

Market Comment | Risk-off mood continues to intensify after yesterday's mild relief

Global Financial Markets Unit
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- **Positive labour data in the US.** US jobless claims declined more than expected in the week ended 6 February (by 16K to 269K; consensus: 269K), while continuing claims fell in the week ended 30 January more than the estimates (by 21K to 2,239K; consensus: 2,245K).
- **Sweden's central bank cuts repo rate to -0.50%.** Its recent expansionary monetary policy has helped to strengthen the economy, but this latest move is aimed at fulfilling the inflation target. The Riksbank says that there is still room to cut the repo rate further if needed, thus reacting to any potential ECB easing action (as a result, the Swedish krone depreciated 1.11% vs. EUR). Markets are also anticipating new announcements by other European central banks, such as Norway's Norges Bank (the NOK fell by 0.84% vs. EUR).
- **Risk-on mood continues to intensify after yesterday's mild relief.** Amid no relevant macroeconomic releases, the global economic outlook continued to be the main source of uncertainty for the financial markets. The release of better-than-expected weekly labour data in the US passed unnoticed in markets that, after yesterday's mild relief, resumed their negative trend. Risk assets suffered a new sell-off, while the demand for safe-haven assets rose further (gold: +4.7%, JPY +1.44% vs. USD). As expected, Sweden's central bank rode the new wave of central bank dovish statements, cutting its repo rate further into negative territory, and the markets expect further cuts from the remaining European central banks. Asian markets remained closed today, due to the lunar new year in China and National Foundation Day in Japan, while European equity markets plunged (Euro Stoxx: -3.9%, IBEX: -4.9%, DAX: -2.9%, CAC: -4.1%, MIB: -5.6%), hampered especially by the financial sector, which is falling as the probability of very low and protracted interest rates increases and as worse-than-expected quarterly results are announced across the banking sector. US indices are also falling (S&P: -1.9%, Dow: -2.1%), also dragged by the financial sector. On bond markets, safe-haven yields have fallen sharply (US 10Y: -8bp, GER 10Y: -6bp, UK 10Y: -12bp), while peripheral yields have risen, led by Portugal (ITA 10Y: +8bp, SPA 10Y: +7bp, POR 10Y: +40bp). As a result, peripheral risk premia surged once again (ITA: +15bp, SPA: +13bp, POR: +46bp). On the FX markets, the USD has depreciated against other major currencies (EUR: +0.65%). Conversely, EM currencies depreciated against the USD, especially among the oil exporters (RUB: -1.2%, COP: -1.4%, MXN: -1.3%, BRL: -1.2%) as oil prices fell further (Brent: -1.9%, WTI: -3.4%).

Update 17.30 CET 11 February, 2015
Table1

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

Libor markets (changes in bp)

3m Eur 3.80 (4.46) (26) (44)
 3m Eur 1.66 (4.01) (44) (176)
 3m US 1.59 (1.58) (24) (61) (46)
 June 15m (20) (24) (24) (24)
 6M Eur 4.55 (3.46) (46) (23)
 6M Eur 3.33 (4.14) (23) (29)
 6M Eur 3.16 (4.61) (23) (23) (45)
 Belgium 15m 0.74 (1.12) (4) (5) (23)
 France 15m 1.11 (1.12) (1) (2) (1)
 Greece 15m 11.57 (8.4) (24) (24) (24)
 Korea 15m 1.58 (1) (1)
 May 15m 1.72 (1) (1) (1)
 Netherlands 15m 4.41 (4.41) (1) (4)
 Portugal 15m 4.11 (4.02) (14) (14) (14)
 Spain 15m 1.71 (1) (1) (1) (1)

1 year Eur 4.44 (2) (2) (2) (2) (4)
 China 4.42 (2) (1) (1) (1) (1)
 Canada 15m 2.29 (1) (1) (1) (1) (1)
 Mexico 15m 6.11 (1) (1) (1) (1) (1)
 New York 15m (1) (1) (1) (1) (1)

