

# Market Comment | Central banks and oil prices as main drivers last week

Global Financial Markets Unit  
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- **Worse-than-expected payrolls in the US but with increasing wages.** US non-farm payrolls in January increased below estimates (by 151K; consensus: 190K; previous month: 262K), but the manufacturing payrolls rose against estimates of decreasing (by 29K; consensus: -2K; previous: 13K), helping the unemployment rate to fall slightly unexpectedly (at 4.9%; consensus: 5.0%). In addition, despite the slowdown in jobs growth, wages rose more than expected (by 0.5% MoM; consensus: 0.3%), which were the most positive data today.
- **Central banks and oil prices as main drivers last week.** Uncertainty in financial markets remained during the week. The main market drivers were the high volatility in oil prices and the dovish tone across central banks in the developed markets. Last week's rebound in oil prices lost steam, hampered by worse-than-expected confidence prints in both China and the US (Brent: -1.2% WTx: -6.1%). Moreover, the volatility of oil prices surged (+7.8%, reaching new highs) on unconfirmed rumours of possible cuts in oil output. However, the second part of the week's market trend was determined by the dovish comment from the main central banks' officials, that paved the way for increasing expectations of a possible period of competitive easing among the main central banks. Following last week's cut by the BoJ to negative rates, William Dudley (NY Fed president) warned about the negative effects of the external environment and extra tightening in US monetary policy on the US economy. This had a significant effect on the US dollar, which decisively broke the EURUSD 1.10 barrier and erased the market's expectations of a second rate hike in March. However, Mario Draghi also reinforced the dovish tone - as revealed in the last communiqué from the ECB Governing Council - with a speech in which he stressed the bank's total commitment to its inflation target. Last but not least, the BoE decided to keep UK rates at 0.5% for at least a further year, with a very accommodative tone: the monetary authority voted nine to zero to keep rates unchanged (previous meetings had been eight to one). However, in the end the Fed won the game, and the USD ended the week showing substantial depreciation against G-10 currencies, although it appreciated slightly after the release of January's payroll data. Moreover, the yen returned to its levels prior to the announcement of the BoJ's negative reserve interest rate. (EUR: +2.81%, GBP: +1.55%, JPY: +3.44%). Meanwhile, EM currencies showed a mixed performance against the US dollar (RUB: -2.4%, BRL: +2.0%, MXN: -1.6%, COP: -1.1%, CLP: +1.0% TRY: +1.2%) with those most linked to oil prices depreciating due to the fluctuations in the oil price. The US bond market reflected the dovish tone of the Fed's official statement, dragging US Treasury interest rates lower across all tenors (2Y: -4bp, 10Y: -5bp). On the other hand, Draghi's comments had minimal impact on European Core yields, which ended the week broadly flat. However, peripheral yields surged (ITA 10Y: +14bp, SPA 10Y: +13bp, POR 10Y: +25bp), widening the peripheral risk premia (ITA: +17bp, SPA: +16bp, POR: +28bp). On the equity markets, European indices plunged during the week (Euro Stoxx: -5.5%, IBEX: -3.6%, DAX: -5.3%, CAC: -4.9%), mainly hampered by the Energy sector - due to rating agencies' negative views and the confusion over oil prices and Supplies - and the financial sector. In the same vein, US equity markets declined (S&P: -2.8%, Dow: -1.5%) dragged by the worse-than-expected 4Q corporate earnings.

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Table1





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

**Debt markets (change in bp)**

**Government bonds**

US 2yr	6.74 (4.4) (26.2) (3)
US 5yr	3.27 (4.6) (12.7) (4)
US 10yr	1.07 (0.1) (0.9) (4)

**Japan**

Japan 10yr	0.01 (0.1) (0.1) (2) (24)
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**Germany**

GER 2yr	4.48 (0.1) (4.3) (4)
GER 5yr	2.32 (0.1) (2.2) (2)
GER 10yr	1.3 (0.1) (1.2) (2)

**France**

France 10yr	5.76 (0.1) (5.6) (2)
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**Italy**

Italy 10yr	5.56 (2.1) (3.4) (1)
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**Spain**

Spain 10yr	5.84 (0.1) (5.7) (1)
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**Poland**

Poland 10yr	3.32 (2.1) (1.2) (1)
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**Russia**

Russia 10yr	15.3 (0.1) (15.2) (1)
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**Turkey**

Turkey 10yr	10.36 (1.1) (9.2) (1)
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**Indonesia**

Indonesia 10yr	8.02 (0.1) (7.9) (1)
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**Country risk (change in bp)**

**10yr sovereign spreads (against Germany)**

Belgium	46 (0.2) (45.8) (2)
France	30 (0.1) (29.9) (2)
Germany	37 (1.1) (35.9) (1)
Italy	101 (0.1) (100.9) (1)
Spain	102 (0.1) (101.9) (1)
Netherlands	13 (0.1) (12.9) (2)
Portugal	231 (0.2) (229.8) (1)
Spain	134 (0.1) (133.9) (1)

