Market Comment | The high volatility maintained a key role during the second week of 2016

Global Financial Markets Unit
15 Jan 2016

- **Negative data in the US**. US retail sales dropped in December, in line with estimates (by -0.1% MoM from +0.2% MoM in November), whereas ex auto and gas They remained unexpectedly unchanged (consensus: +0.4%). Meanwhile, PPI final demand declined in line with expectations (by -0.2% MoM; consensus: 0.0%, previous: +0.3%). In addition, industrial production fell in December more than was estimated (by -0.4% MoM; consensus: -0.2%, previous: -0.6%). On another front, the Empire manufacturing index plunged in January against the estimates of an increase (to -19.37 from -6.21 points; consensus: -4.0).

- **Fed members warn about downside risks to U.S. inflation.** The St. Louis Federal Reserve President James Bullard warned about the correlation between oil prices and long-term inflation expectations: "With renewed declines in crude oil prices in recent weeks, the associated decline in market-based inflation expectations measures is becoming worrisome." Regarding a second rate hike, he said that, "As far as March, we would want to get more information and see how things play out before we make a judgment." In the same vein, the New York Federal Reserve President William Dudley said that, "With respect to the risks to the inflation outlook, the most concerning is the possibility that inflation expectations become unanchored to the downside."

- **The high volatility maintained a key role during the second week of 2016.** The sources of risk (that caused one of the worst beginnings of a year in the financial markets for several years) remained, and in some cases have even intensified. The cornerstone of these worries is founded on increasing doubts about the Chinese economic outlook. The dynamic of the exchange rate (under high pressure that forced the central bank to intervene), uncertainty about economic growth for the following quarters and - marginally - the increasing debt in the corporate sector are the main ingredients that caused the Sharp correction in Chinese equity markets and intensified the capital outflows. Furthermore, among other factors, uncertainty in China reinforced the ongoing negative trend in commodity prices, with the oil prices falling below USD30/bbl. This environment - coupled with the normalisation of US interest rates - suggests a very challenging future for EM economies: both those most exposed to these risks and others that suffer idiosyncratic risks have been severely punished by the markets. The downward bias in the outlook for EMs also followed through to developed markets, which also registered sessions of very high volatility. Against this backdrop, implied volatility in equity markets stood at very high levels (VIX: +4.5% to 28.22%) and, consequently, the equity markets dropped again across the board although at a slower pace (Shanghai: -8.9%, Nikkei: -3.1%, S&P: 2.6%, Euro Stoxx -2.7%, DAX -3.1%, IBEX -4.1%, CAC: -2.4%). European indices were dragged by the Auto sector, due to rumours of a possible new emissions scandal, this time at Renault, which plunged more than 15% on Thursday. On bond markets, safe-haven bonds (and mainly the US T-bonds) attracted fresh flows. US treasury yields declined in all tenors (2Y: -6bp, 10Y: -7bp), underpinned by the high degree of uncertainty in China (and its impact on emerging economies), and also because of the increase in geopolitical tension this week following the various terrorist attacks. Meanwhile, European yields have had a mixed performance. Supply factors weighed on German yields which ended the week inching down while peripheral went up slightly (GER 10Y: -3bp, FRA 10Y:-1 bp, ITA 10Y: 4bp, SPA 10Y: 4bp, POR 10Y: 13bp). On the other hand, the slump in oil prices is weighing on the long-term inflation expectations implicit in the markets, with the 5Y5Y forward inflation swap falling (-8bp in the eurozone and -13bp in the US). EM CDS widened across the board (Mexico +6bp, Colombia +16bp, Russia +38bp). On FX markets, the USD showed a mixed performance against other major currencies, with safe-haven currencies appreciating against the USD (EUR:+0.54 %, JPY: +0.57%) while those most linked to oil prices depreciated (AUD: -1.73%, CAD:-2.45 %). EM currencies depreciated against the US dollar over the week (RUB:-4 %, MXN:-1.9 %, COP:-1 %, CLP:-0.5 %, BRL: -0.8%), which was caused mainly by the deterioration in commodity prices, especially the oil price which plunged again and broke the USD30/bbl benchmark (Brent: USD29.35; -12.5% WTI: USD29.48; -11.1%), hampered by the oversupply in the markets which could increase with the imminent addition of Iran’s production.

ECB Thursday meeting (preview)

- At its 21 January meeting, we expect no change to the ECB’s monetary policy stance after last month’s actions. Despite the recent turmoil in the financial markets, it seems too early to further recalibrate the degree of monetary accommodation. Certainly, the central bank will retain its dovish communication and reiterate its commitment to the full implementation of its measures and its readiness to do more, if needed.

