

Market Comment | Rebound in US market smoothed the early morning slump in Europe

Global Financial Markets Unit
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- **Negative labour data in the US.** US jobless claims rose (against estimates of decreasing) in the week ended 09 January (by 7K to 284K; consensus: 275K), while continuing claims increased unexpectedly in the week ended 02 January (by 29K to 2,263K; consensus: 2,234K). On another front, import prices in December declined in line with expectations (by -1.2% YoY; consensus: -1.3%).
- **Germany's preliminary GDP data showed an increase in 2015** in line with estimates (by 1.7% YoY; BBVAe: 1.6%, consensus: 1.7%; previous: 1.5%). The improvement was due mainly by the contribution of domestic demand (+1.5%), while external demand rose less than in the previous period (+0.2%; previous: +0.4%). On another front, Italian industrial production declined in November in line with our expectations (by -0.5% MoM; BBVAe: -0.4%; consensus: 0.2%), although it remained at +0.2% QoQ, beyond the 3Q15 average (2Q15: +0.4% QoQ).
- **ECB Minutes: 3 December meeting.** The ECB released the monetary policy accounts of its 3 December meeting. The minutes confirm that a large majority of voting members supported a decision to recalibrate the degree of monetary accommodation. The accounts revealed that there was wide agreement among the members that additional monetary policy measures were warranted, as the adjustment in inflation to rates closer to 2% would take longer than had been envisaged in March 2015, and that downside risks to both growth and inflation continued to prevail. Regarding further measures, the accounts showed that there was a discussion about increasing the monthly purchases of APP bonds as well as extending the purchase period beyond six months. "However, there was broad agreement that such measures would not be warranted at this juncture, while a reassessment could be made in future." Against this background, the minutes underlined that the monetary policy stance would remain accommodative for as long as necessary, to ensure a "a sustained return of inflation rates towards levels below, but close to, 2%." It was also recalled that the APP (asset purchase programme) provided sufficient flexibility in terms of adjusting its size, composition and duration.
- **Bank of England decided to keep the rates at 0.5%.** In today's meeting, the monetary authority voted eight to one to keep the rates unchanged. The tone was slightly dovish, based on the negative impact of the ongoing trend of oil prices on inflation figures and the downward revision of growth forecasts.
- **Rebound in US market smoothed the early morning slump in Europe.** The abrupt falls in early morning trading were partially offset at the end of the trading session, and the final losses were minimised (mostly in European indices). High intraday volatility has been a constant characteristic of the last few trading days amid doubts concerning commodity prices (oil prices tested the USD30/bbl threshold again), and uncertainty regarding China's economic outlook. Yesterday's slump in the US equity markets dragged down both Asian (Nikkei: -2.7% and Hang Seng: -0.60%) and European equity indices (that registered a 3% fall in the main indices early this morning). Furthermore, the negative trend was reinforced by the terrorist attack in Indonesia. Nonetheless, despite doubts at the US opening,

stocks rebounded and minimised the losses in the remaining developed indices. Against this backdrop, Asian and European equity markets fell, with the exception of China's equity indices (Euro Stoxx: -1.3%, DAX: -1.4%, IBEX-35: -1.4%, CAC: -1.4%, Shanghai: +1.97%). Auto sector underperformed amid a new investigation related to the emissions scandal, and this time Renault is in the limelight (-10%). The US equity indices rebounded today after yesterday's drop, and were helped by positive 4Q results releases (JP Morgan beat the market's expectations in 4Q15). At the time of writing, the S&P 500 was +0.8%, and the Dow +1.2%). On bond markets, US treasury yields declined slightly in all tenors (2Y and 10Y: -1bp). Meanwhile, European yields rose slightly (GER 10Y: +1bp, FRA 10Y: +2bp, ITA 10Y: +2bp, SPA 10Y: +1bp, POR 10Y: +2bp). Oil prices recovered slightly (Brent: +1.6% WTI: +1.7%), as geopolitical tension increased after the terrorist attacks in Indonesia, which also helped EM currencies. They appreciated against the US dollar, mainly those most linked to commodity prices (RUB: +0.3%, BRL: +0.3%, MXN: +0.2%, COP: +0.5%, CLP: +0.1%). The USD appreciated against other major currencies (EUR: -0.17%, JPY: -0.29%, GBP: -0.08%).

