

# Market Comment | Volatility curbed, awaiting 4Q Chinese GDP

Global Financial Markets Unit  
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- **The US markets were closed today for Martin Luther King Jr. Day**
- **China's authorities adopt additional measures to contend with RMB depreciation.** China's central bank announced that from 25 January it will impose a reserve requirement ratio on some banks in the offshore yuan market (CNH). The PBoC took this decision to handle China's economic situation, in an attempt to reduce outflows and curb the recent offshore depreciation. The regulation is a "countercyclical adjustment mechanism for cross-border renminbi liquidity", the PBoC said.
- **Volatility curbed, awaiting 4Q Chinese GDP.** Today was a calm trading session, waiting for tonight's release of China's 4Q GDP, that could dispel some doubts about its economic outlook. After last Friday's sell-off across the board, which was fuelled by the abrupt drop in oil prices due to the lifting of international sanctions that had been imposed over Iran's economy years ago, there was continuation today. The fulfillment of the terms of the nuclear agreement could increase the supply of oil during upcoming years, which could take oil prices even lower, which was still being priced by the markets today (it is currently below USD28/bbl, after briefly reaching low levels not seen since 2003 (USD27.67/bbl)). So the oil prices were once again among the main drivers on financial markets, which suffered high volatility early in the morning and then moderated slightly. Meanwhile, the US equity and bond markets were closed today because of the Martin Luther King Jr. holiday. On another front, European equity indices continued trending downwards (Euro Stoxx: -0.6%, DAX: -0.2% IBEX: -0.9%, CAC: -0.5 %). The European banking sector fell sharply (-2.5%), led by the medium-sized banks. The middling Italian banks were the worst performers, after the Bank of Italy reported that retail holders of the banks' notes declined by 27% in the year ending in September 2015. The European markets did not benefit from the intervention by the Chinese authorities, that helped to prevent new falls in China's equity indices (Shanghai: +0.44%, Shenzhen: +1.90%) in a day without the release of any relevant data. On bond markets, European yields remained broadly unchanged while waiting for this week's ECB meeting, with the exception of Portugal (POR 10Y: +3bp), which increased slightly today. On FX markets, the USD enjoyed a mixed performance against other major currencies (EUR: -0.28%, JPY: -0.33%, GBP: +0.07%). EM currencies remained almost flat against the US dollar (MXN: +0.1%, COP: +0%, CLP: +0.1%, BRL: +0.4%), with the exception of the Russian ruble, whose depreciation (-2%) was encouraged by the continued fall in oil prices.

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Table1



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Fuente: BBVA Research

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

**Debt markets (changes in bp)**

US 2yr 0.45 (0.14) (2) (20)  
 US 5yr 1.45 (0.14) (2) (21)  
 US 10yr 2.00 (0.14) (19) (23)

Japan 10yr 0.21 (0.11) (2) (19) (25)  
 GER 2yr -0.4 (0.11) (4) (4)  
 GER 5yr -2.17 (-1.1) (4) (4) (2)  
 GER 10yr -3.24 (0.11) (4) (4)

Belgium 10yr 0.34 (0.14) (4) (4) (2)  
 France 10yr 0.57 (0.14) (2) (2) (2)  
 Greece 1.32 (0.14) (0) (0) (2)  
 Russia 10yr 1.1 (0) (0) (0)

Italy 10yr 1.37 (0.14) (2) (2)  
 Netherlands 10yr 0.61 (0.14) (2) (2) (2)  
 Portugal 10yr 2.77 (0.14) (2) (2) (2)  
 Spain 10yr 1.54 (0.14) (2) (2)

Emerging Markets  
 Brazil 10yr 10.24 (0.14) (2) (2) (2)  
 China 10yr 4.22 (0.14) (2) (2)  
 Colombia 10yr 0.61 (0.14) (2) (2)