- Since the last monetary policy meeting, uncertainty has heightened. The global outlook is becoming increasingly challenging, due to the combination of renewed financial tensions, mainly in emerging markets, and the sharp drop in commodity prices. The central bank could consider that the impact of external factors and heightened uncertainty increase the possibility that the current measures might not be enough to achieve its objective in terms of inflation rates. Against this background, the monetary policy accounts of its 3 December meeting, released yesterday (see), confirmed that the door is open for further measures if needed.

- Economic indicators in the eurozone over the last month showed that the region continues to grow at a moderate pace, sustained by private consumption. GDP grew by 0.3% QoQ in 3Q, after 0.4% QoQ in 2Q, underpinned by the sound base provided by private and public consumption. Regarding 4Q15, confidence indicators suggest that growth could have gained some traction by the end of the year, sustained above all by domestic demand, but also with more optimistic signs for sales abroad. While the current figures for 4Q15 are largely limited to confidence data, our MICA-BBVA model estimates growth of 0.4% QoQ in the last quarter of the year, in line with our scenario of average growth of 1.5% in 2015 and 1.8% in 2016, supported by the robustness of private consumption and a slightly expansive fiscal policy. In December, inflation remained stable at 0.2% YoY against expectations of a rapid acceleration (BBVAe: 0.5% YoY, consensus: 0.4% YoY), as the base effect in energy inflation was somewhat lower than anticipated, due to recent falls in the oil prices, while core inflation also moderated slightly. Taking into account the recent dynamics of oil prices, along with the implicit prices provided by the oil futures’ markets, we see a strong downward bias to our current forecast of 1% on average in 2016. In particular, inflation could remain very low or even hit slightly negative annual rates in coming months, to increase at a more gradual pace over the second half of the year and still to be below the ECB target in 2017 - against previous expectations of reaching 2% in 2H17. Nonetheless, we continue to expect limited second-round effects, because of the robustness of domestic demand and the improvement in the labour market. As a result, we now expect core inflation to stand around 1% this year, somewhat lower than the ECB Staff projection in December last year (1.3%). Risks continue to be tilted to the downside in the short term, while the rebound in inflation could be larger in 2017 as a result of higher commodity prices or stronger domestic demand.

- Regarding communication, Mario Draghi has recently stated that “there is no doubt that, if we have to intensify the use of our tools to reach our target of price stability, we will do it”. Moreover, Peter Praet said that (the ECB) "will pursue an accommodative monetary policy for as long as is necessary. Without giving a date, this timescale is fairly long". However, the vice-president of the ECB, Vitor Constancio, has recently said that it is too early to speculate about further steps. All in all, given the high volatility in financial markets, particularly in oil prices, and the negative reaction of financial markets to latest measures ("at the lower end of market expectations"), the ECB would take care with its communications, to avoiding raising expectations too high.

Update 18.00 CET 15 January, 2015
Table1

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

Debt markets *(changes in bp)*
Developed Markets
US 2-yr 0.83 (-6) (-10) (-17) (-22)
US 5-yr 1.43 (-8) (-13) (-32) (-33)
US 10-yr 2.01 (-7) (-10) (-28) (-26)

Japan 10-yr 0.22 (-2) (-1) (-8) (-4)

GER 2-yr -0.39 (-1) (0) (-7) (-5)
GER 5-yr -0.16 (-2) (-2) (-14) (-11)
GER 10-yr 0.54 (-3) (3) (-14) (-9)

Belgium 10-yr 0.84 (-2) (-2) (-15) (-13)
France 10-yr 0.87 (-3) (-1) (-14) (-12)
Greece 10-yr 8.9 (29) (22) (64) (62)
Ireland 10-yr 1.12 (-2) (12) (-4)
Italy 10-yr 1.57 (-1) (4) (-13) (-3)
Netherlands 10-yr 0.66 (-3) (-3) (-17) (-13)
Portugal 10-yr 2.74 (5) (13) (16) (22)
Spain 10-yr 1.75 (-3) (4) (-1) (-2)

Emerging Markets
Brazil 10-yr 16.33 (7) (15) (24) (-18)
Chile 10-yr 4.6 (-1) (0) (-3) (-6)
Colombia 10-yr 8.82 (0) (-4) (0) (17)
Mexico 10-yr 6.19 (3) (-1) (-9) (-8)
Peru 10-yr 7.42 (0) (-1) (19) (11)

