

Market Comment | Bond and equity markets rebound slightly while commodities extend falls

Global Financial Markets Unit
07 Dec 2015

- **The German industrial production increased slightly in October.** German industrial production rose less than estimated in October (by 0.2% MoM; BBVAe: 0.4% MoM, consensus: 0.8% MoM, previous month -1.1% MoM). In October 2015, industrial production excluding energy and construction was up 0.7% MoM. By industry, the performance was mixed, with increases in capital goods (2.7% MoM) and capital goods and construction (0.7% MoM), and falls in intermediate goods (-1.1% MoM), consumer goods (-0.1% MoM) and energy (-5.9% MoM).
- **China's foreign exchange reserves fall to their lowest level since February 2013.** China's foreign exchange reserves declined in November, falling USD87.2bn to USD3.44trn.
- **Bond and equity markets recovered partially from last week's falls,** when the ECB'S extended QE fell short of market expectations and the economic data supported a Fed lift-off in December. However, the extended falls in commodity prices weighed on EM currencies. On the bond markets, European yields declined today (GER 10Y: -7bp, FRA 10Y: -8bp, ITA 10Y: -7bp, SPA 10Y: -8bp, POR 10Y: -4bp) offsetting part of the increases during last week. In the same way, US treasury yields inched down (2Y: -1bp, 10Y: -2bp). Commodity prices extended their falls across the board, especially the oil price which plunged, reaching a seven-year low (Brent: -4.0% at USD41.29/bbl, WTI: -4.6% at USD38.15/bbl). In the same vein, the copper price dropped again (-1.1%). This fact hampered the EM currencies, which depreciated against the USD, with the commodity-linked currencies among the worst performers (COP: -3.0%, MXN: -1.5%, RUB: -1.3%, BRL: -0.6%, CLP: -0.6%). Furthermore, the USD appreciated against other major currencies (EUR: -0.29%, GBP: -0.29%, JPY: -0.15%) ahead of next week's FOMC meeting. Turkey's markets remained weak today, despite Moody's leaving the sovereign rating unchanged at Baa3 last Friday. European equity markets rebounded slightly after last week's sharp falls, with the exception of the IBEX-35 (Euro Stoxx: +0.8%, IBEX-35: -0.2%, CAC: +0.8%, DAX: +1.2%). However, the basic resources and energy sectors fell, dragged down by commodity prices. In the US, equity indices are currently dropping (S&P 500: -0.9%, Dow: -1.0%) in a session without relevant macroeconomic data releases.

Update 17.0 CET 07 December, 2015

Table1

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

Libor markets (Changes in bp)

3-month LIBOR

US 3m 8.93 (1.0) (0) (0)

US 3m 1.09 (0.0) (0.0)

US 15y 2.35 (2.0) (0) (0)

6-month LIBOR

GER 6m 4.21 (1.0) (1) (1)

GER 6m 1.06 (0.0) (0.0) (0)

GER 15y 2.45 (2.0) (0) (0)

12-month LIBOR

Belgium 12m 8.8 (1.0) (1) (1)

France 12m 8.8 (1.0) (1) (1)

Greenland 12m 8.8 (1.0) (1) (1)

Italy 12m 8.8 (1.0) (1) (1)

Netherlands 12m 8.8 (1.0) (1) (1)

Portugal 12m 8.8 (1.0) (1) (1)

Spain 12m 8.8 (1.0) (1) (1)

18-month LIBOR

China 18m 4.03 (0.0) (0) (0)

Canada 18m 4.03 (0.0) (0) (0)

France 18m 4.03 (0.0) (0) (0)

Germany 18m 4.03 (0.0) (0) (0)

Italy 18m 4.03 (0.0) (0) (0)

Netherlands 18m 4.03 (0.0) (0) (0)

Portugal 18m 4.03 (0.0) (0) (0)

Spain 18m 4.03 (0.0) (0) (0)

