

# Market Comment | Rebound in the financial market waiting for G20 conclusions

Global Financial Markets Unit  
26 Feb 2016

- **US GDP 4Q15 was revised up unexpectedly** (by 1.0%QoQ; consensus: 0.4%) underpinned by the improvement in inventory accumulation and the decline in the goods trade deficit. Meanwhile, personal spending and personal income rose more than expected in January (both by 0.5%MoM; consensus: 0.3% and 0.4% respectively). On another front, the University of Michigan consumer sentiment index's final data for February showed an increase above estimations (by 1.0 points to 91.7; consensus: 91.0).
- **Inflation in some EZ countries returned to negative figures.** Eurozone economic confidence fell more than expected in February (by 1.3 points to 103.8; BBVAe and consensus: 104.5), dragged down by the decrease in consumer confidence and the deterioration in services and industrial confidence. The harmonised CPI in both Germany and France returned to negative levels in February, mainly explained by a drop in energy prices, although goods and service prices also declined or moderated. Meanwhile, France's preliminary 4Q15 GDP growth was revised up unexpectedly (by 0.3%QoQ; BBVAe and consensus: 0.2%), ending 2015 with an annual increase of 1.1%.
- **Rebound in the financial market was supported by oil prices waiting for G20 conclusions.** The volatility of oil prices was again one of the main drivers of global asset performance this week. However, the G20 meeting has been also in the spotlight, in the event of any economy policy coordination, after the IMF urged a broad-based, coordinated policy response to avert a potential derailing of economic recovery. The dovish tone of the central banks across the board also determined market movements this week. In regard to oil prices, there has been no significant news about the potential agreement to cut oil output this week: Iran remains the principal obstacle to agreeing a coordinated supply side action. Nonetheless, oil rebounded this week after the IEA released the medium term forecast for oil prices, in which the supply glut will continue this year but the end of the rebalancing process between supply and demand is expected in late 2017. The institution also warned of the side-effects of the current lack of investment, which could lead to a rebound in prices in the medium term (Brent: 9.9%, Oil: 13% in the week). The rally in oil prices spilled over to industry metals, which also ended the week registering an increase (copper: 2.2%). A high positive correlation between oil prices and equity markets explains most of the recovery in the equity indices this week, which were led by the financial and energy sector (S&P 2.0%, Eurostoxx 2.2%; Nikkei 1.4%). The Chinese equity market trimmed losses at the end of the week by 3%, after PBoC Governor Zhou Xiaochuan said that there is room for further implementation of monetary policies and he sees no further basis for the yuan to depreciate. Sovereign yield ended the week broadly flat, recovering its early losses after 4Q15 GDP was surprisingly revised upward (10Y: +2bp), due mainly to the better-than-expected GDP data released today and despite the dovish tone of some Fed members during the week. Meanwhile, European yields decreased across the board, especially on the periphery (GER 10Y:-6 bp FRA10Y:-7 bp ITA 10Y:-8 bp SPA 10Y:-13 bp POR 10Y:-35 bp). Peripheral risk-premiums therefore narrowed this week, led by Portugal, which declined, aided by the approval of the 2016 budget. In FX markets, the USD appreciated against the other major currencies, mainly the GBP, which was dragged down by uncertainty about the Brexit- (GBP: -0.66% EUR:-1.77 %

JPY: -1.02%). EM currencies appreciated against the US dollar (RUB +1.4% BRL: +0.3% COP:+1.1% CLP: +1.2%), helped by the recovery of commodities, especially the sharp rebound of oil prices.