Poland 10-yr 2.98 (10) (5) (-15) (4)
Russia 5-yr 10.86 (18) (100) (79) (98)
Russia 10-yr 10.51 (19) (95) (90) (96)
Turkey 10-yr 10.84 (0) (-5) (30) (37)

India 10-yr 7.81 (2) (7) (8) (5)
Indonesia 10-yr 8.55 (0) (-26) (-39) (-20)

Country risk *(changes in bp)*
Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 30 (1) (-5) (-1) (-4)
France 33 (1) (-3) (0) (-3)
Greece 836 (33) (19) (78) (71)
Ireland 58 (1) (10) (10) (6)
Italy 103 (2) (1) (1) (6)
Netherlands 12 (0) (-5.9) (-4) (-4)
Portugal 220 (8) (10.6) (30) (31)
Spain 121 (0) (2) (13) (7)

5-yr sovereign spreads *(against Germany)*
Belgium 14 (0) (2.9) (4) (7)
France 20 (0) (3) (5) (7)
Greece 1618 (2) (2) (14) (11)
Ireland 28 (-1) (3) (1) (2)
Italy 72 (0) (4) (11) (17)
Netherlands 6 (0) (0.7) (4) (5)
Portugal 137 (4) (2) (17) (26)
Spain 82 (0) (6) (7) (10)

2-yr sovereign spreads *(against Germany)*
Belgium 5 (0) (0) (-2) (1)
France 6 (0) (0.8) (1) (2)
Ireland 12 (1) (-1) (-6) (-3)
Italy 41 (1) (2) (-2) (10)
Netherlands 1 (2) (1) (0) (3)
Portugal 49 (0) (-1) (2) (4)
Spain 40 (0) (1) (-3) (5)

5-yr sovereign CDS
5-yr CDS Belgium 35 (1) (1) (1) (3)
5-yr CDS France 26 (-1) (0) (1) (0)
5-yr CDS Germany 14 (2) (-1) (0) (1)
5-yr CDS Greece 1072 (49) (-55) (11) (14)
5-yr CDS Ireland 42 (1) (0) (0) (2)
5-yr CDS Italy 104 (0) (2) (2) (8)
5-yr CDS Netherlands 16 (0) (0) (0) (1)
5-yr CDS Portugal 188 (1) (4) (7) (20)
5-yr CDS Spain 95 (0) (0) (9) (7)
5-yr CDS UK 24 (1) (3) (1) (4)
5-yr CDS US 22 (1) (0) (1) (3)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 476 (-16) (-2) (30) (-16)
5-yr CDS Chile 135 (-7) (3) (1) (8)
5-yr CDS Colombia 275 (-9) (16) (34) (37)
5-yr CDS Mexico 188 (-5) (6) (16) (18)
5-yr CDS Peru 206 (-8) (8) (15) (21)
5-yr CDS Venezuela 8485 (619) (2090) (3104) (2441)

5-yr CDS Poland80 (7) (6) (7) (8)
5-yr CDS Russia 362 (13) (39) (61) (60)
5-yr CDS Turkey 299 (5) (6) (27) (26)

5-yr CDS China 121 (-1) (0) (11) (12)
5-yr CDS India 158 (2) (1) (2) (10)
5-yr CDS Indonesia 241 (-2) (-7) (1) (14)

Credit risk
Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 28.22 (17.8) (4.5) (58) (10)
VSTOXX 34.59 (15.5) (13.8) (36) (12)
EM EFT volatility Index 36 (19) (4) (44) (56)
Dollar/euro volatility 9.8 (2.9) (-3.6) (9.5) (2)
EM FX volatility index 12 (3) (1) (7) (5)
Credit spread (BAA) 344.4 (7.2) (12) (15.9) (21)
US bonds volatility index 74 (0) (4) (5) (8)

Bank risk *(changes in bp)*
US banks CDS 86 (1) (4) (9) (11)
EMU banks CDS 90 (5) (5) (7) (6)
UK banks CDS 88 (4) (7) (9) (11)

Large Spanish banks CDS 150 (5) (5) (24) (13)
Medium Spanish banks CDS 188 (8) (17) (28) (30)

Greek banks CDS 1548 (-5) (-75) (-84) (-104)
Russian banks CDS 426 (8) (33) (26) (44)

Corporate risk *(changes in bps)*
US Non-financial CDS 528 (115) (138) (144) (147)
EMU Non-financial CDS 190 (8) (7) (17) (17)
UK Non-financial CDS 229 (6) (20) (37) (37)

