

# Market Comment | Downturn in oil prices hits risk assets, amid weak economic data

Global Financial Markets Unit  
23 Feb 2016

- **Downbeat economic data in the US.** US consumer confidence fell more than expected in February (by 5.6 points to 92.2; consensus: 97.2), while the Richmond Fed manufacturing index decreased unexpectedly (by 6 points to -4; consensus: 2). On another front, existing home sales remained almost unchanged in January, against expectations of a decrease (to USD5.47m from USD5.45m; consensus: 5.33m).
- **Business climate weakens in Germany and France in February.** Germany's IFO business climate index deteriorated by more than expected in February (by 1.6 points to 105.7; BBVAe: 106.6, consensus: 106.8) dragged down by the unexpected plunge in IFO expectations (to 98.8 from 102.3) and reaching its lowest level since 2012. In France, business confidence also fell, against estimates of its remaining unchanged (by 2.0 points to 100). However, manufacturing confidence remained stable at 103.0. On the other hand, the German 4Q15GDP final data confirmed the increase in line with estimates (by 0.3%QoQ), underpinned by the improvement in domestic demand, as investment and public spending offset lower private consumption.
- **Volatility in oil prices continues as one of the main drivers in financial markets.** Yesterday's strong rally in oil prices continued early this morning, despite fears about an oversupply in the short term (released in yesterday's IEA report). Nonetheless, after Iran's oil minister's intervention - calling last week's agreement between Russia and Saudi Arabia "ridiculous" - prices fell again. As expected, Iran will be the major obstacle to agreeing a coordinated action to cut supply. On another front, some analysts pointed out that US shale oil could "cover" any cuts that other producers might make. In addition to the uncertainty about oil prices, macroeconomic indicators released today - worse than expected - were not supportive, while the PBoC brought back uncertainties about RMB trends, after setting a weaker RMB today. Consequently, European equity markets dropped (Eurostoxx: -1.6% IBEX: -1.3% DAX: -1.6% CAC: -1.4%) offsetting part of yesterday gains, hampered by worse-than-expected IFO expectations and especially by the downturn in oil prices. Meanwhile, both US and Asian indices also decreased (S&P: -1.0% Nikkei: -0.4% Shanghai: -0.81%). In bond markets the main curves remained almost unchanged across the board. On FX markets, the USD showed a mixed performance, while the GBP continued its depreciation trend due to the uncertainty surrounding the Brexit issue, and the euro also depreciated due to negative macroeconomic data (GBP: -0.55% EUR: -0.1%). On the other hand the yen and the Swiss franc appreciated, underpinned by Thomas Jordan's speech (head of the Swiss National Bank) who sees certain limits to negative interest rate policy, (JPY: +0.66% CHF: +0.86%). EM currencies depreciated slightly against the US dollar (RUB: -1.2% BRL: -0.7% MXN: -0.6% COP: -0.4% CLP: -0.7%) dragged down by commodity price falls, especially in oil (Brent: -4.0% Copper: -1.1%).

Update 17.30 CET 23 February, 2015  
Table1



\*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 / Corporate Governance](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.

