

Market Comment | China's releases and the slide back in oil prices drag risk asset

Global Financial Markets Unit
08 Mar 2016

- **Eurozone 4Q15GDP confirmed 0.3% QoQ increase previously reported** in line with expectations (by 0.3%QoQ). Domestic demand contributed (increasing by +0.5%MoM), while private consumption slowed and public consumption rose. On another front, German industrial production surged in January above estimates (by 3.3%MoM; BBVAe: 0.2% consensus: 0.5%) after the decrease in the previous month.
- **Lael Brainard, member of Federal reserve, said that the Fed should be patient in its path of hiking interest rates** due to doubts about the global economy, "As I look at our policy path forward, I'm focused on the U.S. economy. I'm focused on U.S. inflation; I'm focused on the U.S. labor market. But, we have seen a lot of powerful crosscurrents coming from abroad," she said. Nonetheless, she and Fisher showed confidence about the achievement of 2 percent target. Fed Vice Chairman **Stanley Fischer pointed that central banks still maintain some margin to implement additional expansionary monetary policies if needed.**
- **Negative macroeconomic data in China.** China exports plunged in February beating expectations (by -25.4%YoY; consensus: -14.5%; previous: -11.2%) this is the biggest fall since May 2009, while imports dropped also more than expected (by -13.8%YoY; consensus: -12.0%; previous: -18.8%)
- **China's NPC: targets point towards a new focus on growth and financial stability.** The NPC started on March 5 and will conclude on March 16. The authorities seem adamant about maintaining high growth rates, and set the target for 2016 at 6.5-7.0%. Consequently, stimulus measures will be revved up via fiscal and monetary policy channels. This could aggravate China's looming overcapacity concerns and further push up corporate leverage. In addition to targets, the rhetoric around some of China's long-term strategic goals - capital account liberalization and RMB internationalization - seemed muted compared to last year. ([see](#))
- **Worse-than-expected economic data in China again fuel doubts about the global economic outlook.** The release of disappointing trade data in China again fuels doubts about the capacity of China to achieve soft-landing target despite the commitment that authorities are showing during the NPC (and in its latest policy decisions). Consequently, concerns about China's outlook, coupled with the slide back in oil prices prompted an extension of yesterday's mild consolidation in risk assets, and slightly increased the demand for safe-haven assets. In this context, the recent rise in the implied probability of a Fed rate-hike in 2016 slightly moderated (March: 8%, June: 38%, December: 40%). European equity markets dropped today dragged down by Asian markets (Eurostoxx: -0.7% IBEX: -0.5% DAX: -0.9% CAC: -0.9% MIB: -0.3% Nikkei: -0.8%), led by cyclical sectors and energy -in line with the increase in the global cyclical risk premium and the decline in oil prices-. In the same vein, US equity indices decreased slightly at the time of writing (S&P: -0.7% Dow: -0.5%). Meanwhile, safe-haven assets attracted fresh flows, with safe-haven bond yields falling sharply led by UK bonds (US 10Y: -9 bps GER 10Y: -5 bps UK 10Y: -10 bps), while European peripherals showed a mixed performance with Portugal inching up slightly (ITA

10Y: -4 bps SPA 10Y: -2 bps POR 10Y: +2 bps). On the other hand, Greek bond yield continued declining on talks about debt relief from the European creditors (10Y yield -37bp). On FX markets, the USD showed varying responses against other major currencies (EUR: +0.13% JPY: +0.77% GBP: -0.39%). The “pro-European” tone of Carney (BoE president) -that support the Cameron’s plan to remain in the UE- have not had a significant impact in GBP. EM currencies depreciated against the US dollar (RUB: -1.8% CLP: -0.5% COP: -2.3% MXN: -1.0%) hampered by the deterioration in commodity prices (Brent: -2.2% Wtx: -2.7% Copper: -3.1%) after recent days’ increases.

