

# Market Comment | Chinese sell-off causes a widespread risk-off mood in markets

Global Financial Markets Unit  
04 Jan 2016

- **China's manufacturing PMI fell again.** China's manufacturing PMI continued to show a contraction in the manufacturing activity, and dropped slightly unexpectedly in December (by 0.4 points to 48.2; consensus: 48.9).
- **US manufacturing activity contracts in December**, reaching the lowest level for six years. US ISM manufacturing declined in December, surprising expectations (by 0.9 points to 48.2; consensus: 49.0). This is the second month in a row that the manufacturing index has fallen into contraction territory (below the 50 level). The ISM prices paid sub-index also dropped unexpectedly (by 2 points to 33.5; consensus: 35.5).
- **Slight upward revision on final prints of Eurozone Markit manufacturing PMI in December** (53.2 points; BBVAe, consensus and flash estimate: 53.1, previously: 52.8). By country, Germany's manufacturing PMI rose slightly against the flash estimate (by 0.2 points to 53.2; BBVAe and consensus: 53.0), while the French index suffered a downward revision of 0.2 points to 51.4 points (BBVAe and consensus: 51.6, previously: 50.6). In Spain, it remained almost unchanged at 53.0 points (previously: 53.1, consensus: 51.7) and the Italian PMI rose more than estimated (by 0.7 points to 55.6; previously: 54.9; BBVAe: 54.7; consensus: 54.9). On another front, German CPI increased less than expected in December. The harmonised inflation rate decreased by 10bp to 0.2% (BBVAe and consensus: 0.4%, previously: 0.3%) while German harmonised CPI stood broadly unchanged in December against estimates of a slight increase.
- **Chinese sell-off causes a widespread risk-off mood in markets during the first trading session of the new year.** The Shanghai composite index plunged 7% after an early close due to the high volatility ([see](#)). The authorities implemented new regulations - approved late last year - to prevent a violent sell-off. At first they temporarily suspended trading activity - when the major equity indices were around 5% down - and then, as the falls continued, the indices were closed before the usual closing time. Doubts on the Chinese economic outlook (confidence prints worse than expected) and some regulatory changes (related to IPOs and the ban on selling by big stakeholders, that expire next week) could explain the high volatility and the investors' uncertainty about China. These events also have a relevant effect on the exchange rate. The official exchange rate was established above USDRMB 6.50 - the weakest RMB rate against the USD for four years - and then it experienced further depreciation until reaching USDRMB 6.53, continuing the ongoing depreciation path of last year. Against this backdrop, the volatility rose today across the board (VIX: +5bp to 22.88%) and equity indices dropped abruptly (Nikkei: -3.1%, S&P 500: -2.4%, Euro Stoxx: -3.4%, DAX: -4.4%, IBEX-35: -2.7%), while developed countries' government yields fell, including peripheral yields, in a move towards safe-havens (USA 10 Y: -6bp, GER 10Y: -6bp, ITA 10Y: -5bp, SPA 10Y: -5bp). Commodity prices also tracked the uncertainty surrounding China, and copper fell by 2.5% while gold (+1.5%) was a beneficiary of the risk-off mood in global markets. On another front, oil prices rebounded on the back of the increase in geopolitical risk between major oil

producers (Saudi Arabia and Iran), but it remains at very low levels (Brent: +0.9% to USD37.63/bbl). Emerging markets also reacted to the increased financial instability in China that the market is pricing today, and EM currencies depreciated against USD (BRL: -2.0%, RUB: -1.0%, CLP: -1.3%, MXN: -0.7%, COP: -1.6%). The depreciation of the TRY (-1.9%), one of the most punished EM currencies today, was fuelled by the December inflation prints (+8.8%), which were in line with the BBVA forecast but above market estimates. Among developed currencies, JPY (+1.05 against USD) was the largest beneficiary, as the market identifies it as a safe haven, while the EUR depreciated slightly (-0.5%) in a session of high volatility.

