

# Market Comment| Awaiting US labour data, the Fed's hawkish tone continued to drive markets

Global Financial Markets Unit  
05 Nov 2015

- **Positive labour data in the US.** US jobless claims rose more than expected in the week ended 31 October (by 16K to 276K; consensus: 262K). Although the jobless claims were higher than for the previous week, the downward trend remained intact.
- **Eurozone retail sales fell slightly in September, but overall showed robust growth in 3Q15.** The eurozone's retail sales dropped unexpectedly in September (-0.1% MoM; BBVAe: 0.0%, consensus: +0.2%) after they had remained stable in August. Retail sales ended 3Q15 showing robust growth (3Q15 0.6% QoQ, 2Q15 0.3% QoQ). In Germany, the weak foreign demand dragged factory orders in September, which decreased against estimates of increasing (by -1.7% MoM; consensus: +1.0%);
- **According to European Commission forecasts, the European economy remains on a recovery course.** According to its Autumn economic forecasts, the Eurozone is expected to 1.6% for this year, a 0.1% increase on the spring forecast, followed by 1.8% in 2016, a balancing reduction of 0.1% from the previous forecast, and 1.9% in 2017.
- **The BoE strikes a dovish tone.** The Bank of England (BoE) made no changes to its policy stance, keeping its interest rate and purchasing programme unaltered at the respective 0.50% and GBP375bn. The central bank's communiqué showed that interest rates will stay on hold for a while longer. On inflation, the BoE said that it does not expect it to reach the bank's 2% target for another two years.
- **Awaiting US labour data, the Fed's hawkish tone continued to drive markets.** Yesterday's speech by Janet Yellen reinforced the possibility of a December rate hike by the Fed. The labour market prints to be released tomorrow will bring fresh information for evaluating the state of the US economy before the probable start of the tightening cycle. On another front the BoE maintained its last's meeting dovish message and said that the borrowing cost would likely stay lower for longer. Against this backdrop, on bond markets US treasury yields rose slightly after Yellen's speech (2Y:+4bp, 10Y: +2bp). Meanwhile, European core yields showed a mixed performance, highlighting a fall in UK yields after the BoE's dovish tone (GER 10Y: +1bp, FRA 10Y:-1bp, UK10Y: -3bp), while peripheral yields rose (ITA 10Y:+3bp, SPA 10Y: +5bp, POR 10Y: +5bp). Therefore risk-premia in the periphery also increased today (ITA: +2bp, SPA: +4bp, POR: +5bp). On the FX markets, the USD appreciated against the GBP, which was hampered by the BoE's dovish tone (GBP: -0.89%). EM currencies resumed their depreciating trend against the USD, due to the increased expectations of a Fed lift-off this year and the continued fall in commodity prices (COP: -1.0%, CLP: -0.5%, MXN: -0.4%, RUB: -0.3%). Oil prices fell below the threshold of USD50/bbl again (Brent: -0.7%, WTI: -1.3%) and the price of copper plunged -2.2% today. On equity markets, European equity indexes showed a mixed performance (Euro Stoxx: +0.2%, DAX: +0.3%, IBEX-35: -0.3%, CAC: +0.6%, MIB: -0.5%) while US equity indexes were dropping at the time of writing (S&P 500: -0.4%, Dow: -0.5%), despite the positive weekly labour data.

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Table1

**Current level and changes at daily, weekly, monthly and annual frequencies**

**Debt markets (changes in bp)**

US 2yr 0.88 (41.12) (26) (16)  
 US 5yr 1.05 (2) (12) (22) (8)  
 US 10yr 2.25 (2) (7) (22) (8)  
 Japan 10yr 1.32 (2) (2) (2) (14)  
 UK 5yr 4.32 (2) (1) (1) (2)  
 GER 5yr 4.25 (1) (2) (4) (7)  
 EUR 5yr 4.15 (1) (1) (1) (1)  
 Belgium 10yr 6.9 (1) (0) (2) (7)  
 France 10yr 6.95 (1) (7) (3) (12)  
 Greece 10yr 7.25 (2) (1) (1) (1)  
 Germany 10yr 4.15 (1) (1) (1) (1)  
 Ireland 10yr 10.1 (1) (1) (1) (1)  
 Italy 10yr 5.7 (1) (2) (1) (1)  
 Netherlands 10yr 7.7 (1) (1) (1) (1)  
 Portugal 10yr 2.6 (1) (1) (1) (1)  
 Spain 10yr 5.2 (1) (1) (1) (1)

