

# Market Comment | European bonds yields extend falls

Global Financial Markets Unit  
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- **The US data support Fed lift-off in December.** US personal income rose in October in line with estimates (by 0.4% MoM), while personal spending increased less than expected (by 0.1% MoM; consensus: 0.2%). On another front, durable goods orders surged, surprising expectations (by 3.0%; consensus: 1.7%), and ex-transportation also rose more than estimated (by 0.5% MoM; consensus: 0.3%). Meanwhile, labour data were also positive, with jobless claims dropping ahead of expectations for the week ended 21 November (by 12K to 260K; consensus: 270K). In addition, new home sales rose below estimates (by 48K to 495K; consensus: 500K). The University of Michigan sentiment index declined unexpectedly in November (by 1.8 to 91.3; consensus: 93.1).
- **Mixed data in the Eurozone.** French consumer confidence remained unchanged in November against estimates of a decrease (at 96 points; consensus: 95). On another front, Italian retail sales dropped unexpectedly in September (by -0.1% MoM; consensus: 0.5%); however, in annual terms they rose more than estimated (by 1.5% YoY; consensus: 1.4%).
- **ECB's Vitor Constancio maintains his dovish tone, while ECB is considering a two-tier system for charging deposits or buying bank loans at risk of non-payment.** . The ECB vice-president, Vitor Constancio, said that the decision to extent the ECB's QE will be data-dependent. However, Mr. Constancio warned that the external environment posed a downside risk for the eurozone, while he confirmed its disappointment with the current inflation performance: "Headline inflation is again at zero and core inflation has not consolidated a more positive development, which points to the need to reassess our policy stance in order to achieve our goals by 2017". Mr. Constancio also said that there are no signs of overvaluation in asset prices, while experience shows that markets can work with negative rates, and that "the asset purchase programme will keep our balance sheet expanding until we see a sustained adjustment in the path of inflation". Furthermore, Reuters news agency has reported that the ECB is considering options such as a two-tier system for charging deposits or buying bank loans at risk of non-payment.
- **European bonds yields extend falls.** Mr. Constancio's dovish comments, coupled with new measures mulling by the ECB, sent European sovereign bond yield lower across the board, with German short- and medium-term yields dropping to new historically low levels (2Y: -0.41%, 5Y: -0.18%), while the 10Y German yield also fell sharply today (GER 10Y: -4bp). In the same vein, the rest of the European yields declined sharply, especially the peripheral yields. These were led by Portugal, helped by the election of a new prime minister (FRA 10Y: -4bp, ITA 10Y: -7bp, SPA 10Y: -6bp, POR 10Y: -11bp). As a result, peripheral risk premia narrowed (ITA: -3bp, SPA: -2bp, POR: -7bp). On the other hand, mixed economic data and low activity ahead of Thanksgiving and the Black Friday sales helped US treasuries to remain steady today. On the FX markets, the USD appreciated against other major currencies (EUR: -0.35%, JPY: -0.27%). EM currencies depreciated against the dollar (BRL: -2.1%, COP: -0.9%, CLP: -0.4%, MXN:

-0.2%, RUB: -0.2%), hampered mainly by weak commodity prices, which resumed their falls, especially in oil prices despite the DOE US Crude Oil Inventory falling more than expected in the week ending 20 November (961K; estimate: 1,000K; previous 252K): (Brent: -1.0% WTI: -0.8%, copper: -0.5%). European equity indices rebounded from yesterday's losses (Euro Stoxx: +1.8%, IBEX 35: +0.3%, CAC: +1.8%, DAX: +2.2%), underpinned by the lower sovereign rates. On the other hand, US equity markets stayed stable at the time of writing (S&P 500: +0.2%, Dow: +0.1%) ahead of tomorrow's Thanksgiving holiday and the Black Friday sales.

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Table1

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

Debt markets (changes in bp)

Table with columns for country, instrument, and value. Includes data for US, Euro, Japan, and various emerging markets like Brazil, Mexico, India, etc.

Country risk (changes in bp)

Table with columns for country, instrument, and value. Lists various countries and their corresponding risk metrics.

Comdities (change in percentage)

Table with columns for commodity, instrument, and value. Lists various commodities like oil, gold, wheat, etc., and their price changes.



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

**Debt markets (changes in bps)**

US Treasury	
US 2yr	6.84 (1.8)(20.27)
US 5yr	4.80 (1.1)(15.28)
US 10yr	2.24 (0.4)(17.88)
Asia	
Japan 10yr	0.33 (0.2)(9.23)
China 2yr	4.41 (0.3)(6.93)
CH 5yr	2.14 (0.4)(14.20)
CH 10yr	3.44 (0.3)(12.17)
Europe	
Belgium 10yr	6.79 (2.1)(21.43)
France 10yr	5.44 (2.1)(24.12)
Germany 10yr	2.26 (0.2)(14.11)
Italy 10yr	5.84 (1.7)(14.11)
Spain 10yr	4.44 (1.7)(14.11)
UK 10yr	4.44 (1.7)(14.11)
Portugal 10yr	2.42 (1.1)(15.13)
Spain 10yr	1.58 (0.4)(14.11)

