BBVA Research

# Market Comment | Movements to safe havens increased amid global growth uncertainties

Global Financial Markets Unit
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- **Germany's industrial production plunged in December,** against estimates of an increase (by -1.2% MoM; BBVAe: +0.4%, consensus: +0.5%), and in annual terms dropped more than expected (by -2.2% YoY; consensus: -0.6%).

- **The IEA's February report foresees lower oil demand.** The report forecasts global oil demand to decrease from a five-year high of 1.6 million barrels per day (mb/d) in 2015 to 1.2mb/d in 2016, pulled down by notable slowdowns in Europe, China and the United States, according to newly-released IEA figures. On the other hand, supply may exceed consumption by an average of 1.75mb/d in the period, compared with an estimate of 1.5mb/d last month.

- **Movements to safe havens increased amid global growth uncertainties.** Uncertainty about the global growth outlook continued as the main driver in financial markets. Against this backdrop, the rebalancing process - from risk assets to safe-haven assets - is accelerating strongly. Consequently, the risk assets suffered a slump for the second day in a row. European equity markets fell further after yesterday's sell-off and have now fallen to 2013 low levels (Euro Stoxx: -1.7%, IBEX: -2.4%, DAX: -1.1%, CAC: -1.7%, MIB: -3.2%), dragged by cyclical sectors and especially by the financial sector. The release of worse-than-expected industrial production figures in Germany did not help to recover part of yesterday's falls. Along the same lines, US indices opened by falling (S&P: -0.4%, Dow: -0.3%). Furthermore, the Japanese Nikkei fell by 5%, ballasted by the financial sector and by the appreciation of JPY, which is set at maximum levels against USD (since mid-2014), due to flight to quality. This risk-off mood also drove the 10Y Japanese sovereign yield into negative territory. The remaining sovereign yields stayed broadly unchanged after yesterday's violent changes: US treasury yields remained stable, moderating their decrease after having dropped sharply in the previous session. In the same way, European yields remained unchanged across the board. The main exception was Portugal, as its 10Y yield continued to suffer strong punishment. As a result, the Portuguese risk premium increased sharply (+27bp). On FX markets, the USD depreciated against almost all major currencies, especially against safe-haven currencies (EUR: +1.05%, JPY: +0.75%). Furthermore, the new highs in the Japanese yen present a very worrying situation for Japanese monetary authorities; one of the main weapons of Abenomics is to ease the monetary conditions, among other things, via a "cheap JPY". EM currencies showed a mixed performance with some of the most commodity-linked depreciating (COP: -0.9%, CLP: -0.4%, MXN: -0.6%, RUB: -1.0%) due to the deterioration in oil prices, which was hampered by the IEA warning about the even larger oversupply in the oil markets (Brent: -3.3%, WTI: -2.0%, copper: -2.4%). Meanwhile, European emerging currencies linked to the EUR appreciated against the USD (PLN: +1.1%, CZK: +1.33%, TRY: +0.37%).

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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 0,68 (1) (-4) (-25) (-37)
US 5-yr 1,15 (0) (-11) (-41) (-61)
US 10-yr 1,73 (-1) (-11) (-38) (-53)

Japan 10-yr -0,03 (-7) (-11) (-25) (-29)

GER 2-yr -0,52 (-1) (-4) (-13) (-18)
GER 5-yr -0,29 (-1) (2) (-16) (-25)
GER 10-yr 0,23 (2) (-7) (-28) (-40)

Belgium 10-yr 0,76 (3) (-2) (-11) (-21)
France 10-yr 0,61 (2) (-3) (-27) (-38)
Greece 10-yr 10,79 (61) (136) (211) (250)
Ireland 10-yr 1,09 (5) (13) (9)
Italy 10-yr 1,68 (1) (20) (16) (9)
Netherlands 10-yr 0,4 (2) (-4) (-30) (-40)
Portugal 10-yr 3,67 (29) (69) (107) (116)
Spain 10-yr 1,75 (0) (17) (4) (-2)

Emerging Markets

Brazil 10-yr 16,21 (0) (-3) (3) (-30)
Chile 10-yr 4,47 (1) (0) (-14) (-19)
Colombia 10-yr 9,07 (3) (6) (21) (41)
Mexico 10-yr 6,1 (1) (3) (-9) (-16)
Peru 10-yr 7,55 (2) (-12) (12) (24)

