26	-14	374
Mexico	137	-3.9	8	24	50
Peru	87	-0.4	6	6	15
Poland	68	0.0	1	2	20
Russia	135	-5.2	3	4	37
Turkey	387	-6.9	20	-3	223
China	72	-3.2	6	5	22
India	112	-0.1	0	2	43
Indonesia	150	-5.7	3	2	64
Risk indicators					
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	21	0.0	1	0	11
VSTOXX	19	1.0	-1	-2	6
EM CT volatility index	27	0.0	-1	0	13
Dollar/Euro volatility	8	-0.1	-1	1	1
EM FX volatility index	10	0.0	0	0	2
Credit spread (BAA)(change in bps)	217	0.4	4	20	39
US bonds volatility index	58	-1.8	1	3	8
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.28	-	-6	-9	-4
EZ Inflation expectations (5Y5Y)	1.66	-	-3	-1	-8
Ranking by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US	68	2.6	6	10	25
EZ	117	-2.3	13	15	78
UK	89	-1.9	14	20	48
Large Spanish	86	-3.3	12	8	50
Medium Spanish	104	-0.7	2	3	29
Corporate by CDS (bps)*					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	186	-2.6	6	10	25
EZ Non-financial	85	-2.3	12	15	78
UK Non-financial	110	-1.1	5	7	17
Interbank markets (% changes in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	1	1	1
Euro3m	-0.32	0	0	0	1
Libor 12m	-0.15	0	0	0	4
Libor 3m	2.68	2	5	19	98
Libor 12m	3.11	1	-2	8	100
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,650	0.0	-2.9	-3.3	-2
Dow Jones	24,465	0.0	-3.3	-2.9	-1
Nikkei	21,647	0.6	0.7	-1.7	-5
FTSE 100	6,995	-3.2	-3.0	0.1	-8
EuroStoxx 50	3,127	0.9	-2.0	-0.5	-10
IBEX	8,905	-0.6	-1.9	2.1	-12
DAK	11,139	-0.9	-1.9	-1.2	-13
CAC	4,938	-0.8	-1.9	-0.6	-7
MIB	18,632	-0.5	-1.4	-0.9	-15
ASX Allorps	5,99	-0.2	-5.1	-3.2	-27
MSCI Latam*	86,751	0.5	0.5	-1.6	1
Ibovespa (Brazil)	87,358	0.1	1.6	2.4	12
Ibovespa (Mexico)	41,113	-0.9	-0.8	-11.5	-18
Merval (Argentina)	30,168	-0.3	-1.0	6.3	-3
MSCI EM Europe*	5,302	1.2	0.8	1.4	-2
Poland	2,236	0.8	1.5	4.1	9
Moscow 10 (Russia)	4,249	0.6	1.2	2.6	3
Ise 100 (Turkey)	92,629	-0.1	-0.7	-0.9	-21
MSCI EM Asia*	797	0.3	0.3	-1.1	-14
Shanghai Com (China)	2,645	-0.2	0.9	2.0	-21
Jakarta (Indonesia)	5,991	-0.2	2.3	2.6	-6
Liquidity sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	130.5	0.0	-2.2	-2.3	-12
JPM	107.6	0.0	-2.2	2.3	0
Cit	62.9	0.0	-2.7	-4.4	-15
BofA	27.3	0.0	-2.3	0.9	9
MS	43.7	0.0	-1.3	-1.8	-16
GS	192.6	0.0	-5.5	-11.9	-25
Wells	76.8	0.8	2.5	-4.1	-30
EZ banks					
BNP	44.3	-1.1	2.7	6.9	29
Credit Agricole	10.7	-1.0	-2.9	-7.6	-24
Deutsche Bank	6.2	-0.8	-4.2	-11.4	-48
ING	10.7	-1.1	2.4	3.2	-30
Intesa	1.9	0.3	-0.8	-1.5	-30
SIF	32.5	-0.8	-2.3	-3.4	-25
Unicredit	10.7	-0.4	3.0	5.4	32
UK banks					
Barclays	76.4	-0.1	-0.3	1.5	-17
RSC	650.8	-1.4	-1.1	7.5	-15
RBS	222.3	2.7	0.8	-4.5	-20
Barclays	165.9	-0.5	-0.3	0.1	-18
Lloyds	56.2	0.1	1.1	0.4	-17
Large Spanish banks					
Santander	60.9	-1.1	2.4	-1.1	28
BBVA	4.1	-1.8	-3.6	1.0	-25
Caixa	4.9	0.5	-1.3	-3.1	-31
Medium Spanish banks					
CaixaBank	63.2	-1.0	2.5	3.3	-18
Sabadell	3.7	-0.7	-1.9	5.6	8
Santitas	1.1	-0.9	-4.4	3.7	-24
Bankinter	7.4	-1.2	-2.3	3.2	-7
Banca	2.8	-1.2	-2.1	-0.1	-30