Forward 15m 1.39 (2) (4) (2) (1) (1)
 Russia 15m 1.43 (1) (1) (1) (1) (1)
 Russia 15m 10.23 (1) (1) (1) (1) (1)
 Turkey 15m 1.49 (1) (1) (1) (1) (1)
 India 15m 7.72 (4) (4) (4) (4) (4)
 Indonesia 15m 7.86 (4) (4) (4) (4) (4)

Country risk (changes in bp)

1 yr sovereign spread (against Germany)
 Belgium 30 (2) (1) (1) (2)
 France 45 (2) (1)
 Greece 1139 (7) (2) (2) (2) (2)
 Ireland 87 (7) (2) (2)
 Italy 154 (1) (1) (1) (1) (1)
 Netherlands 152 (2) (2) (2) (2) (2)
 Portugal 365 (1) (1) (1) (1) (1)
 Spain 161 (1) (1) (1) (1) (1)

1 yr sovereign spread (against Germany)
 Belgium 11 (1) (1) (1) (1)
 France 18 (1) (1) (1) (1)
 Greece 102 (1) (1) (1) (1) (1)
 Ireland 48 (1) (1) (1) (1) (1)
 Italy 102 (1) (1) (1) (1) (1)
 Netherlands 112 (1) (1) (1) (1) (1)
 Portugal 311 (2) (1) (1) (1) (1)
 Spain 102 (1) (1) (1) (1) (1)

2 yr sovereign spread (against Germany)
 Belgium 8 (2) (1) (1)
 France 10 (2) (1) (1) (1)
 Ireland 5 (1) (1) (1) (1) (1)
 Italy 61 (1) (1) (1) (1) (1)
 Netherlands 116 (1) (1) (1) (1) (1)
 Portugal 176 (2) (1) (1) (1) (1)
 Spain 62 (1) (1) (1) (1) (1)

1 yr sovereign CDS
 1 yr CDS Belgium 48 (1) (1) (1) (1)
 1 yr CDS France 38 (1) (1) (1) (1) (1)
 1 yr CDS Germany 0 (1) (1) (1) (1) (1)
 1 yr CDS Greece 462 (1) (1) (1) (1) (1)
 1 yr CDS Ireland 95 (2) (1) (1) (1) (1)
 1 yr CDS Italy 143 (2) (1) (1) (1) (1)
 1 yr CDS Netherlands 21 (1) (1) (1) (1) (1)
 1 yr CDS Portugal 111 (1) (1) (1) (1) (1)
 1 yr CDS Spain 107 (1) (1) (1) (1) (1)
 1 yr CDS UK 0 (1) (1) (1) (1) (1)
 1 yr CDS US 22 (1) (1) (1) (1) (1)

1 yr sovereign CDS
 1 yr CDS China 402 (1) (1) (1) (1) (1)
 1 yr CDS China 141 (1) (1) (1) (1) (1)
 1 yr CDS Columbia 154 (1) (1) (1) (1) (1)
 1 yr CDS Mexico 220 (1) (1) (1) (1) (1)
 1 yr CDS Peru 143 (1) (1) (1) (1) (1)
 1 yr CDS Venezuela 1148 (2) (1) (1) (1) (1)

1 yr CDS PIMCO 11 (1) (1) (1) (1) (1)
 1 yr CDS Russia 303 (1) (1) (1) (1) (1)
 1 yr CDS Turkey 203 (1) (1) (1) (1) (1)
 1 yr CDS China 142 (1) (1) (1) (1) (1)
 1 yr CDS India 208 (1) (1) (1) (1) (1)
 1 yr CDS Indonesia 151 (1) (1) (1) (1) (1)

Credit risk

Default probability (changes in percentage point except for CAA spreads, %)

US 28 (1) (1) (1) (1) (1)
 US 200 31 (1) (1) (1) (1) (1)
 EU 171 monthly index 30 (1) (1) (1) (1) (1)
 US 171 monthly index 13 (1) (1) (1) (1) (1)
 Credit spread Baa1 386 (1) (1) (1) (1) (1)
 US 171 monthly index 16 (1) (1) (1) (1) (1)