**5yr sovereign spreads (against Germany)**

Belgium	19 (0.1) (18.9) (2)
France	12 (0.1) (11.9) (2)
Germany	10 (0.1) (9.9) (2)
Italy	71 (0.1) (70.9) (1)
Netherlands	2 (0.1) (1.9) (2)
Portugal	101 (0.1) (100.9) (1)
Spain	77 (0.1) (76.9) (1)

**3yr sovereign spreads (against Germany)**

Belgium	8 (0.1) (7.9) (2)
France	5 (0.1) (4.9) (2)
Germany	4 (0.1) (3.9) (2)
Italy	41 (0.1) (40.9) (1)
Netherlands	1 (0.1) (0.9) (2)
Portugal	48 (0.1) (47.9) (1)
Spain	48 (0.1) (47.9) (1)

**5yr sovereign CDS**

5yr CDS Belgium	41 (0.1) (40.9) (1)
5yr CDS France	36 (0.1) (35.9) (1)
5yr CDS Germany	35 (0.1) (34.9) (1)
5yr CDS Canada	8 (0.1) (7.9) (2)
5yr CDS Ireland	47 (0.1) (46.9) (1)
5yr CDS Italy	129 (0.1) (128.9) (1)
5yr CDS Netherlands	17 (0.1) (16.9) (2)
5yr CDS Portugal	245 (0.1) (244.9) (1)
5yr CDS Spain	99 (0.1) (98.9) (1)
5yr CDS UK	24 (0.1) (23.9) (1)
5yr CDS US	22 (0.1) (21.9) (1)

**5yr sovereign CDS**

5yr CDS Mexico	452 (0.1) (451.9) (1)
5yr CDS China	13 (0.1) (12.9) (2)
5yr CDS Colombia	28 (0.1) (27.9) (2)
5yr CDS Mexico	186 (0.1) (185.9) (1)
5yr CDS Peru	202 (0.1) (201.9) (1)
5yr CDS Venezuela	1202 (0.1) (1201.9) (1)

**5yr CDS Russia**

5yr CDS Russia	305 (0.1) (304.9) (1)
5yr CDS Turkey	233 (0.1) (232.9) (1)
5yr CDS China	136 (0.1) (135.9) (1)
5yr CDS India	230 (0.1) (229.9) (1)
5yr CDS Indonesia	239 (0.1) (238.9) (1)

**Credit risk**

**Risk-adjusted ratings (percentage exceed for 5AAA spreads, 00)**

VIX 21	18.1 (4.8) (13.3) (5)
VIX 30	14.9 (3.7) (11.2) (5)
Eur EFT volatility index	32 (0.1) (31.9) (2)
Delinquency ratio	5.1 (0.1) (5.0) (1)
Eur FX volatility index	32 (0.1) (31.9) (2)
Credit spread (BAA)	332.3 (0.1) (332.2) (1)
US bonds volatility index	84 (0.1) (83.9) (1)

**Bank risk (change in bp)**

US banks CDS	87 (0.1) (86.9) (1)
UK banks CDS	128 (0.1) (127.9) (1)
Large Spanish banks CDS	171 (0.1) (170.9) (1)
Medium Spanish banks CDS	224 (0.1) (223.9) (1)
UK banks CDS	128 (0.1) (127.9) (1)

**Large Spanish banks CDS**

Large Spanish banks CDS	171 (0.1) (170.9) (1)
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**Medium Spanish banks CDS**

Medium Spanish banks CDS	224 (0.1) (223.9) (1)
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**Greek banks CDS**

Greek banks CDS	142 (0.1) (141.9) (1)
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**Russian banks CDS**

Russian banks CDS	247 (0.1) (246.9) (1)
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**Country risk (change in bp)**

US Non-Ancora CDS	0 (0.1) (0.0) (2)
UK Non-Ancora CDS	0 (0.1) (0.0) (2)
UK Non-Ancora CDS	0 (0.1) (0.0) (2)

**Interbank markets (change in bp)**

**US 3m secured 3m**

US 3m secured 3m	27 (0.1) (26.9) (1)
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**US 3m unsecured 3m**

US 3m unsecured 3m	27 (0.1) (26.9) (1)
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**US 6m secured 6m**

US 6m secured 6m	27 (0.1) (26.9) (1)
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**US 6m unsecured 6m**

US 6m unsecured 6m	27 (0.1) (26.9) (1)
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**US 12m secured 12m**

US 12m secured 12m	27 (0.1) (26.9) (1)
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**US 12m unsecured 12m**

US 12m unsecured 12m	27 (0.1) (26.9) (1)
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**Spain Fed Spread 3m**

Spain Fed Spread 3m	14 (0.1) (13.9) (1)
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**EURibor**

EURibor 3m	4.37 (0.1) (4.2) (1)
EURibor 6m	4.37 (0.1) (4.2) (1)
EURibor 12m	4.37 (0.1) (4.2) (1)

