BBVA Research

Market Comment | Market sentiment improves slightly

Global Financial Markets Unit
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- **Positive data in the US.** Consumer confidence improved more than expected in December (96.5, consensus, 93.5, previous month 90.4); both the present situation and expectations sub-indices increased from previous month, while the survey also indicated a brighter labour market, with more people expecting more jobs in coming months, while those who anticipating fewer jobs declined. The S&P Case-Shiller home price index grew above expectations in October (0.9% MoM, consensus: 0.6% MoM, previous: 0.6% MoM), showing the highest increase since August 2014. Furthermore, the trade deficit narrowed in November (-USD60.5bn, consensus -USD6.7bn, previous month -USD61.2bn), with exports falling by 2% MoM (previously -2.4% MoM), while imports decreased by 1.8% MoM (previously -0.6% MoM).

- **Consumer confidence moderated in December in Italy.** Consumer confidence declined against our estimations of remaining unchanged (by 0.8 points to 117.6; BBVAe: 118.4, consensus: 117.0), with all components decreasing: economic, personal, current and future. Meanwhile, the composite business confidence climate index dropped (to 105.8 from 107.1). This moderation was due to the unexpected decrease in manufacturing confidence by (0.3 points to 104.1; BBVAe: 105.6, consensus: 104.4).

- **Market sentiment slightly improve.** Positive US economic data, coupled with the rebound in China's equity markets and commodity prices, have slightly boosted the risk-on mood in financial markets today. Bond markets declined across developed countries, with safe-haven bond yields showing the largest increases. The US Treasury yields rose slightly in all tenors (2Y: +6bp, 10Y: +4bp). In the same vein, European yields climbed, especially in core bonds (GER 10Y: +7bp, FRA 10Y: +8bp, ITA 10Y: +3bp, SPA 10Y: +1bp, POR 10Y: +1bp). As a result, peripheral risk premia narrowed (ITA: -4bp, SPA: -6bp, POR: -5bp). Despite the increase in yields, equity markets rose across the board, led by European indices (S&P n500: +0.9%, Euro Stoxx: +1.5%, IBEX: +1.0%, CAC: +1.5%, DAX: +1.6%), with cyclical sectors leading today's gains. Furthermore, the recovery in oil prices (Brent: +2.9% WTI: +2.6%) has also helped both the materials and energy sectors to gain some ground. FX markets also reflected the positive economic data and the recovery in oil prices. The USD appreciated against other major currencies (EUR: -0.52%, GBP: -0.6%, JPY: -0.05%), with the exception of G-10 currencies linked to oil prices, which appreciated against the USD after yesterday's losses (CAD: %, AUD: %, NOK: %). EM currencies showed a mixed performance against the US dollar (BRL: -0.2%, RUB: -0.1%, CLP: -0.2%, MXN: +0.1%, COP: +0.7%), despite the recovery in commodity markets (copper: +3.1%).

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Table1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 1,07 (6) (10) (15) (41)
US 5-yr 1,75 (3) (5) (11) (10)
US 10-yr 2,27 (4) (4) (5) (10)

Japan 10-yr 0,27 (0) (-1) (-4) (-6)

GER 2-yr -0,33 (0) (1) (8) (-24)
GER 5-yr -0,03 (3) (3) (16) (-5)
GER 10-yr 0,63 (7) (3) (17) (9)

Belgium 10-yr 0,98 (6) (5) (22) (15)
France 10-yr 1 (8) (4) (22) (17)
Greece 10-yr 8,29 (-6) (12) (99) (-146)
Ireland 10-yr 1,15 (6) (2) (19)
Italy 10-yr 1,64 (3) (0) (23) (-25)
Netherlands 10-yr 0,8 (7) (4) (19) (11)
Portugal 10-yr 2,51 (1) (-2) (20) (-18)
Spain 10-yr 1,81 (1) (2) (29) (20)

Emerging Markets
Brazil 10-yr 16,37 (3) (0) (55) (401)
Chile 10-yr 4,65 (0) (1) (6) (66)
Colombia 10-yr 8,71 (0) (-6) (22) (161)
Mexico 10-yr 6,25 (3) (4) (3) (42)
Peru 10-yr 7,31 (3) (6) (31) (186)

