

Market Comment | Risk assets are supported by extended gains in oil prices

Global Financial Markets Unit
07 Mar 2016

- **Chinese forex reserves fall less than expected.** China's foreign currency reserves continued their negative trend in February, although the pace moderated (by USD30.6bn to USD3230.9bn; consensus: USD3190.0bn). This is the smallest decline in reserves in eight months. Nonetheless, with this new drop, reserves reached their lowest level since May 2012.
- **Commodity prices and China's better-than-expected foreign reserves helped stabilize risk assets in an eventful week.** The bounceback in oil prices (with Brent breaching the 40 USD/pb threshold) continued as one of the main drivers supporting the recent rebound in risky assets today. Furthermore, the outlook for oil prices based on market indicators suggested an increase in expectations of a bullish market, judging by speculative positions released today (new record in bets on higher oil prices). On the other hand, concerns about China - another source of uncertainty for financial markets - slightly retreated. The moderation in the pace of decrease of currency reserves in February could signal moderation in capital outflows - one of the main sources of concerns that have been fuelling capital outflows. Moreover, at the National People's Congress (NPC), China's authorities announced a cut in its economic growth target for 2016 to a range of 6.5-7% (below the 7% target for 2015). The inflation target remains at 3% and the authorities stated that China would follow a proactive fiscal policy and a prudent monetary policy. Against this backdrop, European equity markets began the week inching down after last week's rally (Eurostoxx: -0.6% IBEX: -0.3% DAX: -0.5% CAC:-0.4% MIB: -1.3%) dragged mainly by banking sector, ahead of ECB decision this Thursday. Meanwhile, US indices remained almost unchanged (S&P: 0% Dow: +0.4%), while Asian markets showed a mixed performance with China equity indices increasing (Shanghai: +0.35% Shenzhen: +2.03% Nikkei: -0.6%), underpinned by better-than-expected macroeconomic data released. On bond markets, US treasury yields inched up across the board (2Y: +4 bps 10Y: +3 bps). Meanwhile, European yields decreased slightly waiting to ECB meeting on Thursday, with the exception of Spain and Portugal, which rose moderately (GER 10Y: -2 bps FRA 10Y: -3 bps ITA 10Y: -1 bps SPA 10Y: +2 bps POR 10Y: +3 bps). On FX markets, the USD stayed almost unchanged against other major currencies except against the euro (EUR: -0.14%). EM currencies, appreciated slightly against the USD (RUB: +0.5% CLP: +0.2% COP: +1.0% MXN: +0.2%) on the back of the increase in oil which maintained its positive trend (Brent and Wtx: +3.6%).

Update 17.30 CET 07 March, 2015
Table1

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

Daily markets (change in bp)

US 2yr 4.9 (4) (2) (4) (5)
 US 5yr 4.4 (2) (2) (2) (2)
 US 10yr 5.0 (2) (2) (2) (2)

Japan 10y 2.5 (1) (1) (1) (1)
 GER 2yr 0.5 (1) (2) (4) (2)
 GER 5yr 2.3 (1) (1) (1) (1)
 GER 10y 3.2 (1) (1) (1) (1)

Belgium 10yr 5.8 (1) (1) (1) (1)
 France 10y 5.8 (1) (1) (1) (1)
 Greece 10yr 6.5 (1) (1) (1) (1)
 Ireland 10yr 6.0 (1) (1) (1) (1)
 Italy 10yr 6.4 (1) (1) (1) (1)
 Netherlands 10y 5.2 (1) (1) (1) (1)
 Portugal 10y 5.3 (1) (1) (1) (1)
 Spain 10y 5.8 (1) (1) (1) (1)

Poland 10yr 5.4 (1) (1) (1) (1)
 Russia 5yr 5.2 (1) (1) (1) (1)
 Russia 10yr 5.2 (1) (1) (1) (1)
 Turkey 10y 15.8 (1) (1) (1) (1)

India 10yr 14.8 (1) (1) (1) (1)
 Indonesia 10yr 7.8 (1) (1) (1) (1)

C country risk (change in bp)

