

Market Comment | Oil prices determined risk assets' performance once again

Global Financial Markets Unit
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- **Mixed data in the US.** The US Markit services PMI preliminary data declined in January more than expected (by 0.3 points to 53.7; consensus: 54.0). Meanwhile, the Richmond Fed manufacturing index dropped in line with expectations (by 4 points to 2). On another front, the consumer confidence index rose more than estimated (by 1.8 points to 98.1; consensus: 96.5).
- **Oil prices determined risk assets' performance once again.** Oil prices, and their extraordinary volatility, were the main driver in financial markets today, in a session without any relevant data releases. Oil prices began the session by falling and breaking the USD30/bbl threshold again, and dragged the Asian indices down. Chinese indices slumped (Shanghai: -6.42%) and the risk aversion was widespread over the remaining Asian indices (Nikkei: -2.35%) on the back of concerns about China's financial stability. Amid fears about a shortage of cash - ahead of strong demand over the Lunar New Year holidays - in a context of increasing capital outflows from China, the PBoC injected CNY440bn (USD66.89bn) into the banking system, the biggest such move in three years. The negative trend in oil prices also hampered the European indices early this morning, although the falls were diluted progressively at the same pace as oil prices recovered. This also helped a mildly positive open in the US, amid mixed data releases. Against this backdrop, European equity markets rose (Euro Stoxx: +1.1%, DAX: +1.0%, IBEX: +1.5%, CAC: +1.2%) in a volatile session, despite having opened 2% down, hampered by oil prices and fears about Chinese financial stability. In the same vein, and taking advantage of the oil price rebound at midday, the US equity indices also rose (S&P: +1.1%, Dow: +1.5%), in the midst of the 4Q corporates results. On bond markets, US treasury yields remained unchanged (waiting for tomorrow's Fed meeting) while European yields declined, especially in the periphery (GER 10Y: -3bp, FRA 10Y: -4bp, ITA 10Y: -5bp, SPA 10Y: -7bp, POR 10Y: -5bp). As a result, peripheral risk premia narrowed today (ITA: -3bp, SPA: -4bp, POR: -3bp). On FX markets, the USD showed a mixed performance against other major currencies (JPY: -0.14%, GBP: +0.66%). EM currencies appreciated against the US dollar (RUB: +1.6%, BRL: +0.5%, CLP: +0.4%, MXN: +0.8%, COP: +0.9%), mainly those most linked to recovering commodity prices (Brent: +3.8%, WTI: +3.2%, copper: +1.4%).

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Table1

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

Libor markets (changes in bp)

3 months

US 3m 4.85 (4) (2) (10) (20)
 US 3m 1.44 (5) (5) (20) (20)
 US 15m 2.30 (1) (4) (20) (20)

6 months

US 6m 3.22 (1) (1) (10) (10)
 US 6m 1.44 (5) (5) (20) (20)

12 months

US 12m 4.46 (1) (4) (10) (10)
 US 12m 1.44 (5) (5) (20) (20)

3 months

Japan 3m 0.88 (4) (4) (10) (10)
 France 3m 1.17 (4) (4) (10) (10)
 Greece 3m 0.7 (2) (2) (10) (10)
 Korea 3m 0.5 (2) (2) (10) (10)
 Mexico 3m 1.5 (1) (1) (10) (10)
 Netherlands 3m 0.5 (2) (2) (10) (10)
 Portugal 3m 2.26 (1) (1) (10) (10)
 Spain 3m 1.14 (4) (4) (10) (10)

6 months

France 6m 1.42 (4) (4) (10) (10)
 China 6m 4.81 (4) (4) (10) (10)
 Canada 6m 3.1 (1) (1) (10) (10)
 Mexico 6m 4.22 (1) (1) (10) (10)
 Peru 6m 7.4 (2) (2) (10) (10)

12 months

France 12m 2.87 (1) (1) (10) (10)
 Russia 12m 1.49 (1) (1) (10) (10)
 Russia 12m 1.39 (1) (1) (10) (10)
 Turkey 12m 17.7 (2) (2) (10) (10)

India 12m

India 12m 7.81 (2) (2) (10) (10)
 Indonesia 12m 6.45 (2) (2) (10) (10)

Country risk (changes in bp)

1 year sovereign spreads (against Germany)

Belgium 44 (1) (1) (10) (10)
 France 33 (1) (1) (10) (10)
 Greece 323 (2) (2) (10) (10)
 Ireland 26 (2) (2) (10) (10)
 Italy 106 (2) (2) (10) (10)
 Netherlands 1 (2) (2) (10) (10)
 Portugal 224 (2) (2) (10) (10)
 Spain 123 (4) (4) (10) (10)

5 year sovereign spreads (against Germany)

Belgium 21 (1) (1) (10) (10)
 France 17 (1) (1) (10) (10)
 Greece 367 (2) (2) (10) (10)
 Ireland 21 (1) (1) (10) (10)
 Italy 74 (2) (2) (10) (10)
 Netherlands 1 (1) (1) (10) (10)
 Portugal 154 (1) (1) (10) (10)
 Spain 71 (1) (1) (10) (10)