Update 17.30 CET 26 February, 2015

Table1



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Fuente: BBVA Research

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

**Debt markets (changes in bp)**

**Government bonds**

US 2yr 0.47(0.04)(25)  
 US 5yr 1.24(0.11)(11)(52)  
 US 10yr 1.76(0.01)(24)(81)

Japan 10yr 0.37(0.01)(8)(10)(33)  
 GER 2yr 0.05(1.12)(-174)(20)  
 GER 5yr 0.31(1.41)(-131)(32)  
 GER 10yr 0.35(1.41)(-130)(48)

Belgium 10yr 0.82(1.41)(-136)(35)  
 France 10yr 0.53(1.01)(-121)(48)  
 Greece 10yr 2.21(1.21)(-104)(85)(202)  
 Ireland 10yr 0.81(1.11)(1.4)

Italy 10yr 1.48(1.31)(-125)(11)  
 Netherlands 10yr 0.28(1.01)(-121)(51)  
 Portugal 10yr 0.24(1.31)(-114)(87)  
 Spain 10yr 1.04(1.01)(-119)

**Emerging Markets**  
 Brazil 10yr 6.08(1.16)(-42)(147)  
 China 10yr 4.42(0.11)(-11)(21)  
 Colombia 10yr 6.01(1.11)(-11)(14)

Greece 10yr 2.21(1.21)(-104)(85)(202)  
 Korea 10yr 4.48(1.41)(-11)(11)  
 Mexico 10yr 5.48(1.41)(-11)(11)

Poland 10yr 2.85(1.01)(-125)(11)  
 Russia 10yr 9.08(1.41)(-127)(147)(147)  
 Russia 10yr 9.08(1.41)(-127)(147)(147)

Turkey 10yr 10.48(1.41)(-121)(147)  
 India 10yr 7.18(1.41)(-11)(11)  
 Indonesia 10yr 8.24(1.41)(-119)(148)

**Country risk (changes in bp)**

**10yr sovereign spreads (against Germany)**  
 Belgium 48(2)(14)(194)  
 France 32(1)(14)(11)

Germany 30(0)(18)(11)(258)  
 Ireland 12(1)(11)(26)  
 Italy 14(1)(11)(27)

Netherlands 11(1)(11)(21)  
 Portugal 24(2)(12)(14)(105)  
 Spain 14(1)(11)(28)(29)

**5yr sovereign spreads (against Germany)**  
 Belgium 19(1)(11)(11)  
 France 17(0)(11)(11)

Germany 10(0)(11)(11)(11)  
 Ireland 4(1)(11)(11)  
 Italy 24(1)(11)(11)

Netherlands 11(1)(11)(11)  
 Portugal 24(2)(12)(14)(105)  
 Spain 14(1)(11)(28)(29)

**3yr sovereign spreads (against Germany)**  
 Belgium 18(1)(11)(11)  
 France 16(1)(11)(11)

Germany 10(0)(11)(11)(11)  
 Ireland 4(1)(11)(11)  
 Italy 24(1)(11)(11)

Netherlands 11(1)(11)(11)  
 Portugal 24(2)(12)(14)(105)  
 Spain 14(1)(11)(28)(29)

**5yr sovereign CDS**  
 Eur CDS Belgium 81(1)(11)(11)  
 Eur CDS France 36(1)(11)(11)

Eur CDS Germany 26(1)(11)(11)  
 Eur CDS Greece 84(1)(11)(11)(208)  
 Eur CDS Ireland 79(1)(11)(11)

Eur CDS Italy 148(1)(11)(11)  
 Eur CDS Netherlands 28(1)(11)(11)  
 Eur CDS Portugal 28(1)(11)(11)(181)(187)

Eur CDS Spain 117(1)(11)(11)(21)(28)  
 Eur CDS UK 31(1)(11)(11)  
 Eur CDS US 20(1)(11)(11)

**10yr sovereign CDS**  
 Eur CDS Belgium 141(1)(11)(11)(129)(141)  
 Eur CDS China 117(1)(11)(11)(121)(121)

Eur CDS Colombia 284(1)(11)(11)(201)(271)  
 Eur CDS Greece 195(1)(11)(11)(141)(241)  
 Eur CDS Italy 184(1)(11)(11)(131)(181)

Eur CDS Netherlands 62(1)(11)(11)(64)(126)(188)  
 Eur CDS Portugal 101(1)(11)(11)(101)(101)

Eur CDS Russia 334(1)(11)(11)(131)(131)  
 Eur CDS Turkey 308(1)(11)(11)(171)(171)