**Emerging Markets**

Brazil 10yr 15.1 (2) (12) (7) (15)  
 Chile 10yr 6.1 (1) (1) (1) (1)  
 Colombia 10yr 7.8 (2) (1) (1) (1)  
 Costa Rica 6.62 (1) (1) (1) (1)  
 India 10yr 10.2 (1) (1) (1) (1)  
 Mexico 10yr 2.8 (1) (1) (1) (1)  
 Peru 10yr 10.2 (1) (1) (1) (1)  
 Poland 10yr 2.8 (1) (1) (1) (1)  
 Russia 10yr 5.7 (1) (1) (1) (1)  
 Taiwan 10yr 5.8 (1) (1) (1) (1)  
 Turkey 10yr 8.45 (1) (1) (1) (1)

**India 10yr 7.65 (1) (1) (1) (1)**

**Indonesia 10yr 6.1 (1) (1) (1) (1)**

**C country risk (changes in bp)**

10yr sovereign spreads (against Germany)  
 Belgium 38 (2) (1) (1) (1)  
 France 34 (2) (1) (1) (1)  
 Greece 175 (1) (1) (1) (1)  
 Ireland 87 (1) (1) (1) (1)  
 Italy 121 (1) (1) (1) (1)  
 Netherlands 18 (1) (1) (1) (1)  
 Portugal 205 (1) (1) (1) (1)  
 Spain 122 (1) (1) (1) (1)

**10yr sovereign spreads (against Germany)**

Belgium 11 (1) (1) (1) (1)  
 France 17 (1) (1) (1) (1)  
 Greece 160 (1) (1) (1) (1)  
 Ireland 24 (1) (1) (1) (1)  
 Italy 42 (1) (1) (1) (1)  
 Netherlands 2 (1) (1) (1) (1)  
 Portugal 157 (1) (1) (1) (1)  
 Spain 71 (1) (1) (1) (1)

**10yr sovereign spreads (against Germany)**

Belgium 6 (1) (1) (1) (1)  
 France 7 (1) (1) (1) (1)  
 Greece 14 (1) (1) (1) (1)  
 Ireland 1 (1) (1) (1) (1)  
 Netherlands 1 (1) (1) (1) (1)  
 Portugal 8 (1) (1) (1) (1)  
 Spain 28 (1) (1) (1) (1)

**10yr sovereign CDS**

EUR CDS Belgium 16 (1) (1) (1) (1)  
 EUR CDS France 28 (1) (1) (1) (1)  
 EUR CDS Germany 13 (1) (1) (1) (1)  
 EUR CDS Greece 106 (1) (1) (1) (1)  
 EUR CDS Ireland 41 (1) (1) (1) (1)  
 EUR CDS Italy 105 (1) (1) (1) (1)  
 EUR CDS Netherlands 14 (1) (1) (1) (1)  
 EUR CDS Portugal 107 (1) (1) (1) (1)  
 EUR CDS Spain 96 (1) (1) (1) (1)  
 EUR CDS US 21 (1) (1) (1) (1)

**10yr sovereign CDS**

EUR CDS Belgium 38 (1) (1) (1) (1)  
 EUR CDS France 44 (1) (1) (1) (1)  
 EUR CDS Germany 19 (1) (1) (1) (1)  
 EUR CDS Greece 192 (1) (1) (1) (1)  
 EUR CDS Ireland 81 (1) (1) (1) (1)  
 EUR CDS Italy 152 (1) (1) (1) (1)  
 EUR CDS Netherlands 19 (1) (1) (1) (1)  
 EUR CDS Portugal 429 (1) (1) (1) (1)  
 EUR CDS Spain 272 (1) (1) (1) (1)  
 EUR CDS Turkey 239 (1) (1) (1) (1)

**EUR CDS Korea 158 (1) (1) (1) (1)**

**EUR CDS Korea 158 (1) (1) (1) (1)**

**EUR CDS Korea 207 (1) (1) (1) (1)**

**C credit risk**

10yr credit risk (changes in percentage points for AAA spreads, bp)  
 UK 14.7 (1) (1) (1) (1)  
 US 12.2 (1) (1) (1) (1)  
 EUR 11.1 (1) (1) (1) (1)  
 JPY 11.1 (1) (1) (1) (1)  
 Canada 11.1 (1) (1) (1) (1)  
 Australia 11.1 (1) (1) (1) (1)  
 NZ 11.1 (1) (1) (1) (1)