**Emerging Markets**

Brazil 10yr	15.42 (2.2)(14.45)
China 10yr	4.80 (1.2)(11.80)
Colombia 10yr	4.44 (2.1)(20.11)
India 10yr	6.24 (2.1)(13.17)
Peru 10yr	6.80 (2.1)(11.14)
Poland 10yr	2.88 (2.1)(11.14)
Russia 10yr	8.87 (3.7)(13.14)
Russia 10yr	8.88 (2.8)(12.14)
Turkey 10yr	9.81 (4.1)(20.19)
India 10yr	7.7 (0.2)(9.14)
Indonesia 10yr	8.81 (0.1)(1.78)

**Country risk (changes in bps)**

10yr sovereign spreads (against Germany)	
Belgium	31 (0.1)(2.4)
France	21 (0.1)(2.4)
Germany	0 (0.0)(0.0)
Italy	82 (0.4)(2.1)
Spain	46 (0.2)(2.0)
Netherlands	15 (0.1)(1.1)
Portugal	105 (1.2)(4.1)
Spain	110 (1.2)(4.1)

5yr sovereign spreads (against Germany)	
Belgium	13 (1.1)(2.2)(1.1)
France	9 (1.1)(1.1)
Germany	103 (0.4)(1.4)
Italy	21 (1.1)(1.1)
Spain	15 (0.1)(1.1)
Netherlands	4 (1.1)(1.1)
Portugal	127 (1.1)(1.1)
Spain	131 (1.1)(1.1)

3yr sovereign spreads (against Germany)	
Belgium	9 (0.1)(0.1)
France	8 (0.1)(0.1)
Germany	21 (0.1)(0.1)
Italy	37 (0.1)(0.1)
Netherlands	2 (0.1)(0.1)
Portugal	116 (0.1)(0.1)
Spain	111 (0.1)(0.1)

Sovereign CDS	
5yr CDS Belgium	34 (0.1)(2.1)(1.4)
5yr CDS France	28 (1.0)(2.1)(1.9)
5yr CDS Germany	13 (0.0)(0.1)(0.1)
5yr CDS Greece	300 (2.1)(2.1)(2.8)
5yr CDS Ireland	41 (0.1)(0.1)(0.1)
5yr CDS Italy	81 (0.1)(0.1)(0.1)
5yr CDS Netherlands	10 (0.1)(0.1)(0.1)
5yr CDS Portugal	100 (0.1)(0.1)(0.1)
5yr CDS Spain	86 (0.1)(0.1)(0.1)
5yr CDS UK	10 (0.1)(0.1)(0.1)
5yr CDS US	21 (0.1)(0.1)(0.1)

Sovereign CDS	
5yr CDS Brazil	146 (2.0)(1.5)(1.9)
5yr CDS China	121 (0.1)(0.1)(0.1)
5yr CDS Colombia	10 (0.1)(0.1)(0.1)
5yr CDS India	103 (0.1)(0.1)(0.1)
5yr CDS Peru	10 (0.1)(0.1)(0.1)
5yr CDS Venezuela	4115 (14.0)(8.0)(8.0)
5yr CDS Poland	31 (1.0)(1.1)
5yr CDS Russia	208 (2.1)(2.1)(2.1)
5yr CDS Turkey	205 (1.1)(1.1)(1.1)
5yr CDS China	100 (0.1)(0.1)(0.1)
5yr CDS India	103 (0.1)(0.1)(0.1)
5yr CDS Indonesia	100 (0.1)(0.1)(0.1)

Credit risk	
VIX 10	1.36 (0.1)(0.1)(0.1)
VIX 20	1.44 (0.1)(0.1)(0.1)
ED EFT	10.2 (0.1)(0.1)(0.1)
Difference volatility	13.8 (0.1)(0.1)(0.1)
ED F	10.2 (0.1)(0.1)(0.1)
Credit spread	100.4 (0.1)(0.1)(0.1)
US bank credit yield	11.0 (0.1)(0.1)(0.1)

Bank risk (changes in bps)	
US banks CDS	70 (1.1)(1.1)(1.1)
EU banks CDS	83 (1.1)(1.1)(1.1)
UK banks CDS	17 (0.1)(0.1)(0.1)
Large Spanish banks CDS	121 (1.1)(1.1)(1.1)
Medium Spanish banks CDS	103 (2.1)(2.1)(2.1)
German banks CDS	100 (0.1)(0.1)(0.1)
Russian banks CDS	370 (1.1)(1.1)(1.1)

Corporate risk (changes in bps)	
US Non-financial CDS	6 (0.1)(0.1)(0.1)
EU Non-financial CDS	6 (0.1)(0.1)(0.1)
UK Non-financial CDS	6 (0.1)(0.1)(0.1)