24-month LIBOR

France 24m 4.03 (0.0) (0) (0)

Germany 24m 4.03 (0.0) (0) (0)

Italy 24m 4.03 (0.0) (0) (0)

Netherlands 24m 4.03 (0.0) (0) (0)

Portugal 24m 4.03 (0.0) (0) (0)

Spain 24m 4.03 (0.0) (0) (0)

Country risk (Changes in bp)

1-yr sovereign spreads (against Germany)

Belgium 29 (1) (2) (1) (0)

France 29 (1) (2) (1) (0)

Greenland 29 (1) (2) (1) (0)

Italy 29 (1) (2) (1) (0)

Netherlands 29 (1) (2) (1) (0)

Portugal 29 (1) (2) (1) (0)

Spain 29 (1) (2) (1) (0)

5-yr sovereign spreads (against Germany)

Belgium 71 (1) (4) (2) (0)

France 71 (1) (4) (2) (0)

Greenland 71 (1) (4) (2) (0)

Italy 71 (1) (4) (2) (0)

Netherlands 71 (1) (4) (2) (0)

Portugal 71 (1) (4) (2) (0)

Spain 71 (1) (4) (2) (0)

3-yr sovereign spreads (against Germany)

Belgium 31 (1) (0) (0) (0)

France 31 (1) (0) (0) (0)

Greenland 31 (1) (0) (0) (0)

Italy 31 (1) (0) (0) (0)

Netherlands 31 (1) (0) (0) (0)

Portugal 31 (1) (0) (0) (0)

Spain 31 (1) (0) (0) (0)

5-yr sovereign CDS

Spr CDS Belgium 32 (1) (1) (1) (0)

Spr CDS France 32 (1) (1) (1) (0)

Spr CDS Germany 32 (1) (1) (1) (0)

Spr CDS Greece 162 (5) (7) (3) (2)

Spr CDS Hungary 41 (0) (0) (0) (0)

Spr CDS Italy 34 (1) (0) (0) (0)

Spr CDS Netherlands 34 (1) (0) (0) (0)

Spr CDS Portugal 179 (4) (7) (3) (2)

Spr CDS Spain 81 (2) (0) (0) (0)

Spr CDS UK 18 (0) (0) (0) (0)

Spr CDS US 21 (0) (0) (0) (0)

1-yr sovereign CDS

Spr CDS Brazil 437 (7) (9) (8) (3)

Spr CDS China 138 (3) (0) (0) (0)

Spr CDS Colombia 24 (0) (0) (0) (0)

Spr CDS Mexico 158 (2) (0) (0) (0)

Spr CDS Peru 188 (1) (0) (0) (0)

Spr CDS Venezuela 699 (4) (0) (0) (0)

Spr CDS Pakistan 40 (2) (0) (0)

Spr CDS Russia 285 (2) (0) (0) (0)

Spr CDS Turkey 288 (2) (0) (0) (0)

Spr CDS China 108 (3) (0) (0) (0)

Spr CDS India 151 (0) (0) (0) (0)

Spr CDS Korea 224 (2) (0) (0) (0)

Spr CDS Indonesia 224 (2) (0) (0) (0)

Credit risk

US 10Y 1.12 (0.0) (0.0) (0.0)

VIX 16.12 (0.0) (0.0) (0.0)

VIX10Y 21.76 (4.7) (4.8) (0.0) (0)

EM EFT volatility index 24 (0) (0) (0) (0)

Duration volatility 9.9 (0.0) (0.0) (0.0)

EM F volatility index 24 (0) (0) (0) (0)

Credit spread index 24 (0) (0) (0) (0)

US bank volatility index 71 (0) (0) (0) (0)

Index in changes in bp

US bank CDS 71 (0) (0) (0) (0)

EU bank CDS 71 (0) (0) (0) (0)

US bank CDS 71 (0) (0) (0) (0)

Large Spanish banks CDS 115 (2) (0) (0) (0)