Interbank markets *(changes in bp)*
UEM OIS spread 3m 12 (1) (0) (2) (1)
UEM OIS spread 12m 36 (1) (0) (3) (3)
UEM TED spread 3m 40 (0) (-2.3) (2) (0)

US OIS spread 3m 24 (0) (0) (5) (1)
US OIS spread 12m 67 (3) (6) (14) (11)
US TED spread 3m 39 (2) (-4) (11) (-6)

Spain Ted Spread 3m 5 (0) (-3.5) (13) (0)

EONIA Index -0.24 (0) (-0.5) (0) (-11)
Euribor 3m -0.14 (0) (0.1) (-1) (-1)
Euribor 12m 0.05 (0) (0) (-1) (-1)

Libor 3m 0.62 (0) (0) (9) (1)
Libor 12m 1.16 (0) (0) (8) (-2)

Stock markets *(Changes in percentage)*
Developed Markets
Main equity indices
S&P500 1871.4 (-2.6) (-2.6) (-9.7) (-8)
Dow Jones 15899.7 (-2.9) (-2.7) (-10.4) (-9)
Nikkei 17147.1 (-0.5) (-3.1) (-10) (-10)
FTSE 100 5804.1 (-1.9) (-1.8) (-4.2) (-7)
EuroStoxx 50 2952.5 (-2.4) (-2.7) (-9.1) (-10)
IBEX8543.6 (-2.8) (-4.1) (-12) (-10)
DAX 9545.3 (-2.5) (-3.1) (-8.8) (-11)
CAC4210.2 (-2.4) (-2.9) (-8) (-9)
MIB 19195.9 (-3.1) (-3.4) (-9.5) (-10)
ASE Athens 558.5 (-2.7) (-4.7) (-7.1) (-12)

Bank stocks
US banks 79.1 (-4.5) (-6.3) (-19.2) (-16)
JPM 56.6 (-2.7) (-3.9) (-16.1) (-14)
Citi 42.3 (-6.6) (-8.3) (-21.5) (-18)
BoA 14.3 (-4.9) (-6.2) (-19.7) (-15)
MS 25.9 (-4.6) (-6.7) (-22.9) (-19)
GS 155.4 (-3.7) (-5.2) (-16.6) (-14)

UK banks 77.7 (-3.3) (-4.9) (-8.7) (-11)
HSBC 485.7 (-3.2) (-2.7) (-6.7) (-9)
RBS 264.5 (-4.5) (-6.7) (-8.7) (-12)
Barclays 191.8 (-3) (-4.2) (-11.1) (-12)
Lloyds 64.7 (-2.7) (-6) (-8.3) (-11)

EMU banks 94.5 (-3.7) (-6.1) (-11.4) (-13)
BNP 45.4 (-3.6) (-6.5) (-13.5) (-13)
Crédit Agricole 9.7 (-3.4) (-3.1) (-7.4) (-11)
Deutsche Bank 19.2 (-4.1) (-6.3) (-10.5) (-15)
ING 11 (-3.1) (-4.5) (-10.2) (-12)
Intesa 2.8 (-3.2) (-3.3) (-8.8) (-9)
SG 36 (-5.8) (-7.5) (-14.7) (-15)
Unicredito 4.4 (-2.6) (-5.9) (-14.2) (-14)

Large Spanish banks 66.2 (-3.3) (-3.8) (-15.1) (-12)
Santander 4 (-2.7) (-1) (-14.4) (-12)
BBVA 5.9 (-3.8) (-6.9) (-15.6) (-12)

Medium Spanish banks 73.9 (-3) (-2.1) (-14.4) (-10)
Caixabank 2.8 (-2.9) (-3.9) (-20) (-12)
Popular 2.5 (-3.5) (-4.2) (-20.8) (-17)
Sabadell 1.6 (-3.2) (3.1) (-7.2) (-4)
Bankinter 6 (-1) (-1.8) (-9) (-8)
Bankia 0.9 (-4.7) (-4.3) (-16.4) (-12)

Greek banks 3.8 (-3.9) (-1.9) (-12.6) (-16)
Alpha Bank2.1 (-4.2) (-1) (-14.5) (-17)
Pireus Bank0.2 (-13.8) (-16.1) (-24.7) (-23)
National Central Bank0.3 (-6.6) (-5.3) (-7.2) (-22)
Eurobank Ergasias0.9 (-2.1) (-1.8) (-9.7) (-11)

Emerging Markets
Main equity indices
MSCI Latam 55642 (1.17) (-0.6) (-7.3) (-6.2)
Ibovespa (Brazil) 38160 (-3.4) (-6) (-15.2) (-12)
Mexbol 40540 (-2) (0.7) (-6.7) (-5.7)