**Libor**

Libor 3m	4.02 (0.1) (3.9) (1)
Libor 6m	4.02 (0.1) (3.9) (1)
Libor 12m	4.02 (0.1) (3.9) (1)

**Stock markets (Change in percentage)**

**Major global indices**

S&P500	182.1 (0.1) (182.0) (1)
Dow Jones	12571.2 (1.1) (12570.1) (1)
Nikkei	18819.3 (1.1) (18818.2) (1)
FTSE 100	5445.1 (0.1) (5445.0) (1)
Euro Stoxx 50	2379.1 (0.1) (2379.0) (1)
MSCI World	181.2 (0.1) (181.1) (1)
DAV	874.1 (0.1) (874.0) (1)
CAC40	6114.8 (0.1) (6114.7) (1)
ASX	6053.1 (0.1) (6053.0) (1)

**Developing**

US banks	79 (0.1) (78.9) (1)
JPM	57 (0.1) (56.9) (1)
Ch	40 (0.1) (39.9) (1)
Bank	13 (0.1) (12.9) (2)
W	27 (0.1) (26.9) (1)
OS	106 (0.1) (105.9) (1)

**UK banks**

UK banks	72 (0.1) (71.9) (1)
HSBC	47 (0.1) (46.9) (1)
BNP	24 (0.1) (23.9) (1)
Barclays	17 (0.1) (16.9) (1)
Lloyds	15 (0.1) (14.9) (1)

**EU banks**

EU banks	81 (0.1) (80.9) (1)
BNP	41 (0.1) (40.9) (1)
Crédit Agricole	6 (0.1) (5.9) (2)
Crédit Suisse	12 (0.1) (11.9) (2)
ING	10 (0.1) (9.9) (2)
Intesa	24 (0.1) (23.9) (1)
SG	31 (0.1) (30.9) (1)
Unicredit	32 (0.1) (31.9) (1)

**Large Spanish banks**

Large Spanish banks	84 (0.1) (83.9) (1)
Banque	3 (0.1) (2.9) (2)
BBVA	3 (0.1) (2.9) (2)

**Medium Spanish banks**

Medium Spanish banks	71 (0.1) (70.9) (1)
Caixa	3 (0.1) (2.9) (2)
Popular	3 (0.1) (2.9) (2)
Santander	3 (0.1) (2.9) (2)
Banque	3 (0.1) (2.9) (2)

**Greek banks**

Greek banks	23 (0.1) (22.9) (1)
Alpha Bank	1 (0.1) (0.9) (2)
First Bank	1 (0.1) (0.9) (2)
Bank of Greece	1 (0.1) (0.9) (2)

**Indian banks**

Indian banks	142 (0.1) (141.9) (1)
Axis Bank	1 (0.1) (0.9) (2)
State Bank of India	1 (0.1) (0.9) (2)
ICICI Bank	1 (0.1) (0.9) (2)

**Commodity prices (change in percentage)**

**Energy**

WTI	31.05 (0.1) (30.7) (1)
Crude	29.25 (0.1) (28.9) (1)
Gold	1915.49 (0.1) (1915.3) (1)
Bitcoin	280 (0.1) (279.9) (1)
USD/JPY	109.5 (0.1) (109.4) (1)
EUR/USD	1.14 (0.01) (1.13) (0.2)
GBP/USD	1.45 (0.01) (1.44) (0.2)
USD/CHF	1.05 (0.01) (1.04) (0.2)
USD/INR	74.5 (0.1) (74.4) (1)

**Metals**

USDCOP	14.7 (0.1) (14.6) (1)
USDCOP	13.2 (0.1) (13.1) (1)
USDCOP	13.2 (0.1) (13.1) (1)
USDCOP	13.2 (0.1) (13.1) (1)
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**Grains**

USDCOP	13.2 (0.1) (13.1) (1)
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USDCOP	13.2 (0.1) (13.1) (1)

**Commodity flows (change in percentage)**

**Energy**

WTI	31.05 (0.1) (30.7) (1)
Crude	29.25 (0.1) (28.9) (1)
Gold	1915.49 (0.1) (1915.3) (1)
Bitcoin	280 (0.1) (279.9) (1)
USD/JPY	109.5 (0.1) (109.4) (1)
EUR/USD	1.14 (0.01) (1.13) (0.2)
GBP/USD	1.45 (0.01) (1.44) (0.2)
USD/CHF	1.05 (0.01) (1.04) (0.2)
USD/INR	74.5 (0.1) (74.4) (1)

**Metals**

USDCOP	14.7 (0.1) (14.6) (1)
USDCOP	13.2 (0.1) (13.1) (1)
USDCOP	13.2 (0.1) (13.1) (1)
USDCOP	13.2 (0.1) (13.1) (1)
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**Grains**

USDCOP	13.2 (0.1) (13.1) (1)
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\*CDS, EMBI & MSCI indices with one day delay

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

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