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Market Comment | Rebound in financial markets but concerns about global outlook remain

Global Financial Markets Unit
19 Feb 2016

- **Positive CPI data in the US.** US CPI remained stable in January against estimates of its decreasing (by 0.0%MoM 1.4%YoY; consensus: -0.1%MoM).

- **Disappointing consumer confidence data in the Eurozone.** Eurozone consumer confidence preliminary data declined in January against estimates of its remaining unchanged. (by -2.5 to -8.8; BBVAe and consensus: -6.6)

- **Rebound in financial markets but concerns about global outlook remain.** Financial markets were highly volatile during the week. Equity markets rebounded early in the week, boosted by the rally in oil prices following a preliminary agreement between main oil exporters (Russia and Saudi Arabia) to maintain oil production at January's levels. Despite the willingness of OPEC and non OPEC countries to reach an agreement, financial markets are sceptical about a bold agreement being struck, because there are still significant barriers to remove, such as the case of Iran (Iran's authorities said the country would increase its production after the lifting of export sanctions). Finally, oil prices ended the week showing decreases in a high-volatility week (Brent: -0.9%). In this context, equity markets rose across the board (S&P: +2.8% Eurostoxx: +3.9% IBEX: +3.2% DAX: +4.4% CAC: +5.5% Nikkei: +6.8% Shanghai: +3.5%) driven by the cyclical sector. However, concerns about the global economic outlook remain. During this week the OECD downgraded its global 2016 GDP forecast, while economic figures kept disappointing in Asia (Japanese 4Q15 GDP and Chinese exports declined more than expected). However, US CPI was supportive after January's flat figure against expectations of a decrease. Moreover, the tone of central banks' statements (ECB and FOMC) was also cautious. Additionally, the BoJ also joined this sentiment and confirmed its willingness to go further if needed. Against this backdrop, emerging markets continued under pressure judging by downgrades in sovereign rating in some countries such as Brazil (from BB+ to BB due to remaining political and economic challenges) and Saudi Arabia (from A+ to A- due to oil prices). Furthermore, in a joint announcement, Banxico and the Mexican Ministry of Finance adopted fiscal, monetary and exchange rate measures to limit the FX pass-through. Among the measures are a 50 bp increase in MPR, and a cut in expenditure, especially PEMEX spending (the details will be released next week). These cyclical concerns encouraged gains in bond markets, except in the US. European yields fell, led by Portugal, which was the most punished last week (GER 10Y: -6bp FRA 10Y: -9bp ITA 10Y: -9bp SPA 10Y: -3bp POR 10Y: -30bp), narrowing its risk-premium (POR: -24bp), while US treasury yields remained almost unchanged. On FX markets, the USD showed a mixed performance against other major currencies (EUR: -1.19% JPY: +0.6% GBP: -1.11%). In the same line, EM currencies showed mixed responses against the USD (RUB: +1.6% BRL: -0.8% TRY: -0.9%, COP: +1.1% MXN: +3.4%) due to the different events in these economies. On another front, the PBoC acted to lift the CNY to its strongest level (against the USD) this year (6.5 CNY), helping to calm down financial markets fears about a further depreciation of the yuan.

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Update 17.30 CET 19 February, 2015

Table1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0,74 (5) (3) (-8) (-31)
US 5-yr 1,22 (3) (1) (-19) (-54)
US 10-yr 1,74 (1) (0) (-24) (-52)

Japan 10-yr 0,01 (-1) (-8) (-20) (-25)

GER 2-yr -0,53 (-1) (-2) (-12) (-19)
GER 5-yr -0,33 (-1) (-4) (-13) (-28)
GER 10-yr 0,2 (-2) (-6) (-28) (-43)

Belgium 10-yr 0,68 (-2) (-11) (-28) (-29)
France 10-yr 0,56 (-2) (-9) (-26) (-43)
Greece 10-yr 10,56 (6) (-96) (40) (227)
Ireland 10-yr 0,97 (1) (-7) (-13)
Italy 10-yr 1,56 (1) (-9) (-9) (-3)
Netherlands 10-yr 0,34 (-1) (-8) (-27) (-45)
Portugal 10-yr 3,44 (4) (-30) (51) (92)
Spain 10-yr 1,71 (0) (-3) (-8) (-6)

