

Market Comment | Increased geopolitical tension weighed slightly on equity markets

Global Financial Markets Unit
24 Nov 2015

- **The US 3Q15 GDP revised upward from 1.5% to 2.1%.** The upward revision was in line with expectations. Inventories, non-residential equipment investment and government spending drove upward revision to 3Q real GDP growth. Personal consumption expenditures were revised down from 3.2% to 3.0% QoQ SAAR, but the trends remain healthy moving into 4Q15. Incoming data remain in line with our projections for 2.5% growth in 2015 ([see](#)). On another front, consumer confidence plunged unexpectedly in November (by 8.7 points to 90.4; consensus: 99.5, previous month 99.1).
- **Despite the global uncertainties, German business confidence improves sharply.** The IFO business climate improved in November against estimations of remaining unchanged (by 0.8 points to 109.0; consensus: 108.2), due to the unexpected increase in IFO current assessment, while the expectations sub-index also rose ahead of forecasts. On the other hand, the German final 3Q15 GDP growth rose in line with expectations (by 0.3% QoQ, previous quarter 0.4% QoQ), helped mainly by domestic demand (+0.7pp). On another front, French business confidence remained unchanged against expectations of a decline (102 points; BBVAe: 100; consensus: 101), while manufacturing confidence dropped in line with expectations (by 1 point to 102). Nonetheless, the large majority of responses were registered before the Paris attacks of 13 November.
- **Increased geopolitical tension weighed slightly on equity markets and provided some relief for commodity markets.** Despite the positive European confidence and US GDP figures, equity markets dropped across the board (S&P 500: -0.7%, Euro Stoxx: -1.4%, IBEX-35: -1.2%, CAC: -1.8%, DAX: -1.7%), dragged mainly by the rise in geopolitical tension, after a Russian jet fighter was shot down by Turkish jets on the Syria-Turkey border. Bond markets benefited from the increase in geopolitical tension and attracted some flows from equity markets, especially in Europe. Against this background, although the 3Q15 GDP was upwardly revised, the US Treasury yields were steady. In the same vein, European yields declined (GER 10Y: -3bp, FRA 10Y: -3bp, ITA 10Y: -2bp, SPA 10Y: -1bp, POR 10Y: -2bp). The potential escalation of geopolitical conflict provided some relief to commodity prices, with oil and metal commodity prices rebounding today (Brent: +1.9%, WTI: +2.0%, copper: +2.1%). On the FX markets, the USD depreciated against commodity-linked currencies (Australian dollar: +0.53%, Canadian dollar: +0.28%, New Zealand dollar: +0.21%, Colombian peso +0.7%, Russian ruble: +0.1%, Chilean peso: +0.7%, Japanese yen: +0.33%). The Turkish lira depreciated (-0.7%), dragged by the attack on the Russian jet.

Update 17.0 CET 24 November, 2015
Table1

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

Libor markets (Changes in bp)

3 months

US 3m 6.82 (1) (7) (28) (26)
 US 6m 6.95 (2) (6) (23) (6)
 US 12m 7.23 (1) (4) (14) (6)
 Japan 3m 0.22 (2) (2) (1)

6 months

GE 3m 4.28 (1) (6) (6) (26)
 GE 6m 4.15 (1) (2) (16) (17)
 GE 12m 4.51 (2) (2) (1) (4)

Belgian 12m 6.81 (2) (2) (6) (2)
 France 12m 6.84 (1) (1) (2) (1)
 Greece 12m 7.37 (2) (4) (16) (23)
 Korea 3m 1.9 (4) (7) (6)
 MY 12m 1.6 (2) (4) (9) (29)
 Netherlands 12m 6.44 (4) (4) (2) (0)
 Portugal 12m 7.53 (2) (4) (18) (16)
 Spain 12m 6.53 (1) (1) (2) (1)

1 year

Brazil 12m 6.27 (4) (4) (26) (27) (26)
 Chile 12m 6.99 (2) (1) (1) (2)
 Colombia 12m 6.36 (1) (1) (1) (26)
 Mexico 12m 6.16 (1) (1) (2) (25)
 Peru 12m 7.11 (2) (1) (1) (1)

Russia 12m 2.67 (2) (2) (16) (7) (16)
 Russia 3m 1.22 (1) (1) (1) (48)
 Russia 12m 1.69 (2) (2) (26) (33)
 Turkey 12m 6.95 (2) (2) (1) (26)

India 12m 7.7 (2) (2) (12) (18)
 Indonesia 12m 6.65 (3) (1) (1) (2) (20)

Country risk (changes in bp)

1 year sovereign default (Agent Germany)

Belgium 26 (2) (0) (1) (1)
 France 26 (2) (0) (1) (1)
 Greece 687 (6) (4) (16) (24)
 Korea 0 (1) (0) (0) (0) (20)
 MY 100 (1) (1) (1) (1) (1)
 Netherlands 11 (1) (1) (1) (1) (1)
 Portugal 200 (1) (1) (1) (1) (1) (1)
 Spain 111 (1) (1) (1) (1) (1)

