BBVA Research

Market Comment | Metal commodity prices fall further

Global Financial Markets Unit
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- **Negative data in the US.** The US Markit manufacturing PMI dropped in November more than expected (by 1.5 points to 52.6; consensus: 54.0). Furthermore, existing home sales declined more than estimated in October (-0.19M to USD5.36 million; consensus: 5.40 million). Meanwhile, the Chicago Fed national activity index rose below estimates in October (by 0.25 points to -0.04; consensus: 0.05).

- **PMI's data in the eurozone improved in November.** Eurozone Markit composite PMI rose in November more than expected (by 0.5 points to 54.4; BBVAe: 53.5 consensus: 54.0), due to the increase in both the services and manufacturing PMI. By country, German composite PMI surged to 54.9 from 54.2 (consensus: 54.0). Meanwhile, French composite PMI declined more than expected to 51.3 from 52.6 (consensus: 52.5) dragged by terrorist attacks in Paris. (see). Although the information for 4Q15 is limited to confidence data, improved PMIs so far this quarter suggest that the pace of growth could be strengthened or even accelerated slightly, in line with our scenario that contemplates a quarterly GDP growth of 0.4% QoQ in 4Q15.

- **Metal commodity prices fall further.** Positive PMI data in the eurozone boosted medium- and long-term yields in Europe, with the core country yields registering greater increases, while the rise in peripheral yields were more moderated (GER 10Y: +6bp, FRA 10Y: +6bp, ITA 10Y: +3bp, SPA 10Y: +1bp, POR 10Y: +6bp). As a result, peripheral risk premia slightly narrowed (Italy -2bp, Spain -4bp). On the other hand, the 2Y European yields remained anchored to the ECB's monetary policy, inching down from Friday's levels and widening the spread against US 2Y yields. On the FX markets, the euro depreciated slightly against the USD (-0.35%), despite the positive economic data, dragged by the increase in the 2Y yield spread between US and European yields. Furthermore, the US dollar appreciated against most currencies, especially those linked to commodity prices (Russian ruble: -1.4%, Australian dollar: -0.77%, New Zealand dollar: -0.87%, Colombian peso: -0.8%, Chilean peso: -0.6%). The Turkish lira also performed poorly today (-0.7%). Volatility in commodity markets was very high today, especially in the oil market ahead of December's OPEC meeting. Early in the day, oil prices plunged but then recovered suddenly after Saudi Arabia said that it was ready to cooperate to stabilise crude prices (Brent: +1.5%, WTI: +4.6%). Nonetheless, these comments contrasted with other news flows that suggested that Saudi Arabia's main target is to maintain its market share. All in all, it seems that volatility in crude markets will remain high in coming weeks. Furthermore, the signals for metal commodities also paint a bleak picture, with copper prices extending its recent falls (-1.7%). Equity índices were generally flat today, although at the time of writing US markets were inching up (S&P 500: +0.2%, Dow: +0.1%) despite the worse-than-expected macroeconomic data, while European equity indices were edging down as the increase in yields together with the high volatility in commodity prices offset the positive activity data, and therefore dragged stocks down.

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Table1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0,93 (1) (7) (33) (26)
US 5-yr 1,7 (1) (5) (35) (5)
US 10-yr 2,26 (0) (-1) (24) (9)

Japan 10-yr 0,32 (0) (2) (2) (-1)

GER 2-yr -0,39 (0) (-2) (-7) (-29)
GER 5-yr -0,14 (2) (-1) (-4) (-15)
GER 10-yr 0,53 (6) (0) (4) (-1)

Belgium 10-yr 0,84 (5) (1) (5) (1)
France 10-yr 0,87 (6) (2) (3) (5)
Greece 10-yr 7,34 (24) (19) (-42) (-241)
Ireland 10-yr 1,05 (4) (-3) (-2)
Italy 10-yr 1,53 (3) (-4) (8) (-36)
Netherlands 10-yr 0,7 (5) (0) (3) (1)
Portugal 10-yr 2,54 (6) (-14) (22) (-15)
Spain 10-yr 1,65 (1) (-15) (6) (4)

Emerging Markets
Brazil 10-yr 15,15 (-4) (-31) (-67) (278)
Chile 10-yr 4,6 (0) (-2) (12) (61)
Colombia 10-yr 8,37 (-2) (8) (44) (127)
Mexico 10-yr 6,17 (13) (9) (31) (34)
Peru 10-yr 6,99 (-7) (-9) (-20) (154)

