

Market Comment| Energy prices at multi-year lows determined financial markets' performance

Global Financial Markets Unit
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- **Eurozone industrial production rose in October in line with our expectations** (by 0.6% MoM; BBVAe: 0.5%, consensus: 0.3%) after the drop in the previous month (-0.3%). On another front, Italian CPI harmonised final data was revised up (by 0.2% YoY; consensus: 0.1%), while core CPI slowed in November (by +0.7% YoY; previous month: +1.0%).
- **Draghi reiterates the ECB's willingness to act if needed.** Mario Draghi, president of the ECB, said that "there is no doubt that, if we had to intensify the use of our tools to reach our target of price stability, we will do it".
- **On Saturday, China's National Bureau of Statistics announced the improvement in the activity indicator in November.** Industrial production surged, beating expectations (by 6.2% YoY; consensus: 5.7%; previous month: 5.6%), while retail sales also increased more than expected (by 11.2% YoY; consensus: 11.1%) with a surge in auto sales (by 9.0% YoY; previous month: 7.1%). In addition, urban total fixed asset investment growth remained stable at 10.2% YoY (consensus: 10.1% YoY; previous month: 10.2%). These macroeconomic data showed the positive effect in the consumer demand of the October tax cut on auto sales. With these results, the authorities could deploy more tax cuts to stimulate the economy. ([see](#))
- **New RMB FX index.** On Friday, the PBoC announced the China Foreign Exchange Trade System, the new RMB index, which is composed of 13 currencies, led by USD with a weight of 26.40%. The PBoC's goal remains to achieve a free-floating exchange rate. ([see](#))
- **Energy prices at multi-year lows determined financial markets' performance.** Oil prices continued falling to the lowest level in more than ten years (Brent: USD37.46/bbl, -1.2%). The recent OPEC meeting in Austria triggered the fall in oil prices, dragging down other commodity markets. The organisation's decision to maintain the existing level of oil production, in order to conserve market share, hampered more sensitive assets across the board during recent weeks, and today was not an exception. Emerging markets are again in the limelight: currencies exposed to commodities registered further depreciation: RUB: -0.5%, COP: -0.8%, BRL: -0.5%, CLP: -0.5%. Equity markets dropped across the board (S&P 500: -0.3%, Euro Stoxx: -0.9%, IBEX: -1.0%, CAC: -0.6%, DAX: -0.8%), dragged mainly by commodity-linked companies. On bond markets, US treasury yields increased in all tenors (2Y and 10Y: +6bp) awaiting this week's Fed meeting, at which the first lift-off is expected but maintaining a dovish tone. In the same vein, European yields rose, highlighted on the periphery (GER 10Y: +3bp, FRA 10Y: +5bp, ITA 10Y: +8bp, SPA 10Y: +9bp, POR 10Y: +6bp). As a result, peripheral risk premia increased today (ITA: +5bp, SPA: +5bp, POR: +3bp). Against the major currencies, the USD continued last week's

trend and depreciated, with the exception of GBP (EUR: +0.39%, JPY: +0.26%, GBP: -0.61%).

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Table1

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

Debt markets (changes in bps)

US Treasury

US 2yr	4.30	(0)	(0)	(27)
US 5yr	4.02	(0)	(0)	(33)
US 10yr	2.9	(0)	(0)	(12)

Japan

Japan 10yr	0.31	(0)	(0)	(0)
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Other

Canada 5yr	4.34	(0)	(0)	(24)
OECD 5yr	-0.09	(0)	(0)	(14)
OECD 10yr	1.05	(0)	(0)	(0)

Belgium

Belgium 10yr	0.9	(0)	(0)	(8)
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France

France 10yr	0.51	(0)	(0)	(0)
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Germany

Germany 10yr	1.8	(0)	(0)	(10)
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Italy

Italy 10yr	1.62	(0)	(0)	(27)
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Netherlands

Netherlands 10yr	1.4	(0)	(0)	(45)
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Portugal

Portugal 10yr	2.5	(0)	(0)	(27)
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Spain