Emerging Markets
Brazil 10-yr 15,83 (-22) (-46) (-78) (-68)
Chile 10-yr 4,46 (0) (2) (-14) (-20)
Colombia 10-yr 9,14 (-1) (-26) (9) (48)
Mexico 10-yr 6,09 (2) (1) (-15) (-17)
Peru 10-yr 7,53 (1) (-11) (10) (22)

Poland 10-yr 2,95 (-1) (-12) (-22) (1)
Russia 5-yr 10,11 (9) (-24) (-86) (24)
Russia 10-yr 9,99 (9) (-24) (-81) (43)
Turkey 10-yr 10,64 (6) (21) (-24) (17)

India 10-yr 7,74 (0) (1) (-6) (-2)
Indonesia 10-yr 8,11 (7) (14) (-49) (-64)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 48 (0) (-5) (0) (14)
France 36 (0) (-3) (2) (0)
Greece 1035 (8) (-90) (68) (270)
Ireland 77 (3) (-1) (15) (24)
Italy 136 (3) (-3) (19) (40)
Netherlands 14 (0) (-1,8) (1) (-3)
Portugal 324 (5) (-23,7) (79) (135)
Spain 150 (2) (3) (20) (36)

5-yr sovereign spreads *(against Germany)*
Belgium 10 (1) (-1,3) (-4) (3)
France 17 (1) (-2) (-4) (4)
Greece 1635 (1) (4) (13) (28)
Ireland 39 (0) (-2) (11) (14)
Italy 86 (2) (-3) (4) (31)
Netherlands 2 (1) (0,4) (-4) (1)
Portugal 283 (7) (-8) (128) (173)
Spain 94 (2) (0) (8) (22)

2-yr sovereign spreads *(against Germany)*
Belgium 7 (0) (0) (3) (3)
France 12 (1) (2,4) (5) (9)
Ireland 30 (0) (3) (18) (16)
Italy 58 (2) (-1) (11) (26)
Netherlands 4 (1) (2) (3) (7)
Portugal 182 (5) (11) (124) (137)
Spain 65 (12) (9) (23) (30)

5-yr sovereign CDS
5-yr CDS Belgium 47 (0) (-1) (12) (15)
5-yr CDS France 36 (0) (-4) (14) (11)
5-yr CDS Germany 22 (0) (-2) (10) (9)
5-yr CDS Greece 1327 (-20) (-303) (473) (269)
5-yr CDS Ireland 65 (0) (0) (22) (25)
5-yr CDS Italy 148 (-1) (-11) (50) (52)
5-yr CDS Netherlands 22 (0) (-2) (9) (8)
5-yr CDS Portugal 344 (-11) (2) (156) (176)
5-yr CDS Spain 117 (-3) (0) (20) (28)
5-yr CDS UK 33 (-1) (-7) (17) (13)
5-yr CDS US 21 (0) (-1) (1) (3)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 470 (4) (-29) (-23) (-22)
5-yr CDS Chile 125 (-1) (-19) (-21) (-1)
5-yr CDS Colombia 290 (0) (-37) (-8) (51)
5-yr CDS Mexico 203 (2) (-27) (-8) (33)
5-yr CDS Peru 204 (5) (-25) (-16) (19)
5-yr CDS Venezuela 7493 (-742) (-2913) (-893) (1450)

5-yr CDS Poland95 (-1) (-4) (-5) (23)
5-yr CDS Russia 337 (6) (-30) (-39) (35)
5-yr CDS Turkey 302 (5) (-3) (3) (29)

5-yr CDS China 135 (2) (-15) (8) (27)
5-yr CDS India 169 (-1) (-47) (12) (21)
5-yr CDS Indonesia 238 (4) (-28) (-10) (11)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 21,37 (-1,2) (-15,9) (-22,5) (3)
VSTOXX 31,27 (1,1) (-12,4) (-11) (9)
EM EFT volatility Index 32 (-2) (-15) (-13) (37)
Dollar/euro volatility 11,8 (-1,8) (0,4) (19,8) (22)
EM FX volatility index 13 (0) (-6) (2) (10)
Credit spread (BAA) 362,3 (-0,7) (3,2) (20,3) (39)
US bonds volatility index 86 (0) (-8) (5) (27)

Bank risk *(changes in bp)*
US banks CDS 109 (1) (-24) (18) (34)
EMU banks CDS 139 (2) (-34) (36) (55)
UK banks CDS 129 (3) (-35) (31) (52)