Poland 10-yr 2,92 (-18) (-1) (30) (40)
Russia 5-yr 9,87 (-3) (-27) (-10) (-433)
Russia 10-yr 9,53 (-1) (-15) (-11) (-348)
Turkey 10-yr 10,45 (-3) (-9) (50) (258)

India 10-yr 7,76 (0) (0) (-1) (-12)
Indonesia 10-yr 8,79 (4) (8) (17) (97)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 35 (1) (2) (5) (6)
France 37 (1) (1) (5) (8)
Greece 766 (-12) (10) (82) (-155)
Ireland 52 (0) (-1) (2) (-19)
Italy 101 (-4) (-3) (6) (-34)
Netherlands 17 (1) (1) (1) (2)
Portugal 188 (-6) (-4,5) (3) (-27)
Spain 118 (-6) (-1) (12) (11)

5-yr sovereign spreads *(against Germany)*
Belgium 8 (0) (0,4) (-6) (-7)
France 14 (0) (0) (-4) (-3)
Greece 1606 (-2) (-2) (-16) (473)
Ireland 26 (-1) (-1) (-3) (-14)
Italy 55 (-1) (-5) (1) (-39)
Netherlands 1 (0) (-0,3) (-4) (-7)
Portugal 110 (-3) (-7) (-9) (-34)
Spain 74 (-1) (-4) (5) (-13)

2-yr sovereign spreads *(against Germany)*
Belgium 5 (-1) (-2) (-4) (0)
France 4 (-1) (-0,8) (-5) (-3)
Ireland 15 (0) (-1) (-7) (4)
Italy 30 (-1) (-8) (-9) (-33)
Netherlands -3 (-1) (-1) (-6) (-10)
Portugal 41 (-2) (-6) (-15) (-11)
Spain 35 (-4) (-10) (-3) (-15)

5-yr sovereign CDS
5-yr CDS Belgium 32 (0) (-2) (0) (-17)
5-yr CDS France 26 (0) (0) (-2) (-21)
5-yr CDS Germany 13 (0) (0) (-1) (-5)
5-yr CDS Greece 1055 (0) (45) (108) (-227)
5-yr CDS Ireland 40 (0) (-2) (1) (-11)
5-yr CDS Italy 99 (0) (-3) (5) (-37)
5-yr CDS Netherlands 16 (0) (0) (0) (-5)
5-yr CDS Portugal 165 (-2) (-12) (-7) (-35)
5-yr CDS Spain 89 (-1) (-8) (10) (-7)
5-yr CDS UK 20 (0) (0) (3) (-2)
5-yr CDS US 19 (0) (0) (-1) (3)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 481 (4) (-29) (67) (282)
5-yr CDS Chile 127 (0) (-5) (2) (33)
5-yr CDS Colombia 239 (4) (-6) (18) (99)
5-yr CDS Mexico 169 (3) (-5) (16) (66)
5-yr CDS Peru 186 (2) (-6) (6) (70)
5-yr CDS Venezuela 6049 (212) (-294) (1903) (1544)

5-yr CDS Poland71 (0) (-1) (-1) (1)
5-yr CDS Russia 295 (-6) (-14) (28) (-181)
5-yr CDS Turkey 268 (4) (2) (12) (86)

5-yr CDS China 109 (0) (-5) (10) (24)
5-yr CDS India 149 (-3) (-7) (-3) (-23)
5-yr CDS Indonesia 228 (-3) (-11) (11) (72)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 16,02 (-5,3) (-3,5) (6) (-3)
VSTOXX21,61 (-3,8) (-4,1) (-6,3) (-4)
EM EFT volatility Index 23 (-2) (0) (-1) (4)
Dollar/euro volatility 9,8 (-0,3) (3,9) (-22,4) (2)
EM FXvolatility index 11 (0) (-1) (6) (4)
Credit spread (BAA) 317,9 (-4,1) (-8,5) (0) (76)
US bonds volatility index 67 (0) (0) (-3) (-3)

Bank risk *(changes in bp)*
US banks CDS 75 (1) (-2) (-1) (5)
EMU banks CDS 80 (-1) (-4) (1) (-4)
UK banks CDS 75 (0) (-2) (2) (16)

