BBVA Research

Market Comment | Market volatility rebounded again amid a new drop in oil prices

Global Financial Markets Unit
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- **Worse-than-expected CPI data in the US.** US CPI decreased in December against estimations of remaining unchanged (by -0.1% MoM), while in annual terms it rose less than expected (by 0.7%YoY; consensus: 0.8%; previous: 0.5%). On another front, housing starts declined in December unexpectedly (to 1,149K from 1,179K; consensus: 1,200K), while building permits dropped less than estimated (by 50K to 1,232K; consensus: 1,200K).

- **Market volatility rebounded again amid a new drop in oil prices.** Commodity prices continue as one of the main drivers of financial market behaviour, that suffered extraordinary volatility again (VIX: +10.9%). Oil prices plunged again today to their lowest levels since 2003, below USD27/bbl (Brent: -4.1%, WTI: -5.7%). Behind this new turndown could be the worries about a widening oversupply - waiting for the API weekly crude oil US stock figures later today - and the release of worse-than-expected fresh capital outflows data from China, that could add some doubts about financial stability and could prompt the PBoC to prevent further RMB deterioration. The release of slightly worse-than-expected prices data in US also boosted bond markets. Against this backdrop, European equity markets dropped across the board, awaiting tomorrow's ECB meeting, in which no change is expected in monetary policy (Euro Stoxx: -3.3%, DAX: -2.8%, IBEX: -3.2%, CAC: -3.4%). The energy sector and (especially) the banking sector were the worst performers, with trading in Monte dei Paschi di Siena halted in the session after it fell by more than 22%; Italian banks extended their losses, as they were under pressure after the Single Supervisory Mechanism (SSM) signaled its priorities for 2016 in scrutinising the NPL portfolios of European banks with high NPL ratios. In the same vein, US indices declined (S&P 500: -2.5%, Dow: -2.8%), on the disappointing macroeconomic data releases. Asian markets also suffered today (Nikkei: -3.7%, Shanghai: -1.0%). On the bond markets, safe-haven yields decreased (US 10Y: -10bp, GER 10Y: -7bp, FRA 10Y: -4bp), fuelled by risk aversion. Meanwhile, European periphery yields increased, led by Portugal (ITA 10Y: +8bp, SPA 10Y: +7bp, POR 10Y: +14bp). As a result, peripheral risk premia surged (ITA: +15bp, SPA: +14bp, POR: +21bp). On FX markets, the USD depreciated against other major currencies (JPY: +1.09%, GBP: +0.05%), while those most linked to oil prices depreciated against the US dollar (AUD: -1.0%, NOK: -0.78%). EM currencies also depreciated against the USD (BRL: -1.0%, RUB: -4.1% and hitting a historical low, COP: -2.4%, MXN: -1.7%, CLP: -0.5%), hampered by the renewed deterioration in commodity prices.

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Table1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0,81 (-6) (-10) (-14) (-24)
US 5-yr 1,4 (-9) (-13) (-27) (-36)
US 10-yr 1,96 (-10) (-13) (-23) (-31)

Japan 10-yr 0,22 (-1) (2) (-6) (-5)

GER 2-yr -0,41 (-2) (-3) (-5) (-7)
GER 5-yr -0,19 (-3) (-6) (-10) (-15)
GER 10-yr 0,48 (-7) (-8) (-7) (-15)

Belgium 10-yr 0,96 (12) (11) (8) (-1)
France 10-yr 0,82 (-4) (-6) (-7) (-16)
Greece 10-yr 10,02 (85) (151) (178) (173)
Ireland 10-yr 1,1 (-2) (10) (2)
Italy 10-yr 1,64 (8) (8) (5) (4)
Netherlands 10-yr 0,61 (-5) (-8) (-10) (-18)
Portugal 10-yr 2,91 (14) (24) (41) (40)
Spain 10-yr 1,77 (7) (0) (0) (0)

Emerging Markets
Brazil 10-yr 16,68 (17) (52) (33) (17)
Chile 10-yr 4,6 (-1) (-2) (-5) (-6)
Colombia 10-yr 9,03 (4) (15) (21) (37)
Mexico 10-yr 6,24 (2) (11) (7) (-3)
Peru 10-yr 7,43 (1) (1) (22) (12)