EUR overnight borrow (Agreement Germany)
 Belgium 45 (1) (1) (1) (1)
 France 42 (1) (1) (1) (1)
 Greece 103 (1) (1) (1) (1)
 Ireland 7 (1) (1) (1) (1)
 Italy 21 (1) (1) (1) (1)
 Netherlands 1 (1) (1) (1) (1)
 Portugal 28 (1) (1) (1) (1)
 Spain 15 (1) (1) (1) (1)

EUR overnight borrow (Agreement Germany)
 Belgium 10 (1) (1) (1) (1)
 France 11 (1) (1) (1) (1)
 Greece 10 (1) (1) (1) (1)
 Ireland 2 (1) (1) (1) (1)
 Italy 7 (1) (1) (1) (1)
 Netherlands 2 (1) (1) (1) (1)
 Portugal 23 (1) (1) (1) (1)
 Spain 13 (1) (1) (1) (1)

3yr overnight borrow (Agreement Germany)
 Belgium 18 (1) (1) (1) (1)
 France 21 (1) (1) (1) (1)
 Greece 21 (1) (1) (1) (1)
 Ireland 4 (1) (1) (1) (1)
 Netherlands 5 (1) (1) (1) (1)
 Portugal 31 (1) (1) (1) (1)
 Spain 14 (1) (1) (1) (1)

EUR overnight CDS
 EUR CDS Belgium 41 (2) (2) (4) (4)
 EUR CDS France 38 (2) (2) (4) (4)
 EUR CDS Greece 20 (2) (2) (4) (4)
 EUR CDS Ireland 10 (2) (2) (4) (4)
 EUR CDS Italy 12 (2) (2) (4) (4)
 EUR CDS Netherlands 28 (2) (2) (4) (4)
 EUR CDS Portugal 26 (2) (2) (4) (4)
 EUR CDS Spain 18 (2) (2) (4) (4)
 EUR CDS UK 19 (2) (2) (4) (4)

EUR overnight CDS
 EUR CDS Belgium 146 (1) (1) (1) (1)
 EUR CDS China 109 (1) (1) (1) (1)
 EUR CDS Colombia 241 (1) (1) (1) (1)
 EUR CDS France 172 (1) (1) (1) (1)
 EUR CDS Italy 188 (1) (1) (1) (1)
 EUR CDS Netherlands 204 (1) (1) (1) (1)
 EUR CDS Portugal 206 (1) (1) (1) (1)
 EUR CDS Russia 296 (1) (1) (1) (1)
 EUR CDS Turkey 272 (1) (1) (1) (1)
 EUR CDS China 130 (1) (1) (1) (1)
 EUR CDS India 141 (1) (1) (1) (1)
 EUR CDS Indonesia 218 (1) (1) (1) (1)

C credit risk

EUR overnight changes in percentage except for AAA spreads, bp
 VIX 11.4 (2) (2) (3) (2) (3)
 VIX30 21.8 (1) (1) (1) (1)
 EUR EFT volatility index 24 (1) (1) (1) (1)
 Detrended volatility 11.4 (1) (1) (1) (1)
 EUR FX volatility index 12 (1) (1) (1) (1)
 Credit spread (BAA) 100 (1) (1) (1) (1)
 US bonds volatility index 79 (1) (1) (1) (1)

EUR overnight changes in bp

US banks CDS 95 (1) (1) (1) (1)
 EUR banks CDS 128 (1) (1) (1) (1)
 UK banks CDS 129 (1) (1) (1) (1)

Large Spanish banks CDS

Large Spanish banks CDS 142 (1) (1) (1) (1)
 Italian banks CDS 211 (1) (1) (1) (1)
 Greek banks CDS 173 (1) (1) (1) (1)
 Russian banks CDS 174 (1) (1) (1) (1)

Country risk changes in bp

US Non-Agency CDS 498 (1) (1) (1) (1)
 S&P Non-Agency CDS 327 (1) (1) (1) (1)
 UK Non-Agency CDS 190 (1) (1) (1) (1)

Interbank markets (change in bp)