**Interbank markets (changes in bps)**

LIBOR 3m	1.12 (0.1)(0.1)(0.1)
LIBOR 6m	1.12 (0.1)(0.1)(0.1)
LIBOR 12m	1.12 (0.1)(0.1)(0.1)
US 3m swap	1.12 (0.1)(0.1)(0.1)
US 6m swap	1.12 (0.1)(0.1)(0.1)
US 12m swap	1.12 (0.1)(0.1)(0.1)
Spain Tel Swap	11 (0.1)(1.1)(0.1)

**Stock markets (Change in percentage)**

Main equity indices	
S&P500	100.2 (0.2)(0.1)(0.1)
Dow Jones	1724.9 (0.1)(0.1)(0.1)
Nikkei	181.1 (0.1)(0.1)(0.1)
FTSE 100	4046.1 (1.1)(1.1)(1.1)
Euro Stoxx 50	3489.1 (0.1)(0.1)(0.1)
BSE SENSEX	30,142 (0.1)(0.1)(0.1)
DAX	11,172 (0.1)(0.1)(0.1)
CAC40	6,141 (0.1)(0.1)(0.1)
IBEX 35	10,141 (0.1)(0.1)(0.1)
ASE Athens	642.8 (0.1)(0.1)(0.1)

Banks	
US banks	97 (0.1)(0.1)(0.1)
JP	102 (0.1)(0.1)(0.1)
Ch	53 (0.1)(0.1)(0.1)
Bank	17 (0.1)(0.1)(0.1)
MS	33 (0.1)(0.1)(0.1)
GS	188 (0.1)(0.1)(0.1)

UK banks	
HSBC	87 (0.1)(0.1)(0.1)
RBS	303 (0.1)(0.1)(0.1)
Barclays	100 (0.1)(0.1)(0.1)
Lloyds	72 (0.1)(0.1)(0.1)

EU banks	
BNP	113 (1.1)(1.1)(1.1)
Credit Agricole	112 (0.1)(0.1)(0.1)
Commerzbank	24 (0.1)(0.1)(0.1)
ING	11 (0.1)(0.1)(0.1)
Intesa	12 (0.1)(0.1)(0.1)
SO	43 (0.1)(0.1)(0.1)
Unicredit	5 (0.1)(0.1)(0.1)

Large Spanish banks	
Santander	5 (1.1)(1.1)(1.1)
BBVA	7.8 (0.1)(0.1)(0.1)
Mapfre	1.1 (0.1)(0.1)(0.1)
Casasnovas	1.1 (0.1)(0.1)(0.1)
Caixa	1.1 (0.1)(0.1)(0.1)
Bankia	1.1 (0.1)(0.1)(0.1)

Other banks	
Bank of America	1.1 (0.1)(0.1)(0.1)
JP Morgan Chase	1.1 (0.1)(0.1)(0.1)
Wells Fargo	1.1 (0.1)(0.1)(0.1)
Citigroup	1.1 (0.1)(0.1)(0.1)

Emerging Markets	
Brazil	1.1 (0.1)(0.1)(0.1)
China	1.1 (0.1)(0.1)(0.1)
India	1.1 (0.1)(0.1)(0.1)
Peru	1.1 (0.1)(0.1)(0.1)
Venezuela	1.1 (0.1)(0.1)(0.1)

Bank stocks	
JP Morgan	1.1 (0.1)(0.1)(0.1)
Bank of America	1.1 (0.1)(0.1)(0.1)
Wells Fargo	1.1 (0.1)(0.1)(0.1)
Citigroup	1.1 (0.1)(0.1)(0.1)

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

EUR/USD	1.08 (0.1)(0.1)(0.1)
GBP/USD	1.31 (0.1)(0.1)(0.1)
USD/JPY	108 (0.1)(0.1)(0.1)
USD/CHF	0.91 (0.1)(0.1)(0.1)

USD/ARS (Argentina)	
USD/ARS	1.00 (0.1)(0.1)(0.1)
USD/ARS	1.00 (0.1)(0.1)(0.1)
USD/ARS	1.00 (0.1)(0.1)(0.1)
USD/ARS	1.00 (0.1)(0.1)(0.1)

Currencies (change in percentage)	
EUR	0.1 (0.1)(0.1)(0.1)
GBP	0.1 (0.1)(0.1)(0.1)
JPY	0.1 (0.1)(0.1)(0.1)
CHF	0.1 (0.1)(0.1)(0.1)
ARS	0.1 (0.1)(0.1)(0.1)

Stock market (change in percentage)	
IBEX	0.1 (0.1)(0.1)(0.1)
FTSE	0.1 (0.1)(0.1)(0.1)
DAX	0.1 (0.1)(0.1)(0.1)
NIKKEI	0.1 (0.1)(0.1)(0.1)
SENSEX	0.1 (0.1)(0.1)(0.1)

Stock market (change in percentage)	
IBEX	0.1 (0.1)(0.1)(0.1)
FTSE	0.1 (0.1)(0.1)(0.1)
DAX	0.1 (0.1)(0.1)(0.1)
NIKKEI	0.1 (0.1)(0.1)(0.1)
SENSEX	0.1 (0.1)(0.1)(0.1)

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

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

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