Poland 10-yr 2,74 (3) (6) (11) (23)
Russia 5-yr 9,76 (12) (-16) (-45) (-443)
Russia 10-yr 9,49 (9) (-26) (-61) (-351)
Turkey 10-yr 9,71 (7) (5) (19) (184)

India 10-yr 7,72 (2) (6) (13) (-16)
Indonesia 10-yr 8,68 (4) (3) (-11) (86)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 30 (0) (1) (1) (1)
France 34 (0) (2) (0) (5)
Greece 680 (19) (19) (-46) (-240)
Ireland 52 (-2) (-4) (-6) (-19)
Italy 99 (-2) (-5) (4) (-36)
Netherlands 16 (-1) (-0,3) (-1) (2)
Portugal 201 (0) (-14,2) (18) (-14)
Spain 112 (-4) (-15) (2) (5)

5-yr sovereign spreads *(against Germany)*
Belgium 12 (0) (0,8) (0) (-3)
France 18 (0) (2) (-1) (1)
Greece 1616 (-2) (1) (4) (483)
Ireland 32 (0) (-1) (0) (-8)
Italy 58 (-1) (0) (0) (-36)
Netherlands 3 (0) (0,1) (-1) (-5)
Portugal 137 (0) (-16) (22) (-7)
Spain 72 (0) (-7) (-1) (-14)

2-yr sovereign spreads *(against Germany)*
Belgium 7 (0) (0) (1) (1)
France 8 (0) (2) (3) (2)
Ireland 20 (0) (3) (7) (9)
Italy 39 (0) (1) (8) (-24)
Netherlands 2 (-1) (1) (1) (-5)
Portugal 58 (1) (5) (3) (6)
Spain 38 (0) (0) (7) (-12)

5-yr sovereign CDS
5-yr CDS Belgium 36 (2) (-1) (-4) (-13)
5-yr CDS France 28 (-1) (0) (-3) (-19)
5-yr CDS Germany 13 (0) (0) (-1) (-5)
5-yr CDS Greece 953 (-10) (-58) (10) (-328)
5-yr CDS Ireland 43 (0) (0) (-6) (-8)
5-yr CDS Italy 95 (-1) (-3) (-14) (-40)
5-yr CDS Netherlands 16 (0) (0) (-2) (-5)
5-yr CDS Portugal 190 (-2) (-27) (46) (-10)
5-yr CDS Spain 89 (1) (-2) (-8) (-7)
5-yr CDS UK 18 (0) (0) (1) (-4)
5-yr CDS US 20 (-1) (0) (-1) (4)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 391 (0) (-38) (-80) (191)
5-yr CDS Chile 122 (-2) (-9) (-9) (28)
5-yr CDS Colombia 212 (-2) (-8) (-8) (73)
5-yr CDS Mexico 147 (-3) (-11) (-10) (44)
5-yr CDS Peru 174 (-2) (-6) (-3) (58)
5-yr CDS Venezuela 4308 (-418) (-876) (-1222) (-197)

5-yr CDS Poland72 (0) (-2) (-2) (2)
5-yr CDS Russia 251 (1) (-38) (-51) (-225)
5-yr CDS Turkey 239 (1) (-12) (-21) (57)

5-yr CDS China 95 (0) (-7) (-14) (9)
5-yr CDS India 150 (-1) (-4) (-18) (-21)
5-yr CDS Indonesia 211 (0) (-10) (-13) (55)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 15,93 (3) (-12,3) (10,2) (-1)
VSTOXX 23,22 (2,5) (-10,2) (16,3) (0)
EM EFT volatility Index 22 (3) (-10) (-4) (-2)
Dollar/euro volatility 13,2 (3,9) (10,8) (36,1) (38)
EM FX volatility index 10 (1) (-3) (-4) (-5)
Credit spread (BAA) 319,8 (0) (-4,5) (-7,6) (73)
US bonds volatility index 71 (0) (4) (1) (2)

Bank risk *(changes in bp)*
US banks CDS 75 (0) (0) (-7) (5)
EMU banks CDS 80 (-1) (-5) (-3) (-4)
UK banks CDS 75 (0) (-7) (-1) (15)