Large Spanish banks CDS 127 (-1) (-4) (7) (50)
Medium Spanish banks CDS 151 (-3) (-10) (-3) (37)

Greek banks CDS 1665 (0) (22) (284) (782)
Russian banks CDS 383 (5) (-3) (13) (-204)

Corporate risk *(changes in bps)*
US Non-financial CDS 0 (0) (0) (0) (-157)
EMU Non-financial CDS 0 (0) (0) (0) (-107)
UK Non-financial CDS 0 (0) (0) (0) (-113)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 10 (0) (0) (-6) (0)
UEM OIS spread 12m 33 (0) (0) (-4) (-6)
UEM TED spread 3m 37 (0) (-2,1) (4) (13)

US OIS spread 3m 23 (0) (0) (10) (9)
US OIS spread 12m 54 (-1) (-2) (7) (20)
US TED spread 3m 40 (-1) (0) (16) (18)

Spain Ted Spread 3m 4 (3) (12,3) (-7) (-1)

EONIA Index -0,24 (0) (-0,7) (-10) (-38)
Euribor 3m -0,13 (0) (-0,1) (-2) (-21)
Euribor 12m 0,06 (0) (0) (1) (-27)

Libor 3m 0,6 (0) (1) (19) (35)
Libor 12m 1,15 (0) (2) (17) (52)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 2075,1 (0,9) (1,8) (-0,7) (1)
Dow Jones 17702 (1) (1,6) (-0,5) (-1)
Nikkei 18982,2 (0,6) (0,5) (-4,5) (9)
FTSE 100 6291,8 (0,6) (3,4) (-1,3) (-4)
EuroStoxx 50 3304,9 (1,5) (2,8) (-5,3) (5)
IBEX9647,5 (1) (2,5) (-6,4) (-6)
DAX 10829,7 (1,6) (3,3) (-4,1) (10)
CAC4687,8 (1,5) (2,6) (-4,9) (10)
MIB 21577,1 (1) (2,5) (-4,4) (13)
ASE Athens 617,6 (0,4) (-0,2) (-5) (-25)

Bank stocks
US banks 95,8 (0,8) (1,4) (-2,4) (-4)
JPM 66,8 (0,6) (1,7) (-0,5) (7)
Citi 52,8 (0,9) (1,6) (-2,5) (-2)
BoA 17,2 (0,5) (0,8) (-1,5) (-4)
MS 32,5 (0,9) (0,7) (-3,9) (-16)
GS 183,6 (1,1) (2) (-3,6) (-5)

UK banks 89 (0,5) (2,7) (0,4) (-11)
HSBC 543 (0,3) (2,5) (1,5) (-11)
RBS 308,4 (1,2) (3,7) (0,6) (-22)
Barclays 221,8 (0) (1,3) (-1,1) (-9)
Lloyds 73,9 (0,5) (3,6) (0,7) (-3)

EMU banks 109,2 (1,2) (1,8) (-4,7) (9)
BNP 52,9 (1) (0,3) (-5,6) (7)
Crédit Agricole 10,8 (1,3) (1,8) (-5) (1)
Deutsche Bank 22,6 (2) (4,9) (-5,7) (-9)
ING 12,6 (0,9) (3,2) (-4,1) (17)
Intesa 3,1 (1,2) (0,4) (-3,2) (28)
SG 43,2 (1,1) (1,5) (-3,6) (24)
Unicredito 5,2 (1,2) (1) (-6,6) (-3)

Large Spanish banks 76,5 (0,1) (1,6) (-11,4) (-24)
Santander 4,6 (0,6) (2) (-9,9) (-34)
BBVA 6,8 (-0,3) (1,3) (-12,5) (-13)

Medium Spanish banks 82,9 (-0,3) (0,1) (-5,4) (-17)
Caixabank 3,3 (0,3) (-1,7) (-5,5) (-25)
Popular 3,1 (0,3) (1,2) (-7,8) (-26)
Sabadell 1,6 (-0,8) (1,5) (-4,1) (-19)
Bankinter 6,6 (0,2) (1,6) (-1,8) (-1)
Bankia 1,1 (-1,6) (-2) (-8,4) (-14)