Medium Spanish banks CDS 169 (0) (0) (0) (0)

Green banks CDS 145 (0) (0) (0) (0)

Russian banks CDS 378 (4) (0) (0) (0)

Company risk (changes in bp)

US BankAmerica CDS 9 (0) (0) (0) (0)

EU BankAmerica CDS 9 (0) (0) (0) (0)

UK BankAmerica CDS 9 (0) (0) (0) (0)

Interest rate markets (Changes in bp)

US 10Y spread Jan 11 (0) (0) (0) (0)

US 10Y spread Feb 11 (0) (0) (0) (0)

US 10Y spread Mar 11 (0) (0) (0) (0)

US 10Y spread Apr 11 (0) (0) (0) (0)

US 10Y spread May 11 (0) (0) (0) (0)

US 10Y spread Jun 11 (0) (0) (0) (0)

US 10Y spread Jul 11 (0) (0) (0) (0)

US 10Y spread Aug 11 (0) (0) (0) (0)

US 10Y spread Sep 11 (0) (0) (0) (0)

US 10Y spread Oct 11 (0) (0) (0) (0)

US 10Y spread Nov 11 (0) (0) (0) (0)

US 10Y spread Dec 11 (0) (0) (0) (0)

Spain 10Y spread Jan 11 (0) (0) (0) (0)

Spain 10Y spread Feb 11 (0) (0) (0) (0)

Spain 10Y spread Mar 11 (0) (0) (0) (0)

Spain 10Y spread Apr 11 (0) (0) (0) (0)

Spain 10Y spread May 11 (0) (0) (0) (0)

Spain 10Y spread Jun 11 (0) (0) (0) (0)

Spain 10Y spread Jul 11 (0) (0) (0) (0)

Spain 10Y spread Aug 11 (0) (0) (0) (0)

Spain 10Y spread Sep 11 (0) (0) (0) (0)

Spain 10Y spread Oct 11 (0) (0) (0) (0)

Spain 10Y spread Nov 11 (0) (0) (0) (0)

Spain 10Y spread Dec 11 (0) (0) (0) (0)

Libor in changes in bp

LIBOR 1m 0.00 (0.0) (0.0) (0.0)

LIBOR 3m 0.00 (0.0) (0.0) (0.0)

Stock markets (Changes in percentage)

US stock markets

S&P 500 1162 (0.4) (0.4) (0.3) (0)

NASDAQ 1162 (0.4) (0.4) (0.3) (0)

Nikkei 1909.2 (0.2) (0.2) (0.1) (0)

Hong Kong 1909.2 (0.2) (0.2) (0.1) (0)

Euro Stoxx 50 2058.8 (0.4) (0.4) (0.3) (0)

FTSE 100 1909.2 (0.2) (0.2) (0.1) (0)

COCI 1909.2 (0.2) (0.2) (0.1) (0)

MSCI World 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Asia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Africa 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Latin America 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Emerging Markets 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Global 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex UK 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex France 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Germany 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Italy 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Netherlands 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Portugal 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Spain 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Sweden 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Switzerland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Denmark 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Norway 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Finland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Iceland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Luxembourg 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Austria 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Belgium 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Greece 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Ireland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Cyprus 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Malta 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovenia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Czech Republic 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovakia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Hungary 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Poland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Romania 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Bulgaria 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Serbia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Croatia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovenia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Czech Republic 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovakia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Hungary 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Poland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Romania 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Bulgaria 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Serbia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Croatia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovenia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Czech Republic 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovakia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Hungary 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Poland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Romania 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Bulgaria 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Serbia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Croatia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovenia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Czech Republic 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovakia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Hungary 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Poland 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Romania 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Bulgaria 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Serbia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Croatia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Slovenia 1909.2 (0.2) (0.2) (0.1) (0)

MSCI Europe ex Czech Republic 1909.2 (0.2) (0.2) (0.1) (0)

*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.