Large Spanish banks CDS 119 (0) (-12) (1) (42)
Medium Spanish banks CDS 151 (0) (-9) (-1) (37)

Greek banks CDS 1412 (13) (78) (-993) (528)
Russian banks CDS 365 (-2) (-16) (-44) (-222)

Corporate risk *(changes in bps)*
US Non-financial CDS 0 (0) (0) (0) (-157)
EMU Non-financial CDS 0 (0) (0) (0) (-107)
UK Non-financial CDS 0 (0) (0) (0) (-113)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 16 (1) (2) (4) (6)
UEM OIS spread 12m 37 (0) (1) (3) (-2)
UEM TED spread 3m 29 (0) (-0,8) (0) (5)

US OIS spread 3m 11 (-1) (-1) (-4) (-2)
US OIS spread 12m 45 (-2) (-3) (-8) (11)
US TED spread 3m 27 (-2) (1) (-5) (5)

Spain Ted Spread 3m 11 (1) (-0,1) (5) (6)

EONIA Index -0,13 (0) (0,5) (1) (-28)
Euribor 3m -0,1 (0) (-1,3) (-5) (-18)
Euribor 12m 0,06 (-1) (-2) (-7) (-26)

Libor 3m 0,38 (0) (2) (6) (13)
Libor 12m 0,95 (0) (2) (11) (32)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 2093,6 (0,2) (2) (2) (2)
DowJones 17836,2 (0,1) (2) (2) (0)
Nikkei 19879,8 (0) (2,5) (7,8) (14)
FTSE 100 6316,6 (-0,3) (2,8) (-0,9) (-4)
EuroStoxx 50 3452,1 (0) (2,7) (3) (10)
IBEX10291,2 (0) (1,6) (-0,7) (0)
DAX 11109 (-0,1) (3,7) (5,9) (13)
CAC4898,5 (-0,3) (2) (2) (15)
MIB 22346,6 (0,9) (2,5) (-1,2) (18)
ASE Athens 643,5 (-2,3) (-0,1) (-9,4) (-22)

Bank stocks
US banks 98,7 (-0,1) (0,7) (5,8) (-1)
JPM 67,3 (-0,4) (1,2) (6,5) (8)
Citi 54,7 (-0,2) (1,8) (4,1) (1)
BoA 17,7 (0,1) (1,4) (9,4) (-1)
MS 34 (0,3) (-0,1) (5,1) (-12)
GS 190,6 (-0,4) (-0,8) (3,8) (-2)

UK banks 87,7 (-0,2) (0,2) (-4,9) (-12)
HSBC 536,4 (1) (4,9) (6,1) (-12)
RBS 304,6 (-1,6) (-1,2) (-5,7) (-23)
Barclays 220,8 (-0,5) (-1,6) (-11,9) (-9)
Lloyds 71,9 (0,2) (-1,1) (-6,3) (-5)

EMU banks 113,6 (0,3) (0,9) (-2,4) (14)
BNP 55,5 (0,1) (0) (0,9) (13)
Crédit Agricole 11,3 (0,1) (2,9) (1,4) (5)
Deutsche Bank 24,2 (-0,9) (2,2) (-11) (-3)
ING 13,1 (-0,3) (-0,6) (0,4) (21)
Intesa 3,1 (1) (0,5) (-2,9) (30)
SG 44,1 (0,2) (1,6) (4) (26)
Unicredito 5,5 (2,1) (0,5) (-9,9) (4)

Large Spanish banks 86,7 (0,7) (3,8) (-2,5) (-13)
Santander 5,2 (0,5) (4,8) (-0,5) (-26)
BBVA 7,8 (0,8) (3,1) (-4) (-1)

Medium Spanish banks 88,7 (1,3) (2,6) (-4,6) (-11)
Caixabank 3,5 (0,7) (2,6) (-5,7) (-20)
Popular 3,4 (1) (1,1) (-7,3) (-19)
Sabadell 1,7 (1) (2) (-10) (-14)
Bankinter 6,7 (1,4) (2,9) (0,8) (1)
Bankia 1,2 (2,1) (4,2) (-1,6) (-4)

