

# Market Comment | Markets in a positive mood at the beginning of the week

Global Financial Markets Unit  
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- **Disappointing data in the US.** The US Chicago Fed national activity index unexpectedly dropped in November (by: 0.13 points to -0.30; consensus: 0.10).
- **Eurozone consumer confidence improved slightly in December** in line with our estimations (by 0.2 points to -5.7; BBVAe: -5.5, consensus: -5.9).
- **Spanish general elections: the very fragmented parliament poses important challenges ahead.**  
The Popular Party (PP) was the largest party following yesterday's elections with 28.7% of the votes, and won 123 seats in the parliament. The Socialist Party won 90 seats (22.0% of the votes), Podemos 69 seats (20.7% of the votes) and Ciudadanos 40 seats (13.9% of the votes). The lack of an absolute majority (requiring 176 seats) and the likely difficulties in reaching stable alliances (led by either the PP or the Socialist Party) is a source of uncertainty going forward.
- **Markets in a positive mood at the beginning of the week.** European equity markets rose, continuing last week's rebound, with the exception of the IBEX-35, which dropped because of the political uncertainty after yesterday's government elections. The fall in the index was led by the financial sector (Caixabank: -7.0%, Popular: -6.3%, Santander: -2.9% and BBVA: -3.3%). Across Europe: Euro Stoxx: +0.1%, IBEX: -2.3%, DAX: +0.5%, CAC: +0.2%, MIB: +0.4%). In the same vein, US equity indices are trading higher (S&P 500: +0.7%, Dow: +0.5%). On bond markets, European safe-haven yields remained unchanged (GER 10Y: +1bp, FRA 10Y: +1bp), whereas peripheral yields rose, especially in Spain (SPA 10Y: +10bp, ITA 10Y: +2bp, POR 10Y: +2bp). As a result, the risk premia surged, led by Spain (SPA: +9bp, ITA: +1bp, POR: +1bp). Meanwhile, US treasury yields remained unchanged in all tenors. On the FX markets, the USD stayed flattened against other major currencies, with the exception of the euro which appreciated (EUR: +0.45%). EM currencies showed a mixed performance against the US dollar (RUB: -0.7%, BRL: -1.2%, CLP: +1.1%, MXN: +0.4%, COP: -0.2%, ARS: +4.0%), in line with the behaviour of commodity prices. In particular, the Brent oil price dropped again, reaching the lowest level since 2004 at close to USD36/bbl (Brent and WTI: +1.4%). Meanwhile, the prices of both copper and gold improved during the session (copper: +0.7%, gold: +1.2%).

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Table1



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

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

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