Update 17.15 CET 04 January, 2016

Table1

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

**Libor markets (changes in bps)**

**Overnight**  
 US 3m 1.02 (2) (1) (7) (6)  
 US 6m 1.71 (4) (1) (1) (2) (1)  
 US 12m 2.21 (4) (2) (1) (4) (4)  
 Japan 10y 0.28 (0) (1) (0) (0) (1)  
 CR 3m 4.36 (-1) (2) (4) (2) (2)  
 CR 6m 4.84 (-2) (2) (4) (4)  
 CR 9m 4.57 (4) (1) (1) (2) (2)  
 Region 10y 0.22 (4) (2) (4) (2)  
 France 10y 1.22 (2) (1) (1) (2)  
 Greece 10y 8.14 (-1) (2) (1) (2) (1) (4) (1)  
 Italy 10y 3.68 (4) (1) (4) (1) (4) (4)  
 Netherlands 10y 0.25 (1) (4) (1) (1) (4) (1)  
 Portugal 10y 2.85 (3) (8) (8) (1) (4)  
 Spain 10y 1.72 (4) (1) (1) (1) (1)

**Outgoing**

Brazil 10y 6.40 (2) (1) (4) (1) (4) (2)  
 Chile 10y 4.88 (1) (1) (4) (2)  
 Columbia 10y 6.71 (1) (1) (1) (2) (1) (4)  
 Mexico 10y 6.21 (4) (2) (1) (4) (1) (4)  
 Peru 10y 1.71 (2) (2) (1) (2)  
 Poland 10y 2.39 (4) (2) (1) (1) (1) (4)  
 Russia 10y 6.12 (1) (1) (1) (1) (1) (4)  
 Taiwan 10y 1.71 (4) (2) (1) (4) (1) (4)  
 Turkey 10y 12.77 (2) (2) (1) (2) (1) (4)  
 India 10y 7.72 (1) (4) (1) (1) (1)  
 Indonesia 10y 8.82 (1) (1) (4) (1) (1)

**Country risk (changes in bps)**

**10y sovereign spreads (against Germany)**  
 Region 30 (1) (2) (1) (1)  
 France 27 (1) (2) (1) (1)  
 Greece 107 (4) (1) (1) (1) (1) (4)  
 Ireland 46 (2) (1) (1) (1)  
 Italy 98 (1) (1) (1) (1) (1)  
 Netherlands 17 (1) (1) (1) (1) (1)  
 Portugal 198 (1) (1) (1) (1) (1)  
 Spain 115 (1) (1) (1) (1) (1)  
**10y sovereign spreads (against Germany)**  
 Region 8 (1) (1) (1) (1) (1)  
 France 14 (1) (1) (1) (1) (1)  
 Greece 140 (1) (1) (1) (1) (1) (1)  
 Ireland 27 (1) (1) (1) (1) (1)  
 Italy 46 (1) (1) (1) (1) (1)  
 Netherlands 1 (1) (1) (1) (1) (1)  
 Portugal 115 (1) (1) (1) (1) (1)  
 Spain 78 (1) (1) (1) (1) (1)

**10y sovereign spreads (against Germany)**  
 Region 5 (1) (1) (1) (1) (1)  
 France 4 (1) (1) (1) (1) (1)  
 Ireland 38 (1) (1) (1) (1) (1)  
 Italy 44 (1) (1) (1) (1) (1)  
 Netherlands 2 (1) (1) (1) (1) (1)  
 Portugal 44 (1) (1) (1) (1) (1)  
 Spain 34 (1) (1) (1) (1) (1)

**10y sovereign CDS**

EUR CDS Region 32 (1) (1) (1) (1) (1)  
 EUR CDS France 28 (1) (1) (1) (1) (1)  
 EUR CDS Germany 13 (1) (1) (1) (1) (1)  
 EUR CDS Greece 108 (1) (1) (1) (1) (1) (1) (4)  
 EUR CDS Ireland 41 (1) (1) (1) (1) (1)  
 EUR CDS Italy 48 (1) (1) (1) (1) (1)  
 EUR CDS Netherlands 11 (1) (1) (1) (1) (1)  
 EUR CDS Portugal 178 (1) (1) (1) (1) (1) (1)  
 EUR CDS Spain 108 (1) (1) (1) (1) (1)  
 EUR CDS UK 19 (1) (1) (1) (1) (1)  
 EUR CDS US 19 (1) (1) (1) (1) (1)

