

Market Comment | Low yields boost European equities

Global Financial Markets Unit
19 Nov 2015

- **FOMC minutes: despite hawkish language, dovish views still prevail in FOMC.** Views were divided on whether the necessary conditions for policy normalisation had been met, although most felt that it could happen by the next meeting. Hawkish changes to the language of the statement were intended to leave “options open for the next meeting”, but the signal may have been too strong. The committee continues to emphasise that the future path of interest rates is more important than the hike. ([see](#))
- **Mixed data in the US.** US jobless claims dropped in line with estimates in the week ended 14 November (by 5K to 271K). Meanwhile, continuing claims fell than expected in the week ended 07 November (by 2K to 2,175K; consensus: 2,167K). On another front, the Conference Board leading index rose in October more than expected (by 0.6% MoM; consensus: 0.5%). In addition, the Philadelphia Fed business outlook increased below estimates (by 4.0 points to -0.5; consensus: 1.9)
- **Minutes of ECB Governing Council on 22 October.** Much attention has been focused on the minutes of the ECB’s October meeting since the bank stated that “the degree of monetary policy accommodation would need to be re-examined in December.” The minutes showed that some members argued about the deflation risk, whereas others warned that external factors may diminish traction to the current ECB’s measures.
- **ECB’s Peter Praet maintains a dovish tone.** The ECB member stated that the global environment is still very challenging and the downside risks prevail, although he admitted that the tail risk has diminished due to the central bank’s actions. He also said that another rate cut is part of the ECB’s tool box, while he stated that “the lower zero bound could be below the levels previously assumed”.
- **Bank of Japan kept its monetary policy unchanged.** The BoJ continued with its monetary policy unchanged, as expected, with eight votes in favour and one against. The QQE programme remains at JPY80trn/year for JGBs, JPY3trn for ETFs, and JPY90bn for J-REITs. The economy is recovering moderately and inflation expectations are rising on a longer-term view.
- **Low yields boost European equities.** The FOMC meeting minutes reveal an intense ongoing debate within the Committee as well as a more dovish undertones than expected. Beyond the debate, they continue to emphasize the future path of interest rates, expected to be gradual. This gradualism, together with the extended falls in commodity prices and the dovish message from the ECB, led sovereign yield lower across the board, and US yields fell (10Y: -3bp). In the same way, European yields continued to fall (GER 10Y: -3bp, FRA 10Y: -2bp, ITA 10Y: -2bp, SPA 10Y: -5bp, POR 10Y: -2bp). The generalised fall in yields increased valuations and boosted equity markets (Nikkei: +1.1%, Euro Stoxx: +0.4%, IBEX-35: +0.8%, CAC: +0.1%, DAX: +1.0%), while the S&P 500 is currently steady after yesterday’s gains. On the FX markets, the USD depreciated against other major currencies following its recent gains (EUR: +0.86%, GBP: +0.58%, JPY: +0.72%). The EM currencies also appreciated against

the USD (RUB: +0.3%, MXN: +1.0%, COP: +0.8%, CLP: +0.7%, BRL: +0.8%). On the commodity markets, oil continued its downward trend, while the copper price recovered some ground from yesterday's fall (Brent: 0.0%, WTI: -1.3%, copper: +0.1%).

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Table 1

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

Debt markets (changes in bps)

US Treasury

US 2yr	6.87	(0)	(24)	(21)
US 5yr	4.60	(-1)	(27)	(11)
US 10yr	2.34	(-3)	(17)	(7)

Japan

Japan 10yr	0.30	(0)	(0)	(-1)
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Other

CDX 2yr	0.26	(0)	(14)	(20)
OE 5yr	-1.61	(1)	(1)	(14)
OE 10yr	1.46	(-1)	(1)	(15)