Spain 10yr	1.7	(0)	(0)	(12)
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Emerging Markets

Brazil 10yr	15.4	(0)	(0)	(45)
China 10yr	4.0	(0)	(0)	(0)
Colombia 10yr	7.7	(0)	(0)	(10)
India 10yr	6.4	(0)	(0)	(10)
Peru 10yr	11.0	(0)	(0)	(10)
Poland 10yr	1.27	(0)	(0)	(10)
Russia 10yr	12.2	(0)	(0)	(10)
Russia 10yr	12.2	(0)	(0)	(10)
Turkey 10yr	15.5	(0)	(0)	(10)

India

India 10yr	7.52	(0)	(0)	(0)
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Indonesia

Indonesia 10yr	8.7	(0)	(0)	(10)
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Country risk (changes in bps)

High sovereign spreads (against Germany)

Belgium	20	(0)	(0)	(0)
France	24	(0)	(0)	(0)
Germany	0	(0)	(0)	(0)
Italy	80	(0)	(0)	(0)
Spain	105	(0)	(0)	(0)
Netherlands	16	(0)	(0)	(0)
Portugal	184	(0)	(0)	(0)
Spain	114	(0)	(0)	(0)

Low sovereign spreads (against Germany)

Belgium	9	(0)	(0)	(0)
France	15	(0)	(0)	(0)
Germany	10	(0)	(0)	(0)
Italy	20	(0)	(0)	(0)
Netherlands	4	(0)	(0)	(0)
Portugal	121	(0)	(0)	(0)
Spain	79	(0)	(0)	(0)

Zero sovereign spreads (against Germany)

Belgium	1	(0)	(0)	(0)
France	0	(0)	(0)	(0)
Germany	0	(0)	(0)	(0)
Italy	42	(0)	(0)	(0)
Netherlands	1	(0)	(0)	(0)
Portugal	48	(0)	(0)	(0)
Spain	43	(0)	(0)	(0)

Sovereign CDS

Spr CDS Belgium	25	(0)	(0)	(10)
Spr CDS France	26	(0)	(0)	(10)
Spr CDS Germany	0	(0)	(0)	(10)
Spr CDS Greece	107	(0)	(0)	(10)
Spr CDS Ireland	41	(0)	(0)	(10)
Spr CDS Italy	80	(0)	(0)	(10)
Spr CDS Japan	11	(0)	(0)	(10)
Spr CDS Portugal	184	(0)	(0)	(10)
Spr CDS Spain	114	(0)	(0)	(10)
Spr CDS US	28	(0)	(0)	(10)

Emerging Markets

Spr CDS Brazil	48	(0)	(0)	(10)
Spr CDS China	14	(0)	(0)	(10)
Spr CDS Colombia	11	(0)	(0)	(10)
Spr CDS India	16	(0)	(0)	(10)
Spr CDS Peru	21	(0)	(0)	(10)
Spr CDS Venezuela	127	(0)	(0)	(10)

Cost of debt (changes in percentage points for 100 bps spread, bp)

VIX 2y	16.1	(0)	(0)	(0)
VIX 5y	12.4	(0)	(0)	(0)
VIX 10y	9.3	(0)	(0)	(0)
ED FTF	10.4	(0)	(0)	(0)
Default spread	10.2	(0)	(0)	(0)
ED FTF	10.4	(0)	(0)	(0)
Cost spread	10.2	(0)	(0)	(0)
US bank	10.4	(0)	(0)	(0)

Bank risk (changes in bps)

US banks CDS	80	(0)	(0)	(10)
EU banks CDS	38	(0)	(0)	(10)
UK banks CDS	62	(0)	(0)	(10)

Large Spanish banks CDS

Madrid Spanish banks CDS	136	(0)	(0)	(10)
Madrid Spanish banks CDS	167	(0)	(0)	(10)

Other banks CDS

Spain banks CDS	100	(0)	(0)	(10)
Russian banks CDS	38	(0)	(0)	(10)

Corporate risk (changes in bps)