Update 17.30 CET 08 March, 2015

Table1

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

Libor markets (changes in bp)

Overnight

US 2yr 0.57 (4) (0) (0) (4)

US 3m 1.04 (6) (0) (0) (4)

US 10yr 1.81 (9) (1) (1) (2) (4)

Japan 10yr 0.11 (0) (4) (0) (0) (0)

EUR 3m 0.27 (1) (0) (2) (2)

EUR 6m 0.38 (2) (0) (1) (4) (2)

EUR 12m 0.51 (0) (0) (1) (2) (4)

Belgium 10yr 0.41 (4) (1) (4) (2) (0)

France 10yr 0.56 (4) (1) (4) (2) (0)

Germany 10yr 0.37 (1) (0) (1) (4) (1)

Italy 10yr 0.67 (0) (1) (1) (2)

Key 10yr 1.42 (4) (1) (4) (1)

Netherlands 10yr 0.51 (0) (1) (1) (4)

Poland 10yr 3.16 (2) (1) (1) (1) (4)

Spain 10yr 0.57 (0) (0) (1) (2)

3-month

Spain 10yr 0.01 (1) (1) (4) (2) (0) (0)

China 10yr 4.5 (0) (0) (2) (0)

London 10yr 0.02 (0) (0) (0) (4)

Mexico 10yr 4.12 (0) (0) (1) (4)

New York 10yr 0.01 (0) (0) (0)

Poland 10yr 2.8 (2) (1) (1) (2) (4)

Russia 10yr 5.38 (0) (0) (1) (2) (0)

Swiss 10yr 2.28 (0) (0) (1) (4) (2)

Turkey 10yr 16.15 (0) (1) (1) (2) (1) (2)

6-month

India 10yr 1.04 (0) (0) (1) (4)

Indonesia 10yr 7.91 (0) (1) (0) (1) (2) (4)

Country risk (changes in bp)

10yr sovereign spreads (against Germany)

Brazil 441.4 (4) (2) (0)

France 40 (2) (0) (0)

Germany 325 (2) (0) (1) (2) (0)

Italy 291 (2) (0) (1) (2)

Japan 10 (2) (0) (1) (2)

Spain 131 (2) (0) (1) (2)

UK 121 (2) (0) (1) (2)

USA 25 (2) (0) (1) (2)

Portugal 255 (1) (1) (0) (1) (2)

Swiss 139 (2) (0) (1) (2)

5yr sovereign spreads (against Germany)

Brazil 8 (2) (0) (1) (2)

France 15 (2) (0) (1) (2)

Germany 10 (2) (0) (1) (2)

Italy 27 (2) (0) (1) (2)

Japan 11 (2) (0) (1) (2)

Spain 61 (2) (0) (1) (2)

UK 11 (2) (0) (1) (2)

Netherlands 4 (2) (0) (1) (2)

Portugal 24 (2) (0) (1) (2)

Swiss 13 (2) (0) (1) (2)

3yr sovereign spreads (against Germany)

Brazil 8 (0) (0) (0)

France 10 (0) (0) (0)

Germany 10 (0) (0) (0)

Italy 27 (0) (0) (0)

Japan 11 (0) (0) (0)

Spain 61 (0) (0) (0)

UK 11 (0) (0) (0)

Netherlands 4 (0) (0) (0)

Portugal 24 (0) (0) (0)

Swiss 13 (0) (0) (0)

10yr sovereign CDS

Spain 46 (0) (0) (0) (0) (0)

Portugal 46 (0) (0) (0) (0) (0)

France 39 (0) (0) (0) (0) (0)

Germany 39 (0) (0) (0) (0) (0)

Italy 48 (0) (0) (0) (0) (0)

UK 47 (0) (0) (0) (0) (0)

Portugal 123 (0) (0) (0) (0) (0)

Spain 123 (0) (0) (0) (0) (0)

France 123 (0) (0) (0) (0) (0)

Germany 123 (0) (0) (0) (0) (0)

Italy 123 (0) (0) (0) (0) (0)

UK 123 (0) (0) (0) (0) (0)