Korea 10yr 0.28 (0.14) (2) (2)  
 Mexico 10yr 1.22 (0.14) (2) (2) (2)  
 Peru 10yr 1.42 (0.14) (2) (2) (2)

Poland 10yr 1.21 (0.14) (2) (2) (2)  
 Russia 5yr 10.27 (0.14) (2) (2) (2)  
 Russia 10yr 11.28 (0.14) (2) (2) (2)

Turkey 10yr 10.30 (0.14) (2) (2) (2)  
 India 10yr 1.1 (0) (0) (0) (0)  
 Indonesia 10yr 0.66 (0.14) (2) (2) (2)

**Country risk (changes in bp)**

10yr overnight default (Agreement Germany)  
 Belgium 20 (0.14) (2) (4)  
 France 30 (0.14) (2) (4)  
 Greece 20 (0.14) (2) (4)

Italy 0 (0) (0) (0) (0)  
 Mex 10 (0) (0) (0) (0)  
 Netherlands 0 (0) (0) (0) (0)  
 Portugal 20 (0.14) (2) (4) (2)

Spain 10 (0) (0) (0) (0)  
 5yr overnight default (Agreement Germany)  
 Belgium 14 (0.14) (2) (4)  
 France 20 (0.14) (2) (4)

Greece 30 (0.14) (2) (4)  
 Italy 0 (0) (0) (0) (0)  
 Mex 10 (0) (0) (0) (0)  
 Netherlands 0 (0) (0) (0) (0)

Netherlands 11 (0.14) (2) (4)  
 Portugal 14 (0.14) (2) (4) (2)  
 Spain 0 (0) (0) (0) (0)

3yr overnight default (Agreement Germany)  
 Belgium 1 (0) (0) (0) (0)  
 France 0 (0) (0) (0) (0)

Italy 0 (0) (0) (0) (0)  
 Mex 0 (0) (0) (0) (0)  
 Netherlands 1 (0) (0) (0) (0)  
 Portugal 1 (0) (0) (0) (0)

Spain 0 (0) (0) (0) (0)  
 5yr overnight CDS  
 Eur CDS Belgium 34 (0.14) (2) (4) (2)

Eur CDS France 36 (0.14) (2) (4) (2)  
 Eur CDS Germany 25 (0.14) (2) (4) (2)  
 Eur CDS Greece 102 (0.14) (2) (4) (2)

Eur CDS Ireland 42 (0.14) (2) (4) (2)  
 Eur CDS Italy 100 (0.14) (2) (4) (2)  
 Eur CDS Netherlands 18 (0.14) (2) (4) (2)

Eur CDS Portugal 95 (0.14) (2) (4) (2)  
 Eur CDS Spain 100 (0.14) (2) (4) (2)  
 Eur CDS UK 40 (0.14) (2) (4) (2)  
 Eur CDS US 23 (0.14) (2) (4) (2)

5yr overnight CDS  
 Eur CDS Brazil 128 (1.14) (2) (4) (2)  
 Eur CDS China 147 (0.14) (2) (4) (2)

Eur CDS Colombia 204 (1.14) (2) (4) (2)  
 Eur CDS Mexico 205 (1.14) (2) (4) (2)  
 Eur CDS Peru 220 (1.14) (2) (4) (2)

Eur CDS Venezuela 180 (1.14) (2) (4) (2)  
 Eur CDS Russia 17 (0.14) (2) (4) (2)  
 Eur CDS Taiwan 300 (0.14) (2) (4) (2)

Eur CDS Turkey 300 (0.14) (2) (4) (2)  
 Eur CDS China 130 (0.14) (2) (4) (2)  
 Eur CDS India 200 (0.14) (2) (4) (2)

Eur CDS Indonesia 200 (0.14) (2) (4) (2)  
 C credit risk  
 VIX 27 (0.14) (2) (4) (2) (2)

US 2yr credit 27 (0.14) (2) (4) (2) (2)  
 EIA EFT volatility index 33 (0.14) (2) (4) (2)  
 Detrended volatility 33 (0.14) (2) (4) (2)