Poland 10-yr 3,15 (1) (-2) (22) (21)
Russia 5-yr 10,47 (8) (-3) (61) (59)
Russia 10-yr 10,32 (7) (-6) (76) (76)
Turkey 10-yr 10,53 (0) (-9) (-36) (6)

India 10-yr 7,84 (0) (-1) (9) (8)
Indonesia 10-yr 8,04 (2) (-7) (-77) (-71)

**Country risk** *(changes in bp)*

Developed Markets

10-yr sovereign spreads *(against Germany)*
Belgium 52 (2) (6) (17) (18)
France 38 (0) (4) (1) (2)
Greece 1056 (60) (144) (239) (290)
Ireland 85 (3) (21) (37) (33)
Italy 145 (-1) (27) (44) (48)
Netherlands 16 (1) (3,7) (-2) (0)
Portugal 344 (27) (76,1) (135) (155)
Spain 152 (-1) (24) (32) (38)

5-yr sovereign spreads *(against Germany)*
Belgium 9 (2) (-3,5) (-2) (2)
France 15 (2) (-3) (-1) (3)
Greece 1632 (1) (-2) (16) (25)
Ireland 39 (1) (6) (14) (14)
Italy 91 (3) (15) (23) (36)
Netherlands 1 (2) (-3,1) (-4) (1)
Portugal 255 (27) (58) (119) (144)
Spain 92 (3) (14) (16) (20)

2-yr sovereign spreads *(against Germany)*
Belgium 7 (1) (2) (2) (3)
France 8 (1) (0,4) (3) (5)
Ireland 21 (0) (6) (9) (7)
Italy 59 (2) (12) (20) (27)
Netherlands 3 (0) (0) (4) (6)
Portugal 120 (14) (32) (70) (75)
Spain 54 (3) (7) (14) (19)

5-yr sovereign CDS
5-yr CDS Belgium 45 (5) (2) (5) (13)
5-yr CDS France 38 (6) (2) (3) (12)
5-yr CDS Germany 20 (4) (2) (1) (7)
5-yr CDS Greece 1434 (151) (20) (185) (376)
5-yr CDS Ireland 52 (3) (1) (7) (12)
5-yr CDS Italy 146 (15) (12) (18) (51)
5-yr CDS Netherlands 21 (2) (0) (3) (6)
5-yr CDS Portugal 278 (28) (20) (47) (110)
5-yr CDS Spain 110 (10) (6) (-1) (21)
5-yr CDS UK 36 (5) (2) (8) (16)
5-yr CDS US 22 (0) (1) (1) (3)

Emerging Markets

5-yr sovereign CDS
5-yr CDS Brazil 470 (12) (5) (-7) (-21)
5-yr CDS Chile 138 (7) (6) (7) (12)
5-yr CDS Colombia 299 (13) (19) (40) (61)
5-yr CDS Mexico 212 (10) (16) (30) (42)
5-yr CDS Peru 213 (12) (6) (16) (28)
5-yr CDS Venezuela 8044 (521) (-482) (1650) (2001)

5-yr CDS Poland97 (5) (6) (23) (25)
5-yr CDS Russia 356 (20) (24) (32) (54)
5-yr CDS Turkey 300 (14) (20) (7) (27)

5-yr CDS China 144 (5) (15) (24) (36)
5-yr CDS India 187 (10) (15) (30) (39)
5-yr CDS Indonesia 249 (7) (12) (2) (23)

**Credit risk**

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 27,19 (4,6) (23,7) (0,7) (9)
VSTOXX 33,97 (1,7) (16,5) (11,7) (12)
EM EFT volatility Index 37 (4) (18) (8) (63)
Dollar/euro volatility 10,8 (1,8) (27,6) (6,2) (12)
EM FX volatility index 13 (0) (4) (8) (13)
Credit spread (BAA) 354,4 (1,2) (2,9) (20,7) (31)
US bonds volatility index 89 (0) (15) (26) (32)

Bank risk *(changes in bp)*
US banks CDS 122 (14) (32) (40) (47)
EMU banks CDS 160 (17) (47) (74) (76)
UK banks CDS 163 (22) (59) (81) (85)

Large Spanish banks CDS 192 (16) (36) (47) (55)
Medium Spanish banks CDS 247 (13) (33) (76) (90)

Greek banks CDS 1412 (-15) (-77) (-211) (-240)
Russian banks CDS 462 (18) (35) (70) (80)