1 year sovereign default (Agent Germany)

Belgium 12 (1) (1) (1) (1) (1)
 France 18 (1) (1) (1) (1) (1)
 Greece 187 (1) (1) (1) (1) (1)
 Korea 20 (1) (1) (1) (1) (1)
 MY 11 (1) (1) (1) (1) (1) (1)
 Netherlands 11 (1) (1) (1) (1) (1) (1)
 Portugal 152 (1) (1) (1) (1) (1) (1)
 Spain 72 (1) (1) (1) (1) (1) (1)

2 year sovereign default (Agent Germany)

Belgium 7 (0) (0) (0) (0)
 France 1 (0) (0) (0) (0) (0)
 Greece 21 (1) (1) (1) (1) (1)
 Korea 2 (0) (0) (0) (0) (0) (0)
 Netherlands 1 (0) (0) (0) (0) (0) (0)
 Portugal 56 (1) (1) (1) (1) (1) (1)
 Spain 27 (1) (1) (1) (1) (1) (1)

1 year sovereign CDS

Spr CDS Belgium 26 (1) (2) (4) (16)
 Spr CDS France 26 (1) (1) (1) (1) (1) (1)
 Spr CDS Germany 18 (1) (1) (1) (1)
 Spr CDS Greece 63 (2) (4) (16) (24)
 Spr CDS Korea 0 (1) (1) (1) (1) (1) (1)
 Spr CDS MY 100 (1) (1) (1) (1) (1) (1)
 Spr CDS Netherlands 11 (1) (1) (1) (1) (1) (1)
 Spr CDS Portugal 198 (4) (2) (16) (24)
 Spr CDS Spain 86 (2) (1) (1) (1) (1) (1)
 Spr CDS UK 18 (1) (1) (1) (1) (1) (1)
 Spr CDS US 28 (1) (1) (1) (1) (1) (1)

1 year CDS

Spr CDS Belgium 26 (1) (2) (4) (16)
 Spr CDS France 26 (1) (1) (1) (1) (1) (1)
 Spr CDS Germany 18 (1) (1) (1) (1)
 Spr CDS Greece 63 (2) (4) (16) (24)
 Spr CDS Korea 0 (1) (1) (1) (1) (1) (1)
 Spr CDS MY 100 (1) (1) (1) (1) (1) (1)
 Spr CDS Netherlands 11 (1) (1) (1) (1) (1) (1)
 Spr CDS Portugal 198 (4) (2) (16) (24)
 Spr CDS Spain 86 (2) (1) (1) (1) (1) (1)
 Spr CDS UK 18 (1) (1) (1) (1) (1) (1)
 Spr CDS US 28 (1) (1) (1) (1) (1) (1)

Credit risk

100% (100% changes in percentage except for B.A. spreads, bp)

VIX 17.12 (0.6) (1) (1) (6)
 VIX10Y 24.88 (7) (7) (8) (26) (3) (1)
 EIA EPT energy price 22 (1) (1) (1) (1) (1)
 Duration volatility 11.0 (0.3) (0.2) (1) (1)
 EIA Crude oil price 106.2 (1) (1) (1) (1) (1)
 Credit spread index 102.1 (1) (1) (1) (1) (1)
 US bank volatility index 71 (1) (1) (1) (1)

Bank in change in bp

US bank CDS 75 (1) (1) (1) (1)
 EU bank CDS 86 (1) (1) (1) (1) (1)
 UK bank CDS 75 (1) (1) (1) (1) (1)

Large Spanish banks CDS

US bank CDS 118 (2) (1) (1) (1) (2)
 Mexican Spanish banks CDS 161 (1) (1) (1) (1)

Other banks

US bank CDS 141 (2) (1) (1) (1) (2)
 Russian banks CDS 386 (1) (1) (1) (1) (2) (2)

Commodity risk (change in bp)

US Non-Agricultural CDS 9 (1) (1) (1) (1) (1)
 EU Non-Agricultural CDS 9 (1) (1) (1) (1) (1)
 UK Non-Agricultural CDS 9 (1) (1) (1) (1) (1)

Interest rate markets (Changes in bp)

US 12m spread Jan 15 (1) (1) (1) (1)
 US 12m spread Jan 36 (1) (1) (1) (1)
 US 12m spread Jan 30 (1) (1) (1) (1) (1)
 US 6m spread Jan 11 (1) (1) (1) (1) (1)
 US 6m spread Jan 46 (1) (1) (1) (1) (1)
 US 6m spread Jan 25 (4) (1) (1) (1)
 Spain 12m spread Jan 11 (1) (1) (1) (1) (1)
 ECU bank CDS 14 (1) (1) (1) (1) (1)
 Euro bank CDS 16 (1) (1) (1) (1) (1)
 Euro bank CDS 16 (1) (1) (1) (1) (1)

