

Market Comment | Ongoing concerns about Chinese slowdown drive risk assets lower

Global Financial Markets Unit
28 Dec 2015

- **China's industrial companies' profits kept falling in November.** Industrial companies earnings fell for a sixth consecutive month in November (-1.4%, previous month -4.6%), led by commodity-linked companies.
- **Japan released weak activity data, sparking expectations of further BoJ stimulus.** Industrial production fell more than expected (-1% MoM, consensus -0.6% MoM, previous +1.4% MoM), while retail sales also fell short of expectations (-1% YoY, consensus -0.6% YoY, previous +1.9% YoY).
- **The ECB bought EUR6.36bn in the public sector purchase programme in the week ending on 25 December.** Although, due to the holiday period, this amount is lower than the four-week average (EUR13.7bn), it was enough to achieve the monthly target (EUR50bn).
- **Ongoing concerns about Chinese slowdown drive risk assets lower.** In a day of unimportant news, there were sharp falls in China's equity indices, especially the Shanghai B which fell by 7.8% in the day. Although technical factors could explain the fall (China's foreign exchange authority announced that it would require banks to tighten their supervision over cash settlements in foreign currencies), the strong movement underscored the investor anxiety about the Chinese outlook. Against this background, equity markets dropped across the board (S&P: -0.7%, Euro Stoxx: -0.7%, IBEX: -1.0%, DAX: -0.5%, CAC: -0.8%), hampered mainly by the Energy and Materials sectors. On bond markets, US treasury yields stayed flattened with the short-term increasing and the long-term remaining unchanged (2Y: +1bp, 10Y: -2bp). Meanwhile, European yields declined in all tenors (GER 10Y: -8bp, FRA 10Y: -10bp, ITA 10Y: -8bp, SPA 10Y: -5bp, POR 10Y: -7bp) after last week's increases. Ongoing concerns about the Chinese slowdown also dragged commodity prices, especially oil prices which returned to USD36.82/bbl (Brent: -2.8%, WTx: -3.3%). In the same vein, the copper price decreased (-1.4%). Falls in commodity prices led FX markets' performance. The USD showed a mixed performance against G-10 currencies (EUR: +0.17%, JPY: -0.13%, GBP: +0.07%), while the G-10 currencies linked to oil prices depreciated against the USD (CAD: -0.42%, AUD: -0.27%). EM currencies also showed a mixed performance against the US dollar, with commodity-linked currencies dragged by the renewed falls in oil prices (RUB: -2.3%, BRL: +1.3%, COP: +0.2%, MXN: -0.2%, CLP: -1.1%).

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Table1

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

Debt markets (changes in bpt)

US Treasury bills

US 2yr	1.91 (11.78) (20)
US 5yr	1.71 (10.44) (8)
US 10yr	2.22 (2.2) (31) (1)

Japan

JP Gov 2Yr	0.21 (1) (1) (1) (1)
JP Gov 5Yr	0.26 (1) (1) (1) (1)
JP Gov 10Yr	0.26 (1) (1) (1) (1)

Belgium

Belgov 10yr	5.88 (4) (11) (1) (8)
France 10yr	5.51 (4) (1) (1) (1)
Germany 10yr	3.81 (1) (1) (1) (1)
Italy 10yr	5.88 (4) (1) (1) (1)
Spain 10yr	5.88 (4) (1) (1) (1)
UK 10yr	5.88 (4) (1) (1) (1)
US 10yr	2.22 (2) (2) (1) (1)

European 10-year

France 10yr	5.51 (4) (1) (1) (1)
Germany 10yr	3.81 (1) (1) (1) (1)
Italy 10yr	5.88 (4) (1) (1) (1)
Spain 10yr	5.88 (4) (1) (1) (1)
UK 10yr	5.88 (4) (1) (1) (1)
US 10yr	2.22 (2) (2) (1) (1)

Poland

Poland 10yr	5.88 (4) (1) (1) (1)
Russia 10yr	5.88 (4) (1) (1) (1)
Brazil 10yr	5.88 (4) (1) (1) (1)
Turkey 10yr	5.88 (4) (1) (1) (1)

India

India 10yr	5.88 (4) (1) (1) (1)
Indonesia 10yr	5.88 (4) (1) (1) (1)

Country risk (changes in bpt)

US sovereign spreads (against Germany)

Belgium	20 (1) (1) (1)
France	20 (1) (1) (1)
Germany	20 (1) (1) (1)
Italy	20 (1) (1) (1)
Spain	20 (1) (1) (1)
UK	20 (1) (1) (1)
US	20 (1) (1) (1)

EU sovereign spreads (against Germany)

Belgium	7 (0) (1) (1) (1)
France	7 (0) (1) (1) (1)
Germany	7 (0) (1) (1) (1)
Italy	7 (0) (1) (1) (1)
Spain	7 (0) (1) (1) (1)
UK	7 (0) (1) (1) (1)
US	7 (0) (1) (1) (1)

EU sovereign spreads (against Germany)

Belgium	4 (1) (1) (1) (1)
France	4 (1) (1) (1) (1)
Germany	4 (1) (1) (1) (1)
Italy	4 (1) (1) (1) (1)
Spain	4 (1) (1) (1) (1)
UK	4 (1) (1) (1) (1)
US	4 (1) (1) (1) (1)