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD					
EURUSD	1.141	0.2	0.7	0.6	-5
GBPUSD	1.29	0.6	0.8	0.8	-6
USDJPY	112.96	0.1	0.6	-0.5	-1
DX	96.54	-0.2	-0.4	0.6	5
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)					
USDARS (Brazil)	36.42	-0.4	-1.0	0.5	-49
USDARS (Mexico)	3.82	0.5	0.8	-3.2	-15
USDCLP (Chile)	666.62	-0.2	1.1	2.3	9
USDCOP (Colombia)	3189	0.0	0.0	2.2	-8
USDMXN (Mexico)	20.32	-0.3	0.4	-5.0	-4
USDPEN (Peru)	3.37	0.1	0.3	1.1	4
LACI	54.51	-0.3	-0.3	-2.7	-14
USDPLN (Poland)	3.77	0.3	0.5	-0.6	-8
USDINR (India)	69.59	0.2	0.4	0.1	-12
USDTRY (Turkey)	5.29	0.3	1.1	8.5	-29
USDZNY (China)	6.93	-0.1	0.1	0.1	6
USDIDR (Indonesia)	70.70	-1.1	1.8	4.1	-10
USDIDR (Indonesia)	14.580	0.2	0.6	4.2	-7
ADXY	104.3	0.0	0.1	0.5	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
Brent	62.8	-1.1	5.7	-18	-6
WTX	54	-1.4	-4.6	-19	-11
Copper	279	0.0	1.7	2	-14
Gold	1228	0.1	1.2	0	-7
S&P Spot commodity*	422	0.9	-1.8	-9	-5
S&P Brent Spot*	543	1.6	4.6	-16	-4
S&P Metals Spot*	334	0.8	1.0	-2	-15
S&P Agricultural*	288	0.2	-1.0	-1	1

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

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Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.63	0.0	-4.9	-7	89
US	3.06	0.0	-4.8	-10	60
GER (2-yr)	-0.58	0.5	1.5	3	4
Germany	0.37	0.7	0.9	-	-15
France	0.75	-1.7	0.2	-4	-7
Spain	1.64	0.3	0.7	-3	-3
Italy	3.44	-3.0	-5.2	-15	135
Portugal	1.95	-1.5	-1.9	-6	-6
Greece	4.60	6.3	1.4	28	49
Japan (2-yr)	-0.14	0.2	-0.5	-3	-1
Japan	0.10	0.5	0.3	-5	5
Emerging Markets					
Brazil	10.02	4.3	-38.7	-26	-24
Chile	4.42	0.8	-7.7	-16	-9
Colombia	7.00	-4.5	-7.3	-7	56
Mexico	9.02	-2.4	1.9	71	145
Peru	5.37	1.9	-11.1	-6	49
Poland	3.24	2.4	-0.8	3	-7
Russia	8.83	-0.1	3.0	19	119
Turkey	16.44	-13.0	49.0	-233	508
India	7.71	8.2	-4.5	-18	33
Indonesia	7.95	-3.0	-16.6	-21	165
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany					
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Emerging Markets					
5-yr sovereign CDS *					
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Chile	57	-0.1	6	8	8
Colombia	141	-1.7	16	16	26
Argentina	612	-13.1	26	-14	374
Mexico	197	-3.9	8	24	50
Peru	87	-0.4	6	6	15
Poland	68	0.0	1	2	20
Russia	155	-5.2	3	4	37
Turkey	387	-6.9	20	-3	223
China	72	-3.2	4	4	22
India	112	-0.1	0	2	43
Indonesia	150	-5.7	3	2	64
Risk indicators					
Volatility indicators (change in pp)					
VIX	21	0.0	1	0	11
VIX CRIX	19	1.0	-1	-2	6
EM-EFT volatility Index	27	0.0	-1	0	11
Dollar/Euro volatility	8	-0.1	-1	1	1
EM FX volatility index	10	0.0	0	0	2
Credit stress (BAA) (change in bps)	217	0.4	4	20	39
US bonds volatility index	58	-1.8	1	3	8
Inflation expectations (bps)					
US Inflation expectations (5Y5Y)	2.28	-	-6	-2	-
EZ Inflation expectations (5Y5Y)	1.66	-	-3	-1	-8
Banking S&P CDS (bps) *					
US	68	2.6	6	10	25
EZ	117	-2.3	13	15	78
UK	89	-1.9	14	20	48
Large Spanish	86	-3.3	12	8	50
Medium Spanish	104	-0.7	2	3	29
Corporate S&P CDS (bps) *					