Greek banks 4,5 (-0,3) (-2) (-25,4) (-96)
Alpha Bank2,5 (0) (-2,7) (6,4) (-89)
Pireus Bank0,3 (0) (-1,7) (-71) (-100)
National Central Bank0,3 (0) (-0,3) (-73) (-99)
Eurobank Ergasias1 (-1) (-1) (-26,4) (-94)

Emerging Markets
Main equity indices
MSCI Latam 59841 (-0,38) (1,1) (-4,9) (-10,4)
Ibovespa (Brazil) 43804 (0,1) (0,8) (-4,5) (-12,4)
Mexbol 43586 (0,4) (0,6) (-1,5) (1)

MSCI EM Europe 4249 (-0,21) (1) (-5,5) (-4,2)
Poland 1893 (0,9) (1) (-2,2) (-18,2)
Micex (Russia) 1763 (1,9) (2,3) (-1,8) (26,3)
Ise 100 (Turkey) 73913 (-0,4) (1,1) (-2,3) (-13,8)

MSCI EM Asia 664 (-0,62) (0,5) (-2,5) (-7,7)
Shanghai Composite (China) 3564 (0,85) (-2,4) (3,7) (10,2)
Jakarta Composite (Indonesia) 4569 (0,3) (1,1) (0,2) (-13)

Bank stocks
Turkish banks 77 (-0,4) (1,5) (0,7) (-23,5)
Akbank T.A.S. 7 (-0,4) (3,1) (2,6) (-18,2)
Garanti 7 (-0,7) (-0,3) (-0,4) (-22,3)
Turkiye Is Bankasi 5 (0) (1,7) (-0,2) (-29,8)

Russian banks 151 (2,1) (1,6) (1,1) (51,1)
Sberbank 102 (1,6) (2) (-2,6) (85,5)
VTB Bank 0,1 (2,9) (1) (7,6) (16,7)

Currencies *(in percentage, positive for dollar depreciation)*

Developed Markets
EURUSD 1,091 (-0,52) (-0,42) (3) (-9,9)
GBPUSD 1,48 (-0,6) (-0,26) (-1,6) (-5,1)
USDJPY 120,46 (-0,05) (0,5) (1,9) (-0,6)
DXY 98,3 (-0,4) (-0,1) (1,7) (-8,9)

Emerging Markets
USDARS (Argentina) 12,95 (0,3) (0,2) (-33,8) (-53)
USDBRL (Brazil) 3,87 (-0,2) (3) (-0,6) (-45,5)
USDCLP (Chile) 709,37 (-0,2) (-1,7) (0,3) (-16,9)
USDCOP (Colombia) 3153,04 (0,7) (4,8) (-1,5) (-32,7)
USDMXN (Mexico) 17,23 (0,1) (-0,2) (-3,6) (-16,9)
USDPEN (Peru) 3,41 (-0,1) (-0,5) (-1) (-14,4)
LACI 63,11 (0) (1,1) (-4,4) (-23,2)

USDPLN (Poland) 3,88 (-0,1) (0,1) (3,9) (-9,4)
USDRUB (Russia) 72,28 (-0,1) (-1,4) (-8,8) (-25)
USDTRY (Turkey) 2,91 (0) (0,8) (0,6) (-24,7)

USDCNY (China) 6,49 (0) (-0,1) (-1,4) (-4,5)
USDINR (India) 66,4 (-0,3) (-0,1) (0,5) (-4,8)
USDIDR (Indonesia) 13698 (-0,4) (-0,2) (0,7) (-10,6)
ADXY 106,83 (0,1) (0) (-0,5) (-5,3)

Commodities *(change in percentage)*

Brent 37,68 (2,9) (4,3) (-16) (-34,3)
WTx 37,73 (2,5) (4,4) (-9,5) (-29,2)
Copper 213 (3,1) (1,6) (3,9) (-25)
Gold 1068,68 (-0,1) (-0,4) (1,1) (-9,6)
CRB Index 371,17 (0) (-1,4) (-3,3) (-15,2)
CRB (food) index 330,18 (0) (-3,5) (-8,7) (-10,6)
Baltic Dry Index 478 (0) (0,8) (-17,7) (-38,9)

Source: Bloomberg, Datastream and Haver

*CDS, EMBI & MSCI indices with one day delay
**Credit spread (BAA) with two days delay

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