

Market Comment | Markets now await tomorrow's release of 3Q prints for major EZ economies

Global Financial Markets Unit
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- **Additional positive labour data in the US.** US jobless claims remained unchanged against estimates of decreasing in the week ended 07 November (at 276K; consensus: 270K). Meanwhile, continuing claims rose unexpectedly in the week ended 31 October (by 5K to 2,174K; consensus: 2,155K).
- **FOMC members signal slight discrepancies with each other.** Although Janet Yellen's intervention did not bring any fresh news, the tone of others FOMC members added some uncertainty to the outcome of December's FOMC meeting (yet the markets' baseline scenario continues to be for a December rate-hike). On the one hand, James Bullard, president of the St. Louis Fed, pointed out that the US economy no longer needs zero rates. On the other hand, Charles Evans, president of the Chicago Fed, said that the Fed needs "true" evidence of stronger inflationary pressures so as not to fail.
- **ECB members reinforce their commitment to the ECB's accommodative stance, but they signal that future measures remain open to discussion.** Some members of the ECB's Governing Council have intervened in recent hours while maintaining a dovish tone, with the exception of Benoit Coeuré. He pointed out that the implementation of new measures is still open to discussion. For his part, Vitor Constancio stressed the need for an accommodative monetary policy, even opening the door for a further reduction in the deposit rate. Similarly, Mario Draghi said that "If we were to conclude that our medium-term price stability objective is at risk, we would act by using all the instruments available within our mandate to ensure that an appropriate degree of monetary accommodation is maintained".
- **European inflation outturns came out in line with expectations.** Eurozone industrial production dropped in September in line with previous estimates (by -0.3% MoM), rising slightly in 3Q15 as a result (by +0.1% QoQ). German final CPI rose in October in line with expectations (by 0.3% YoY), while harmonised CPI rose by 0.2%. French CPI also rose as expected (by 0.1% YoY), while EU harmonised CPI rose more than expected (by 0.2% YoY; consensus: 0.1%).
- **After today's EZ inflation figures led to no surprises, markets now await tomorrow's release of 3Q prints for most major European economies (Germany, France and Italy).** The new data may inform markets about the expected divergence in monetary policy between the Fed and the ECB. Today, interventions by the Fed and the ECB highlighted the likely increase in monetary policy divergences between the two central banks. On the one hand, Draghi showed his willingness to act to achieve the inflation target while, from the Fed, the FOMC's various members' interventions did not change the market expectations of a December rate hike, which is now given more than a 70% probability of coming in 2015. On bond markets, US treasury yields remained broadly unchanged after yesterday's closure (10Y: -1bp) while European safe-haven yields were also quiet. Meanwhile, peripheral showed a mixed performance (ITA: -2bp, SPA: 0bp, POR: +4bp). In equity indices, Europeans dropped today (Euro Stoxx:

-1.5%, IBEX-35: -2.1%, CAC: -1.7%, DAX: -0.8%), dragged by the bad performance of financial and commodity-linked sectors, and some worse-than-expected 3Q results in some major companies. Similarly, US equity indices decreased (S&P 500: -0.7%, Dow: -0.6%). On FX markets, the USD stayed stable against other major currencies despite the FOMC and ECB members' speeches. EM currencies depreciated against the USD, mainly those linked to commodity prices (RUB: -0.8%, COP: -2.0%, BRL: -0.8%, CLP: -0.5%). They dropped once again, especially oil (Brent: -2.1%, WTI: -2.0%) hampered by worse-than-expected weekly US oil inventories. Copper continued to fall today (-1.9%).