Europe

Belgium 10yr	6.78	(2)	(1)	(14)
France 10yr	5.51	(2)	(1)	(14)
Germany 10yr	1.82	(-1)	(2)	(20)
Italy 10yr	5.12	(2)	(1)	(14)
Key 10yr	1.12	(0)	(0)	(0)
Netherlands 10yr	1.92	(-1)	(2)	(14)
Portugal 10yr	2.43	(-1)	(2)	(14)
Spain 10yr	1.88	(-1)	(2)	(14)

Emerging Markets

Brazil 10yr	15.16	(20)	(129)	(14)
China 10yr	4.43	(-1)	(1)	(1)
Colombia 10yr	1.41	(0)	(0)	(0)
India 10yr	8.34	(-1)	(0)	(0)
Russia 10yr	11.44	(-1)	(24)	(16)
Taiwan 10yr	2.74	(-1)	(1)	(1)
Russia 5yr	5.11	(29)	(129)	(17)
Russia 10yr	5.11	(29)	(129)	(17)
Turkey 10yr	9.86	(-1)	(1)	(1)

Country risk (changes in bps)

10yr sovereign spreads (against Germany)

Belgium	31	(0)	(1)	(1)
France	21	(1)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	51	(1)	(1)	(1)
Netherlands	17	(0)	(1)	(1)
Portugal	101	(1)	(1)	(1)
Spain	121	(-1)	(2)	(1)

5yr sovereign spreads (against Germany)

Belgium	11	(0)	(1)	(1)
France	10	(1)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	31	(1)	(1)	(1)
Netherlands	10	(0)	(1)	(1)
Portugal	131	(1)	(1)	(1)
Spain	141	(1)	(1)	(1)

2yr sovereign spreads (against Germany)

Belgium	7	(0)	(1)	(1)
France	6	(1)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	21	(1)	(1)	(1)
Netherlands	10	(0)	(1)	(1)
Portugal	111	(1)	(1)	(1)
Spain	121	(1)	(1)	(1)

Sovereign CDS

Spr CDS Belgium	34	(0)	(1)	(1)
Spr CDS France	20	(0)	(1)	(1)
Spr CDS Germany	0	(0)	(0)	(0)
Spr CDS Greece	90	(1)	(1)	(1)
Spr CDS Ireland	41	(0)	(1)	(1)
Spr CDS Italy	41	(0)	(1)	(1)
Spr CDS Netherlands	10	(0)	(1)	(1)
Spr CDS Portugal	101	(1)	(1)	(1)
Spr CDS Spain	101	(1)	(1)	(1)
Spr CDS UK	10	(0)	(1)	(1)
Spr CDS US	21	(0)	(1)	(1)

Commodity

Spr Commodity

Spr CDS Brazil	141	(1)	(1)	(1)
Spr CDS Russia	201	(1)	(1)	(1)
Spr CDS Turkey	201	(1)	(1)	(1)

Commodity

Oil

WTI	16.81	(-1)	(1)	(1)
Brent	17.01	(-1)	(1)	(1)
WTI 2yr	16.81	(-1)	(1)	(1)
Brent 2yr	17.01	(-1)	(1)	(1)
WTI 5yr	16.81	(-1)	(1)	(1)
Brent 5yr	17.01	(-1)	(1)	(1)

Commodity

Gold

Gold	1935	(-1)	(1)	(1)
Gold 2yr	1935	(-1)	(1)	(1)
Gold 5yr	1935	(-1)	(1)	(1)

Commodity

US Treasury

US 2yr	6.87	(0)	(24)	(21)
US 5yr	4.60	(-1)	(27)	(11)
US 10yr	2.34	(-3)	(17)	(7)

Commodity

Oil

WTI	16.81	(-1)	(1)	(1)
Brent	17.01	(-1)	(1)	(1)
WTI 2yr	16.81	(-1)	(1)	(1)
Brent 2yr	17.01	(-1)	(1)	(1)
WTI 5yr	16.81	(-1)	(1)	(1)
Brent 5yr	17.01	(-1)	(1)	(1)

Commodity

Gold

Gold	1935	(-1)	(1)	(1)
Gold 2yr	1935	(-1)	(1)	(1)
Gold 5yr	1935	(-1)	(1)	(1)