MSCI EM Europe 4048 (-0.59) (-1.7) (-3.1) (-4.7)
Poland 1735 (-2.4) (0.6) (-3.8) (-6.7)
Micex (Russia) 1608 (-4.3) (-8) (-8.3) (-8.7)
Ise 100 (Turkey) 71062 (-1.2) (0.6) (-2.4) (-0.9)

MSCI EM Asia 614 (-0.57) (-1.3) (-5.2) (-7)
Shanghai Composite (China) 2901 (-3.55) (-9) (-17.5) (-18)
Jakarta Composite (Indonesia) 4524 (0.2) (-0.5) (0.9) (-2)

Bank stocks
Turkish banks 75 (-0.7) (2.1) (-1) (1.4)
Akbank T.A.S. 7 (-1.6) (3) (0.9) (3.1)
Garanti 7 (0.3) (3) (-1.9) (1.4)
Turkiye Is Bankasi 5 (-0.9) (0.2) (-2.1) (-0.7)

Russian banks 131 (-5.1) (-9) (-13.1) (-13.4)
Sberbank 87 (-6.2) (-9.9) (-14.8) (-13.8)
VTB Bank 0.1 (-3.3) (-7.5) (-10.3) (-12.8)

Currencies *(in percentage, positive for dollar depreciation)*
Developed Markets
EURUSD 1.098 (1.07) (0.54) (0.6) (1.1)
GBPUSD 1.43 (-0.92) (-1.63) (-4.8) (-3.1)
USDJPY 116.59 (1.25) (0.57) (4.6) (3)
DXY 98.49 (0.6) (0) (-0.6) (0.1)

Emerging Markets
USDARS (Argentina) 13.37 (-0.9) (3.7) (-36.4) (-3.4)
USDBRL (Brazil) 4.06 (-1.4) (-0.8) (-4.4) (-2.4)
USDCLP (Chile) 731.18 (-0.8) (-0.5) (-3.2) (-3.2)
USDCOP (Colombia) 3300.6 (-2.1) (-1) (1) (-4)
USDMXN (Mexico) 18.27 (-2.2) (-1.9) (-7.6) (-6.2)
USDPEN (Peru) 3.43 (-0.3) (-0.2) (-1.9) (-0.5)
LACI 60.32 (-1.5) (-0.7) (-7.1) (-3.7)

USDPLN (Poland) 4.09 (-1) (-2.2) (-3.7) (-4.2)
USDRUB (Russia) 77.72 (-2.2) (-4) (-10.4) (-7.2)
USDTRY (Turkey) 3.05 (-0.8) (-1) (-3.9) (-4.5)

USDCNY (China) 6.58 (0.1) (0.2) (-1.7) (-1.4)
USDINR (India) 67.61 (-0.5) (-1.5) (-1.3) (-2.2)
USDIDR (Indonesia) 13910 (0) (0.1) (1.1) (-0.9)
ADXY 104.7 (-0.3) (-0.3) (-1.9) (-1.7)

Commodities *(change in percentage)*
Brent 29.35 (-5.4) (-12.5) (-21.1) (-21.3)
WTx 29.48 (-5.5) (-11.1) (-17) (-20.4)
Copper 194.65 (-1.2) (-3.5) (-5.6) (-8.4)
Gold 1093.42 (1.4) (-1) (2) (3)
Baltic Dry Index 383 (0) (-10.7) (-18.7) (-19.9)
S&P GSCI Spot commodity index 287.023 (0) (-2.9) (-6.7) (-7.9)
S&P GSCI Brent Spot 269.958 (0) (-7) (-16.5) (-15.8)
S&P GSCI Metals Spot 241.1 (0) (-0.8) (-2.2) (-4.7)
S&P GSCI Agricultural Spot 280.699 (0) (0) (-1.8) (-1)

Source: Bloomberg, Datastream and Haver

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0.83 (-6) (-10) (-17) (-22)
US 5-yr 1.43 (-8) (-13) (-32) (-33)
US 10-yr 2.01 (-7) (-10) (-28) (-26)

Japan 10-yr 0.22 (-2) (-1) (-8) (-4)

GER 2-yr -0.39 (-1) (0) (-7) (-5)
GER 5-yr -0.16 (-2) (-2) (-14) (-11)
GER 10-yr 0.54 (-3) (3) (-14) (-9)