**Outgoing**

**10y sovereign CDS**  
 EUR CDS Brazil 494 (1) (1) (1) (1) (1) (1) (4)  
 EUR CDS Chile 181 (1) (1) (1) (1) (1)  
 EUR CDS Colombia 241 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS Columbia 122 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS Peru 198 (1) (1) (1) (1) (1) (1)  
 EUR CDS Venezuela 118 (1) (1) (1) (1) (1) (1) (1) (1) (4)  
 EUR CDS Poland 27 (1) (1) (1) (1) (1)  
 EUR CDS Russia 24 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS Taiwan 214 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS China 108 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS India 105 (1) (1) (1) (1) (1) (1) (1)  
 EUR CDS Indonesia 229 (1) (1) (1) (1) (1) (1) (1)

**Credit risk**

**Non-financial (changes in percentage except for B/LA spreads, bps)**

US B/LA 2.21 (2) (2) (2) (2) (2) (2) (2)  
 EU B/LA 2.22 (2) (2) (2) (2) (2) (2) (2)  
 EU B/LA 2.22 (2) (2) (2) (2) (2) (2) (2)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)

**Banks (in %)**

US banks 1.91 (1) (1) (1) (1) (1) (1) (1)  
 EU banks 1.91 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.91 (1) (1) (1) (1) (1) (1) (1)

Large Spanish banks CDS 137 (1) (1) (1) (1) (1) (1) (1)  
 Medium Spanish banks CDS 160 (1) (1) (1) (1) (1) (1) (1)

Greek banks CDS 140 (1) (1) (1) (1) (1) (1) (1)  
 Russian banks CDS 34 (1) (1) (1) (1) (1) (1) (1)

**Commodity risk (changes in bps)**

WTI Non-Monoco CDS 29 (1) (1) (1) (1) (1) (1) (1)  
 Brent Non-Monoco CDS 17 (1) (1) (1) (1) (1) (1) (1)  
 Oil Non-Monoco CDS 28 (1) (1) (1) (1) (1) (1) (1)

**Interbank markets (changes in bps)**

EUR 1m spread 3m 11 (1) (1) (1) (1) (1) (1) (1)  
 EUR 3m spread 3m 24 (1) (1) (1) (1) (1) (1) (1)  
 EUR 12m spread 3m 41 (1) (1) (1) (1) (1) (1) (1)

US 1m spread 3m 23 (1) (1) (1) (1) (1) (1) (1)  
 US 3m spread 3m 38 (1) (1) (1) (1) (1) (1) (1)  
 US 12m spread 3m 44 (1) (1) (1) (1) (1) (1) (1)

Spain 1m spread 3m 5 (1) (1) (1) (1) (1) (1) (1)  
 EONIA Index 4.13 (1) (1) (1) (1) (1) (1) (1)  
 Eurobor 3m 3.18 (1) (1) (1) (1) (1) (1) (1)  
 London 3m 0.99 (1) (1) (1) (1) (1) (1) (1)

Libor 3m 0.41 (1) (1) (1) (1) (1) (1) (1)  
 Libor 6m 1.18 (1) (1) (1) (1) (1) (1) (1)

**Stock markets (Changes in percentage)**

**Index weights**

S&P500 100 (1) (1) (1) (1) (1) (1) (1)  
 Dow Jones 100 (1) (1) (1) (1) (1) (1) (1)  
 Nikkei 225 100 (1) (1) (1) (1) (1) (1) (1)  
 FTSE 100 100 (1) (1) (1) (1) (1) (1) (1)  
 Hang Seng 100 (1) (1) (1) (1) (1) (1) (1)  
 BSE SENSEX 100 (1) (1) (1) (1) (1) (1) (1)  
 CSI 300 100 (1) (1) (1) (1) (1) (1) (1)  
 Nikkei 225 100 (1) (1) (1) (1) (1) (1) (1)  
 ASI 100 100 (1) (1) (1) (1) (1) (1) (1)

