

Market Comment | The rebound in risk asset remained as oil price surged

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- Bank of Mexico delivers surprise interest rate hike in an unexpected meeting. Banxico increased 0.50% its key rate to 3.75% in an extraordinary meeting. Consequently, Mexican peso has appreciated strongly against USD (+3.2%). Government also announced other measures such as government cut spending this year.
- Iran remains reluctant to freeze oil production in today's meeting. No surprises in talks among Iran, Iraq, Venezuela and Qatar. After yesterday's provisional agreement between the two main oil exporters to freeze oil production at January's levels, attention was focused on Iran (one of the biggest producers, which has been affected by sanctions), since agreement was contingent on other major producers taking part in it. As was expected, Iran was reticent about not exceeding pre-sanctions levels of oil production.
- Mixed data in the US. US housing starts moderated in January, increasing by less than expected (to 1.099 million from 1.143 million; consensus: 1.173 million), while building permits remained stable almost in line with estimates (to 1.202 million from 1.204 million; consensus: 1.2 million). Meanwhile, PPI final demand rose slightly, in contrast with the estimated decrease (by 0.1% MoM; consensus: -0.2%). On another front, industrial production rose by more than expected (by 0.9%; consensus: 0.4%)
- The rebound in risk asset remained as oil price surged. Despite Iran's reluctance to freeze oil production and its strong defence of its right to increase it, the market welcomed the Iranian authorities' willingness to stabilise the price: Iran's oil minister said at the conclusion of the meeting that it "supports efforts by OPEC members to keep prices stable". This triggered an oil rebound at the end of the European session (Brent: +7.4% WTx: +6.5%) that contributed to maintaining this week's recovery in risky assets. However, without significant fresh macroeconomic data, demand for some safe-haven assets remained strong and continued pushing up prices (Gold: +1.0%) in expectation of the latest FOMC minutes which will be released later today. Against this backdrop, European equity markets rose today (Eurostoxx: +2.7% IBEX: +2.8% DAX: +2.7% CAC: +3.0% MIB: +2.5%) boosted by cyclical sectors - which were the most punished last week - and especially by the commodities sector. In the same vein, US indices increased (S&P: +1.4% Dow: +1.3%) also underpinned by cyclical sectors. On bond markets, US treasury yields inched up in all its tenors (2Y: +3bp 10Y: +6bp) partly offsetting last week's falls. Meanwhile, European core yields remained unchanged, while peripheral yields declined slightly (ITA 10Y: -2bp SPA 10Y: -1bp POR 10Y: -6bp). On FX markets, the USD showed a mixed performance against other major currencies, with safe-haven currencies remaining unchanged against the USD and those most linked to oil prices appreciating (CAD: +0.90% AUD: +0.51% NOK: +0.34%). EM currencies also appreciated against the US dollar (RUB: +3.7% BRL: +2.0% COP: +1.0% MXN: +3.2% TRY: +0.8% CLP: +1.2%) helped by the rebound in commodity prices, mainly in oil.