Bank credit spreads in bp

US banks CDS 134 (1) (1) (1) (1) (1)
 EU banks CDS 193 (2) (1) (1) (1) (1)
 UK banks CDS 102 (1) (1) (1) (1) (1)
 Large Spanish banks CDS 154 (1) (1) (1) (1) (1)
 Medium Spanish banks CDS 213 (2) (1) (1) (1) (1)
 Greek banks CDS 152 (1) (1) (1) (1) (1)
 Russian banks CDS 465 (1) (1) (1) (1) (1)

Company risk (changes in bp)

US Non-Financial CDS 497 (4) (2) (2) (2) (2)
 EU Non-Financial CDS 212 (2) (2) (2) (2) (2)
 UK Non-Financial CDS 227 (4) (1) (1) (1) (1)

Libor and swap rates (changes in bp)

US 1M swap 3m 14 (1) (1) (1) (1) (1)
 US 1M swap 6m 41 (1) (1) (1) (1) (1)
 US 1M swap 12m 30 (1) (1) (1) (1) (1)
 US 3M swap 3m 14 (1) (1) (1) (1) (1)
 US 3M swap 6m 18 (1) (1) (1) (1) (1)
 US 3M swap 12m 14 (1) (1) (1) (1) (1)
 Swiss 1M swap 3m 9 (1) (1) (1) (1) (1)
 Korea Inter 0.24 (1) (1) (1) (1) (1)
 Eurobor 4.38 (1) (1) (1) (1) (1)
 Eurobor 3m 4.81 (1) (1) (1) (1) (1)
 Libor 3m 0.62 (1) (1) (1) (1) (1)
 Libor 6m 1.31 (1) (1) (1) (1) (1)

Stock markets (changes in percentage)

Most equity indices

S&P500 10161.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 Dow Jones 10052.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 Nikkei 17171.2 (1) (1) (1) (1) (1)
 FTSE 100 5237.12 (4.1) (4.1) (4.1) (4.1) (4.1)
 Hang Seng 19804.1 (1) (1) (1) (1) (1)
 BSE 10174.3 (4.3) (4.3) (4.3) (4.3) (4.3)
 CAC 40 3121.1 (1) (1) (1) (1) (1)
 ASX 3000 7.4 (1) (1) (1) (1) (1)
 SSE 1977.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 All. Athens 441.9 (1.1) (1.1) (1.1) (1.1) (1.1)

Bank equities

US banks 452.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 JPM 213.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 Cit 181.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 BofA 173.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 MS 11.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 US 141.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 UK banks 151.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 HSBC 102.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 Citigroup 142.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 RBS 223.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 Deutsche 142.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 Lloyds 36 (4.1) (4.1) (4.1) (4.1) (4.1)

EU banks 163.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 BNP 174 (4.1) (4.1) (4.1) (4.1) (4.1)
 Credit Suisse 71 (4.1) (4.1) (4.1) (4.1) (4.1)
 Deutsche Bank 137 (4.1) (4.1) (4.1) (4.1) (4.1)
 BSI 83 (4.1) (4.1) (4.1) (4.1) (4.1)
 Intesa 116 (4.1) (4.1) (4.1) (4.1) (4.1)
 ING 102 (4.1) (4.1) (4.1) (4.1) (4.1)
 Breda 81 (4.1) (4.1) (4.1) (4.1) (4.1)

Large Spanish banks 87 (4.1) (4.1) (4.1) (4.1) (4.1)
 Santander 33 (4.1) (4.1) (4.1) (4.1) (4.1)
 BBVA 23 (4.1) (4.1) (4.1) (4.1) (4.1)
 Wodun Spanish banks 63.1 (4.1) (4.1) (4.1) (4.1) (4.1)
 Credit 24 (4.1) (4.1) (4.1) (4.1) (4.1)
 Popular 21 (4.1) (4.1) (4.1) (4.1) (4.1)
 Banco 14 (4.1) (4.1) (4.1) (4.1) (4.1)
 Bankia 57 (4.1) (4.1) (4.1) (4.1) (4.1)
 Bankia 57 (4.1) (4.1) (4.1) (4.1) (4.1)