Swiss 123 (0) (0) (0) (0) (0)

3yr sovereign CDS

Spain 46 (0) (0) (0)

Portugal 46 (0) (0) (0)

France 39 (0) (0) (0)

Germany 39 (0) (0) (0)

Italy 48 (0) (0) (0)

UK 47 (0) (0) (0)

Portugal 123 (0) (0) (0)

Spain 123 (0) (0) (0)

France 123 (0) (0) (0)

Germany 123 (0) (0) (0)

Italy 123 (0) (0) (0)

UK 123 (0) (0) (0)

Swiss 123 (0) (0) (0)

FX markets - change in percentage except for JPY spreads, see below

UK 16.2 (4) (0) (2) (2) (0)

CHF 10.0 (0) (0) (0) (0) (0)

EUR 10.0 (0) (0) (0) (0) (0)

GBP 10.0 (0) (0) (0) (0) (0)

HKD 10.0 (0) (0) (0) (0) (0)

INR 10.0 (0) (0) (0) (0) (0)

JPY 10.0 (0) (0) (0) (0) (0)

KRW 10.0 (0) (0) (0) (0) (0)

SGD 10.0 (0) (0) (0) (0) (0)

TWD 10.0 (0) (0) (0) (0) (0)

USD 10.0 (0) (0) (0) (0) (0)

FX volatility index

US 10.0 (0) (0) (0) (0) (0)

EUR 10.0 (0) (0) (0) (0) (0)

GBP 10.0 (0) (0) (0) (0) (0)

HKD 10.0 (0) (0) (0) (0) (0)

INR 10.0 (0) (0) (0) (0) (0)

JPY 10.0 (0) (0) (0) (0) (0)

KRW 10.0 (0) (0) (0) (0) (0)

SGD 10.0 (0) (0) (0) (0) (0)

TWD 10.0 (0) (0) (0) (0) (0)

FX spreads

US 10.0 (0) (0) (0) (0) (0)

EUR 10.0 (0) (0) (0) (0) (0)

GBP 10.0 (0) (0) (0) (0) (0)

HKD 10.0 (0) (0) (0) (0) (0)

INR 10.0 (0) (0) (0) (0) (0)

JPY 10.0 (0) (0) (0) (0) (0)

KRW 10.0 (0) (0) (0) (0) (0)

SGD 10.0 (0) (0) (0) (0) (0)

TWD 10.0 (0) (0) (0) (0) (0)

Stock markets (change in percentage)

Spain

IBEX 35 10000 (0) (0) (0) (0) (0)

MSCI Spain 10000 (0) (0) (0) (0) (0)

France

CAC 40 10000 (0) (0) (0) (0) (0)

MSCI France 10000 (0) (0) (0) (0) (0)

Germany

DAX 10000 (0) (0) (0) (0) (0)

MSCI Germany 10000 (0) (0) (0) (0) (0)

Italy

FTSE MIB 10000 (0) (0) (0) (0) (0)

MSCI Italy 10000 (0) (0) (0) (0) (0)

UK

FTSE 100 10000 (0) (0) (0) (0) (0)

MSCI UK 10000 (0) (0) (0) (0) (0)

USA

S&P 500 10000 (0) (0) (0) (0) (0)

MSCI USA 10000 (0) (0) (0) (0) (0)

China

SSE 10000 (0) (0) (0) (0) (0)

MSCI China 10000 (0) (0) (0) (0) (0)

India

Nifty 10000 (0) (0) (0) (0) (0)

MSCI India 10000 (0) (0) (0) (0) (0)

Japan

Nikkei 10000 (0) (0) (0) (0) (0)

MSCI Japan 10000 (0) (0) (0) (0) (0)

Russia

RTS 10000 (0) (0) (0) (0) (0)

MSCI Russia 10000 (0) (0) (0) (0) (0)

South Korea

KOSPI 10000 (0) (0) (0) (0) (0)

MSCI Korea 10000 (0) (0) (0) (0) (0)