Belgium 10-yr 0.84 (-2) (-2) (-15) (-13)
France 10-yr 0.87 (-3) (-1) (-14) (-12)
Greece 10-yr 8.9 (29) (22) (64) (62)
Ireland 10-yr 1.12 (-2) (12) (-4)
Italy 10-yr 1.57 (-1) (4) (-13) (-3)
Netherlands 10-yr 0.66 (-3) (-3) (-17) (-13)
Portugal 10-yr 2.74 (5) (13) (16) (22)
Spain 10-yr 1.75 (-3) (4) (-1) (-2)

Emerging Markets
Brazil 10-yr 16.33 (7) (15) (24) (-18)
Chile 10-yr 4.6 (-1) (0) (-3) (-6)
Colombia 10-yr 8.82 (0) (-4) (0) (17)
Mexico 10-yr 6.19 (3) (-1) (-9) (-8)
Peru 10-yr 7.42 (0) (-1) (19) (11)

Poland 10-yr 2.98 (10) (5) (-15) (4)
Russia 5-yr 10.86 (18) (100) (79) (98)
Russia 10-yr 10.51 (19) (95) (90) (96)
Turkey 10-yr 10.84 (0) (-5) (30) (37)

India 10-yr 7.81 (2) (7) (8) (5)
Indonesia 10-yr 8.55 (0) (-26) (-39) (-20)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 30 (1) (-5) (-1) (-4)
France 33 (1) (-3) (0) (-3)
Greece 836 (33) (19) (78) (71)
Ireland 58 (1) (10) (10) (6)
Italy 103 (2) (1) (1) (6)
Netherlands 12 (0) (-5.9) (-4) (-4)
Portugal 220 (8) (10.6) (30) (31)
Spain 121 (0) (2) (13) (7)

5-yr sovereign spreads *(against Germany)*
Belgium 14 (0) (2.9) (4) (7)
France 20 (0) (3) (5) (7)
Greece 1618 (2) (2) (14) (11)
Ireland 28 (-1) (3) (1) (2)
Italy 72 (0) (4) (11) (17)
Netherlands 6 (0) (0.7) (4) (5)
Portugal 137 (4) (2) (17) (26)
Spain 82 (0) (6) (7) (10)

2-yr sovereign spreads *(against Germany)*
Belgium 5 (0) (0) (-2) (1)
France 6 (0) (0.8) (1) (2)
Ireland 12 (1) (-1) (-6) (-3)
Italy 41 (1) (2) (-2) (10)
Netherlands 1 (2) (1) (0) (3)
Portugal 49 (0) (-1) (2) (4)
Spain 40 (0) (1) (-3) (5)

5-yr sovereign CDS
5-yr CDS Belgium 35 (1) (1) (1) (3)
5-yr CDS France 26 (-1) (0) (1) (0)
5-yr CDS Germany 14 (2) (-1) (0) (1)
5-yr CDS Greece 1072 (49) (-55) (11) (14)
5-yr CDS Ireland 42 (1) (0) (0) (2)
5-yr CDS Italy 104 (0) (2) (2) (8)
5-yr CDS Netherlands 16 (0) (0) (0) (1)
5-yr CDS Portugal 188 (1) (4) (7) (20)
5-yr CDS Spain 95 (0) (0) (9) (7)
5-yr CDS UK 24 (1) (3) (1) (4)
5-yr CDS US 22 (1) (0) (1) (3)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 476 (-16) (-2) (30) (-16)
5-yr CDS Chile 135 (-7) (3) (1) (8)
5-yr CDS Colombia 275 (-9) (16) (34) (37)
5-yr CDS Mexico 188 (-5) (6) (16) (18)
5-yr CDS Peru 206 (-8) (8) (15) (21)
5-yr CDS Venezuela 8485 (619) (2090) (3104) (2441)

5-yr CDS Poland80 (7) (6) (7) (8)
5-yr CDS Russia 362 (13) (39) (61) (60)
5-yr CDS Turkey 299 (5) (6) (27) (26)

5-yr CDS China 121 (-1) (0) (11) (12)
5-yr CDS India 158 (2) (1) (2) (10)
5-yr CDS Indonesia 241 (-2) (-7) (1) (14)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 28.22 (17.8) (4.5) (58) (10)
VSTOXX 34.59 (15.5) (13.8) (36) (12)
EM EFT volatility Index 36 (19) (4) (44) (56)
Dollar/euro volatility 9.8 (2.9) (-3.6) (9.5) (2)
EM FX volatility index 12 (3) (1) (7) (5)
Credit spread (BAA) 344.4 (7.2) (12) (15.9) (21)
US bonds volatility index 74 (0) (4) (5) (8)