Large Spanish banks CDS 168 (3) (-39) (9) (31)
Medium Spanish banks CDS 213 (-10) (-51) (14) (55)

Greek banks CDS 1720 (4) (146) (126) (68)
Russian banks CDS 423 (-51) (-54) (-52) (41)

Corporate risk *(changes in bps)*
US Non-financial CDS 587 (-1) (0) (110) (206)
EMU Non-financial CDS 200 (-2) (-24) (5) (27)
UK Non-financial CDS 212 (-4) (-19) (-18) (20)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 15 (0) (1) (2) (4)
UEM OIS spread 12m 42 (1) (2) (4) (8)
UEM TED spread 3m 31 (0) (-0,3) (-5) (-10)

US OIS spread 3m 23 (0) (-1) (-2) (0)
US OIS spread 12m 70 (-3) (-1) (3) (14)
US TED spread 3m 33 (1) (-1) (-3) (-12)

Spain Ted Spread 3m 3 (0) (-4,3) (1) (-1)

EONIA Index -0,24 (0) (-0,4) (-1) (-12)
Euribor 3m -0,2 (0) (-1,5) (-5) (-7)
Euribor 12m -0,02 (0) (-1) (-6) (-8)

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

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 1917,2 (0) (2,8) (3,1) (-8)
Dow Jones 16383,2 (-0,2) (2,6) (3,9) (-8)
Nikkei 15967,2 (-1,4) (6,8) (-2,7) (-16)
FTSE 100 5939,7 (-0,5) (4,1) (4,7) (-5)
EuroStoxx 50 2863,3 (-1,1) (3,9) (-0,7) (-12)
IBEX8173 (-1,5) (3,2) (-1,3) (-14)
DAX 9362,3 (-1,1) (4,4) (-0,3) (-13)
CAC4214,3 (-0,8) (5,5) (2,2) (-9)
MIB 16846,3 (-1,6) (2) (-6,2) (-21)
ASE Athens 480,5 (-3,5) (5,8) (-8,7) (-24)

Bank stocks
US banks 74,3 (0,2) (2,3) (-3,4) (-21)
JPM 58,2 (0,6) (1,1) (4,8) (-12)
Citi 38,9 (0) (3,7) (-3,9) (-25)
BoA 12,2 (-0,4) (2,1) (-10,9) (-28)
MS 24,2 (0,9) (4,7) (-4,2) (-24)
GS 147,6 (-0,1) (1) (-4) (-18)

UK banks 75,9 (-1) (0,2) (-5,5) (-19)
HSBC 448,3 (-0,1) (1,6) (-3,6) (-16)
RBS 245,4 (-2,6) (2,2) (-3,4) (-19)
Barclays 162 (0,1) (3) (-11) (-26)
Lloyds 61,6 (-1,3) (5,4) (-3,8) (-16)

EMU banks 80,7 (-2,1) (3,1) (-7,2) (-25)
BNP 40,4 (-1,4) (2,1) (-5,7) (-23)
Crédit Agricole 9,2 (-1,5) (14,9) (3,9) (-16)
Deutsche Bank 15,2 (-2,2) (-0,9) (-14,4) (-33)
ING 10,3 (-1,5) (5,1) (-1,6) (-17)
Intesa 2,3 (-2,7) (-3,5) (-9) (-25)
SG 30,4 (-1,7) (6,9) (-11,4) (-29)
Unicredito 3,2 (-3,9) (-3,3) (-14,1) (-38)

Large Spanish banks 60,1 (-2,8) (0,3) (-3,7) (-20)
Santander 3,5 (-3,2) (0,4) (-6,3) (-23)
BBVA 5,5 (-2,5) (0,3) (-1,7) (-18)

Medium Spanish banks 64,3 (-2,7) (-0,7) (-7,6) (-22)
Caixabank 2,5 (-3) (-0,8) (-8,1) (-24)
Popular 2 (-3,7) (-2,2) (-10) (-33)
Sabadell 1,4 (-2,2) (-0,6) (-2,4) (-14)
Bankinter 5,8 (-1,2) (0) (-0,3) (-11)
Bankia 0,7 (-4,3) (0,1) (-19) (-31)