Greek banks 7,6 (-20,1) (-49,6) (-72,7) (-92)
Alpha Bank0,1 (-8,8) (-18,8) (-64,9) (-89)
Pireus Bank0 (-26,7) (-73,2) (-89,1) (-99)
National Central Bank0,2 (-29,9) (-61,7) (-78,9) (-89)
Eurobank Ergasias0 (-17,6) (-48,1) (-58,8) (-93)

Emerging Markets
Main equity indices
MSCI Latam 64086 (0,41) (3) (0,8) (-4,1)
Ibovespa (Brazil) 48189 (0,1) (2,9) (0,9) (-3,6)
Mexbol 44904 (0) (2,9) (0,6) (4,1)

MSCI EM Europe 4603 (0,76) (3,8) (2,1) (3,8)
Poland 1983 (-1,9) (0,6) (-5,9) (-14,4)
Micex (Russia) 1868 (2,3) (7,4) (9,1) (33,8)
Ise 100 (Turkey) 79745 (-1,2) (-1,6) (-0,6) (-7)

MSCI EM Asia 680 (0,44) (1,2) (-1,9) (-5,5)
Shanghai Composite (China) 3610 (-0,56) (0,1) (7,2) (11,6)
Jakarta Composite (Indonesia) 4541 (-0,4) (2,2) (-0,9) (-13)

Bank stocks
Turkish banks 81 (-1,9) (-2,8) (-0,3) (-19)
Akbank T.A.S. 7 (-1,5) (-3,7) (-2) (-14,9)
Garanti 8 (-2,9) (-2,8) (0,9) (-17,7)
Turkiye Is Bankasi 5 (-1,4) (-1,9) (0,4) (-24,5)

Russian banks 157 (1,7) (9,2) (16,9) (57,1)
Sberbank 110 (2,5) (14,8) (27,1) (100,3)
VTB Bank 0,1 (0,4) (0,6) (2,4) (13,9)

Currencies *(in percentage, positive for dollar depreciation)*

Developed Markets
EURUSD 1,061 (-0,35) (-0,72) (-4,5) (-12,4)
GBPUSD 1,51 (-0,39) (-0,47) (-1,7) (-2,9)
USDJPY 123,03 (-0,18) (0,12) (-1,9) (-2,7)
DXY 99,85 (-0,3) (-0,4) (-3,6) (-10,6)

Emerging Markets
USDARS (Argentina) 9,67 (-0,1) (-0,4) (-1,7) (-14,2)
USDBRL (Brazil) 3,71 (-0,2) (2,8) (5) (-39,7)
USDCLP (Chile) 714,73 (-0,6) (-0,2) (-3,7) (-17,8)
USDCOP (Colombia) 3087,43 (-0,8) (-0,4) (-6,3) (-29,9)
USDMXN (Mexico) 16,54 (0) (1,4) (-0,4) (-12,1)
USDPEN (Peru) 3,37 (-0,3) (-0,8) (-3,4) (-13,2)
LACI 66,84 (-0,2) (1,3) (0,4) (-18,7)

USDPLN (Poland) 4 (-0,5) (-0,7) (-4,6) (-13)
USDRUB (Russia) 65,65 (-1,4) (-0,5) (-5) (-13,6)
USDTRY (Turkey) 2,85 (-0,7) (1,2) (0,8) (-22,2)

USDCNY (China) 6,39 (-0,1) (-0,3) (-0,5) (-2,9)
USDINR (India) 66,48 (-0,4) (-0,7) (-2,1) (-4,9)
USDIDR (Indonesia) 13722 (-0,7) (0,2) (-0,6) (-10,8)
ADXY 107,47 (-0,2) (0) (-1,1) (-4,7)

Commodities *(change in percentage)*

Brent 45,35 (1,5) (1,8) (-5,7) (-20,9)
WTx 42,26 (4,6) (1,2) (-6,9) (-20,7)
Copper 202 (-1,7) (-4,6) (-15,3) (-28,8)
Gold 1069,27 (-0,8) (-1,2) (-8,3) (-9,5)
CRB Index 383,29 (0) (0) (-3,2) (-12,4)
CRB (food) index 361,19 (0) (0,8) (-0,7) (-2,2)
Baltic Dry Index 498 (0) (-9,5) (-36,6) (-36,3)

Source: Bloomberg, Datastream and Haver

*CDS, EMBI & MSCI indices with one day delay
**Credit spread (BAA) with two days delay

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