Poland 10-yr 3,17 (4) (32) (30) (22)
Russia 5-yr 10,99 (37) (44) (90) (111)
Russia 10-yr 10,81 (41) (60) (117) (125)
Turkey 10-yr 10,88 (-3) (8) (58) (41)

India 10-yr 7,8 (2) (3) (2) (4)
Indonesia 10-yr 8,6 (-4) (1) (-11) (-15)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 48 (19) (20) (15) (14)
France 34 (2) (3) (0) (-2)
Greece 954 (91) (159) (185) (188)
Ireland 61 (4) (18) (9) (9)
Italy 116 (15) (17) (12) (19)
Netherlands 13 (1) (0,8) (-3) (-4)
Portugal 243 (21) (32,4) (47) (54)
Spain 129 (14) (8) (7) (15)

5-yr sovereign spreads *(against Germany)*
Belgium 14 (1) (0,5) (6) (6)
France 21 (1) (2) (6) (8)
Greece 1622 (3) (6) (10) (15)
Ireland 29 (1) (0) (1) (3)
Italy 82 (10) (12) (21) (27)
Netherlands 6 (1) (1,5) (5) (5)
Portugal 155 (15) (21) (33) (44)
Spain 85 (7) (4) (4) (13)

2-yr sovereign spreads *(against Germany)*
Belgium 5 (0) (0) (-2) (1)
France 6 (1) (1,3) (1) (3)
Ireland 13 (1) (4) (-4) (-2)
Italy 47 (5) (8) (5) (15)
Netherlands 2 (1) (3) (2) (4)
Portugal 58 (6) (10) (9) (13)
Spain 42 (2) (3) (-6) (7)

5-yr sovereign CDS
5-yr CDS Belgium 36 (0) (2) (1) (4)
5-yr CDS France 26 (1) (-1) (0) (1)
5-yr CDS Germany 14 (1) (1) (-1) (1)
5-yr CDS Greece 1178 (24) (101) (40) (120)
5-yr CDS Ireland 43 (-1) (2) (0) (3)
5-yr CDS Italy 110 (0) (6) (5) (14)
5-yr CDS Netherlands 15 (-1) (1) (0) (1)
5-yr CDS Portugal 197 (-3) (9) (20) (29)
5-yr CDS Spain 101 (0) (3) (10) (12)
5-yr CDS UK 23 (0) (1) (3) (4)
5-yr CDS US 22 (-1) (2) (2) (3)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 493 (-10) (13) (-2) (1)
5-yr CDS Chile 147 (-2) (7) (14) (20)
5-yr CDS Colombia 298 (-1) (22) (54) (59)
5-yr CDS Mexico 210 (2) (23) (36) (40)
5-yr CDS Peru 220 (-4) (11) (28) (34)
5-yr CDS Venezuela 8386 (-534) (976) (2069) (2343)

5-yr CDS Poland100 (0) (26) (27) (28)
5-yr CDS Russia 376 (-17) (28) (70) (75)
5-yr CDS Turkey 299 (-12) (-2) (36) (26)

5-yr CDS China 128 (-1) (7) (14) (19)
5-yr CDS India 158 (-4) (-2) (4) (9)
5-yr CDS Indonesia 248 (-5) (3) (10) (21)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 28,88 (10,9) (14,5) (54,4) (11)
VSTOXX 35,11 (14,2) (24,8) (47) (13)
EM EFT volatility Index 38 (14) (23) (56) (66)
Dollar/euro volatility 9,9 (2,5) (2) (4,5) (2)
EM FX volatility index 12 (0) (2) (4) (4)
Credit spread (BAA) 345,2 (9,8) (18,5) (7,6) (22)
US bonds volatility index 77 (0) (4) (16) (14)

Bank risk *(changes in bp)*
US banks CDS 91 (-2) (7) (13) (16)
EMU banks CDS 103 (2) (17) (20) (19)
UK banks CDS 98 (1) (14) (21) (21)

Large Spanish banks CDS 159 (-2) (12) (32) (22)
Medium Spanish banks CDS 198 (0) (18) (43) (41)

Greek banks CDS 1594 (-22) (13) (-53) (-58)
Russian banks CDS 475 (16) (54) (91) (93)