Greek banks 1.8 (2) (1) (1) (1) (1)
 Alpha Bank 1.2 (1) (1) (1) (1) (1)
 Piraeus Bank 1.1 (1) (1) (1) (1) (1)
 Eurobank Ergasys 1.2 (2) (1) (1) (1) (1)

Foreign equity indices

MSCI Latin 17736 (1) (1) (1) (1) (1)
 MSCI Emerging 10222 (1) (1) (1) (1) (1)
 MSCI 100 1.1 (1) (1) (1) (1) (1)
 MSCI 100 1.1 (1) (1) (1) (1) (1)
 MSCI 100 1.1 (1) (1) (1) (1) (1)
 MSCI 100 1.1 (1) (1) (1) (1) (1)

MSCI 100 1.1 (1) (1) (1) (1) (1)
 S&P 500 10161.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 Nikkei 17171.2 (1) (1) (1) (1) (1)
 FTSE 100 5237.12 (4.1) (4.1) (4.1) (4.1) (4.1)
 Hang Seng 19804.1 (1) (1) (1) (1) (1)
 BSE 10174.3 (4.3) (4.3) (4.3) (4.3) (4.3)
 CAC 40 3121.1 (1) (1) (1) (1) (1)
 ASX 3000 7.4 (1) (1) (1) (1) (1)
 SSE 1977.1 (4.3) (4.3) (4.3) (4.3) (4.3)

Bank equities

Turkish banks 74.7 (4.1) (4.1) (4.1) (4.1) (4.1)
 Akbank 74.7 (4.1) (4.1) (4.1) (4.1) (4.1)
 Garanti 74.7 (4.1) (4.1) (4.1) (4.1) (4.1)
 TSB 74.7 (4.1) (4.1) (4.1) (4.1) (4.1)
 Turkey & Europe 114 (4.1) (4.1) (4.1) (4.1) (4.1)
 Russian banks 136 (2) (1) (1) (1) (1)
 Sberbank 136 (2) (1) (1) (1) (1)
 VTB Bank 11 (2) (1) (1) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)

EUR/USD 1.07 (0.08) (0.08) (0.08) (0.08) (0.08)
 GBP/USD 1.42 (0.08) (0.08) (0.08) (0.08) (0.08)
 USD/JPY 115.2 (0.08) (0.08) (0.08) (0.08) (0.08)
 DXY 95.38 (0.1) (0.1) (0.1) (0.1) (0.1)

Commodity

USDA 80 Argentina 14.88 (2.7) (2.7) (2.7) (2.7) (2.7)
 USDA 80 Brazil 1.12 (1) (1) (1) (1) (1)
 USDA 80 Canada 1.12 (1) (1) (1) (1) (1)
 USDA 80 China 1.12 (1) (1) (1) (1) (1)
 USDA 80 Europe 1.12 (1) (1) (1) (1) (1)
 USDA 80 India 1.12 (1) (1) (1) (1) (1)
 USDA 80 Japan 1.12 (1) (1) (1) (1) (1)
 USDA 80 Korea 1.12 (1) (1) (1) (1) (1)
 USDA 80 Mexico 1.12 (1) (1) (1) (1) (1)
 USDA 80 Russia 1.12 (1) (1) (1) (1) (1)
 USDA 80 Turkey 1.12 (1) (1) (1) (1) (1)
 USDA 80 USA 1.12 (1) (1) (1) (1) (1)

Commodities (change in percentage)

Iron 31.2 (1) (1) (1) (1) (1)
 Copper 302 (2) (1) (1) (1) (1)
 Gold 1251.4 (1) (1) (1) (1) (1)
 Basis Oil WTI 200 (1) (1) (1) (1) (1)
 S&P 500 Index 10161.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 S&P 500 Index 10161.1 (4.3) (4.3) (4.3) (4.3) (4.3)
 S&P 500 Index 10161.1 (4.3) (4.3) (4.3) (4.3) (4.3)

Index

US 28 (1) (1) (1) (1) (1)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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