2 year sovereign spreads (against Germany)

Belgium 6 (2) (2) (10) (10)
 France 6 (2) (2) (10) (10)
 Ireland 6 (2) (2) (10) (10)
 Italy 46 (1) (1) (10) (10)
 Netherlands 1 (2) (2) (10) (10)
 Portugal 84 (1) (1) (10) (10)
 Spain 41 (2) (2) (10) (10)

1 year sovereign CDS

US CDS Belgium 30 (2) (2) (10) (10)
 US CDS France 27 (2) (2) (10) (10)
 US CDS Germany 14 (2) (2) (10) (10)
 US CDS Greece 152 (2) (2) (10) (10)
 US CDS Ireland 45 (2) (2) (10) (10)
 US CDS Italy 116 (2) (2) (10) (10)
 US CDS Netherlands 16 (2) (2) (10) (10)
 US CDS Portugal 100 (2) (2) (10) (10)
 US CDS UK 29 (2) (2) (10) (10)
 US CDS US 21 (2) (2) (10) (10)

1 year sovereign CDS

US CDS China 408 (1) (1) (10) (10)
 US CDS China 145 (1) (1) (10) (10)
 US CDS Canada 297 (1) (1) (10) (10)
 US CDS Mexico 297 (1) (1) (10) (10)
 US CDS Peru 21 (1) (1) (10) (10)
 US CDS Venezuela 814 (2) (2) (10) (10)

US CDS Finland 14 (1) (1) (10) (10)
 US CDS Russia 346 (1) (1) (10) (10)
 US CDS Turkey 207 (2) (2) (10) (10)

US CDS China 138 (2) (2) (10) (10)
 US CDS India 174 (2) (2) (10) (10)
 US CDS Indonesia 213 (2) (2) (10) (10)

Credit risk

30 day maturity (changes in percentage except for CAA spreads, in)

US 30 21 (4) (7) (17) (62) (25)
 US 90 24 (4) (7) (17) (62) (25)
 EU 1 year maturity index 32 (2) (2) (14) (23)
 Citigroup credit index 12 (2) (2) (14) (23)
 Credit spread index 384 (1) (1) (17) (62) (25)
 US 30 day maturity index 75 (2) (2) (17) (62) (25)

1 year maturity

US 1 year CDS 92 (2) (2) (17) (62) (25)
 EU 1 year CDS 102 (1) (1) (17) (62) (25)
 UK 1 year CDS 96 (2) (2) (17) (62) (25)

Large Spanish banks CDS

US 1 year CDS 154 (4) (7) (17) (62) (25)
 US 1 year CDS 152 (4) (7) (17) (62) (25)

Greek banks CDS

US 1 year CDS 155 (4) (7) (17) (62) (25)
 US 1 year CDS 145 (1) (1) (17) (62) (25)

Company risk (changes in bp)

US Non-Retail CDS 402 (2) (2) (17) (62) (25)
 EU Non-Retail CDS 138 (2) (2) (17) (62) (25)
 UK Non-Retail CDS 226 (1) (1) (17) (62) (25)

Libor and swap markets (changes in bp)

US 1M swap 3m 13 (2) (2) (10) (10)
 US 1M swap 6m 40 (1) (1) (10) (10)
 US 1M swap 12m 37 (2) (2) (10) (10)

US 3M swap 3m 31 (2) (2) (10) (10)
 US 3M swap 6m 40 (1) (1) (10) (10)
 US 3M swap 12m 32 (2) (2) (10) (10)

Spain 12M swap 3m 6 (2) (2) (10) (10)
 Korea Index 424 (2) (2) (10) (10)
 Eurobar 4 (2) (2) (10) (10)
 Eurobar 14 (2) (2) (10) (10)
 Libor 3m 1.5 (2) (2) (10) (10)
 Libor 6m 1.5 (2) (2) (10) (10)

Stock markets (changes in percentage)

30 day equity returns

S&P500 1807 (1) (1) (10) (10) (10)
 Dow Jones 1816 (1) (1) (10) (10) (10)
 Nikkei 1805 (2) (2) (10) (10) (10)
 FTSE 100 2017.3 (2) (2) (10) (10) (10)
 Hang Seng 1912 (1) (1) (10) (10) (10)
 BSE SENSEX 141 (1) (1) (10) (10) (10)
 CSI 300 117 (1) (1) (10) (10) (10)
 CAC40 121 (1) (1) (10) (10) (10)
 IBEX 35 131 (1) (1) (10) (10) (10)
 ASI Athens 148 (2) (2) (10) (10) (10)

1 year equity

US S&P 77 (2) (2) (10) (10) (10)
 JPX 26 (1) (1) (10) (10) (10)
 CSI 48 (2) (2) (10) (10) (10)
 BSE 25 (2) (2) (10) (10) (10)
 CSI 300 42 (2) (2) (10) (10) (10)
 CAC 15 (2) (2) (10) (10) (10)
 IBEX 16 (2) (2) (10) (10) (10)