Corporate risk *(changes in bps)*
US Non-financial CDS 477 (48) (71) (94) (96)
EMU Non-financial CDS 194 (-6) (16) (29) (22)
UK Non-financial CDS 229 (-4) (6) (35) (37)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 13 (1) (2) (2) (2)
UEM OIS spread 12m 37 (1) (2) (4) (4)
UEM TED spread 3m 35 (0) (-4,7) (-4) (-6)

US OIS spread 3m 25 (1) (1) (2) (2)
US OIS spread 12m 68 (4) (6) (12) (12)
US TED spread 3m 36 (-2) (-4) (-7) (-9)

Spain Ted Spread 3m 3 (-1) (-2,3) (14) (-1)

EONIA Index -0,24 (0) (-0,2) (-1) (-11)
Euribor 3m -0,14 (0) (0) (-1) (-1)
Euribor 12m 0,05 (0) (0) (-2) (-2)

Libor 3m 0,62 (0) (0) (3) (1)
Libor 12m 1,15 (0) (-1) (2) (-3)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 1834,2 (-2,5) (-3) (-9,3) (-10)
Dow Jones 15564,5 (-2,8) (-3,6) (-9,8) (-11)
Nikkei 16416,2 (-3,7) (-7,3) (-13,2) (-14)
FTSE 100 5673,6 (-3,5) (-4,8) (-6) (-9)
EuroStoxx 50 2882,6 (-3,3) (-6,2) (-10,3) (-12)
IBEX8281,4 (-3,2) (-7,3) (-11,6) (-13)
DAX 9391,6 (-2,8) (-5,7) (-10,5) (-13)
CAC4125 (-3,4) (-6,1) (-9,6) (-11)
MIB 17967,9 (-4,8) (-10,8) (-14,8) (-16)
ASE Athens 526,4 (-5,7) (-10,7) (-15,8) (-17)

Bank stocks
US banks 76,4 (-3,8) (-6,8) (-18,5) (-19)
JPM 55,2 (-3,2) (-3,8) (-15,8) (-16)
Citi 39,9 (-4,8) (-11,6) (-22,9) (-23)
BoA 13,5 (-5) (-9,2) (-20,3) (-20)
MS 25,2 (-3,9) (-6,2) (-20,4) (-21)
GS 153,4 (-2,2) (-3,5) (-13,7) (-15)

UK banks 75 (-3,8) (-8,1) (-12,7) (-14)
HSBC 465,8 (-4,7) (-7,7) (-11,6) (-13)
RBS 254 (-4) (-9,9) (-13,8) (-16)
Barclays 182,1 (-4,1) (-9,7) (-15,9) (-17)
Lloyds 64,1 (-2,6) (-5,5) (-9,7) (-12)

EMU banks 87 (-4,9) (-13,9) (-18,5) (-20)
BNP 42,8 (-3) (-12,3) (-18,5) (-18)
Crédit Agricole 8,8 (-4,8) (-13,2) (-14,8) (-19)
Deutsche Bank 17,7 (-6) (-15,2) (-17,7) (-21)
ING 10,4 (-3,7) (-10) (-14) (-16)
Intesa 2,5 (-5,5) (-14,4) (-18) (-18)
SG 34,3 (-4,4) (-13,4) (-19,7) (-20)
Unicredito 3,7 (-7,8) (-20,2) (-27,6) (-28)

Large Spanish banks 62,4 (-4,2) (-9,8) (-16,5) (-17)
Santander 3,7 (-4,8) (-10) (-16,6) (-18)
BBVA 5,6 (-3,7) (-9,6) (-16,4) (-17)

Medium Spanish banks 69,6 (-2,7) (-9,8) (-15,6) (-16)
Caixabank 2,7 (-4,8) (-8,9) (-20,1) (-17)
Popular 2,3 (-1,9) (-14,3) (-24,8) (-26)
Sabadell 1,4 (-0,8) (-11,8) (-10,9) (-12)
Bankinter 5,9 (-3) (-5,9) (-9,5) (-10)
Bankia 0,9 (-3,2) (-9,6) (-15,3) (-15)

Greek banks 3,1 (-11,4) (-24,1) (-33) (-31)
Alpha Bank1,7 (-10) (-23) (-33,5) (-31)
Pireus Bank0,2 (-17,6) (-40,2) (-47) (-43)
National Central Bank0,2 (-7,2) (-22,4) (-25,2) (-32)
Eurobank Ergasias0,7 (-14,8) (-25,7) (-33,3) (-31)

