

# Market Comment | Financial markets rebounded at the end of the week

Global Financial Markets Unit  
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- **Positive macroeconomic data in the US.** US manufacturing PMI rose in December against estimates of a fall (by 1.5 points to 52.7; consensus: 51.0), while the Chicago Fed's national activity index increased less than expected (by 0.14 points to -0.22; consensus: -0.15). On another front, existing home sales surged, beating the estimates (to 5.46 million from 4.76 million; consensus: 5.20 million). In addition, the Conference Board leading index declined in line with expectations (by -0.2% MoM).
- **PMIs fall in Europe.** Eurozone PMI composite preliminary data in January showed a decrease (of 0.8 points to 53.5; BBVAe: 54.4, consensus: 54.1), due to the unexpected fall in the services PMI (to 53.6 points from 54.2. BBVAe and consensus: 54.2), and also in manufacturing (by 0.9 points to 52.3. BBVAe: 53.4, consensus: 53.0). By country, Germany's PMI composite declined more than expected (by 1.0pt to 54.5; consensus: 55.1), dragged mainly by a deterioration in manufacturing (to 52.1 from 53.2. BBVAe and consensus: 53.0), which was due to the worries about oil. The services PMI also dropped (by 0.6 points to 55.4; BBVAe: 55.6 consensus: 55.5). Meanwhile, the French composite PMI rose beyond expectations (by 0.4pt to 50.5; consensus: 50.3), underpinned by the improvement in the services PMI (to 50.6 from 49.8. BBVAe and consensus: 50.1). However, manufacturing declined against our estimations of increasing (by 1.4pt to 51.4. BBVAe: 52.0, consensus: 50.1). ([see](#))
- **Financial markets rebounded at the end of the week after Draghi hinted at further stimulus and oil prices increased due to short-covering rally.** The release of 4Q Chinese GDP - in line with the expectations- contributed to a slight rebound in financial markets at the start of the week. However, the negative dynamic in oil prices at the beginning of the week, breaking below the USD28/bbl level, offset this early rebound. In this context, risk-off strategies prevailed during most of the week (JPY appreciation, decrease of core yields and slump in equity prices across the board). Nonetheless, two main factors caused an upturn on all financial markets late yesterday, and the effect was extended today. First, the ECB unexpectedly hinted yesterday at an easing by the central bank as early as March. In this way, the dovish tone was reinforced and the easing bias was strengthened as the ECB said that it "will be necessary to review and possibly reconsider our monetary policy stance". The second factor was the rebound in oil prices due to short-covering rally: they rose 13% in only two days and recovered the USD30/bbl level. On bond markets, the European safe-haven yields dropped in the week (GER 10Y: -6bp, FRA 10Y: -7bp), underpinned by safe-haven flows and the ECB's dovish tone following its meeting yesterday. However, political concerns prompted peripheral yields to fall in the week (ITA 10Y: +1bp, SPA 10Y: -2bp, POR 10Y: +9bp). As a result, peripheral risk premia increased (ITA: +7bp, SPA: +4bp, POR: +15bp). On the other hand, Greek yields fell today (-73bp) after S&P upgraded the country's sovereign credit rating from CCC+ to B- with stable outlook, although Greek yields showed a net rise (+41bp) over the week. Meanwhile, US treasury yields ended the week broadly flat (2Y and 10Y: +2bp). On another front, inflation expectations were dragged by the fall in oil prices in the first part of the week, with the 5Y5Y US inflation swap reaching a new low 1.88%, although rebounded slightly at the end of the week. European equity markets rebounded (Euro Stoxx: +2.4%, DAX +2.3%, IBEX +2.4%, CAC: +3.0%),

after having been dragged lower by the médium-sized banks with weak credit profiles. Meanwhile, US indices remained unchanged and Asian markets showed a mixed performance (Nikkei: -1.1%, Shanghai: +0.5%). On FX markets, the USD appreciated against other major currencies (EUR: -0.93% JPY: -0.57%). EM currencies showed a mixed performance, some of them have appreciated against the USD (COP: +0.4% CLP: +2.1% TRY: +1.3%) helped to the recovery in commodity prices (Brent: +8.4% WTx: +7.0% Copper: +1.3%), while some currencies depreciated on the back of idiosyncratic vulnerabilities (Russian Ruble: -0.9%, reaching historically low levels during the week and Brazilian Real: -1.6% after Central Bank kept unchanged unexpectedly the interest rate)

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Table1

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

**Index markets (changes in bp)**

US Dow 347 (2) (2) (2) (2) (2)  
 US S&P 148 (2) (2) (2) (2) (2)  
 US 10yr 2.08 (2) (2) (2) (2) (2)