US Non-financial CDS	6	(0)	(0)	(10)
UK Non-financial CDS	6	(0)	(0)	(10)

Interbank markets (changes in bp)

US 10yr swap	11	(0)	(0)	(10)
US 5yr swap	2	(0)	(0)	(10)
US 3m swap	1	(0)	(0)	(10)
US 10yr swap	11	(0)	(0)	(10)
US 5yr swap	2	(0)	(0)	(10)
US 3m swap	1	(0)	(0)	(10)

Spain-Tel Spread

Spain-Tel Spread	-1	(0)	(0)	(10)
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EWMA Index

EWMA Index	2.2	(0)	(0)	(10)
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Libor

Libor 1m	0.1	(0)	(0)	(10)
Libor 3m	0.1	(0)	(0)	(10)

Stock markets (Change in percentage)

Main equity indices

S&P500	2007.1	(0)	(0)	(10)
Dow Jones	1720.2	(0)	(0)	(10)
Nikkei	14000	(0)	(0)	(10)
FTSE 100	5851.4	(0)	(0)	(10)
Euro Stoxx 50	3752.2	(0)	(0)	(10)
MSCI World	4100	(0)	(0)	(10)
MSCI Europe	3500	(0)	(0)	(10)
MSCI Asia	4000	(0)	(0)	(10)
MSCI Africa	1000	(0)	(0)	(10)
MSCI Latin America	1000	(0)	(0)	(10)
MSCI Emerging Markets	1000	(0)	(0)	(10)

Other

US banks	82	(0)	(0)	(10)
EU banks	38	(0)	(0)	(10)
UK banks	62	(0)	(0)	(10)

Large Spanish banks

Madrid Spanish banks	136	(0)	(0)	(10)
Madrid Spanish banks	167	(0)	(0)	(10)

Other banks

Spain banks	100	(0)	(0)	(10)
Russian banks	38	(0)	(0)	(10)

Commodities (in percentage, positive for dollar depreciation)

Crude Oil	100	(0)	(0)	(10)
Gold	100	(0)	(0)	(10)
Silver	100	(0)	(0)	(10)
Natural Gas	100	(0)	(0)	(10)
Wheat	100	(0)	(0)	(10)
Corn	100	(0)	(0)	(10)
Soybeans	100	(0)	(0)	(10)
Iron Ore	100	(0)	(0)	(10)
Copper	100	(0)	(0)	(10)
Aluminum	100	(0)	(0)	(10)
Zinc	100	(0)	(0)	(10)
Nickel	100	(0)	(0)	(10)
Palladium	100	(0)	(0)	(10)
Platinum	100	(0)	(0)	(10)
Rhodium	100	(0)	(0)	(10)
Lead	100	(0)	(0)	(10)
Tin	100	(0)	(0)	(10)
Steel	100	(0)	(0)	(10)
Coal	100	(0)	(0)	(10)
Gas	100	(0)	(0)	(10)
Electricity	100	(0)	(0)	(10)
Carbon	100	(0)	(0)	(10)
Uranium	100	(0)	(0)	(10)

Currencies (in percentage, positive for dollar depreciation)

EUR/USD	1.35	(0)	(0)	(10)
GBP/USD	1.50	(0)	(0)	(10)
USD/JPY	100	(0)	(0)	(10)
USD/CHF	0.9	(0)	(0)	(10)
USD/CAD	1.3	(0)	(0)	(10)

US Dollars

US Dollar	100	(0)	(0)	(10)
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Other

EUR/USD	1.35	(0)	(0)	(10)
GBP/USD	1.50	(0)	(0)	(10)
USD/JPY	100	(0)	(0)	(10)
USD/CHF	0.9	(0)	(0)	(10)
USD/CAD	1.3	(0)	(0)	(10)

Currencies (change in percentage)

EUR/USD	1.35	(0)	(0)	(10)
GBP/USD	1.50	(0)	(0)	(10)
USD/JPY	100	(0)	(0)	(10)
USD/CHF	0.9	(0)	(0)	(10)
USD/CAD	1.3	(0)	(0)	(10)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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