Emerging Markets
Main equity indices
MSCI Latam 54170 (0,5) (-2,1) (-9) (-8,7)
Ibovespa (Brazil) 37224 (-2,2) (-4,4) (-13,8) (-14,1)
Mexbol 40229 (-1,4) (-1,9) (-6,8) (-6,4)

MSCI EM Europe 3921 (1,22) (-3,5) (-6,8) (-7,7)
Poland 1675 (-1,1) (-5,5) (-10,3) (-9,9)
Micex (Russia) 1630 (-0,9) (-3,2) (-5) (-7,4)
Ise 100 (Turkey) 69604 (-2,1) (-4) (-5,1) (-3)

MSCI EM Asia 612 (1,51) (0) (-7) (-7,3)
Shanghai Composite (China) 2977 (-1,03) (0,9) (-18,3) (-15,9)
Jakarta Composite (Indonesia) 4428 (-1,4) (-2,4) (-1,4) (-4)

Bank stocks
Turkish banks 72 (-3,1) (-4,3) (-5,3) (-2,4)
Akbank T.A.S. 7 (-3,2) (-4,9) (-3,3) (-0,7)
Garanti 7 (-2,1) (-2,1) (-5,5) (-1,4)
Turkiye Is Bankasi 4 (-4) (-6) (-7,2) (-5,4)

Russian banks 127 (-3,1) (-7,7) (-13,7) (-16,5)
Sberbank 84 (-3,3) (-8,4) (-15,1) (-17,2)
VTB Bank 0,1 (-2,7) (-6,6) (-11,6) (-15,3)

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

Developed Markets
EURUSD 1,091 (-0,01) (0,28) (-0,1) (0,4)
GBPUSD 1,42 (0,05) (-1,68) (-4,8) (-3,9)
USDJPY 116,36 (1,09) (1,12) (4) (3,2)
DXY 99,04 (0) (-0,1) (-0,7) (-0,4)

Emerging Markets
USDARS (Argentina) 13,46 (-0,3) (0,6) (-4,9) (-4,1)
USDBRL (Brazil) 4,11 (-1) (-2,2) (-2,4) (-3,7)
USDCLP (Chile) 729,11 (-0,5) (-0,4) (-5,3) (-2,9)
USDCOP (Colombia) 3389,75 (-2,4) (-4,1) (-1,9) (-6,8)
USDMXN (Mexico) 18,59 (-1,7) (-3,6) (-8,3) (-8)
USDPEN (Peru) 3,45 (-0,3) (-0,5) (-1,8) (-1)
LACI 59,57 (-1,1) (-2,2) (-4,6) (-4,9)

USDPLN (Poland) 4,13 (-1,2) (-3,1) (-5,9) (-5,2)
USDRUB (Russia) 81,94 (-4,1) (-6,9) (-15) (-13)
USDTRY (Turkey) 3,06 (-0,6) (-1) (-4,8) (-4,8)

USDCNY (China) 6,58 (0) (0) (-1,5) (-1,3)
USDINR (India) 67,96 (-0,5) (-1,7) (-2,4) (-2,7)
USDIDR (Indonesia) 13964 (-0,8) (-0,9) (-1,1) (-1,3)
ADXY 104,76 (-0,3) (-0,4) (-1,8) (-1,7)

Commodities *(change in percentage)*

Brent 27,58 (-4,1) (-9) (-24,1) (-26)
WTx 26,85 (-5,7) (-11,9) (-22,7) (-27,5)
Copper 195,5 (-0,9) (0,2) (-8,2) (-8)
Gold 1103,9 (1,5) (0,9) (2,4) (4)
Baltic Dry Index 363 (0) (-7,9) (-24,1) (-24,1)
S&P GSCI Spot commodity index 277,898 (0) (-2,4) (-9,2) (-10,8)
S&P GSCI Brent Spot 250,809 (0) (-4,8) (-19,9) (-21,8)
S&P GSCI Metals Spot 240,8 (0) (0,8) (-4,5) (-4,9)
S&P GSCI Agricultural Spot 283,851 (0) (1) (-1,3) (0,1)

Source: Bloomberg, Datastream and Haver

*CDS, EMBI & MSCI indices with one day delay
**Credit spread (BAA) with two days delay

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