Commodity

US Treasury

US 2yr	6.87	(0)	(24)	(21)
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Commodity

Oil

WTI	16.81	(-1)	(1)	(1)
Brent	17.01	(-1)	(1)	(1)
WTI 2yr	16.81	(-1)	(1)	(1)
Brent 2yr	17.01	(-1)	(1)	(1)
WTI 5yr	16.81	(-1)	(1)	(1)
Brent 5yr	17.01	(-1)	(1)	(1)

Commodity

Gold

Gold	1935	(-1)	(1)	(1)
Gold 2yr	1935	(-1)	(1)	(1)
Gold 5yr	1935	(-1)	(1)	(1)

Commodity

US Treasury

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US 5yr	4.60	(-1)	(27)	(11)
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Commodity

Oil

WTI	16.81	(-1)	(1)	(1)
Brent	17.01	(-1)	(1)	(1)
WTI 2yr	16.81	(-1)	(1)	(1)
Brent 2yr	17.01	(-1)	(1)	(1)
WTI 5yr	16.81	(-1)	(1)	(1)
Brent 5yr	17.01	(-1)	(1)	(1)

Commodity

Gold

Gold	1935	(-1)	(1)	(1)
Gold 2yr	1935	(-1)	(1)	(1)
Gold 5yr	1935	(-1)	(1)	(1)

Commodity

US Treasury

US 2yr	6.87	(0)	(24)	(21)
US 5yr	4.60	(-1)	(27)	(11)
US 10yr	2.34	(-3)	(17)	(7)

Commodity

Oil

WTI	16.81	(-1)	(1)	(1)
Brent	17.01	(-1)	(1)	(1)
WTI 2yr	16.81	(-1)	(1)	(1)
Brent 2yr	17.01	(-1)	(1)	(1)
WTI 5yr	16.81	(-1)	(1)	(1)
Brent 5yr	17.01	(-1)	(1)	(1)

Commodity

Gold

Gold	1935	(-1)	(1)	(1)
Gold 2yr	1935	(-1)	(1)	(1)
Gold 5yr	1935	(-1)	(1)	(1)

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

Debt markets (changes in bps)

US Treasury

US 2yr	6.87	(0)	(24)	(21)
US 5yr	4.60	(-1)	(27)	(11)
US 10yr	2.34	(-3)	(17)	(7)

Japan

Japan 10yr	0.30	(0)	(0)	(-1)
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US Corporate

US 2yr	6.28	(0)	(14)	(20)
US 5yr	4.15	(-1)	(15)	(14)
US 10yr	1.45	(-3)	(13)	(15)

Germany

Germany 10yr	0.78	(-2)	(-1)	(-1)
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France

France 10yr	0.51	(-2)	(-1)	(-1)
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Italy

Italy 10yr	1.82	(-1)	(-1)	(-1)
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Spain

Spain 10yr	1.51	(-2)	(-1)	(-1)
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UK

UK 10yr	2.43	(-1)	(-1)	(-1)
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China

China 10yr	2.43	(-1)	(-1)	(-1)
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India

India 10yr	7.87	(-1)	(-1)	(-1)
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Indonesia

Indonesia 10yr	6.66	(-1)	(-1)	(-1)
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Country risk (changes in bps)

US sovereign spreads (against Germany)

Belgium	20	(1)	(1)	(1)
France	20	(1)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	10	(1)	(1)	(1)
Spain	10	(1)	(1)	(1)
UK	10	(1)	(1)	(1)
US	0	(0)	(0)	(0)

EU sovereign spreads (against Germany)

Belgium	11	(0)	(1)	(1)
France	10	(1)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	10	(1)	(1)	(1)
Spain	10	(1)	(1)	(1)
UK	10	(1)	(1)	(1)

2yr sovereign spreads (against Germany)

Belgium	7	(0)	(1)	(1)
France	6	(0)	(1)	(1)
Germany	0	(0)	(0)	(0)
Italy	6	(0)	(1)	(1)
Spain	6	(0)	(1)	(1)
UK	6	(0)	(1)	(1)

