

Market Comment | Markets cautious ahead of a week full of relevant events

Global Financial Markets Unit
30 Nov 2015

- **Weak US data.** US pending home sales rose in October less than expected (by 0.2% MoM; consensus: 1.0%). Meanwhile, the Chicago purchasing manager index dropped more than expectations (by 7.5 points to 48.7; consensus: 54.0), with new orders, production and inventory sub-indices decreasing, probably dragged by the strong US dollar.
- **Preliminary German inflation rate increased in line with expectations in November.** German CPI harmonised preliminary data rose in November in line with estimates (by 0.3% YoY; previous: 0.2% YoY). This improvement was driven by the base effects in energy prices and the surge in food prices. On another front, German retail sales dropped in October more than our estimates (by -0.4% MoM; BBVAe: -0.1%, consensus: 0.4%), while in annual terms they rose less than expected (by 2.1% YoY; consensus: 2.9%).
- **Caution on markets awaiting this week's events.** This week could be one of the most important in the year, due to the imminent scheduled events. On Thursday, the ECB meeting is going to dispel the market's doubts about whether or not the bank is ready to announce a new round of bold measures. Currently, markets are pricing an "aggressive" statement and the extension of the current measures, including a further ECB depo-rate cut (markets are currently pricing-in a cut of more than 10bp in the deposit rate). On Friday, the US will release October's non-farm payroll figures, which could further increase the expectations of a December rate hike. Furthermore, investors will be focused on China's confidence data (PMI), a key report to calibrate the pace of the Chinese slowdown, and the OPEC meeting, at which the delegates will discuss the global oil supply. The last two events will be determinant factors to hint at the evolution of commodity prices. Against this backdrop, markets remained broadly steady today. On bond markets, US Treasury yields stayed flattened, only inching up in the short-term tenors, with the implied probabilities of a Fed lift-off in December at 75%, while long-term yields remained unchanged. Meanwhile, European yields rose slightly across the board (GER 10Y: +2bp, FRA 10Y: +2bp, ITA 10Y: +2bp, SPA 10Y: +1bp, POR 10Y: +2bp) after last week's sharp falls. European equity markets also increased slightly (Euro Stoxx: +0.5%, IBEX 35: +0.5%, CAC: +0.5%, DAX: +0.7%), waiting for the ECB's meeting, while China's equity indices rebounded slightly, after last Friday's heavy falls (Shanghai: +0.3%, Shenzhen: +0.9%). Meanwhile, US equity markets were staying broadly unchanged at the time of writing. On FX markets, the euro's depreciating trend against the US dollar continued, staying close to its seven-month lows (EUR: -0.28% at 1.056), due to the expectations of the ECB's additional stimulus measures. EM currencies showed a mixed performance; on one side, the Turkish lira and Russian ruble appreciated after last week's depreciations, which had been dragged by the geopolitical tensions (RUB: +0.6%, TRY: +0.6%). On other side, the Colombian peso and Brazilian real depreciated sharply (COP: -1.3%, BRL: -1.8%) despite the rebound in oil prices (Brent: +1.2%, WTI: 1.3%).

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Table1

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

Debt markets (changes in bp)

Country	10Y	5Y	3M
US 2yr	0.81 (11) (21) (27)		
US 5yr	1.05 (11) (21) (27)		
US 10yr	2.22 (9) (22) (43)		
Japan 10yr	0.31 (0) (1) (1)		
UK 2yr	4.42 (0) (0) (2)		
UK 5yr	4.18 (1) (4) (16) (19)		
UK 10yr	4.48 (2) (4) (16) (16)		
Berlin 10yr	0.78 (2) (4) (16) (16)		
France 10yr	0.79 (2) (4) (16) (16)		
Germany 10yr	0.22 (0) (1) (1) (1)		
France 5yr	1.41 (1) (1) (1) (1)		
France 3yr	1.42 (1) (1) (1) (1)		
Germany 3yr	0.22 (0) (1) (1) (1)		
Spain 10yr	3.53 (1) (2) (14) (13)		
Spain 5yr	3.53 (1) (2) (14) (13)		
Spain 3yr	3.53 (1) (2) (14) (13)		
India 10yr	7.79 (2) (7) (16) (16)		
Indonesia 10yr	6.61 (1) (1) (1) (1)		

Country risk (changes in bp)

Country	10Y	5Y	3M
Germany	31 (0) (0) (0)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		
Spain	17 (1) (1) (1) (1)		
Germany	162 (1) (1) (1) (1)		
France	20 (0) (0) (0) (0)		
Netherlands	5 (0) (0) (0) (0)		
Portugal	11 (0) (1) (1) (1)		
Spain	61 (0) (1) (1) (1)		
Spain	9 (0) (0) (0) (0)		
France	9 (0) (0) (0) (0)		
Netherlands	2 (1) (1) (1) (1)		
Portugal	11 (1) (1) (1) (1)		
Spain	38 (0) (0) (0) (0)		
Spain	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

Credit risk

Country	10Y	5Y	3M
US	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

Interbank markets (changes in bp)

Country	10Y	5Y	3M
US	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

Stock markets (Change in percentage)

Country	10Y	5Y	3M
US	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

Commodities (change in percentage)

Commodity	10Y	5Y	3M
US	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

Commodities (in percentage, positive for oil or depreciation)

Commodity	10Y	5Y	3M
US	14 (0) (0) (0) (0)		
France	27 (1) (1) (1) (1)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Germany	104 (20) (20) (20) (21)		
France	32 (0) (0) (0) (0)		
Italy	45 (0) (0) (0) (0)		
Netherlands	18 (0) (0) (0) (0)		
Portugal	16 (0) (0) (0) (0) (0)		
Spain	105 (1) (4) (4) (2)		

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

Debt markets (changes in bps)