US Non-financial	186	-2.6	6	10	25
EZ Non-financial	85	-2.3	13	19	78
UK Non-financial	110	-1.1	5	7	17
Interbank markets (% changes in bp)					
EONIA Index	-0.36	0	1	0	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	0	4
Libor 3m	2.68	2	5	10	98
Libor 12m	3.11	1	2	8	100
Stock markets (%)					
Main indices					
S&P500	2,650	0.0	-2.9	-3.3	-2
Dow Jones	24,855	0.0	-3.3	-2.9	-1
Nikkei	21,647	0.6	-0.7	-1.7	-5
FTSE 100	6,965	-1.2	1.0	0.1	-9
EuroStoxx 50	3,127	-0.9	-2.0	-0.5	-10
IBEX	8,905	-0.6	-1.9	-2.1	-12
DAX	11,139	-0.9	-1.9	-1.2	-13
CAC	4,938	-0.8	-1.9	-0.6	-7
MI8	18,632	0.5	-1.4	-0.9	-15
ASE Athens *	599	-0.2	-5.1	-3.3	-27
MSCI Latin *	86,751	-0.5	0.5	-1.6	1
Ibovespa (Brazil)	87,338	0.1	1.6	2.4	12
Mexbol (Mexico)	41,113	-0.9	-0.8	-11.5	-18
Mercol (Argentina)	30,158	-0.3	1.0	6.3	-3
MSCI EM Europe *	5,202	1.2	0.8	1.4	-2
Poland	2,236	0.8	1.5	4.1	-9
Mosx 10 (Russia)	4,249	0.6	-1.2	2.8	3
Isx 100 (Turkey)	92,628	0.1	0.2	-0.9	-21
MSCI EM Asia *	797	0.3	0.3	-1.1	-14
Shanghai Com (China)	2,645	-0.2	0.9	2.0	-21
Jakarta (Indonesia)	5,991	-0.2	2.3	2.6	-6
Banking sector					
US banks	130.5	0.0	-2.7	-2.3	-12
JPM	107.6	0.0	-2.2	2.3	0
CS	62.9	0.0	-2.7	-4.4	-15
BoA	27.3	0.0	-2.3	0.9	-9
MS	43.7	0.0	-1.3	-1.8	-16
GS	192.6	0.0	-2.5	-11.9	-25
EZ banks	76.8	-0.8	-2.5	-4.1	-30
BNP	44.3	-1.1	-2.7	-6.9	-29
Credit Agricole	10.7	-1.0	-2.9	-7.6	-24
Deutsche Bank	8.2	-0.8	-4.2	-11.4	-48
ING	10.7	-1.1	-2.4	-3.2	-30
Intesa	1.9	0.3	-0.8	-1.5	-30
SG	32.5	0.8	-2.3	-3.4	-25
Unicredit	10.7	-0.4	3.0	5.4	-32
UK banks	75.4	-0.1	-0.3	1.5	-17
HSBC	650.8	-1.4	-1.1	7.3	-15
RES	222.3	2.7	0.8	4.5	-20
Barclays	165.9	0.5	0.3	0.1	-18
Lloyds	56.2	-0.1	1.3	-0.4	-17
Large Spanish banks	60.9	-1.1	-2.4	-1.1	-28
Santander	4.1	-1.8	-3.6	1.0	-25
BBVA	4.9	-0.5	-1.3	-3.1	-31
Medium Spanish banks	63.2	-1.0	-2.5	3.3	-18
Cabotbank	3.7	-0.7	-1.9	5.8	-8
Sabadell	1.1	-0.9	-4.4	3.7	-34
Bankinter	7.4	-1.2	-2.3	3.2	-7
Bankia	2.8	-1.2	-2.1	-0.1	-30
Currencies (% ind for currency depreciation)					
Developed					
EURUSD	1,141	0.2	0.7	0.6	-5
GBPUSD	1,129	0.8	0.8	0.8	-5
USD JPY	112.96	0.1	0.6	-0.5	-1
DXF	96.54	0.2	0.4	0.6	-5
Emerging					
USDARS (Argentina)	36.42	0.4	-1.0	0.5	-49
USDBRL (Brazil)	3.82	0.5	0.8	-3.2	-15
USDCLP (Chile)	668.62	-0.2	1.1	2.3	-9
USDCOP (Colombia)	3,189	0.0	0.0	-2.2	-8
USDMXN (Mexico)	20.32	-0.3	-0.4	-5.0	-4
USDPEN (Peru)	3.37	0.1	0.3	-1.1	-1
IACI	54.51	0.3	0.3	-2.7	-14
USDPLN (Poland)	3.77	0.3	0.5	0.6	-8
USD RUB (Russia)	65.59	0.2	0.4	-0.1	-12
USDTRY (Turkey)	5.28	0.3	1.1	8.5	-29
USDCNY (China)	6.93	-0.1	0.1	0.1	-6
USDINR (India)	70.70	1.1	1.8	4.1	-10
USDIDR (Indonesia)	14,500	0.2	0.6	4.2	-7
ADXY	104.3	0.0	0.1	0.5	-5
Commodities (%)					
Brent	62.8	-1.1	-5.7	-18	-6
WTX	54	-1.4	-4.6	-19	-11
Copper	279	0.0	1.7	2	-14
Gold	1,228	0.1	1.2	0	-7
S&P Spot commodity *	422	0.9	-1.8	-9	-5
S&P Brent Spot *	543	1.6	-4.6	-16	-4
S&P Metals Spot *	334	0.8	1.0	2	-15
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