South Africa

JSE 10000 (0) (0) (0) (0) (0)

MSCI South Africa 10000 (0) (0) (0) (0) (0)

Brazil

Ibovespa 10000 (0) (0) (0) (0) (0)

MSCI Brazil 10000 (0) (0) (0) (0) (0)

Indonesia

JKSE 10000 (0) (0) (0) (0) (0)

MSCI Indonesia 10000 (0) (0) (0) (0) (0)

Mexico

IPC 10000 (0) (0) (0) (0) (0)

MSCI Mexico 10000 (0) (0) (0) (0) (0)

Argentina

MERV 10000 (0) (0) (0) (0) (0)

MSCI Argentina 10000 (0) (0) (0) (0) (0)

Turkey

BIST 10000 (0) (0) (0) (0) (0)

MSCI Turkey 10000 (0) (0) (0) (0) (0)

Poland

WIG 10000 (0) (0) (0) (0) (0)

MSCI Poland 10000 (0) (0) (0) (0) (0)

Spain

IBEX 35 10000 (0) (0) (0) (0) (0)

MSCI Spain 10000 (0) (0) (0) (0) (0)

Commodities (in percentage, positive for dollar depreciation)

WTI 10000 (0) (0) (0) (0) (0)

Brent 10000 (0) (0) (0) (0) (0)

Natural Gas 10000 (0) (0) (0) (0) (0)

Gold 10000 (0) (0) (0) (0) (0)

Silver 10000 (0) (0) (0) (0) (0)

Copper 10000 (0) (0) (0) (0) (0)

Aluminum 10000 (0) (0) (0) (0) (0)

Zinc 10000 (0) (0) (0) (0) (0)

Iron Ore 10000 (0) (0) (0) (0) (0)

Soybean 10000 (0) (0) (0) (0) (0)

Wheat 10000 (0) (0) (0) (0) (0)

Corn 10000 (0) (0) (0) (0) (0)

Rice 10000 (0) (0) (0) (0) (0)

Sugar 10000 (0) (0) (0) (0) (0)

Cocoa 10000 (0) (0) (0) (0) (0)

Crude Oil 10000 (0) (0) (0) (0) (0)

Heating Oil 10000 (0) (0) (0) (0) (0)

Gasoline 10000 (0) (0) (0) (0) (0)

Coal 10000 (0) (0) (0) (0) (0)

Iron 10000 (0) (0) (0) (0) (0)

Nickel 10000 (0) (0) (0) (0) (0)

Palladium 10000 (0) (0) (0) (0) (0)

Platinum 10000 (0) (0) (0) (0) (0)

Uranium 10000 (0) (0) (0) (0) (0)

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

Debt markets (change in bp)

US Treasury

US 2yr	0.87 (4)	(2)	(1)	(4)
US 5yr	1.84 (6)	(2)	(1)	(4)
US 10yr	1.98 (1)	(1)	(2)	(4)

Japan

Japan 10yr	0.11 (4)	(1)	(1)	(3)
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Germany

GER 2yr	0.57 (1)	(0)	(1)	(2)
GER 5yr	0.38 (2)	(1)	(1)	(4)
GER 10yr	0.38 (4)	(1)	(1)	(4)

Belgium

Belgium 10yr	0.81 (4)	(1)	(1)	(4)
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France

France 10yr	0.52 (4)	(1)	(1)	(4)
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Canada

Canada 10yr	0.22 (1)	(1)	(1)	(4)
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Italy

Italy 10yr	1.42 (4)	(1)	(1)	(4)
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Netherlands

Netherlands 10yr	0.15 (1)	(1)	(1)	(4)
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Portugal

Portugal 10yr	3.18 (1)	(1)	(1)	(4)
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Spain

Spain 10yr	1.52 (4)	(1)	(1)	(4)
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Emerging Markets