Bank risk *(changes in bp)*
US banks CDS 86 (1) (4) (9) (11)
EMU banks CDS 90 (5) (5) (7) (6)
UK banks CDS 88 (4) (7) (9) (11)

Large Spanish banks CDS 150 (5) (5) (24) (13)
Medium Spanish banks CDS 188 (8) (17) (28) (30)

Greek banks CDS 1548 (-5) (-75) (-84) (-104)
Russian banks CDS 426 (8) (33) (26) (44)

Corporate risk *(changes in bps)*
US Non-financial CDS 528 (115) (138) (144) (147)
EMU Non-financial CDS 190 (8) (7) (17) (17)
UK Non-financial CDS 229 (6) (20) (37) (37)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 12 (1) (0) (2) (1)
UEM OIS spread 12m 36 (1) (0) (3) (3)
UEM TED spread 3m 40 (0) (-2.3) (2) (0)

US OIS spread 3m 24 (0) (0) (5) (1)
US OIS spread 12m 67 (3) (6) (14) (11)
US TED spread 3m 39 (2) (-4) (11) (-6)

Spain Ted Spread 3m 5 (0) (-3.5) (13) (0)

EONIA Index -0.24 (0) (-0.5) (0) (-11)
Euribor 3m -0.14 (0) (0.1) (-1) (-1)
Euribor 12m 0.05 (0) (0) (-1) (-1)

Libor 3m 0.62 (0) (0) (9) (1)
Libor 12m 1.16 (0) (0) (8) (-2)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 1871.4 (-2.6) (-2.6) (-9.7) (-8)
DowJones 15899.7 (-2.9) (-2.7) (-10.4) (-9)
Nikkei 17147.1 (-0.5) (-3.1) (-10) (-10)
FTSE 100 5804.1 (-1.9) (-1.8) (-4.2) (-7)
EuroStoxx 50 2952.5 (-2.4) (-2.7) (-9.1) (-10)
IBEX8543.6 (-2.8) (-4.1) (-12) (-10)
DAX 9545.3 (-2.5) (-3.1) (-8.8) (-11)
CAC4210.2 (-2.4) (-2.9) (-9) (-9)
MIB 19195.9 (-3.1) (-3.4) (-9.5) (-10)
ASE Athens 558.5 (-2.7) (-4.7) (-7.1) (-12)

Bank stocks
US banks 79.1 (-4.5) (-6.3) (-19.2) (-16)
JPM 56.6 (-2.7) (-3.9) (-16.1) (-14)
Citi 42.3 (-6.8) (-8.3) (-21.5) (-18)
BoA 14.3 (-4.9) (-6.2) (-19.7) (-15)
MS 25.9 (-4.6) (-8.7) (-22.9) (-19)
GS 155.4 (-3.7) (-5.2) (-16.6) (-14)

UK banks 77.7 (-3.3) (-4.9) (-8.7) (-11)
HSBC 485.7 (-3.2) (-2.7) (-6.7) (-9)
RBS 264.5 (-4.5) (-6.7) (-8.7) (-12)
Barclays 191.8 (-3) (-4.2) (-11.1) (-12)
Lloyds 64.7 (-2.7) (-6) (-8.3) (-11)

EMU banks 94.5 (-3.7) (-5.1) (-11.4) (-13)
BNP 45.4 (-3.6) (-5.5) (-13.5) (-13)
Crédit Agricole 9.7 (-3.4) (-3.1) (-7.4) (-11)
Deutsche Bank 19.2 (-4.1) (-6.3) (-10.5) (-15)
ING 11 (-3.1) (-4.5) (-10.2) (-12)
Intesa 2.8 (-3.2) (-3.3) (-8.8) (-9)
SG 36 (-5.8) (-7.5) (-14.7) (-15)
Unicredito 4.4 (-2.6) (-5.9) (-14.2) (-14)

Large Spanish banks 66.2 (-3.3) (-3.8) (-15.1) (-12)
Santander 4 (-2.7) (-1) (-14.4) (-12)
BBVA 5.9 (-3.8) (-5.9) (-15.6) (-12)

Medium Spanish banks 73.9 (-3) (-2.1) (-14.4) (-10)
Caixabank 2.8 (-2.9) (-3.9) (-20) (-12)
Popular 2.5 (-3.5) (-4.2) (-20.8) (-17)
Sabadell 1.6 (-3.2) (3.1) (-7.2) (-4)
Bankinter 6 (-1) (-1.8) (-9) (-8)
Bankia 0.9 (-4.7) (-4.3) (-16.4) (-12)