Japan Nikkei 231 (2) (2) (2) (2) (2)  
 DAX 347 (2) (2) (2) (2) (2)  
 FTSE 100 6145 (2) (2) (2) (2) (2)

Region 10yr 0.84 (2) (2) (2) (2) (2)  
 France 10yr 0.2 (2) (2) (2) (2) (2)  
 Germany 10yr 0.17 (2) (2) (2) (2) (2)  
 Health 10yr 1.07 (2) (2) (2) (2) (2)  
 Key 10yr 1.17 (2) (2) (2) (2) (2)  
 Netherlands 10yr 0.15 (2) (2) (2) (2) (2)  
 Portugal 10yr 3.34 (2) (2) (2) (2) (2)  
 Spain 10yr 1.71 (2) (2) (2) (2) (2)

Emerging Markets  
 Brazil 10yr 8.80 (2) (2) (2) (2) (2)  
 China 10yr 4.2 (2) (2) (2) (2) (2)  
 Russia 10yr 6.22 (2) (2) (2) (2) (2)  
 Turkey 10yr 14.1 (2) (2) (2) (2) (2)

Region 10yr 3.1 (2) (2) (2) (2) (2)  
 Russia 10yr 11.56 (2) (2) (2) (2) (2)  
 Russia 10yr 18.46 (2) (2) (2) (2) (2)  
 Turkey 10yr 10.77 (2) (2) (2) (2) (2)

India 10yr 7.15 (2) (2) (2) (2) (2)  
 Indonesia 10yr 8.4 (2) (2) (2) (2) (2)

**Country risk (changes in bp)**

10yr sovereign spreads (against Germany)  
 Belgium 45.1 (2) (2) (2) (2) (2)  
 France 32.1 (2) (2) (2) (2) (2)  
 Germany 0 (2) (2) (2) (2) (2)  
 Ireland 0 (2) (2) (2) (2) (2)  
 Italy 121.1 (2) (2) (2) (2) (2)  
 Netherlands 1.1 (2) (2) (2) (2) (2)  
 Portugal 25.1 (2) (2) (2) (2) (2)  
 Spain 12.1 (2) (2) (2) (2) (2)

10yr sovereign spreads (against Germany)  
 Belgium 14.1 (2) (2) (2) (2) (2)  
 France 19.1 (2) (2) (2) (2) (2)  
 Germany 0 (2) (2) (2) (2) (2)  
 Ireland 0 (2) (2) (2) (2) (2)  
 Italy 71.1 (2) (2) (2) (2) (2)  
 Netherlands 1.1 (2) (2) (2) (2) (2)  
 Portugal 14.1 (2) (2) (2) (2) (2)  
 Spain 8.1 (2) (2) (2) (2) (2)

10yr sovereign spreads (against Germany)  
 Belgium 8.1 (2) (2) (2) (2) (2)  
 France 9.1 (2) (2) (2) (2) (2)  
 Germany 0 (2) (2) (2) (2) (2)  
 Ireland 0 (2) (2) (2) (2) (2)  
 Italy 11.1 (2) (2) (2) (2) (2)  
 Netherlands 2.1 (2) (2) (2) (2) (2)  
 Portugal 15.1 (2) (2) (2) (2) (2)  
 Spain 4.1 (2) (2) (2) (2) (2)

10yr sovereign CDS  
 10yr CDS Belgium 37 (2) (2) (2) (2) (2)  
 10yr CDS France 20 (2) (2) (2) (2) (2)  
 10yr CDS Germany 16 (2) (2) (2) (2) (2)  
 10yr CDS Ireland 141 (2) (2) (2) (2) (2)  
 10yr CDS Ireland 44 (2) (2) (2) (2) (2)  
 10yr CDS Italy 121 (2) (2) (2) (2) (2)  
 10yr CDS Netherlands 17 (2) (2) (2) (2) (2)  
 10yr CDS Portugal 217 (2) (2) (2) (2) (2)  
 10yr CDS Spain 108 (2) (2) (2) (2) (2)  
 10yr CDS US 20 (2) (2) (2) (2) (2)

10yr sovereign CDS  
 10yr CDS Belgium 42 (2) (2) (2) (2) (2)  
 10yr CDS China 142 (2) (2) (2) (2) (2)  
 10yr CDS Colombia 261 (2) (2) (2) (2) (2)  
 10yr CDS Mexico 247 (2) (2) (2) (2) (2)  
 10yr CDS Russia 271 (2) (2) (2) (2) (2)  
 10yr CDS Venezuela 1647 (2) (2) (2) (2) (2)