**Bank CDS changes in bp**

10yr bank CDS 34 (1) (1) (1) (1)  
 EUR bank CDS 37 (1) (1) (1) (1)  
 UK bank CDS 61 (1) (1) (1) (1)  
 Large Spanish bank CDS 118 (1) (1) (1) (1)  
 Medium Spanish bank CDS 148 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 34 (1) (1) (1) (1)  
 EUR bank CDS 37 (1) (1) (1) (1)  
 UK bank CDS 61 (1) (1) (1) (1)

**Interbank markets (changes in bp)**

EUR CDS spread 12 (1) (1) (1) (1)  
 EUR CDS spread 24 (1) (1) (1) (1)  
 EUR CDS spread 38 (1) (1) (1) (1)  
 US CDS spread 34 (1) (1) (1) (1)  
 US CDS spread 46 (1) (1) (1) (1)  
 US CDS spread 59 (1) (1) (1) (1)

**Spain Fed Spread 3m 7 (1) (1) (1) (1)**

**ECBIA Index 4.13 (1) (1) (1) (1)**

**London 3m 4.37 (1) (1) (1) (1)**

**London 12m 5.1 (1) (1) (1) (1)**

**Libor 3m 5.34 (1) (1) (1) (1)**

**Libor 12m 6.19 (1) (1) (1) (1)**

**Stock markets (Change in percentage)**

US S&P 500 1.42 (1) (1) (1) (1)  
 Dow Jones 1.77 (1) (1) (1) (1)  
 FTSE 100 0.80 (1) (1) (1) (1)  
 Nikkei 225 0.80 (1) (1) (1) (1)  
 DAX 0.80 (1) (1) (1) (1)  
 CAC 40 0.80 (1) (1) (1) (1)  
 IBEX 35 0.80 (1) (1) (1) (1)  
 ASI 0.80 (1) (1) (1) (1)

**Bank CDS**

US bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)

**Large Spanish bank CDS**

Large Spanish bank CDS 1.18 (1) (1) (1) (1)  
 Medium Spanish bank CDS 1.48 (1) (1) (1) (1)

**Bank CDS**

Bank CDS 0.7 (1) (1) (1) (1)  
 EUR bank CDS 0.7 (1) (1) (1) (1)  
 UK bank CDS 0.7 (1) (1) (1) (1)



**Current level and changes at daily, weekly, monthly and annual frequencies**

**Debt markets (changes in bpt)**

US 2yr 6.86 (41)(20)(146)  
 US 5yr 4.65 (32)(23)(88)  
 US 10yr 2.25 (2) (22) (8)

Japan 10yr 3.26 (2)(2)(14)  
 GDE 2yr 6.26 (4)(1)(12)  
 GDE 5yr 4.06 (1)(2)(4)(7)  
 GDE 10yr 2.05 (1)(1)(16)

Belgium 10yr 5.9 (1) (1)(2)(7)  
 France 10yr 5.56 (1)(7)(12)(12)  
 Germany 10yr 3.16 (2)(2)(16)(186)  
 Ireland 10yr 7.16 (1)(1)(16)  
 Italy 10yr 7.0 (2)(2)(1)(16)

Netherlands 10yr 7.07 (1)(1)(1)(2)  
 Portugal 10yr 2.6 (5) (11)(25)(4)  
 Spain 10yr 5.4 (1)(1)(1)(16)

Financing Markets  
 Brazil 10yr 15.1 (7)(27)(27)(115)  
 China 10yr 4.1 (2)(2)(2)(16)  
 Colombia 10yr 7.86 (2)(1)(1)(16)  
 Mexico 10yr 8.25 (2)(5)(1)(16)  
 Peru 10yr 7.8 (2)(2)(2)(17)

Poland 10yr 2.61 (2)(1)(1)(16)  
 Russia 5yr 9.71 (2)(1)(41)(100)(144)  
 Russia 10yr 9.53 (2)(1)(47)(120)  
 Turkey 10yr 9.45 (8) (18)(43)(158)

India 10yr 7.68 (2)(1)(1)(16)  
 Indonesia 10yr 8.7 (4)(1)(1)(16)

**Country risk (change in bpt)**

10yr sovereign spreads (against Germany)  
 Belgium 20 (2)(1)(1)  
 France 24 (2)(1)(1)(16)  
 Greece 215 (1)(2)(1)(16)