**Index returns**

US banks 97 (2) (1) (1) (1) (1) (1) (1)  
 JPM 102 (2) (1) (1) (1) (1) (1) (1)  
 GS 95 (2) (1) (1) (1) (1) (1) (1)  
 BAC 78 (2) (1) (1) (1) (1) (1) (1)  
 WFC 102 (2) (1) (1) (1) (1) (1) (1)  
 C 114 (2) (1) (1) (1) (1) (1) (1)  
 JPM 102 (2) (1) (1) (1) (1) (1) (1)  
 GS 95 (2) (1) (1) (1) (1) (1) (1)  
 BAC 78 (2) (1) (1) (1) (1) (1) (1)  
 WFC 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

UK banks 83 (2) (1) (1) (1) (1) (1) (1)  
 HSBC 105 (2) (1) (1) (1) (1) (1) (1)  
 RBS 202 (2) (1) (1) (1) (1) (1) (1)  
 Barclays 174 (2) (1) (1) (1) (1) (1) (1)  
 Lloyds 71 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

EUR banks 104 (2) (1) (1) (1) (1) (1) (1)  
 BNP 102 (2) (1) (1) (1) (1) (1) (1)  
 CDB 102 (2) (1) (1) (1) (1) (1) (1)  
 Deutsche Bank 214 (2) (1) (1) (1) (1) (1) (1)  
 ING 102 (2) (1) (1) (1) (1) (1) (1)  
 Intesa 102 (2) (1) (1) (1) (1) (1) (1)  
 C 114 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

Large Spanish banks 83 (2) (1) (1) (1) (1) (1) (1)  
 Santander 44 (2) (1) (1) (1) (1) (1) (1)  
 BBVA 64 (2) (1) (1) (1) (1) (1) (1)  
 Medium Spanish banks 81 (2) (1) (1) (1) (1) (1) (1)  
 Caixabank 102 (2) (1) (1) (1) (1) (1) (1)  
 Finance 102 (2) (1) (1) (1) (1) (1) (1)  
 Bankia 102 (2) (1) (1) (1) (1) (1) (1)  
 Banco 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

China banks 44 (2) (1) (1) (1) (1) (1) (1)  
 Aia Bank 4 (2) (1) (1) (1) (1) (1) (1)  
 Citic Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Industrial Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 HSBC Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Bank of China 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

India banks 102 (2) (1) (1) (1) (1) (1) (1)  
 ICICI Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Citic Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 State Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Axis Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 HDFC Bank 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

Indonesia 402 (2) (1) (1) (1) (1) (1) (1)  
 Mandiri 102 (2) (1) (1) (1) (1) (1) (1)  
 Citic Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Garuda 102 (2) (1) (1) (1) (1) (1) (1)  
 Bank of Indonesia 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

Taiwan banks 102 (2) (1) (1) (1) (1) (1) (1)  
 Citic Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 HSBC Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 Bank of China 102 (2) (1) (1) (1) (1) (1) (1)  
 Citic Bank 102 (2) (1) (1) (1) (1) (1) (1)  
 HSBC Bank 102 (2) (1) (1) (1) (1) (1) (1)

**Index returns**

US B/LA 2.21 (2) (2) (2) (2) (2) (2) (2)  
 EU B/LA 2.22 (2) (2) (2) (2) (2) (2) (2)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)

**Index returns**

US B/LA 2.21 (2) (2) (2) (2) (2) (2) (2)  
 EU B/LA 2.22 (2) (2) (2) (2) (2) (2) (2)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)  
 D/Euro area 1.31 (1) (1) (1) (1) (1) (1) (1)



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

Daily markets (change in bps)

Table with columns for country and date, listing daily market changes in basis points for various countries including US, Japan, China, and others.

Country risk (change in bps)

Table with columns for country and date, listing country risk changes in basis points for European countries and others.

Credit risk

Table with columns for country and date, listing credit risk changes in percentage points for various countries.

Interbank markets (change in bps)

Table with columns for country and date, listing interbank market changes in basis points.

Stock markets (change in percentage)

Table with columns for country and date, listing stock market changes in percentage for various countries.

Currencies (in percentage, positive for dollar depreciation)

Table with columns for country and date, listing currency changes in percentage.

Commodities (change in percentage)

Table with columns for country and date, listing commodity changes in percentage.

Stocks: Emerging and US

\*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](http://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.