

# Market Comment | Rebound in financial markets led by the banking sector

Global Financial Markets Unit  
10 Feb 2016

- **Yellen warned of increasing risks, but did not close the door on a gradual tightening.** Janet Yellen appeared before the House Financial Services Committee, where she warned about global risk - especially China's economic outlook - and its impact on US growth. "These developments, if they prove persistent, could weigh on the outlook for economic activity and the labour market, although declines in longer-term interest rates and oil prices provide some offset," she said. However, despite the global risk, Yellen pointed out that the Fed could raise interest rates gradually, underpinned by the labour market data and the increase in wages.
- **Disappointing industrial production in Europe.** French industrial production declined in December against estimates of an increase (by -1.6% MoM; BBVAe: +0.1%, consensus: +0.3%), while manufacturing production also fell unexpectedly (by -0.8% MoM; consensus: 0.3%). Meanwhile, Italian industrial production dropped unexpectedly (by -0.7% MoM; BBVAe: +0.4%, consensus: 0.3%).
- **Rebound in financial markets fuelled by Yellen's cautious optimism.** Risk assets rebounded today after the recent sell-off across asset classes. The assets and sectors that had been most punished during the last few days were the ones that rebounded most today. Despite new falls on Asian equity markets, European assets opened with a very positive tone, and it was reinforced by the rise in oil prices (Brent: +1.2%) due to better-than-expected US inventories data (released last night). Janet Yellen's intervention also fuelled the rebound and contributed to briefly reverse the negative trend in the US's equity market and prevented further fall in US yields (close to minimum level of January 2015). In fact, it caused a slight increase in the betting for a further rate hike in the coming months (in June, specifically: rising to 16% from 10%). The Fed Chair showed her concerns about the impact of the global economic cycle on the US's economic outlook, but also pointed out that a gradual tightening could be possible on the back of the wage and employment data. Against this backdrop, European equity markets rebounded strongly today, after the last few days' plunge (Euro Stoxx: +1.9%, IBEX: +2.7%, DAX: +1.7%, CAC: +1.7%, MIB: +4.8%), boosted mainly by the financial and other cyclical sectors. In the same line, US equity indices rose moderately (S&P: +0.7) ahead of Yellen's speech. On the bond markets, US treasury yields showed a mixed performance - increasing slightly in the short terms and remaining unchanged for the longer-term bonds (2Y: +3bp), while European core yields remained almost unchanged (GER 10Y: +1bp, FRA 10Y: +1bp). Peripheral yields showed a mixed performance: Italian and Spanish yields declined, while Portugal's continued to increase (ITA 10Y: -4bp, SPA 10Y: -3bp, POR 10Y: +4bp). On FX markets, after its recent depreciation, the USD has appreciated against EUR (-0.56%) while the JPY continued its appreciation trend (+0.91%). EM currencies showed a mixed performance (RUB: +1.0%, BRL: -1.0%, COP: +0.4%, MXN: -0.4%, CLP: -0.1%).

Update 17.30 CET 10 February, 2015  
Table1





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

**Debt markets (changes in bp)**

**Government bonds**

US 2yr 0.72 (0.1) (1) (2) (5)  
 US 5yr 1.17 (0.1) (1) (1) (1)  
 US 10yr 1.70 (0.1) (1) (1) (1)  
 Japan 10yr 0.01 (0.1) (1) (1) (1)  
 GBR 2yr 0.32 (0.1) (1) (1) (1)  
 GBR 5yr 0.28 (0.1) (1) (1) (1)  
 GBR 10yr 0.32 (0.1) (1) (1) (1)  
 Belgium 10yr 0.76 (0.1) (1) (1) (1)  
 France 10yr 0.62 (0.1) (1) (1) (1)  
 Greece 5yr 7.78 (0.1) (1) (1) (1)  
 Russia 5yr 1.01 (0.1) (1) (1) (1)  
 Russia 10yr 1.44 (0.1) (1) (1) (1)  
 Netherlands 10yr 0.19 (0.1) (1) (1) (1)  
 Portugal 5yr 2.73 (0.1) (1) (1) (1)  
 Spain 10yr 1.21 (0.1) (1) (1) (1)

**Emerging Markets**

Brazil 10yr 10.48 (0.1) (1) (1) (1)  
 China 10yr 4.42 (0.1) (1) (1) (1)  
 Colombia 10yr 4.11 (0.1) (1) (1) (1)  
 Korea 10yr 0.11 (0.1) (1) (1) (1)  
 Mexico 10yr 6.11 (0.1) (1) (1) (1)  
 Peru 10yr 7.58 (0.1) (1) (1) (1)  
 Poland 10yr 3.52 (0.1) (1) (1) (1)  
 Russia 10yr 10.24 (0.1) (1) (1) (1)  
 Russia 10yr 10.24 (0.1) (1) (1) (1)  
 Turkey 10yr 10.44 (0.1) (1) (1) (1)

**Asia**

India 10yr 8.22 (0.1) (1) (1) (1)  
 Indonesia 10yr 8.14 (0.1) (1) (1) (1)

**Country risk (changes in bp)**

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

Belgium 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 34 (1) (1) (1) (1)  
 Spain 14 (1) (1) (1) (1)

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

Belgium 1 (1) (1) (1) (1)  
 France 1 (1) (1) (1) (1)  
 Greece 10 (1) (1) (1) (1)  
 Germany 1 (1) (1) (1) (1)  
 Ireland 1 (1) (1) (1) (1)  
 Italy 1 (1) (1) (1) (1)  
 Netherlands 1 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 1 (1) (1) (1) (1)

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

Belgium 1 (1) (1) (1) (1)  
 France 1 (1) (1) (1) (1)  
 Greece 10 (1) (1) (1) (1)  
 Germany 1 (1) (1) (1) (1)  
 Ireland 1 (1) (1) (1) (1)  
 Italy 1 (1) (1) (1) (1)  
 Netherlands 1 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 1 (1) (1) (1) (1)

**5yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

**10yr sovereign CDS**

Spain 10 (1) (1) (1) (1)  
 France 10 (1) (1) (1) (1)  
 Greece 100 (1) (1) (1) (1)  
 Germany 10 (1) (1) (1) (1)  
 Ireland 10 (1) (1) (1) (1)  
 Italy 10 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 10 (1) (1) (1) (1)  
 Spain 10 (1) (1) (1) (1)

Spain 10 (1) (1) (1) (1)

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

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

#### DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.