Corporate risk *(changes in bps)*
US Non-financial CDS 0 (0) (0) (-391) (-382)
EMU Non-financial CDS 0 (0) (0) (-182) (-173)
UK Non-financial CDS 0 (0) (0) (-209) (-192)

**Interbank markets** *(changes in bp)*
UEM OIS spread 3m 15 (1) (2) (4) (5)
UEM OIS spread 12m 42 (1) (1) (6) (9)
UEM TED spread 3m 32 (0) (4,9) (-11) (-9)

US OIS spread 3m 24 (0) (1) (1) (2)
US OIS spread 12m 73 (1) (4) (13) (17)
US TED spread 3m 33 (-3) (4) (-10) (-12)

Spain Ted Spread 3m 11 (-2) (-3,8) (3) (7)

EONIA Index -0,24 (0) (-1) (-1) (-12)
Euribor 3m -0,17 (0) (-1) (-3) (-4)
Euribor 12m 0 (0) (-1) (-6) (-6)

Libor 3m 0,62 (0) (0) (0) (1)
Libor 12m 1,14 (0) (0) (-2) (-4)

**Stock markets** *(Changes in percentage)*

Developed Markets

Main equity indices
S&P500 1846,3 (-0,4) (-3) (-3,9) (-10)
Dow Jones 15973,3 (-0,3) (-1,1) (-2,3) (-8)
Nikkei 16085,4 (-5,4) (-9,4) (-9,1) (-15)
FTSE 100 5632,2 (-1) (-4,9) (-4,7) (-10)
EuroStoxx 50 2736,5 (-1,7) (-7,3) (-8,8) (-16)
IBEX7927,6 (-2,4) (-7) (-11) (-17)
DAX 8879,4 (-1,1) (-7,3) (-9,6) (-17)
CAC3997,5 (-1,7) (-6,7) (-7,6) (-14)
MIB 15913,1 (-3,2) (-11,2) (-19,9) (-26)
ASE Athens 450,8 (-2,9) (-18,4) (-23,1) (-29)

Bank stocks
US banks 72,4 (-0,7) (-5,1) (-14,3) (-23)
JPM 55,6 (-1,6) (-2,4) (-6,6) (-16)
Citi 37,4 (-1) (-7,4) (-18,6) (-28)
BoA 12,2 (-0,5) (-7,7) (-19,7) (-27)
MS 23 (1,2) (-6,3) (-19,1) (-28)
GS 147,9 (-0,9) (-2,5) (-9,8) (-18)

UK banks 67,3 (-2,5) (-7,5) (-17,7) (-23)
HSBC 432,5 (-1,4) (-7,5) (-13,3) (-19)
RBS 225,6 (-2,2) (-6,2) (-20,4) (-25)
Barclays 156,3 (-4,7) (-10,1) (-21,9) (-29)
Lloyds 58,1 (-2,1) (-6,2) (-15,6) (-20)

EMU banks 73,2 (-6) (-11,2) (-26,5) (-32)
BNP 37,9 (-3,6) (-7,3) (-21) (-27)
Crédit Agricole 7,8 (-4,5) (-9,4) (-21,7) (-28)
Deutsche Bank 13,2 (-4,3) (-15,7) (-35,4) (-41)
ING 9,4 (-4,8) (-5,6) (-18,3) (-24)
Intesa 2,1 (-6,2) (-13,3) (-25,9) (-31)
SG 28,8 (-4,4) (-11,5) (-25,9) (-32)
Unicredito 2,8 (-7,9) (-18,6) (-40,7) (-46)

Large Spanish banks 58 (-4,3) (-5,6) (-15,7) (-23)
Santander 3,4 (-3,9) (-6,4) (-16,3) (-26)
BBVA 5,3 (-4,7) (-6,1) (-15,3) (-21)

Medium Spanish banks 65,2 (-3,6) (-8,2) (-13,7) (-21)
Caixabank 2,4 (-1,2) (-4,1) (-16,9) (-24)
Popular 2,1 (-4,5) (-8) (-21,7) (-32)
Sabadell 1,4 (-5,7) (-10,9) (-8,5) (-13)
Bankinter 5,8 (-3,3) (-6) (-5,2) (-11)
Bankia 0,8 (-2,9) (-11,4) (-21,1) (-28)