US

US 2yr	6.80	(11.01)	(27)
US 5yr	1.60	(12.02)	(9)
US 10yr	2.20	(2.01)	(6)

Asia

Asia 10yr	5.20	(6.02)	(12)
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EU

GS 2yr	4.00	(2.01)	(12)
GS 5yr	2.10	(1.41)	(19)
GS 10yr	2.40	(1.61)	(16)

EMEA

Belgium 10yr	5.70	(2.16)	(18)
France 10yr	5.70	(2.16)	(18)
Germany 10yr	5.20	(1.94)	(22)
Ireland 10yr	1.60	(1.02)	(12)
Italy 10yr	4.00	(1.41)	(18)
Netherlands 10yr	5.00	(1.41)	(18)
Portugal 10yr	2.50	(2.16)	(18)
Spain 10yr	3.50	(1.41)	(18)

Emerging Markets

Brazil 10yr	13.70	(2.02)	(14)
China 10yr	4.00	(2.01)	(12)
Colombia 10yr	11.20	(2.01)	(14)
India 10yr	5.20	(2.01)	(12)
Russia 10yr	8.80	(1.21)	(14)
Turkey 10yr	9.91	(4.20)	(27)

Country risk (changes in bps)

US

US Fitch sovereign spreads (against Germany)	19	(10)	(2)
France 20	(12)	(2)	(3)
Germany 20	(2)	(2)	(2)
Ireland 20	(1)	(1)	(2)
Italy 20	(1)	(1)	(2)
Netherlands 16	(4)	(1)	(1)
Portugal 16	(1)	(1)	(1)
Spain 10	(1)	(1)	(1)

EU

Belgium 12	(1)	(2)	(2)
France 12	(1)	(2)	(2)
Germany 12	(1)	(1)	(1)
Ireland 20	(1)	(1)	(1)
Italy 20	(1)	(1)	(1)
Netherlands 12	(1)	(1)	(1)
Portugal 18	(1)	(1)	(1)
Spain 10	(1)	(1)	(1)

EMEA

France 3	(1)	(1)	(1)
Germany 3	(1)	(1)	(1)
Ireland 2	(1)	(1)	(1)
Italy 2	(1)	(1)	(1)
Netherlands 2	(1)	(1)	(1)
Portugal 3	(1)	(1)	(1)
Spain 3	(1)	(1)	(1)

Asia

US Fitch sovereign spreads (against Germany)	19	(10)	(2)
France 20	(12)	(2)	(3)
Germany 20	(2)	(2)	(2)
Ireland 20	(1)	(1)	(2)
Italy 20	(1)	(1)	(2)
Netherlands 16	(4)	(1)	(1)
Portugal 16	(1)	(1)	(1)
Spain 10	(1)	(1)	(1)

Commodity

WTI	100	(10)	(10)
Brent	110	(10)	(10)
Natural Gas	120	(10)	(10)
Gold	130	(10)	(10)
Copper	140	(10)	(10)
Iron Ore	150	(10)	(10)
Aluminum	160	(10)	(10)
Soybean	170	(10)	(10)
Wheat	180	(10)	(10)
Corn	190	(10)	(10)

Banking

US banks (changes in bps)

US banks 200	(10)	(10)	(10)
US banks 250	(10)	(10)	(10)
US banks 300	(10)	(10)	(10)

Large Spanish banks (changes in bps)

Madrid Spanish banks 200	(10)	(10)	(10)
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Other banks

Spain 200	(10)	(10)	(10)
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Government (changes in bps)

US Non-Financial 200	(10)	(10)	(10)
UK Non-Financial 200	(10)	(10)	(10)

Index-linked markets (changes in bps)

US 2yr Treasury Inflation Protected Securities	100	(10)	(10)
US 5yr Treasury Inflation Protected Securities	110	(10)	(10)
US 10yr Treasury Inflation Protected Securities	120	(10)	(10)
UK 2yr Index-Linked Government Bonds	130	(10)	(10)
UK 5yr Index-Linked Government Bonds	140	(10)	(10)
UK 10yr Index-Linked Government Bonds	150	(10)	(10)

Stock markets (Change in percentage)

US

S&P 500	100	(10)	(10)
Dow Jones	110	(10)	(10)
NASDAQ	120	(10)	(10)

EU

FTSE 100	130	(10)	(10)
Euro Stoxx 50	140	(10)	(10)

Asia

Nikkei 225	150	(10)	(10)
Hong Kong Hang Seng	160	(10)	(10)
Taiwan TSE	170	(10)	(10)
India Nifty	180	(10)	(10)

Other

China CSI 300	190	(10)	(10)
BRIC	200	(10)	(10)

Commodity

US

WTI	100	(10)	(10)
Brent	110	(10)	(10)
Natural Gas	120	(10)	(10)

EU

Oil	130	(10)	(10)
Gold	140	(10)	(10)

Asia

WTI	150	(10)	(10)
Gold	160	(10)	(10)

Country risk (changes in bps)

US Fitch sovereign spreads (against Germany)	19	(10)	(2)
France 20	(12)	(2)	(3)
Germany 20	(2)	(2)	(2)
Ireland 20	(1)	(1)	(2)
Italy 20	(1)	(1)	(2)
Netherlands 16	(4)	(1)	(1)
Portugal 16	(1)	(1)	(1)
Spain 10	(1)	(1)	(1)

Commodity

WTI	100	(10)	(10)
Brent	110	(10)	(10)
Natural Gas	120	(10)	(10)
Gold	130	(10)	(10)
Copper	140	(10)	(10)
Iron Ore	150	(10)	(10)
Aluminum	160	(10)	(10)
Soybean	170	(10)	(10)
Wheat	180	(10)	(10)
Corn	190	(10)	(10)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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