Greek banks 2,2 (-11,1) (7,1) (-29,4) (-52)
Alpha Bank1,4 (-9,4) (2,3) (-21,1) (-46)
Pireus Bank0,1 (-11,5) (17,3) (-27,7) (-59)
National Central Bank0,2 (-11,1) (6,7) (-31) (-53)
Eurobank Ergasias0,4 (-15,5) (22,5) (-44,9) (-62)

Emerging Markets
Main equity indices
MSCI Latam 58838 (-0,14) (4) (6,6) (-0,8)
Ibovespa (Brazil) 41389 (-0,2) (4) (9,9) (-4,5)
Mexbol 43377 (-0,3) (2,3) (6,2) (0,9)

MSCI EM Europe 4179 (1,22) (6,3) (6,6) (-1,6)
Poland 1841 (-0,7) (4,3) (9,9) (-1)
Micex (Russia) 1793 (-0,8) (3,9) (10) (1,8)
Ise 100 (Turkey) 73015 (-0,6) (2,9) (4,9) (1,8)

MSCI EM Asia 622 (1,59) (4,2) (1,5) (-5,9)
Shanghai Composite (China) 2860 (-0,1) (3,5) (-3,9) (-19,2)
Jakarta Composite (Indonesia) 4698 (-1,7) (-0,4) (6,1) (2)

Bank stocks
Turkish banks 74 (-1,2) (1) (3,3) (0,8)
Akbank T.A.S. 7 (-1,4) (-0,3) (7,4) (6,6)
Garanti 7 (-1,2) (1,9) (1,4) (0)
Turkiye Is Bankasi 4 (-0,9) (1,6) (0,5) (-5)

Russian banks 147 (-1,2) (6,2) (15,8) (-3,3)
Sberbank 102 (-1,2) (7) (21,1) (0,2)
VTB Bank 0,1 (-1,2) (4,9) (7,7) (-8,8)

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

Developed Markets
EURUSD 1,112 (0,14) (-1,19) (2,1) (2,4)
GBPUSD 1,43 (0,03) (-1,11) (1,1) (-2,7)
USDJPY 112,57 (0,59) (0,6) (3,7) (6,4)
DXY 96,72 (0,2) (-0,8) (2,4) (1,9)

Emerging Markets
USDARS (Argentina) 15,03 (0,2) (-1,6) (-11,4) (-16,2)
USDBRL (Brazil) 4,04 (-0,1) (-0,8) (1,5) (-1,9)
USDCLP (Chile) 699,98 (0,3) (0,8) (4) (1,2)
USDCOP (Colombia) 3346,73 (-0,1) (1,1) (1,4) (-5,4)
USDMXN (Mexico) 18,26 (0,2) (3,4) (1,5) (-6,1)
USDPEN (Peru) 3,51 (-0,2) (-0,2) (-2) (-2,9)
LACI 59,9 (0) (0,9) (0,3) (-4,3)

USDPLN (Poland) 3,93 (0,6) (-0,7) (4,7) (-0,2)
USDRUB (Russia) 77,39 (-1,3) (1,6) (5) (-6,7)
USDTRY (Turkey) 2,96 (0,5) (-0,9) (2,8) (-1,3)

USDCNY (China) 6,52 (-0,1) (0,8) (0,9) (-0,4)
USDINR (India) 68,47 (0) (-0,3) (-0,7) (-3,5)
USDIDR (Indonesia) 13509 (0) (-0,1) (3,3) (2)
ADXY 105,53 (-0,1) (-0,5) (0,6) (-0,9)

Commodities *(change in percentage)*

Brent 33,07 (-3,5) (-0,9) (18,6) (-11,3)
WTx 29,49 (-4,2) (0,2) (11,1) (-20,4)
Copper 207,6 (0,2) (2,4) (6,1) (-2,3)
Gold 1231,05 (0) (-0,6) (11,8) (16)
Baltic Dry Index 313 (0) (7,6) (-12,6) (-34,5)
S&P GSCI Spot commodity index 299,172 (0) (1,4) (10,1) (-4)
S&P GSCI Brent Spot 296,851 (0) (2,6) (21,9) (-7,4)
S&P GSCI Metals Spot 250,23 (0) (0,9) (5) (-1,1)
S&P GSCI Agricultural Spot 277,905 (0) (0,9) (-1) (-2)

Source: Bloomberg, Datastream and Haver

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

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