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Table 1

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

Daily markets (changes in bps)

Interbank rates

US 2yr 0.87 (0.15) (26)
 US 5yr 1.71 (0.18) (69)
 US 10yr 2.32 (0.19) (27) (16)

Asia 10yr 0.31 (0.14) (43)
 CDS 2yr 0.28 (0.14) (46) (26)
 GE 5yr 2.08 (0.12) (46) (48)
 GE 10yr 2.85 (0.15) (57)

Belgium 10yr 0.9 (0.14) (47)
 France 10yr 0.53 (0.12) (42) (11)
 Greece 30yr 2.01 (0.14) (42) (1246)
 Ireland 10yr 1.8 (0.12) (42)

Italy 10yr 1.8 (0.12) (42)
 Key 10yr 1.8 (0.12) (42) (42)
 Netherlands 10yr 0.8 (0.11) (42)
 Portugal 10yr 2.79 (0.17) (58) (15)
 Spain 10yr 1.8 (0.12) (42)

Emerging Markets

Brazil 10yr 15.56 (1.11) (42) (202)
 China 10yr 4.65 (0.12) (26) (86)
 Colombia 10yr 5.32 (0.28) (19) (18)
 Mexico 10yr 6.12 (0.31) (61) (56) (29)
 Peru 10yr 7.15 (0.21) (16) (10) (10)

Poland 10yr 2.74 (0.17) (42) (22)
 Russia 5yr 0.8 (0.14) (42) (440)
 Russia 10yr 0.85 (0.12) (42) (25) (255)
 Turkey 10yr 9.81 (0.21) (78) (48) (174)

India 10yr 7.68 (0.22) (72) (22)
 Indonesia 10yr 8.86 (0.41) (37) (86)

Country risk (changes in bps)

10yr sovereign spreads (against Germany)

Belgium 28 (0.21) (41)
 France 32 (0.12) (41) (3)
 Greece 367 (2.14) (42) (242)
 Ireland 84 (1.14) (41) (47)
 Italy 98 (0.81) (41) (26)

Netherlands 18 (0.12) (41) (2)
 Portugal 211 (1.18) (25) (3)
 Spain 122 (0.21) (41) (5)

5yr sovereign spreads (against Germany)

Belgium 19 (0.12) (41)
 France 19 (0.12) (41)
 Greece 18 (0.12) (41) (47)
 Ireland 24 (0.12) (41) (45)

Italy 36 (0.21) (41) (28)
 Netherlands 13 (0.12) (41) (4)
 Portugal 158 (1.22) (41) (16)
 Spain 78 (0.12) (41) (1)

3yr sovereign spreads (against Germany)

Belgium 7 (0.12) (41) (3)
 France 6 (0.12) (41) (3)
 Ireland 15 (0.12) (41) (45)
 Italy 38 (0.12) (41) (24)
 Netherlands 1 (0.12) (41) (4)
 Portugal 53 (0.12) (41) (2)
 Spain 33 (0.12) (41) (2)

Sovereign CDS

Spr CDS Belgium 34 (0.12) (41) (42)
 Spr CDS France 28 (0.12) (41) (42)
 Spr CDS Germany 15 (0.12) (41) (42)
 Spr CDS Greece 104 (0.81) (42) (22) (240)
 Spr CDS Ireland 46 (0.12) (41) (42)

Spr CDS Italy 141 (0.12) (41) (28)
 Spr CDS Netherlands 16 (0.12) (41) (42)
 Spr CDS Portugal 20 (0.12) (41) (42)
 Spr CDS Spain 89 (0.12) (41) (42) (2)
 Spr CDS UK 10 (0.12) (41) (42)
 Spr CDS US 21 (0.12) (41) (42)

Emerging Markets

Spr CDS Brazil 47 (0.12) (41) (42)
 Spr CDS China 122 (0.12) (41) (42)
 Spr CDS Colombia 142 (0.12) (41) (42)
 Spr CDS Mexico 147 (0.12) (41) (42)
 Spr CDS Peru 168 (0.12) (41) (42)
 Spr CDS Venezuela 487 (0.12) (41) (42) (132)

Spr CDS Poland 40 (0.12) (41) (42)
 Spr CDS Russia 207 (0.12) (41) (42) (208)
 Spr CDS Turkey 248 (0.12) (41) (42)

Spr CDS India 89 (0.12) (41) (42)
 Spr CDS India 164 (0.12) (41) (42) (42)
 Spr CDS Indonesia 211 (0.12) (41) (42)

Comd risk (changes in percentage points for C&A spreads, pp)