US 3m overnight 3m 14 (1) (1) (1) (1)
 US 12m overnight 3m 40 (1) (1) (1) (1)
 US 12m overnight 3m 38 (1) (1) (1) (1)

US OIS spread 3m

US OIS spread 3m 23 (1) (1) (1) (1)
 US OIS spread 12m 39 (1) (1) (1) (1)
 US TED spread 3m 30 (1) (1) (1) (1)

Spain Fed Spread 3m

Spain Fed Spread 3m 11 (1) (1) (1) (1)
 EONIA index 42 (1) (1) (1) (1)
 Euribor 3m 42 (1) (1) (1) (1)
 Euribor 12m 41 (1) (1) (1) (1)

Libor 3m

Libor 3m 4.0 (1) (1) (1) (1)
 Libor 12m 1.9 (1) (1) (1) (1)

Stock markets (Change in percentage)

US S&P 500 1.0 (1) (1) (1) (1)
 UK FTSE 100 0.5 (1) (1) (1) (1)
 Nikkei 225 0.5 (1) (1) (1) (1)
 DAX 100 0.5 (1) (1) (1) (1)
 Hang Seng 0.5 (1) (1) (1) (1)
 ASX 200 0.5 (1) (1) (1) (1)

EUR bank yields

US banks 7.4 (1) (1) (1) (1)
 JPM 5.8 (1) (1) (1) (1)
 Cit 4.2 (1) (1) (1) (1)
 BofA 3.5 (1) (1) (1) (1)
 WEL 2.2 (1) (1) (1) (1)
 GS 105 (1) (1) (1) (1)

UK banks

UK banks 7.5 (1) (1) (1) (1)
 HSBC 4.5 (1) (1) (1) (1)
 NBS 2.0 (1) (1) (1) (1)
 Barclays 1.7 (1) (1) (1) (1)
 Lloyds 2.5 (1) (1) (1) (1)

EUR banks

EUR banks 8.4 (1) (1) (1) (1)
 BNP 4.1 (1) (1) (1) (1)
 Citigroup 3.3 (1) (1) (1) (1)
 Deutsche 3.1 (1) (1) (1) (1)
 ING 2.1 (1) (1) (1) (1)
 Intesa 2.1 (1) (1) (1) (1)
 SG 3.4 (1) (1) (1) (1)
 Unicredit 3.4 (1) (1) (1) (1)

Large Spanish banks

Large Spanish banks 8.6 (1) (1) (1) (1)
 Santander 4.1 (1) (1) (1) (1)
 BBVA 4.1 (1) (1) (1) (1)

Medium Spanish banks

Medium Spanish banks 5.7 (1) (1) (1) (1)
 Catalunya 3.9 (1) (1) (1) (1)
 Pegasus 2.3 (1) (1) (1) (1)
 Banco 1.5 (1) (1) (1) (1)

Bank yields

Bank yields 8.2 (1) (1) (1) (1)
 Bank 8.2 (1) (1) (1) (1)

Greek banks

Greek banks 1.1 (1) (1) (1) (1)
 Alpha Bank 1.1 (1) (1) (1) (1)
 Piraeus Bank 1.1 (1) (1) (1) (1)
 Eurobank 1.1 (1) (1) (1) (1)

European banks

European banks 7.4 (1) (1) (1) (1)
 BNP 4.1 (1) (1) (1) (1)
 Citigroup 3.3 (1) (1) (1) (1)
 Deutsche 3.1 (1) (1) (1) (1)
 ING 2.1 (1) (1) (1) (1)
 Intesa 2.1 (1) (1) (1) (1)
 SG 3.4 (1) (1) (1) (1)
 Unicredit 3.4 (1) (1) (1) (1)

Bank yields

Bank yields 8.2 (1) (1) (1) (1)
 Bank 8.2 (1) (1) (1) (1)

Turkish banks

Turkish banks 15 (1) (1) (1) (1)
 Akbank 1.5 (1) (1) (1) (1)
 Garanti 1.5 (1) (1) (1) (1)
 Turkey 15 (1) (1) (1) (1)