Eur CDS China 134(1)(11)(11)(11)(11)  
 Eur CDS India 141(1)(11)(11)(11)(11)  
 Eur CDS Indonesia 214(1)(11)(11)(11)(11)

**Credit risk**  
 VIX 19.41(1.71)(1.41)(15.9)(1)  
 VIX30 21.91(1.81)(1.81)(17)

EUR EFT volatility index 29(1)(11)(11)(11)  
 Detrended volatility 114(1)(11)(11)(11)(11)  
 EFT Fx volatility index 12(1)(11)(11)(11)

Credit spread (BAA) 209(1)(11)(11)(11)(11)  
 US bonds volatility index 84(1)(11)(11)(11)(11)

**Bank risk (changes in bp)**  
 US banks CDS 195(1)(11)(11)(11)(11)  
 Euro banks CDS 162(1)(11)(11)(11)(11)

UK banks CDS 148(1)(11)(11)(11)(11)  
 Large Spanish banks CDS 173(1)(11)(11)(11)(11)  
 Medium Spanish banks CDS 233(1)(11)(11)(11)(11)

Greek banks CDS 164(1)(11)(11)(11)(11)(11)  
 Russian banks CDS 471(1)(11)(11)(11)(11)(11)

**Country risk (changes in bp)**  
 US Non-Ancora CDS 279(1)(11)(11)(11)(11)(11)  
 Euro Non-Ancora CDS 224(1)(11)(11)(11)(11)(11)

UK Non-Ancora CDS 210(1)(11)(11)(11)(11)(11)

**Interbank markets (changes in bp)**

US 3m secured 3m 23(1)(11)(11)(11)  
 US 6m secured 3m 40(1)(11)(11)(11)

US 12m secured 3m 58(1)(11)(11)(11)  
 US 3m unsecured 3m 21(1)(11)(11)(11)

US 6m unsecured 3m 32(1)(11)(11)(11)  
 US 12m unsecured 3m 51(1)(11)(11)(11)

Spain Fed Spread 3m 8(1)(11)(11)(11)(11)

EDBAA index 42(1)(11)(11)(11)(11)  
 Euronext 42(1)(11)(11)(11)(11)  
 London 41(1)(11)(11)(11)(11)

Libor 1m 0.64(0)(11)(11)  
 Libor 12m 1.18(0)(11)(11)

**Stock markets (Change in percentage)**

**Major equity indexes**  
 S&P500 1954.2(12.2)(12.2)(14)  
 Dow Jones 1954.2(12.2)(12.2)(14)

Nikkei 1954.2(12.2)(12.2)(14)  
 FTSE 100 1954.2(12.2)(12.2)(14)  
 EuroStoxx 50 2033.1(12.2)(12.2)(14)

MSCI EAFE 1954.2(12.2)(12.2)(14)  
 DAX 1954.2(12.2)(12.2)(14)  
 CAC40 1954.2(12.2)(12.2)(14)

IBEX 1954.2(12.2)(12.2)(14)  
 ASI 1954.2(12.2)(12.2)(14)

**Bank stocks**  
 US banks 79(1)(11)(11)(11)(11)  
 JPM 79(1)(11)(11)(11)(11)

Ch 79(1)(11)(11)(11)(11)  
 BofA 79(1)(11)(11)(11)(11)  
 WFC 79(1)(11)(11)(11)(11)

GS 151(1)(11)(11)(11)(11)  
 UK banks 74(1)(11)(11)(11)(11)

USCB 48(1)(11)(11)(11)(11)  
 HSBC 225(1)(11)(11)(11)(11)  
 Barclays 108(1)(11)(11)(11)(11)

Lloyds 225(1)(11)(11)(11)(11)  
 EIB 84(1)(11)(11)(11)(11)

BNP 43(1)(11)(11)(11)(11)  
 Citigroup 9(1)(11)(11)(11)(11)  
 Citigroup 9(1)(11)(11)(11)(11)

Bank of America 15(1)(11)(11)(11)(11)  
 BNP 10(1)(11)(11)(11)(11)  
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Fuente: BBVA Research

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

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

\*\*\*S&P GSCI with one day delay

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