VIS 17.46 (1.12) (21) (61) (44)
 VSDX21 4.4 (1.17) (12) (7) (42)
 EM EFT credit index 24 (0.12) (41) (42)
 Difference volatility 11 (1.12) (41) (42) (22)
 EM FX volatility index 11 (0.12) (41) (42)
 Credit spread Brazil 183 (1.12) (41) (42) (42)
 US banks credit index 72 (0.12) (41) (42)

Bank risk (changes in bps)

US banks CDS 14 (0.12) (41) (42)
 EU banks CDS 79 (1.12) (41) (42)
 UK banks CDS 17 (0.12) (41) (42)

Large Spanish banks CDS 133 (1.12) (41) (42)
 Medium Spanish banks CDS 162 (1.12) (41) (42)
 Spain banks CDS 162 (1.12) (41) (42) (42)

Russian banks CDS 376 (1.12) (41) (42) (42)
 Russian banks CDS 376 (1.12) (41) (42) (42)

Commodity risk (changes in bps)

US Non-Renewable CDS 6 (0.12) (41) (42)
 UK Non-Renewable CDS 6 (0.12) (41) (42)
 UK Non-Renewable CDS 6 (0.12) (41) (42)

Interbank markets (changes in bps)

EUR CDS spread 3m 14 (0.12) (41) (42)
 EUR CDS spread 6m 27 (0.12) (41) (42)
 EUR CDS spread 12m 39 (0.12) (41) (42)

US CDS spread 3m 42 (0.12) (41) (42)
 US CDS spread 6m 48 (0.12) (41) (42)
 US CDS spread 12m 54 (0.12) (41) (42)

Spain-Tel Spread 3m 12 (0.12) (41) (42)
 EONIA Index 4.31 (0.12) (41) (42)
 EONIA Index 4.38 (0.12) (41) (42)
 Euribor 12m 3.88 (0.12) (41) (42)

Linar 3m 0.36 (0.12) (41) (42)
 Linar 12m 0.82 (0.12) (41) (42)

Stock markets (Changes in percentage)

Asian equity indices

S&P500 100.05 (4.18) (2) (8)
 Dow Jones 100.04 (4.18) (2) (8)
 Nikkei 100.04 (4.18) (2) (8)
 FTSE 100 100.04 (4.18) (2) (8)

Euro Stoxx 100 100.04 (4.18) (2) (8)
 BEI100 100.04 (4.18) (2) (8)
 DAX 100.04 (4.18) (2) (8)
 CAC40 100.04 (4.18) (2) (8)
 MIB 100.04 (4.18) (2) (8)
 ASE Athens 100.04 (4.18) (2) (8)

Russian

US banks 105 (4.18) (2) (8)
 SP 50 105 (4.18) (2) (8)
 Citi 105 (4.18) (2) (8)
 Bank 105 (4.18) (2) (8)
 GE 105 (4.18) (2) (8)
 GS 105 (4.18) (2) (8)

UK banks 105 (4.18) (2) (8)
 HSBC 105 (4.18) (2) (8)
 RBS 105 (4.18) (2) (8)
 Barclays 105 (4.18) (2) (8)
 Lloyds 105 (4.18) (2) (8)

EU banks 114 (4.18) (2) (8)
 BNP 114 (4.18) (2) (8)
 Citigroup 114 (4.18) (2) (8)
 Deutsche 114 (4.18) (2) (8)
 ING 114 (4.18) (2) (8)
 Intesa 114 (4.18) (2) (8)
 SO 114 (4.18) (2) (8)
 Unicredit 114 (4.18) (2) (8)

Large Spanish banks 162 (4.18) (2) (8)
 Santander 162 (4.18) (2) (8)
 BBVA 162 (4.18) (2) (8)

Medium Spanish banks 162 (4.18) (2) (8)
 Caixabank 162 (4.18) (2) (8)
 Finance 162 (4.18) (2) (8)
 Sabadell 162 (4.18) (2) (8)
 Bankinter 162 (4.18) (2) (8)
 Bankia 162 (4.18) (2) (8)