Russian banks

Russian banks 15 (1) (1) (1) (1)
 Sberbank 15 (1) (1) (1) (1)
 VTB 15 (1) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.09 (1) (1) (1) (1)
 GBPUSD 1.42 (1) (1) (1) (1)
 USDJPY 110.5 (1) (1) (1) (1)
 USD INR 81 (1) (1) (1) (1)

USDCY (in percentage)

USDCY Argentina 15.78 (1) (1) (1) (1)
 USDCY Brazil 17.7 (1) (1) (1) (1)
 USDCY China 17.8 (1) (1) (1) (1)
 USDCY France 1.46 (1) (1) (1) (1)
 USDCY India 1.46 (1) (1) (1) (1)

USDCY (in percentage)

USDCY Poland 1.46 (1) (1) (1) (1)
 USDCY Russia 17.1 (1) (1) (1) (1)
 USDCY Turkey 2 (1) (1) (1) (1)
 USDCY UK 1.46 (1) (1) (1) (1)
 USDCY India 1.46 (1) (1) (1) (1)
 USDCY Indonesia 1.46 (1) (1) (1) (1)
 USDCY 100 (1) (1) (1) (1)

Commodity (change in percentage)

WTI 37.2 (1) (1) (1) (1)
 Copper 2.0 (1) (1) (1) (1)
 Gold 10.0 (1) (1) (1) (1)
 Brent 10.0 (1) (1) (1) (1)
 Bauxite 10.0 (1) (1) (1) (1)
 Iron 10.0 (1) (1) (1) (1)
 Soy 10.0 (1) (1) (1) (1)
 Sugar 10.0 (1) (1) (1) (1)
 Wheat 10.0 (1) (1) (1) (1)

Commodity (change in percentage)

WTI 37.2 (1) (1) (1) (1)
 Copper 2.0 (1) (1) (1) (1)
 Gold 10.0 (1) (1) (1) (1)
 Brent 10.0 (1) (1) (1) (1)
 Bauxite 10.0 (1) (1) (1) (1)
 Iron 10.0 (1) (1) (1) (1)
 Soy 10.0 (1) (1) (1) (1)
 Sugar 10.0 (1) (1) (1) (1)
 Wheat 10.0 (1) (1) (1) (1)

Stock financing (change in percentage)

SPY 1.0 (1) (1) (1) (1)
 QQQ 1.0 (1) (1) (1) (1)
 IYK 1.0 (1) (1) (1) (1)
 IYD 1.0 (1) (1) (1) (1)
 IYF 1.0 (1) (1) (1) (1)
 IYH 1.0 (1) (1) (1) (1)
 IYR 1.0 (1) (1) (1) (1)
 IYV 1.0 (1) (1) (1) (1)

Stock financing (change in percentage)

SPY 1.0 (1) (1) (1) (1)
 QQQ 1.0 (1) (1) (1) (1)
 IYK 1.0 (1) (1) (1) (1)
 IYD 1.0 (1) (1) (1) (1)
 IYF 1.0 (1) (1) (1) (1)
 IYH 1.0 (1) (1) (1) (1)
 IYR 1.0 (1) (1) (1) (1)
 IYV 1.0 (1) (1) (1) (1)

Stock financing (change in percentage)

SPY 1.0 (1) (1) (1) (1)
 QQQ 1.0 (1) (1) (1) (1)
 IYK 1.0 (1) (1) (1) (1)
 IYD 1.0 (1) (1) (1) (1)
 IYF 1.0 (1) (1) (1) (1)
 IYH 1.0 (1) (1) (1) (1)
 IYR 1.0 (1) (1) (1) (1)
 IYV 1.0 (1) (1) (1) (1)

Stock financing (change in percentage)

SPY 1.0 (1) (1) (1) (1)
 QQQ 1.0 (1) (1) (1) (1)
 IYK 1.0 (1) (1) (1) (1)
 IYD 1.0 (1) (1) (1) (1)
 IYF 1.0 (1) (1) (1) (1)
 IYH 1.0 (1) (1) (1) (1)
 IYR 1.0 (1) (1) (1) (1)
 IYV 1.0 (1) (1) (1) (1)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day 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".

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.