10yr CDS spreads (2) (2) (2) (2) (2)  
 10yr CDS Russia 24 (2) (2) (2) (2) (2)  
 10yr CDS Turkey 281 (2) (2) (2) (2) (2)  
 10yr CDS China 136 (2) (2) (2) (2) (2)  
 10yr CDS India 176 (2) (2) (2) (2) (2)  
 10yr CDS Indonesia 241 (2) (2) (2) (2) (2)

**Credit risk**

10yr sovereign CDS (percentage except for USA spreads, bp)  
 UK 23.1 (2) (2) (2) (2) (2)  
 US 11.1 (2) (2) (2) (2) (2)  
 EU FT volatility index 22 (2) (2) (2) (2) (2)  
 US FT volatility index 12 (2) (2) (2) (2) (2)  
 US bond volatility index 81 (2) (2) (2) (2) (2)

10yr CDS spreads (bp)  
 US banks CDS 93 (2) (2) (2) (2) (2)  
 EU banks CDS 143 (2) (2) (2) (2) (2)  
 UK banks CDS 99 (2) (2) (2) (2) (2)

Large Spanish banks CDS 159 (2) (2) (2) (2) (2)  
 Italian Spanish banks CDS 111 (2) (2) (2) (2) (2)  
 Czech banks CDS 153 (2) (2) (2) (2) (2)  
 Russian banks CDS 473 (2) (2) (2) (2) (2)

Credit risk (changes in bp)  
 US Non-Bank CDS 496 (2) (2) (2) (2) (2)  
 EU Non-Bank CDS 396 (2) (2) (2) (2) (2)  
 UK Non-Bank CDS 291 (2) (2) (2) (2) (2)

**Interest rate markets (changes in bp)**

EUR 10yr spread 32 (2) (2) (2) (2) (2)  
 EUR 5yr spread 28 (2) (2) (2) (2) (2)  
 EUR 3m spread 27 (2) (2) (2) (2) (2)

US 10yr spread 1m 23 (2) (2) (2) (2) (2)  
 US 10yr spread 3m 24 (2) (2) (2) (2) (2)  
 US 10yr spread 6m 24 (2) (2) (2) (2) (2)

Spain 10yr spread 3m 8 (2) (2) (2) (2) (2)  
 ECB rate 0.25 (2) (2) (2) (2) (2)  
 Fed rate 0.25 (2) (2) (2) (2) (2)

**Stock markets (changes in percentage)**

10yr monthly returns  
 S&P500 10.1 (2) (2) (2) (2) (2)  
 Nikkei 10.1 (2) (2) (2) (2) (2)  
 DAX 10.1 (2) (2) (2) (2) (2)

Bank stocks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

Large Spanish banks 6.7 (2) (2) (2) (2) (2)  
 Italian Spanish banks 4.4 (2) (2) (2) (2) (2)  
 Czech banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

10yr banks  
 US banks 7.8 (2) (2) (2) (2) (2)  
 EU banks 6.4 (2) (2) (2) (2) (2)  
 UK banks 6.4 (2) (2) (2) (2) (2)

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

EURUSD 1.00 (2) (2) (2) (2) (2)  
 USDJPY 1.10 (2) (2) (2) (2) (2)  
 USDGBP 1.10 (2) (2) (2) (2) (2)

10yr returns  
 USDCOP Argentina 13.2 (2) (2) (2) (2) (2)  
 USDCOP Brazil 11.1 (2) (2) (2) (2) (2)  
 USDCOP Chile 11.1 (2) (2) (2) (2) (2)

10yr returns  
 USDCOP Korea 13.2 (2) (2) (2) (2) (2)  
 USDCOP Mexico 11.1 (2) (2) (2) (2) (2)  
 USDCOP Russia 11.1 (2) (2) (2) (2) (2)

10yr returns  
 USDCOP Turkey 11.1 (2) (2) (2) (2) (2)  
 USDCOP India 11.1 (2) (2) (2) (2) (2)  
 USDCOP China 11.1 (2) (2) (2) (2) (2)

10yr returns  
 USDCOP Russia 11.1 (2) (2) (2) (2) (2)  
 USDCOP India 11.1 (2) (2) (2) (2) (2)  
 USDCOP China 11.1 (2) (2) (2) (2) (2)

10yr returns  
 USDCOP Russia 11.1 (2) (2) (2) (2) (2)  
 USDCOP India 11.1 (2) (2) (2) (2) (2)  
 USDCOP China 11.1 (2) (2) (2) (2) (2)

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

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

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