Eur FX volatility index 12 (0.14) (2) (4) (2)  
 Credit spread (BAA) 302 (0.14) (2) (4) (2)  
 US bonds volatility index 79 (0.14) (2) (4) (2)

Bank risk changes in bp  
 US banks CDS 91 (0.14) (2) (4) (2)  
 Latin banks CDS 36 (0.14) (2) (4) (2)

UK banks CDS 84 (0.14) (2) (4) (2)  
 Large Spanish banks CDS 157 (0.14) (2) (4) (2)  
 Medium Spanish banks CDS 191 (0.14) (2) (4) (2)

Greek banks CDS 159 (0.14) (2) (4) (2)  
 Russian banks CDS 401 (1.14) (2) (4) (2)  
 Corporate risk changes in bp  
 US Non-Ancient CDS 425 (1.14) (2) (4) (2)

S&P Non-Ancient CDS 398 (0.14) (2) (4) (2)  
 UK Non-Ancient CDS 236 (0.14) (2) (4) (2)  
 Interbank markets (changes in bp)  
 US 3m spread 3m 26 (0.14) (2) (4) (2)

US 6m spread 3m 26 (0.14) (2) (4) (2)  
 US 12m spread 3m 26 (0.14) (2) (4) (2)  
 US TED spread 3m 39 (0.14) (2) (4) (2)

Spain Ted Spread 3m 5 (0.14) (2) (4) (2)  
 EONIA new 4.2 (0.14) (2) (4) (2)  
 EONIA old 4.2 (0.14) (2) (4) (2)

London 3m 0.1 (0.14) (2) (4) (2)  
 Libor 3m 0.02 (0.14) (2) (4) (2)  
 Libor 12m 1.3 (0.14) (2) (4) (2)

**Stock markets (Changes in percentage)**

US S&P 500 index 2.9 (0.14) (2) (4) (2)

Dow Jones 1000 0.1 (0.14) (2) (4) (2)  
 Nikkei 225 1.1 (0.14) (2) (4) (2)  
 FTSE 100 0.7 (0.14) (2) (4) (2)

Euro Stoxx 50 2.0 (0.14) (2) (4) (2)  
 MSCI EAFE 1.4 (0.14) (2) (4) (2)  
 DAX 0.2 (0.14) (2) (4) (2)

CAC 40 0.3 (0.14) (2) (4) (2)  
 ASI 0.1 (0.14) (2) (4) (2)  
 Hang Seng 1.2 (0.14) (2) (4) (2)

Bank stocks  
 US banks 7.5 (0.14) (2) (4) (2)  
 JPM 57 (0.14) (2) (4) (2)

Ch 4.2 (0.14) (2) (4) (2)  
 BofA 14 (0.14) (2) (4) (2)  
 WFC 20 (0.14) (2) (4) (2)

GS 105 (0.14) (2) (4) (2)  
 UK banks 7.8 (0.14) (2) (4) (2)  
 HSBC 47.7 (0.14) (2) (4) (2)

Wells Fargo 202 (0.14) (2) (4) (2)  
 Barclays 107 (0.14) (2) (4) (2)  
 Lloyds 44 (0.14) (2) (4) (2)

Euro banks 90.8 (0.14) (2) (4) (2)  
 BNP 43 (0.14) (2) (4) (2)  
 Citigroup 1.6 (0.14) (2) (4) (2)

Deutsche 1.6 (0.14) (2) (4) (2)  
 ING 10 (0.14) (2) (4) (2)  
 Intesa 27 (0.14) (2) (4) (2)

SG 34.9 (0.14) (2) (4) (2)  
 Unicredit 4.2 (0.14) (2) (4) (2)  
 Large Spanish banks 85.2 (0.14) (2) (4) (2)

Banque 0.9 (0.14) (2) (4) (2)  
 BBVA 0.4 (0.14) (2) (4) (2)  
 Medium Spanish banks 72.5 (0.14) (2) (4) (2)