Greek banks 1,8 (-4,2) (-43,3) (-53) (-60)
Alpha Bank 1,1 (0) (-37,1) (-46,2) (-55)
Piraeus Bank 0,1 (-49,5) (-63,4) (-67)
National Central Bank 0,1 (-9,7) (-46,2) (-54,2) (-62)
Eurobank Ergasias 0,3 (-12,1) (-53,6) (-64) (-67)

Emerging Markets

Main equity indices
MSCI Latam 57589 (-0,5) (-1) (2,9) (-2,9)
Ibovespa (Brazil) 40592 (0) (5,2) (0) (-8,4)
Mexbol 42377 (-0,9) (-1,7) (5,2) (-1,4)

MSCI EM Europe 4032 (-2,89) (-3,6) (-2,1) (-5,1)
Poland 1767 (-0,1) (2,1) (2,5) (-4,9)
Micex (Russia) 1723 (-1,2) (-2) (-1,4) (-2,2)
Ise 100 (Turkey) 71415 (-0,8) (-1,5) (1,1) (-0,4)

MSCI EM Asia 615 (-0,23) (-1,1) (-1,3) (-4,9)
Shanghai Composite (China) 2763 (0) (0,5) (-13,3) (-21,9)
Jakarta Composite (Indonesia) 4769 (-0,6) (3,9) (4,9) (4)

Bank stocks
Turkish banks 74 (0) (-0,6) (1,4) (0,6)
Akbank T.A.S. 7 (1,1) (2,4) (7,3) (7,5)
Garanti 7 (-0,1) (-2,6) (0,4) (-1,1)
Turkiye Is Bankasi 4 (-1,1) (-2) (-4,4) (-5,2)

Russian banks 137 (-1,2) (-1,6) (-5,3) (-10)
Sberbank 94 (-0,9) (-0,5) (-3,1) (-7,3)
VTB Bank 0,1 (-1,8) (-3,2) (-8,9) (-14,1)

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

Developed Markets

EURUSD 1,131 (1,05) (3,58) (3,6) (4,1)
GBPUSD 1,45 (0,44) (0,6) (-0,1) (-1,6)
USDJPY 114,98 (0,75) (4,16) (1,9) (4,4)
DXY 95,8 (0,8) (3,1) (2,8) (2,9)

Emerging Markets

USDARS (Argentina) 14,37 (0) (-1,6) (-3,5) (-11,1)
USDBRL (Brazil) 3,9 (0) (2,2) (3) (1,4)
USDCLP (Chile) 712,33 (-0,4) (0,2) (2,1) (-0,5)
USDCOP (Colombia) 3400,69 (-0,9) (-0,2) (-4,1) (-7,1)
USDMXN (Mexico) 18,78 (-0,6) (-1,6) (-4,7) (-9,1)
USDPEN (Peru) 3,5 (-0,2) (-0,2) (-2,2) (-2,6)
LACI 60,08 (-0,1) (0,1) (-1,1) (-4,1)

USDPLN (Poland) 3,93 (1,1) (2,6) (1,7) (-0,2)
USDRUB (Russia) 78,78 (-1) (1,3) (-5,4) (-8,6)
USDTRY (Turkey) 2,93 (0,4) (0,6) (2,8) (-0,6)

USDCNY (China) 6,57 (0) (0,1) (0,3) (-1,2)
USDINR (India) 67,9 (0,1) (0,1) (-1,9) (-2,6)
USDIDR (Indonesia) 13612 (-0,1) (0,6) (2,2) (1,3)
ADXY 106,07 (0,3) (0,7) (1) (-0,4)

**Commodities** *(change in percentage)*
Brent 31,81 (-3,3) (-2,8) (-5,2) (-14,7)
WTx 29,09 (-2) (-2,6) (-12,3) (-21,5)
Copper 203,85 (-2,4) (-0,7) (1,1) (-4,1)
Gold 1194,39 (0,4) (5,8) (8,2) (12,5)
Baltic Dry Index 293 (0) (-5,5) (-31,7) (-38,7)
S&P GSCI Spot commodity index 288,886 (0) (1,2) (-2,3) (-7,3)
S&P GSCI Brent Spot 282,281 (0) (1,4) (-2,8) (-12)
S&P GSCI Metals Spot 250,99 (0) (1) (3,3) (-0,8)
S&P GSCI Agricultural Spot 275,386 (0) (-2) (-1,9) (-2,9)

Source: Bloomberg, Datastream and Haver

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

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Spain with number 0182.