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Table1



14_urrent level and changes at daily, w D elst markets (changes in bp) browless (listed) US 249, 075 (2)(6)(40) (20) US 5-59, 127, (0)(6)(40), (40) US 169+1, (0) (0) (21)(44) Japon 169+0,65 (3) (3) (46) (21) GER 2-yr -0,51 (1) (0) (-11) (-17) GER 5-yr -0,3 (0) (-1) (-13) (-25) GER 10-yr -0,27 (0) (3) (-27) (-38) Belgian 19-yr 0,27 (9) (1) (-27) (-39) Belgian 19-yr 0,77 (-2) (1) (-7) (-20) France 19-yr 0,94 (-1) (2) (-23) (-34) Grasco 10-yr 10,94 (-20) (-3) (174) (-261) Head 19-yr 1,91 (-2) (-2) (-11) Tally 19-yr 1,91 (-2) (-2) (-14) (-14) Metherlands 19-yr 0,41 (-1) (-2) (-29) (-39) Portugal (10-yr 0,48) (-3) (-37) (-96) Spain 19-yr 1,74 (-1) (2) (-1) (-3) India 10-yr 7,79 (1) (-3) (-2) (3) Indonesia 10-yr 8,07 (9) (7) (-69) (-67) Country risk (changes in bp) Common y tiss. (crisingles in 19): 18-yr coverings gameds (agelist Germany) Pelgian 50 (2) (2) (20) (3) Pelgian 50 (2) (2) (20) (3) Greece 1693 (21) (4) (20) Bay 133 (3) (-1) (9) (2) Bay 133 (3) (-1) (3) (2) Bay 133 (3) (-1) (3) (2) Pertugal 231 (4) (5) (2) (1) (3) (2) Pertugal 231 (4) (5) (2) (1) (3) (2) Pertugal 231 (4) (4) (3) (3) Spain 147 (2) (-1) (26) (23) Eye soveriges generals (against Germ, Belgium 10 (8) (1,5) (-4) (2) France 17 (9) (1) (-3) (4) Greece 1852 (9) (1) (13) (25) Iridant 40 (8) (2) (12) (14) Bally 35 (-3) (-1) (12) (3) Mathematical 1 (0) (1) (-5) (17) Spain 84 (-2) (5) (13) (25) 2/yr solvening papeads (against Gernany) Belgium 7 (3) (1) (2) (3) Irisand 30 (2) (6) (15) Metherlands 4 (0) (0) (1) (15) Portugal 178 (4) (6) (12) Spain 54 (3) (2) (14) 5-yr CDS China 136 (-2) (-10) (6) (26) 5-yr CDS India 173 (-3) (-23) (13) (25) 5-yr CDS Indonesia 241 (3) (-13) (-19) (15) Syr CDS Protocese 24 (10) (4/3) (49) (19) From the Protocese 24 (10) (4/3) (49) (19) From the Protocese 24 (10) (4/3) (19) Val 250 (4/3) (4/3) (19) Val 250 (4/3) (4/3) (1/3) (1/3) Val 250 (4/3) (4/3) (4/3) (4/3) (4/3) Val 250 (4/3) (4/3) (4/3) (4/3) (4/3) Val 250 (4/3) (4/3) (4/3) (4/3) (4/3) (4/3) Val 250 (4/3) (4/3) (4/3) (4/3) (4/3) (4/3) Val 250 (4/3) (4/3) (4/3) (4/3) (4/3) (4/3) Corporate risk (changes in bps) US Non-financial CDS 603 (15) (111) (178) (222) ENU Non-financial CDS 216 (-2) (4) (18) (43) UK Non-financial CDS 228 (-1) (-14) (-15) (28) Interbank markets (changes in bp) UEM OIS spread 2m 14 (0) (0) (2) (4) UEM OIS spread 12m 40 (-1) (-1) (4) (7) UEM TED spread 12m 30 (0) (-0.4) (-0) (-10) US OIS spread 3m 23 (-1) (-1) (-1) (0) US OIS spread 12m 69 (-2) (-3) (4) (13) US TED spread 3m 32 (-2) (1) (-8) (-13) Spain Ted Spread 3m 4 (0) (-7,5) (-1) EONIA Index -0,24 (0) (-0,5) (0) (-12) Euribor 3m -0,19 (0) (-1,4) (-5) (-6) Euribor 12m -0,01 (0) (-1) (-6) (-7) Liber 3m 0,62 (0) (0) (-1) (1) Liber 12m 1,13 (0) (0) (-1) (-5) Stock markets (Changes in percent Developed Markets SIDER INITIALISE (1-100-10) SAPPSON 1922.9 (1,4) (2,6) (2,3) (4) SAPPSON 1922.9 (1,4) (2,6) (2,3) (4) Dovalosas (640 (1,3) (3,1) (2,6) (4) Bikkei 1555.4 (4,4) (3,0) (4,6) (47) EuroSizus 62 (2877, 2.7) (4,9) (4,1) MEROSING 1920.9 (4,1) (4,1) MEROSING 1920.9 (4,1) (4,1) AGE Alberts 495.1 (2,5) (10,2) (4,8) (-22) Barris atocks: US barris: 75.9 (2) (5.5) (-4.8) (-19) JPM 56.8 (0,7) (5.9) (3,1) (-11) OB 40,1 (0) (7,1) (6,7) (-23) BoA 12.6 (2.9) (5.1) (-12.9) (-25) MS 24.5 (0,1) (7,8) (-6.8) (-23) GS 150.8 (1,2) (2.4) (-3,1) (-16) GS 150,8 (1,2) (2,4) (-3,1) (-16) UK banks 73 (3,2) (6,7) (-4,6) (-17) HSBC 457 (2) (3,5) (-4,7) (-15) HSBC 257,3 (2,9) (10,4) (-1,1) (-15) Bandays 163,2 (4,1) (3,5) (-10,4) (-23) Lloyds 62,6 (3,7) (7,5) (-1,5) (-14) Large Spenish banks -64 (4,2) (4,4) (-1,8) (-15) Santander -3,8 (4,3) (5,7) (-4,8) (-18) BBVA -5,8 (4,1) (3,5) (0,4) (-13) BSNA 5,6 (4,1) (3,5) (4,4) (-15) Calizabani 2,7 (3,9) (5) (6,2) (17) Popular 2,2 (4) (0,5) (-10,6) (-28) Sobodell 15, (2,5) (1) (-6,7) (4) Bankinter 6,1 (-6) (2) (4) (4) Bankinter 6,1 (6) (2) (4) (4) Bankinter 6,1 Finerating Bladests Black registry (1988) Black registry (1988) Black registry (1988) Black registry (1988) Beautic (1981) Black registry (1988) Black reg MSCI EM Asia 612 (1,32) (-0,1) (0,9) (-7,3) Shanghai Composite (China) 2887 (1,68) (3,8) (-1,6) (-19) Jakarta Composite (Indonesia) 4765 (0,4) (0,7) (6,3) (4) Blank abouts Turkish banks 75 (2,7) (1,2) (1) (2) Akbank T.A. 5. 7 (2,6) (6) (6) (7,6) Gassin T. 2, 7 (2,6) (6) (1) Turkiye is Banksi 4.4 (2) (1,4) (2,1) (7,6) Bussian banks 14.4 (2) (1,4) (2,2) (-3,5) Bussian banks 14.4 (2) (1,5) (2) (5,4) Sherbank 9.0 (2,8) (3) (15,1) (2) VTB Bank 9.1 (1,2) (2,3) (2,5) (-19,5) Emerging Markets USGAMS (Appelling) 14,97 (4,0,0) (4,67) (41,5) (45,7) USGAM, Bray, 399 (2) (4,5) (4,2) (4,6) USGGAM, Bray, 399 (2) (4,5) (4,2) (4,6) USGCOP (Appelling) SSS2, 40 (1), 31,425 (4,6) USGCOP (Appelling) SSS2, 40 (1), 40

Flash

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*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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