Caixa 0.9 (0.14) (2) (4) (2)  
 Pinar 2.5 (0.14) (2) (4) (2)  
 Santander 1.5 (0.14) (2) (4) (2)

Banque 0.9 (0.14) (2) (4) (2)  
 Greek banks 3.4 (0.14) (2) (4) (2)  
 Alpha Bank 1.9 (0.14) (2) (4) (2)

Bank 0.2 (0.14) (2) (4) (2)  
 Eurobank 0.1 (0.14) (2) (4) (2)  
 Turkish banks 74 (0.14) (2) (4) (2)

Avniyat 1.6 (0.14) (2) (4) (2)  
 Garanti 7 (0.14) (2) (4) (2)  
 Turkey 0.1 (0.14) (2) (4) (2)

Russian banks 130 (0.14) (2) (4) (2)  
 Sberbank 0.1 (0.14) (2) (4) (2)  
 VTB Bank 0.1 (0.14) (2) (4) (2)

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

EURUSD 1.09 (0.26) (0.26) (0.26) (2)  
 GBPUSD 1.43 (0.26) (0.26) (0.26) (2)  
 USDJPY 117.27 (0.26) (0.26) (0.26) (2)

USDCHF 1.02 (0.26) (0.26) (0.26) (2)  
 USDHKD 1.02 (0.26) (0.26) (0.26) (2)  
 USDINR 1.02 (0.26) (0.26) (0.26) (2)

USDTRY 1.02 (0.26) (0.26) (0.26) (2)  
 USDZAR 1.02 (0.26) (0.26) (0.26) (2)  
 USDKRW 1.02 (0.26) (0.26) (0.26) (2)

USDGBP 1.02 (0.26) (0.26) (0.26) (2)  
 USDCHF 1.02 (0.26) (0.26) (0.26) (2)  
 USDJPY 1.02 (0.26) (0.26) (0.26) (2)

USDINR 1.02 (0.26) (0.26) (0.26) (2)  
 USDKRW 1.02 (0.26) (0.26) (0.26) (2)  
 USDZAR 1.02 (0.26) (0.26) (0.26) (2)

USDTRY 1.02 (0.26) (0.26) (0.26) (2)  
 USDGBP 1.02 (0.26) (0.26) (0.26) (2)  
 USDCHF 1.02 (0.26) (0.26) (0.26) (2)

USDJPY 1.02 (0.26) (0.26) (0.26) (2)  
 USDINR 1.02 (0.26) (0.26) (0.26) (2)  
 USDKRW 1.02 (0.26) (0.26) (0.26) (2)

USDZAR 1.02 (0.26) (0.26) (0.26) (2)  
 USDTRY 1.02 (0.26) (0.26) (0.26) (2)  
 USDGBP 1.02 (0.26) (0.26) (0.26) (2)

USDCHF 1.02 (0.26) (0.26) (0.26) (2)  
 USDJPY 1.02 (0.26) (0.26) (0.26) (2)  
 USDINR 1.02 (0.26) (0.26) (0.26) (2)

USDKRW 1.02 (0.26) (0.26) (0.26) (2)  
 USDZAR 1.02 (0.26) (0.26) (0.26) (2)  
 USDTRY 1.02 (0.26) (0.26) (0.26) (2)

USDGBP 1.02 (0.26) (0.26) (0.26) (2)  
 USDCHF 1.02 (0.26) (0.26) (0.26) (2)  
 USDJPY 1.02 (0.26) (0.26) (0.26) (2)

USDINR 1.02 (0.26) (0.26) (0.26) (2)  
 USDKRW 1.02 (0.26) (0.26) (0.26) (2)  
 USDZAR 1.02 (0.26) (0.26) (0.26) (2)

USDTRY 1.02 (0.26) (0.26) (0.26) (2)

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Fuente: BBVA Research



\*CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

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