Greek banks 114 (4.18) (2) (8)
 Alpha Bank 114 (4.18) (2) (8)
 Piraeus Bank 114 (4.18) (2) (8)
 National Central Bank 114 (4.18) (2) (8)
 Eurobank Ergasias 114 (4.18) (2) (8)

Emerging Markets

MSCI Latin America 105 (4.18) (2) (8)
 Emerging Markets 105 (4.18) (2) (8)
 Brazil 105 (4.18) (2) (8)

MSCI E Europe 105 (4.18) (2) (8)
 Poland 105 (4.18) (2) (8)
 Korea 105 (4.18) (2) (8)
 India 105 (4.18) (2) (8)
 Taiwan 105 (4.18) (2) (8)
 MSCI E Asia 105 (4.18) (2) (8)
 Shanghai Composite 105 (4.18) (2) (8)
 Jakarta Composite 105 (4.18) (2) (8)

Bank stocks

Telcel 105 (4.18) (2) (8)
 JPMorgan 105 (4.18) (2) (8)
 Citigroup 105 (4.18) (2) (8)
 Bank of America 105 (4.18) (2) (8)
 Wells Fargo 105 (4.18) (2) (8)
 Citicorp 105 (4.18) (2) (8)
 Deutsche 105 (4.18) (2) (8)
 VTB 105 (4.18) (2) (8)

Commodity (in percentage, positive for dollar depreciation)

CRB100 105 (4.18) (2) (8)
 GSCI100 105 (4.18) (2) (8)
 USDPY 105 (4.18) (2) (8)
 DXY 105 (4.18) (2) (8)

USDCBS (Argentina) 105 (4.18) (2) (8)
 USDCBS (Brazil) 105 (4.18) (2) (8)
 USDCBS (China) 105 (4.18) (2) (8)
 USDCBS (France) 105 (4.18) (2) (8)
 USDCBS (Germany) 105 (4.18) (2) (8)
 USDCBS (India) 105 (4.18) (2) (8)
 USDCBS (Japan) 105 (4.18) (2) (8)
 USDCBS (UK) 105 (4.18) (2) (8)
 USDCBS (US) 105 (4.18) (2) (8)

USDCBS (Russia) 105 (4.18) (2) (8)
 USDCBS (South Africa) 105 (4.18) (2) (8)
 USDCBS (Turkey) 105 (4.18) (2) (8)
 USDCBS (Vietnam) 105 (4.18) (2) (8)

USDCBS (Mexico) 105 (4.18) (2) (8)
 USDCBS (Peru) 105 (4.18) (2) (8)
 USDCBS (Venezuela) 105 (4.18) (2) (8)
 USDCBS (Indonesia) 105 (4.18) (2) (8)
 USDCBS (Poland) 105 (4.18) (2) (8)
 USDCBS (Russia) 105 (4.18) (2) (8)
 USDCBS (Turkey) 105 (4.18) (2) (8)
 USDCBS (Vietnam) 105 (4.18) (2) (8)

USDCBS (Brazil) 105 (4.18) (2) (8)
 USDCBS (China) 105 (4.18) (2) (8)
 USDCBS (France) 105 (4.18) (2) (8)
 USDCBS (Germany) 105 (4.18) (2) (8)
 USDCBS (India) 105 (4.18) (2) (8)
 USDCBS (Japan) 105 (4.18) (2) (8)
 USDCBS (UK) 105 (4.18) (2) (8)
 USDCBS (US) 105 (4.18) (2) (8)

USDCBS (Russia) 105 (4.18) (2) (8)
 USDCBS (South Africa) 105 (4.18) (2) (8)
 USDCBS (Turkey) 105 (4.18) (2) (8)
 USDCBS (Vietnam) 105 (4.18) (2) (8)

Commodity (change in percentage)

Wheat 105 (4.18) (2) (8)
 WTI 105 (4.18) (2) (8)
 Copper 105 (4.18) (2) (8)
 Gold 105 (4.18) (2) (8)
 Oil 105 (4.18) (2) (8)
 Corn 105 (4.18) (2) (8)
 Soybean 105 (4.18) (2) (8)
 Bank-Dollar Index 105 (4.18) (2) (8)

Stock Shorting: Dimension and size

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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