US banks

US banks 76 (2) (2) (10) (10) (10)
 WFC 174 (2) (2) (10) (10) (10)
 BAC 200 (2) (2) (10) (10) (10)
 Citigroup 182 (2) (2) (10) (10) (10)
 Wells Fargo 149 (2) (2) (10) (10) (10)

EU banks

EU banks 88 (2) (2) (10) (10) (10)
 BNP 41 (2) (2) (10) (10) (10)
 Citigroup 5 (2) (2) (10) (10) (10)
 Deutsche Bank 17 (1) (1) (10) (10) (10)
 HSBC 10 (2) (2) (10) (10) (10)
 Barclays 11 (2) (2) (10) (10) (10)

Large Spanish banks

Large Spanish banks 80 (2) (2) (10) (10) (10)
 Santander 4 (2) (2) (10) (10) (10)
 BBVA 15 (2) (2) (10) (10) (10)

Medium Spanish banks

Medium Spanish banks 72 (2) (2) (10) (10) (10)
 Caixabank 2 (2) (2) (10) (10) (10)
 Pousa 2 (2) (2) (10) (10) (10)
 Banco 1 (2) (2) (10) (10) (10)

Greek banks

Greek banks 24 (4) (4) (10) (10) (10)
 Alpha Bank 1 (2) (2) (10) (10) (10)
 Piraeus Bank 1 (2) (2) (10) (10) (10)
 Eurobank Ergasys 7 (2) (2) (10) (10) (10)

Money market

WGC Liquor 52711 (1) (1) (10) (10) (10)
 Bloomberg 27041 (1) (1) (10) (10) (10)
 Bank 1122 (2) (2) (10) (10) (10)

WGC 1M Euro 409 (4) (4) (10) (10) (10)
 France 173 (2) (2) (10) (10) (10)
 Korea Finance 178 (2) (2) (10) (10) (10)
 M 100 (Turkey) 7899 (2) (2) (10) (10) (10)

WGC 1M ADR 111 (1) (1) (10) (10) (10)
 Singapore Composite China 278 (4) (4) (10) (10) (10)
 Zurich Composite Indonesia 475 (1) (1) (10) (10) (10)

Bank notes

Turkish bank 70 (2) (2) (10) (10) (10)
 Asian 7 (2) (2) (10) (10) (10)
 Saudi 1 (2) (2) (10) (10) (10)
 Turkey 1 (2) (2) (10) (10) (10)

Russian bank 134 (4) (4) (10) (10) (10)
 Chinese 92 (2) (2) (10) (10) (10)
 VTB Bank 1 (1) (1) (10) (10) (10)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.08 (1) (1) (10) (10) (10)
 GBPUSD 1.45 (1) (1) (10) (10) (10)
 USDJPY 118 (1) (1) (10) (10) (10)
 DXY 95.8 (2) (2) (10) (10) (10)

1 year returns

USDA80 Argentina 13.84 (4) (4) (10) (10) (10)
 USDA80 Brazil 4.97 (1) (1) (10) (10) (10)
 USDA80 Canada 177.88 (4) (4) (10) (10) (10)
 USDA80 China 196.8 (1) (1) (10) (10) (10)
 USDA80 Mexico 18 (1) (1) (10) (10) (10)
 USDA80 Peru 1.47 (1) (1) (10) (10) (10)
 USDA80 Russia 1.47 (1) (1) (10) (10) (10)
 USDA80 Turkey 1.47 (1) (1) (10) (10) (10)

USDA80 France 1 (1) (1) (10) (10) (10)
 USDA80 Germany 1 (1) (1) (10) (10) (10)
 USDA80 Italy 1 (1) (1) (10) (10) (10)
 USDA80 Japan 1 (1) (1) (10) (10) (10)
 USDA80 Korea 1 (1) (1) (10) (10) (10)
 USDA80 Mexico 1 (1) (1) (10) (10) (10)
 USDA80 Netherlands 1 (1) (1) (10) (10) (10)
 USDA80 Portugal 1 (1) (1) (10) (10) (10)
 USDA80 Spain 1 (1) (1) (10) (10) (10)

Commodities (change in percentage)

Brent 11.6 (1) (1) (10) (10) (10)
 Copper 102 (2) (2) (10) (10) (10)
 Gold 118 (1) (1) (10) (10) (10)
 Iron Ore 104 (1) (1) (10) (10) (10)
 USDC 102 (2) (2) (10) (10) (10)
 USDC 102 (2) (2) (10) (10) (10)
 USDC 102 (2) (2) (10) (10) (10)

Value weighting (changes in %)

US 100 1.1 (1) (1) (10) (10) (10)
 US 500 1.1 (1) (1) (10) (10) (10)
 US 200 1.1 (1) (1) (10) (10) (10)
 US 100 1.1 (1) (1) (10) (10) (10)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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