Sovereign CDS

US CDS	34	(0)	(-1)	(-1)
US CDS France	20	(0)	(-1)	(-1)
US CDS Germany	15	(0)	(-1)	(-1)
US CDS Greece	90	(1)	(0)	(0)
US CDS Ireland	41	(0)	(-1)	(-1)
US CDS Italy	14	(0)	(-1)	(-1)
US CDS Netherlands	9	(0)	(-1)	(-1)
US CDS Portugal	88	(1)	(0)	(0)
US CDS Spain	88	(1)	(0)	(0)
US CDS UK	10	(0)	(-1)	(-1)
US CDS US	21	(0)	(-1)	(-1)

Emerging Markets

US sovereign CDS

US CDS Brazil	140	(-1)	(-1)	(-1)
US CDS China	24	(0)	(-1)	(-1)
US CDS Colombia	13	(0)	(-1)	(-1)
US CDS Indonesia	103	(-1)	(-1)	(-1)
US CDS Korea	10	(0)	(-1)	(-1)
US CDS Mexico	58	(0)	(-1)	(-1)
US CDS Russia	100	(-1)	(-1)	(-1)
US CDS Turkey	229	(-1)	(-1)	(-1)

US Corporate CDS

US CDS Brazil	140	(-1)	(-1)	(-1)
US CDS China	24	(0)	(-1)	(-1)
US CDS Colombia	13	(0)	(-1)	(-1)
US CDS Indonesia	103	(-1)	(-1)	(-1)
US CDS Korea	10	(0)	(-1)	(-1)
US CDS Mexico	58	(0)	(-1)	(-1)
US CDS Russia	100	(-1)	(-1)	(-1)
US CDS Turkey	229	(-1)	(-1)	(-1)

Commodity

Oil

WTI	16.8	(-1)	(-1)	(-1)
Brent	17.0	(-1)	(-1)	(-1)

Gold

Gold	1930	(-1)	(-1)	(-1)
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Platinum

Platinum	950	(-1)	(-1)	(-1)
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Palladium

Palladium	1200	(-1)	(-1)	(-1)
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Natural Gas

Natural Gas	2.5	(-1)	(-1)	(-1)
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Banking

US banks

US banks CDS	70	(0)	(-1)	(-1)
EU banks CDS	80	(-1)	(-1)	(-1)
UK banks CDS	14	(0)	(-1)	(-1)

Large Spanish banks

Large Spanish banks CDS	130	(-1)	(-1)	(-1)
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Medium Spanish banks

Medium Spanish banks CDS	150	(-1)	(-1)	(-1)
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Other banks

Other banks CDS	100	(-1)	(-1)	(-1)
Russian banks CDS	300	(-1)	(-1)	(-1)

Commodity risk (changes in bps)

US Non-Retail CDS	60	(0)	(-1)	(-1)
UK Non-Retail CDS	60	(0)	(-1)	(-1)

Interbank markets (changes in bps)

US

US 3m	1.5	(0)	(-1)	(-1)
US 6m	1.5	(0)	(-1)	(-1)
US 12m	1.5	(0)	(-1)	(-1)
US 18m	1.5	(0)	(-1)	(-1)
US 24m	1.5	(0)	(-1)	(-1)
US 30m	1.5	(0)	(-1)	(-1)
US 36m	1.5	(0)	(-1)	(-1)
US 42m	1.5	(0)	(-1)	(-1)
US 48m	1.5	(0)	(-1)	(-1)
US 54m	1.5	(0)	(-1)	(-1)
US 60m	1.5	(0)	(-1)	(-1)
US 66m	1.5	(0)	(-1)	(-1)
US 72m	1.5	(0)	(-1)	(-1)
US 78m	1.5	(0)	(-1)	(-1)
US 84m	1.5	(0)	(-1)	(-1)
US 90m	1.5	(0)	(-1)	(-1)
US 96m	1.5	(0)	(-1)	(-1)
US 102m	1.5	(0)	(-1)	(-1)
US 108m	1.5	(0)	(-1)	(-1)
US 114m	1.5	(0)	(-1)	(-1)
US 120m	1.5	(0)	(-1)	(-1)