Ireland 27 (1)(1)(1)(16)  
 Italy 185 (2)(1)(1)(16)  
 Netherlands 16 (1)(1)(1)(16)  
 Portugal 220 (1)(1)(1)(16)  
 Spain 123 (4) (1)(1)(16)

5yr sovereign spreads (against Germany)  
 Belgium 11 (1)(1)(1)(16)  
 France 16 (1)(1)(1)(16)  
 Greece 169 (1)(1)(1)(16)  
 Ireland 24 (1)(1)(1)(16)  
 Italy 162 (1)(1)(1)(16)

Netherlands 13 (1)(1)(1)(16)  
 Portugal 137 (1)(1)(1)(16)  
 Spain 75 (1)(1)(1)(16)

3yr sovereign spreads (against Germany)  
 Belgium 9 (1)(1)(1)(16)  
 France 7 (1)(1)(1)(16)  
 Greece 145 (1)(1)(1)(16)  
 Ireland 14 (1)(1)(1)(16)  
 Italy 118 (1)(1)(1)(16)

Netherlands 11 (1)(1)(1)(16)  
 Portugal 121 (1)(1)(1)(16)  
 Spain 61 (1)(1)(1)(16)

Sovereign CDS  
 5yr CDS Belgium 36 (1)(1)(1)(16)  
 5yr CDS France 20 (1)(1)(1)(16)  
 5yr CDS Germany 13 (1)(1)(1)(16)  
 5yr CDS Greece 306 (1)(1)(1)(16)  
 5yr CDS Ireland 45 (1)(1)(1)(16)

5yr CDS Italy 100 (1)(1)(1)(16)  
 5yr CDS Netherlands 14 (1)(1)(1)(16)  
 5yr CDS Portugal 44 (1)(1)(1)(16)  
 5yr CDS Spain 86 (1)(1)(1)(16)  
 5yr CDS US 21 (1)(1)(1)(16)

Financing Markets  
 5yr sovereign CDS  
 5yr CDS Brazil 347 (4)(1)(1)(16)  
 5yr CDS China 114 (4)(1)(1)(16)  
 5yr CDS Colombia 16 (1)(1)(1)(16)  
 5yr CDS Mexico 14 (1)(1)(1)(16)  
 5yr CDS Peru 11 (1)(1)(1)(16)

5yr CDS Poland 11 (1)(1)(1)(16)  
 5yr CDS Russia 428 (2)(1)(1)(16)  
 5yr CDS Turkey 229 (1)(1)(1)(16)

5yr CDS India 166 (1)(1)(1)(16)  
 5yr CDS Indonesia 207 (2)(1)(1)(16)

5yr CDS Korea 186 (1)(1)(1)(16)  
 5yr CDS Mexico 166 (1)(1)(1)(16)  
 5yr CDS Netherlands 12 (1)(1)(1)(16)

5yr CDS Poland 11 (1)(1)(1)(16)  
 5yr CDS Russia 428 (2)(1)(1)(16)  
 5yr CDS Turkey 229 (1)(1)(1)(16)

5yr CDS India 166 (1)(1)(1)(16)  
 5yr CDS Indonesia 207 (2)(1)(1)(16)

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5yr CDS Korea 186 (1)(1)(1)(16)  
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 5yr CDS Indonesia 207 (2)(1)(1)(16)

5yr CDS Korea 186 (1)(1)(1)(16)  
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 5yr CDS Turkey 229 (1)(1)(1)(16)

5yr CDS India 166 (1)(1)(1)(16)  
 5yr CDS Indonesia 207 (2)(1)(1)(16)

5yr CDS Korea 186 (1)(1)(1)(16)  
 5yr CDS Mexico 166 (1)(1)(1)(16)  
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 5yr CDS Turkey 229 (1)(1)(1)(16)

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 5yr CDS Indonesia 207 (2)(1)(1)(16)

5yr CDS Korea 186 (1)(1)(1)(16)  
 5yr CDS Mexico 166 (1)(1)(1)(16)  
 5yr CDS Netherlands 12 (1)(1)(1)(16)

5yr CDS Poland 11 (1)(1)(1)(16)  
 5yr CDS Russia 428 (2)(1)(1)(16)  
 5yr CDS Turkey 229 (1)(1)(1)(16)

\*CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

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