Greek banks 3.8 (-3.9) (-1.9) (-12.6) (-16)
Alpha Bank2.1 (-4.2) (-1) (-14.5) (-17)
Pireus Bank0.2 (-13.8) (-16.1) (-24.7) (-23)
National Central Bank0.3 (-6.6) (-5.3) (-7.2) (-22)
Eurobank Ergasias0.9 (-2.1) (-1.8) (-9.7) (-11)

Emerging Markets
Main equity indices
MSCI Latam 55642 (1.17) (-0.6) (-7.3) (-6.2)
Ibovespa (Brazil) 38160 (-3.4) (-6) (-15.2) (-12)
Mexbol 40540 (-2) (0.7) (-6.7) (-5.7)

MSCI EM Europe 4048 (-0.59) (-1.7) (-3.1) (-4.7)
Poland 1735 (-2.4) (0.6) (-3.8) (-6.7)
Micex (Russia) 1608 (-4.3) (-8) (-8.3) (-8.7)
Ise 100 (Turkey) 71062 (-1.2) (0.6) (-2.4) (-0.9)

MSCI EM Asia 614 (-0.57) (-1.3) (-5.2) (-7)
Shanghai Composite (China) 2901 (-3.55) (-9) (-17.5) (-18)
Jakarta Composite (Indonesia) 4524 (0.2) (-0.5) (0.9) (-2)

Bank stocks
Turkish banks 75 (-0.7) (2.1) (-1) (1.4)
Akbank T.A.S. 7 (-1.6) (3) (0.9) (3.1)
Garanti 7 (0.3) (3) (-1.9) (1.4)
Turkiye Is Bankasi 5 (-0.9) (0.2) (-2.1) (-0.7)

Russian banks 131 (-5.1) (-9) (-13.1) (-13.4)
Sberbank 87 (-6.2) (-9.9) (-14.8) (-13.8)
VTB Bank 0.1 (-3.3) (-7.5) (-10.3) (-12.8)

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

Developed Markets
EURUSD 1.098 (1.07) (0.54) (0.6) (1.1)
GBPUSD 1.43 (-0.92) (-1.63) (-4.8) (-3.1)
USDJPY 116.59 (1.25) (0.57) (4.6) (3)
DXY 98.49 (0.6) (0) (-0.6) (0.1)

Emerging Markets
USDARS (Argentina) 13.37 (-0.9) (3.7) (-36.4) (-3.4)
USDBRL (Brazil) 4.06 (-1.4) (-0.8) (-4.4) (-2.4)
USDCLP (Chile) 731.18 (-0.8) (-0.5) (-3.2) (-3.2)
USDCOP (Colombia) 3300.6 (-2.1) (-1) (1) (-4)
USDMXN (Mexico) 18.27 (-2.2) (-1.9) (-7.6) (-6.2)
USDPEN (Peru) 3.43 (-0.3) (-0.2) (-1.9) (-0.5)
LACI 60.32 (-1.5) (-0.7) (-7.1) (-3.7)

USDPLN (Poland) 4.09 (-1) (-2.2) (-3.7) (-4.2)
USDRUB (Russia) 77.72 (-2.2) (-4) (-10.4) (-7.2)
USDTRY (Turkey) 3.05 (-0.8) (-1) (-3.9) (-4.5)

USDCNY (China) 6.58 (0.1) (0.2) (-1.7) (-1.4)
USDINR (India) 67.61 (-0.5) (-1.5) (-1.3) (-2.2)
USDIDR (Indonesia) 13910 (0) (0.1) (1.1) (-0.9)
ADXY 104.7 (-0.3) (-0.3) (-1.9) (-1.7)

Commodities *(change in percentage)*

Brent 29.35 (-5.4) (-12.5) (-21.1) (-21.3)
WTx 29.48 (-5.5) (-11.1) (-17) (-20.4)
Copper 194.65 (-1.2) (-3.5) (-5.6) (-8.4)
Gold 1093.42 (1.4) (-1) (2) (3)
Baltic Dry Index 383 (0) (-10.7) (-18.7) (-19.9)
S&P GSCI Spot commodity index 287.023 (0) (-2.9) (-6.7) (-7.9)
S&P GSCI Brent Spot 269.958 (0) (-7) (-16.5) (-15.8)
S&P GSCI Metals Spot 241.1 (0) (-0.8) (-2.2) (-4.7)
S&P GSCI Agricultural Spot 280.699 (0) (0) (-1.8) (-1)

Source: Bloomberg, Datastream and Haver

*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".

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.