US sovereign CDS

US CDS Belgium	32 (0) (1) (1) (1)
US CDS France	32 (0) (1) (1) (1)
US CDS Germany	32 (0) (1) (1) (1)
US CDS Greece	32 (0) (1) (1) (1)
US CDS Ireland	32 (0) (1) (1) (1)
US CDS Italy	32 (0) (1) (1) (1)
US CDS Netherlands	32 (0) (1) (1) (1)
US CDS Portugal	32 (0) (1) (1) (1)
US CDS Spain	32 (0) (1) (1) (1)
US CDS UK	32 (0) (1) (1) (1)
US CDS US	32 (0) (1) (1) (1)

European CDS

EU CDS Belgium	32 (0) (1) (1) (1)
EU CDS France	32 (0) (1) (1) (1)
EU CDS Germany	32 (0) (1) (1) (1)
EU CDS Greece	32 (0) (1) (1) (1)
EU CDS Ireland	32 (0) (1) (1) (1)
EU CDS Italy	32 (0) (1) (1) (1)
EU CDS Netherlands	32 (0) (1) (1) (1)
EU CDS Portugal	32 (0) (1) (1) (1)
EU CDS Spain	32 (0) (1) (1) (1)
EU CDS UK	32 (0) (1) (1) (1)
EU CDS US	32 (0) (1) (1) (1)

US CDS

US CDS Belgium	32 (0) (1) (1) (1)
US CDS France	32 (0) (1) (1) (1)
US CDS Germany	32 (0) (1) (1) (1)
US CDS Greece	32 (0) (1) (1) (1)
US CDS Ireland	32 (0) (1) (1) (1)
US CDS Italy	32 (0) (1) (1) (1)
US CDS Netherlands	32 (0) (1) (1) (1)
US CDS Portugal	32 (0) (1) (1) (1)
US CDS Spain	32 (0) (1) (1) (1)
US CDS UK	32 (0) (1) (1) (1)
US CDS US	32 (0) (1) (1) (1)

Comd risk

US Treasury bills (changes in percentage since 1980)

US 2yr	1.91 (11.78) (20)
US 5yr	1.71 (10.44) (8)
US 10yr	2.22 (2.2) (31) (1)

US Treasury notes

US 2yr	1.91 (11.78) (20)
US 5yr	1.71 (10.44) (8)
US 10yr	2.22 (2.2) (31) (1)

US Treasury bonds

US 2yr	1.91 (11.78) (20)
US 5yr	1.71 (10.44) (8)
US 10yr	2.22 (2.2) (31) (1)

Bank risk (changes in bpt)

US banks

US Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Large Spanish banks

Spain Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Other banks

Spain Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Commodity risk (changes in bpt)

US Non-Financial CDS	32 (0) (1) (1) (1)
UK Non-Financial CDS	32 (0) (1) (1) (1)

Interbank markets (changes in bpt)

US interbank

US 2yr	1.91 (11.78) (20)
US 5yr	1.71 (10.44) (8)
US 10yr	2.22 (2.2) (31) (1)

EU interbank

EU 2yr	1.91 (11.78) (20)
EU 5yr	1.71 (10.44) (8)
EU 10yr	2.22 (2.2) (31) (1)

UK interbank

UK 2yr	1.91 (11.78) (20)
UK 5yr	1.71 (10.44) (8)
UK 10yr	2.22 (2.2) (31) (1)

Spain-Tel Spain

Spain 2yr	1.91 (11.78) (20)
Spain 5yr	1.71 (10.44) (8)
Spain 10yr	2.22 (2.2) (31) (1)

EU/NA inter

EU/NA 2yr	1.91 (11.78) (20)
EU/NA 5yr	1.71 (10.44) (8)
EU/NA 10yr	2.22 (2.2) (31) (1)

Latin Am

Latin Am 2yr	1.91 (11.78) (20)
Latin Am 5yr	1.71 (10.44) (8)
Latin Am 10yr	2.22 (2.2) (31) (1)

Stock markets (Change in percentage)

US equity indices

S&P 500	1247.1 (4) (1) (1) (1)
Dow Jones	1745.2 (8) (1) (1) (1)
Nasdaq	3078.1 (1) (1) (1) (1)
FTSE 100	6248.8 (1) (1) (1) (1)
Euro Stoxx 50	3287.2 (1) (1) (1) (1)
MSCI World	2142.3 (1) (1) (1) (1)
DAX	10512.2 (1) (1) (1) (1)
Nikkei 225	19745.1 (1) (1) (1) (1)
ASX 200	4128.1 (1) (1) (1) (1)
ASE Athens	1113.3 (1) (1) (1) (1)

US banks

US Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Large Spanish banks

Spain Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Other banks

Spain Bank CDS	32 (0) (1) (1) (1)
EU Bank CDS	32 (0) (1) (1) (1)
UK Bank CDS	32 (0) (1) (1) (1)

Commodity risk (changes in bpt)

US Non-Financial CDS	32 (0) (1) (1) (1)
UK Non-Financial CDS	32 (0) (1) (1) (1)

Commodity risk (percentage, positive for dollar depreciation)

US equity indices

S&P 500	1247.1 (4) (1) (1) (1)
Dow Jones	1745.2 (8) (1) (1) (1)
Nasdaq	3078.1 (1) (1) (1) (1)
FTSE 100	6248.8 (1) (1) (1) (1)
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Commodity risk (changes in bpt)

US Non-Financial CDS	32 (0) (1) (1) (1)
UK Non-Financial CDS	32 (0) (1) (1) (1)

Commodity risk (change in percentage)

US equity indices

S&P 500	1247.1 (4) (1) (1) (1)
Dow Jones	1745.2 (8) (1) (1) (1)
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UK Bank CDS	32 (0) (1) (1) (1)

Commodity risk (changes in bpt)

US Non-Financial CDS	32 (0) (1) (1) (1)
UK Non-Financial CDS	32 (0) (1) (1) (1)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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