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Table1

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

Index markets (changes in %)

US Dow 33,416 (4) (7) (4) (5)
 US S&P 131,028 (18) (20)
 US 10yr 2.08 1(4) (4) (4)

Japan 10yr 124 (4) (1) (1) (1)
 CDS Eur 3.38 (5) (4) (4)
 CDS Eur 2.14 (4) (4) (4)
 CDS Eur 3.58 (4) (4) (4)

Belgium 10yr 0.86 (2) (4) (4) (1)
 France 10yr 0.9 (2) (2) (2) (2)
 Germany 10yr 0.8 (2) (2) (2) (2)
 Health 10yr 1.2 (4) (2) (2)
 Italy 10yr 1.8 (2) (2) (2) (2)
 Netherlands 10yr 1.7 (2) (2) (2) (2)
 Portugal 10yr 2.7 (2) (2) (2) (2)
 Spain 10yr 1.7 (2) (2) (2) (2)

Emerging Markets
 Brazil 10yr 11.2 (2) (2) (2) (2)
 China 10yr 6.2 (2) (2) (2) (2)
 Colombia 10yr 8.8 (2) (2) (2) (2)
 Mexico 10yr 4.1 (2) (2) (2) (2)
 Peru 10yr 14.1 (2) (2) (2) (2)

Russia 10yr 2.8 (4) (4) (4) (4)
 Russia 10yr 16.7 (2) (2) (2) (2)
 Russia 10yr 18.3 (2) (2) (2) (2)
 Turkey 10yr 10.8 (4) (4) (4) (4)

India 10yr 7.0 (2) (2) (2) (2)
 Indonesia 10yr 6.55 (4) (4) (4) (4)

Country risk (changes in %)

EUR economic growth (against Germany)
 Belgium 29.1 (1) (2) (2)
 France 32 (1) (1) (1) (1)
 Germany 80 (1) (1) (1) (1)
 Ireland 87 (1) (1) (1) (1)
 Italy 101 (1) (1) (1) (1)
 Netherlands 1 (1) (1) (1) (1)
 Portugal 212 (2) (2) (2) (2)
 Spain 17 (1) (1) (1) (1)

EUR economic growth (against Germany)
 Belgium 14 (1) (1) (1) (1)
 France 20 (1) (1) (1) (1)
 Germany 100 (1) (1) (1) (1)
 Ireland 20 (1) (1) (1) (1)
 Italy 20 (1) (1) (1) (1)
 Netherlands 4 (1) (1) (1) (1)
 Portugal 14 (1) (1) (1) (1)
 Spain 12 (1) (1) (1) (1)

EUR economic growth (against Germany)
 Belgium 4 (1) (1) (1) (1)
 France 6 (1) (1) (1) (1)
 Germany 10 (1) (1) (1) (1)
 Italy 10 (1) (1) (1) (1)
 Netherlands 2 (1) (1) (1) (1)
 Portugal 4 (1) (1) (1) (1)
 Spain 4 (1) (1) (1) (1)

EUR economic C&I
 EUR C&I Europe 34 (2) (2) (2)
 EUR C&I France 27 (2) (2) (2)
 EUR C&I Germany 32 (2) (2) (2)
 EUR C&I Ireland 142 (2) (2) (2) (2)
 EUR C&I Italy 41 (2) (2) (2) (2)
 EUR C&I Spain 163 (2) (2) (2) (2)
 EUR C&I Netherlands 16 (2) (2) (2) (2)
 EUR C&I Portugal 187 (2) (2) (2) (2)
 EUR C&I Spain 95 (2) (2) (2) (2)
 EUR C&I US 21 (2) (2) (2) (2)

EUR economic C&I
 EUR C&I Europe 412 (2) (2) (2) (2)
 EUR C&I China 142 (2) (2) (2) (2)
 EUR C&I Colombia 201 (2) (2) (2) (2)
 EUR C&I Mexico 101 (2) (2) (2) (2)
 EUR C&I Peru 114 (2) (2) (2) (2)
 EUR C&I Venezuela 198 (2) (2) (2) (2)
 EUR C&I Russia 186 (2) (2) (2) (2)
 EUR C&I Turkey 24 (2) (2) (2) (2)
 EUR C&I China 122 (1) (1) (1) (1)
 EUR C&I India 106 (2) (2) (2) (2)
 EUR C&I Indonesia 241 (1) (1) (1) (1)