EU

EU 3m	1.5	(0)	(-1)	(-1)
EU 6m	1.5	(0)	(-1)	(-1)
EU 12m	1.5	(0)	(-1)	(-1)
EU 18m	1.5	(0)	(-1)	(-1)
EU 24m	1.5	(0)	(-1)	(-1)
EU 30m	1.5	(0)	(-1)	(-1)
EU 36m	1.5	(0)	(-1)	(-1)
EU 42m	1.5	(0)	(-1)	(-1)
EU 48m	1.5	(0)	(-1)	(-1)
EU 54m	1.5	(0)	(-1)	(-1)
EU 60m	1.5	(0)	(-1)	(-1)
EU 66m	1.5	(0)	(-1)	(-1)
EU 72m	1.5	(0)	(-1)	(-1)
EU 78m	1.5	(0)	(-1)	(-1)
EU 84m	1.5	(0)	(-1)	(-1)
EU 90m	1.5	(0)	(-1)	(-1)
EU 96m	1.5	(0)	(-1)	(-1)
EU 102m	1.5	(0)	(-1)	(-1)
EU 108m	1.5	(0)	(-1)	(-1)
EU 114m	1.5	(0)	(-1)	(-1)
EU 120m	1.5	(0)	(-1)	(-1)

UK

UK 3m	1.5	(0)	(-1)	(-1)
UK 6m	1.5	(0)	(-1)	(-1)
UK 12m	1.5	(0)	(-1)	(-1)
UK 18m	1.5	(0)	(-1)	(-1)
UK 24m	1.5	(0)	(-1)	(-1)
UK 30m	1.5	(0)	(-1)	(-1)
UK 36m	1.5	(0)	(-1)	(-1)
UK 42m	1.5	(0)	(-1)	(-1)
UK 48m	1.5	(0)	(-1)	(-1)
UK 54m	1.5	(0)	(-1)	(-1)
UK 60m	1.5	(0)	(-1)	(-1)
UK 66m	1.5	(0)	(-1)	(-1)
UK 72m	1.5	(0)	(-1)	(-1)
UK 78m	1.5	(0)	(-1)	(-1)
UK 84m	1.5	(0)	(-1)	(-1)
UK 90m	1.5	(0)	(-1)	(-1)
UK 96m	1.5	(0)	(-1)	(-1)
UK 102m	1.5	(0)	(-1)	(-1)
UK 108m	1.5	(0)	(-1)	(-1)
UK 114m	1.5	(0)	(-1)	(-1)
UK 120m	1.5	(0)	(-1)	(-1)

Stock markets (Change in percentage)

US

S&P 500	14.5	(-1)	(-1)	(-1)
Dow Jones	17.0	(-1)	(-1)	(-1)
NASDAQ	10.0	(-1)	(-1)	(-1)
Russ 100	10.0	(-1)	(-1)	(-1)
FTSE 100	10.0	(-1)	(-1)	(-1)
Nikkei 225	10.0	(-1)	(-1)	(-1)
HK 50	10.0	(-1)	(-1)	(-1)
Shanghai	10.0	(-1)	(-1)	(-1)
India Nifty	10.0	(-1)	(-1)	(-1)
China CSI 300	10.0	(-1)	(-1)	(-1)
BRIC	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
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BR	10.0	(-1)	(-1)	(-1)
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CH	10.0	(-1)	(-1)	(-1)
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CH	10.0	(-1)	(-1)	(-1)
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CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)	(-1)	(-1)
IN	10.0	(-1)	(-1)	(-1)
CH	10.0	(-1)	(-1)	(-1)
BR	10.0	(-1)	(-1)	(-1)
RU	10.0	(-1)		

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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