Stock markets (Changes in percentage)

1 year

US S&P 500 17.02 (1) (1) (1) (1) (1)
 S&P 500 2011 24.75 (1) (1) (1) (1) (1)
 Nikkei 1800.3 (2) (1) (1) (1) (1) (1)
 Euro Stoxx 50 2366.2 (1) (1) (1) (1) (1) (1)
 FTSE 100 6111.4 (1) (1) (1) (1) (1) (1)
 DAX 8002.1 (1) (1) (1) (1) (1) (1)
 CAC40 4118 (1) (1) (1) (1) (1) (1)
 MIB 21066.6 (1) (1) (1) (1) (1) (1)
 AEX 4000.4 (1) (1) (1) (1) (1) (1) (1)

Bank stocks

US bank 163 (1) (1) (1) (1) (1) (1)
 JPM 82.2 (1) (1) (1) (1) (1) (1)
 Cit 121.4 (1) (1) (1) (1) (1) (1)
 BAC 73 (1) (1) (1) (1) (1) (1)
 WFC 33.2 (1) (1) (1) (1) (1) (1)
 GS 107.4 (1) (1) (1) (1) (1) (1)

US bank

WFC 105 (1) (1) (1) (1) (1) (1)
 MSB 108.3 (1) (1) (1) (1) (1) (1)
 BAC 73 (1) (1) (1) (1) (1) (1)
 BofA 73 (1) (1) (1) (1) (1) (1)
 Cit 121.4 (1) (1) (1) (1) (1) (1)
 JPM 82.2 (1) (1) (1) (1) (1) (1)
 Sun 115 (1) (1) (1) (1) (1) (1)

EU bank

111.6 (1) (1) (1) (1) (1) (1)
 BNP 71 (1) (1) (1) (1) (1) (1)
 Credit Agricole 112 (1) (1) (1) (1) (1) (1)
 Deutsche Bank 210 (1) (1) (1) (1) (1) (1)
 ING 129 (1) (1) (1) (1) (1) (1)
 BNP 71 (1) (1) (1) (1) (1) (1)
 SG 42 (1) (1) (1) (1) (1) (1)
 Unicredit 4 (1) (1) (1) (1) (1) (1)

Large Spanish banks

BBVA 12.8 (1) (1) (1) (1) (1) (1)
 Santander 11.8 (1) (1) (1) (1) (1) (1)
 BBVA 12.8 (1) (1) (1) (1) (1) (1)

Mexican Spanish banks

BBVA 12.8 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Pinar 3.4 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)

Other banks

US bank 163 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Pinar 3.4 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)

Bank stocks

US bank 163 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Pinar 3.4 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)

Other banks

US bank 163 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Pinar 3.4 (1) (1) (1) (1) (1) (1)
 Citibanamex 13.6 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)
 Banesca 1.2 (1) (1) (1) (1) (1) (1)

Commodity risk (percentage positive for dollar depreciation)

EURUSD 1.84 (1) (1) (1) (1) (1) (1)
 GBPUSD 1.91 (1) (1) (1) (1) (1) (1)
 USDJPY 1.22 (1) (1) (1) (1) (1) (1)
 DXY 99.7 (1) (1) (1) (1) (1) (1)

USDAUS (Argentina) 9.87 (1) (1) (1) (1) (1) (1)
 USDAUS (Brazil) 1.71 (1) (1) (1) (1) (1) (1)
 USDCJP (China) 716 (1) (1) (1) (1) (1) (1)
 USDCJP (Canada) 2074 (1) (1) (1) (1) (1) (1)
 USDFJP (Mexico) 47 (1) (1) (1) (1) (1) (1)
 USDFJP (Russia) 336 (1) (1) (1) (1) (1) (1)
 LCU (India) 16 (1) (1) (1) (1) (1) (1)

USDAUS (France) 41 (1) (1) (1) (1) (1) (1)
 USDFJP (Russia) 336 (1) (1) (1) (1) (1) (1)
 USDFJP (China) 716 (1) (1) (1) (1) (1) (1)
 USDFJP (Canada) 2074 (1) (1) (1) (1) (1) (1)
 USDFJP (Mexico) 47 (1) (1) (1) (1) (1) (1)
 USDFJP (Russia) 336 (1) (1) (1) (1) (1) (1)

Commodity risk (change in percentage)

Oil 42 (1) (1) (1) (1) (1) (1)
 Copper 206 (2) (1) (1) (1) (1) (1)
 Gold 107 (1) (1) (1) (1) (1) (1)
 CRB Index 302 (1) (1) (1) (1) (1) (1)
 CRB Index 302 (1) (1) (1) (1) (1) (1)
 Metals Index 516 (1) (1) (1) (1) (1) (1)

Table courtesy: Datastream/Refinitiv

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.