Costs risk

EUR economic change in percentage except for USA spread, %
 UK 24.61 (2) (2) (2) (2)
 EUR C&I Europe 34 (2) (2) (2)
 EUR C&I France 27 (2) (2) (2)
 EUR C&I Germany 32 (2) (2) (2)
 EUR C&I Ireland 142 (2) (2) (2) (2)
 EUR C&I Italy 41 (2) (2) (2) (2)
 EUR C&I Spain 163 (2) (2) (2) (2)
 EUR C&I Netherlands 16 (2) (2) (2) (2)
 EUR C&I Portugal 187 (2) (2) (2) (2)
 EUR C&I Spain 95 (2) (2) (2) (2)
 EUR C&I US 21 (2) (2) (2) (2)

Index - 10 days
 US banks CDS 85 (1) (1) (1) (1)
 US banks CDS 85 (1) (1) (1) (1)
 US banks CDS 85 (1) (1) (1) (1)
 UK banks CDS 82 (1) (1) (1) (1)

Large Spanish banks CDS 145 (2) (2) (2) (2)
 Medium Spanish banks CDS 155 (1) (1) (1) (1)
 Czech banks CDS 1552 (2) (2) (2) (2)
 Russian banks CDS 416 (2) (2) (2) (2)

Country risk - changes in %
 US Non-Banque CDS 6 (1) (1) (1) (1)
 EUR Non-Banque CDS 6 (1) (1) (1) (1)
 UK Non-Banque CDS 6 (1) (1) (1) (1)

Interest rate markets (changes in %)

EUR 3M swap rate 115 (1) (1) (1) (1)
 EUR 6M swap rate 38 (2) (2) (2) (2)
 EUR 12M swap rate 40 (2) (2) (2) (2)

US 3M swap rate 30 (2) (2) (2) (2)
 US 6M swap rate 30 (2) (2) (2) (2)
 US 12M swap rate 38 (2) (2) (2) (2)

Spain 3M swap rate 42 (4) (4) (4) (4)
 Spain 6M swap rate 42 (4) (4) (4) (4)
 Spain 12M swap rate 42 (4) (4) (4) (4)

Libor 3m 62 (2) (2) (2) (2)
 Libor 6m 62 (2) (2) (2) (2)
 Libor 12m 58 (2) (2) (2) (2)

Stock markets (changes in percentage)

Spain country risk
 S&P 500 155 (2) (2) (2) (2)
 Dow Jones 123 (1) (1) (1) (1)
 Nikkei 124 (2) (2) (2) (2)
 FTSE 100 103 (1) (1) (1) (1)
 Euro Stoxx 40 305 (1) (1) (1) (1)
 MIB 100 114 (1) (1) (1) (1)
 DAX MIB 114 (1) (1) (1) (1)
 CAC40 114 (1) (1) (1) (1)
 NYSE 1507 (2) (2) (2) (2)
 ASI 100 114 (1) (1) (1) (1)

Bank stocks
 US banks 82 (4) (4) (4) (4)
 JPM 58 (4) (4) (4) (4)
 Cit 43 (2) (2) (2) (2)
 Bof 41 (2) (2) (2) (2)
 HSBC 90 (2) (2) (2) (2)

UK banks
 HSBC 53 (4) (4) (4) (4)
 RBS 71 (4) (4) (4) (4)
 Barclays 106 (4) (4) (4) (4)
 Lloyds 85 (4) (4) (4) (4)

EUR banks
 BNP 62 (4) (4) (4) (4)
 CMBI 61 (4) (4) (4) (4)
 BIC 61 (4) (4) (4) (4)
 ING 61 (4) (4) (4) (4)
 UniCredit 61 (4) (4) (4) (4)

US banks
 JPM 58 (4) (4) (4) (4)
 Cit 43 (2) (2) (2) (2)
 Bof 41 (2) (2) (2) (2)
 HSBC 90 (2) (2) (2) (2)

UK banks
 HSBC 53 (4) (4) (4) (4)
 RBS 71 (4) (4) (4) (4)
 Barclays 106 (4) (4) (4) (4)
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EUR banks
 BNP 62 (4) (4) (4) (4)
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 CMBI 61 (4) (4) (4) (4)
 BIC 61 (4) (4) (4) (4)
 ING 61 (4) (4) (4) (4)
 UniCredit 61 (4) (4) (4) (4)

Commodities (changes in percentage)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
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 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
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 Natural Gas 100 (4) (4) (4) (4)

US banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

EUR banks
 WTI 100 (4) (4) (4) (4)
 Brent 100 (4) (4) (4) (4)
 Natural Gas 100 (4) (4) (4) (4)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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