

Market Comment | High volatility in financial markets driven by swings in commodity prices

Global Financial Markets Unit
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- **Mixed data in Europe.** Eurozone industrial production dropped in November more than estimated (by -0.7% MoM; BBVAe: -0.2%; consensus: -0.3%) staying slightly beyond the 3Q15 average. Meanwhile, French CPI rose more than expected in December (by 0.2% YoY; consensus: 0.1%; previous: 0.0%),
- **Positive macroeconomic data in China.** China exports declined less than expected in December (by -1.4% YoY; consensus: -8.0%; previous: -6.8%), while imports also dropped less than estimated (by -7.6% YoY; consensus: -11.0%; previous: -8.7%).
- **High volatility in financial markets driven by swings in commodity prices.** Despite better-than-expected trade data in China, high volatility persisted on the financial markets today. The release of new data related to the US oil inventories caused an oil price rebound at the beginning of the session (close to 3%), that was followed by main risk assets such as equity indices - main European indices were more than 2% up - and commodity exporters' currencies. However, the turmoil in oil prices early this afternoon (Brent: -0.4%) dragged down financial assets and erased the early gains. Against this backdrop, European equity markets eventually closed almost flat, with the exception of the DAX (Euro Stoxx: +0.1%, DAX: -0.4%, IBEX-35: +0.1%, CAC: +0.2%). Meanwhile, US equity markets had fallen slightly at the time of writing (S&P 500: -0.1%, Dow: -0.3%). Asian equity markets registered a mixed performance: Chinese markets fell at the end of the session (-2.4%) despite the positive macroeconomic data, while the Nikkei rose (+2.9%). On the bond markets, US treasury yields remained unchanged while European yields fell today (FRA 10Y: -4bp, ITA 10Y: -5bp, SPA 10Y: -6bp, POR 10Y: -1bp). As a result, peripheral risk premia decreased (ITA: -5bp, SPA: -6bp, POR: -1bp). On FX markets, the USD remained broadly unchanged against other major currencies (EUR: -0.04%, GBP: +0.11%), with the exception of JPY which depreciated 0.45% against USD after the last month's rally (+4.2%). EM currencies appreciated against the dollar (RUB: +0.7%, BRL: +1.0%, MXN: +0.3%, COP: +0.9%, CLP: +0.7%).

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Table1

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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