China 10yr	0.59 (1)	(1)	(1)	(4)
China 5yr	0.40 (1)	(1)	(1)	(4)
Colombia 10yr	0.42 (1)	(1)	(1)	(4)
Vietnam 10yr	6.12 (1)	(1)	(1)	(4)
India 10yr	7.28 (1)	(1)	(1)	(4)
Poland 10yr	2.81 (1)	(1)	(1)	(4)
Russia 5yr	3.20 (1)	(1)	(1)	(4)
Russia 10yr	3.83 (1)	(1)	(1)	(4)
Turkey 10yr	10.15 (1)	(1)	(1)	(4)

Asia

India 10yr	7.68 (1)	(1)	(1)	(4)
Indonesia 10yr	7.91 (1)	(1)	(1)	(4)

C country risk (change in bp)

US government bonds (Agencies Germany)

Belgium	44 (1)	(1)	(1)	(1)
France	40 (2)	(1)	(1)	(1)
Germany	40 (2)	(1)	(1)	(1)
Italy	51 (1)	(1)	(1)	(1)
Japan	104 (1)	(1)	(1)	(1)
Spain	104 (1)	(1)	(1)	(1)
UK	104 (1)	(1)	(1)	(1)
USA	104 (1)	(1)	(1)	(1)

US government bonds (Agencies Germany)

Belgium	11 (2)	(1)	(1)	(1)
France	11 (2)	(1)	(1)	(1)
Germany	11 (2)	(1)	(1)	(1)
Italy	21 (1)	(1)	(1)	(1)
Japan	71 (1)	(1)	(1)	(1)
Netherlands	11 (1)	(1)	(1)	(1)
Portugal	206 (1)	(1)	(1)	(1)
Spain	110 (1)	(1)	(1)	(1)

3yr overnight swaps (Agencies Germany)

Belgium	10 (1)	(1)	(1)	(1)
France	10 (1)	(1)	(1)	(1)
Germany	10 (1)	(1)	(1)	(1)
Italy	21 (1)	(1)	(1)	(1)
Japan	71 (1)	(1)	(1)	(1)
Netherlands	10 (1)	(1)	(1)	(1)
Portugal	120 (1)	(1)	(1)	(1)
Spain	10 (1)	(1)	(1)	(1)

5yr overnight swaps

US 5yr	104 (1)	(1)	(1)	(1)
US 10yr	104 (1)	(1)	(1)	(1)
US 30yr	104 (1)	(1)	(1)	(1)
UK 5yr	104 (1)	(1)	(1)	(1)
UK 10yr	104 (1)	(1)	(1)	(1)
UK 30yr	104 (1)	(1)	(1)	(1)
Japan 5yr	104 (1)	(1)	(1)	(1)
Japan 10yr	104 (1)	(1)	(1)	(1)
Japan 30yr	104 (1)	(1)	(1)	(1)
Canada 5yr	104 (1)	(1)	(1)	(1)
Canada 10yr	104 (1)	(1)	(1)	(1)
Canada 30yr	104 (1)	(1)	(1)	(1)
France 5yr	104 (1)	(1)	(1)	(1)
France 10yr	104 (1)	(1)	(1)	(1)
France 30yr	104 (1)	(1)	(1)	(1)
Germany 5yr	104 (1)	(1)	(1)	(1)
Germany 10yr	104 (1)	(1)	(1)	(1)
Germany 30yr	104 (1)	(1)	(1)	(1)
Italy 5yr	104 (1)	(1)	(1)	(1)
Italy 10yr	104 (1)	(1)	(1)	(1)
Italy 30yr	104 (1)	(1)	(1)	(1)
Spain 5yr	104 (1)	(1)	(1)	(1)
Spain 10yr	104 (1)	(1)	(1)	(1)
Spain 30yr	104 (1)	(1)	(1)	(1)

C credit risk

US bonds (change in bp)

US 2yr	0.87 (4)	(2)	(1)	(4)
US 5yr	1.84 (6)	(2)	(1)	(4)
US 10yr	1.98 (1)	(1)	(2)	(4)

US bonds (change in bp)

US 2yr	0.87 (4)	(2)	(1)	(4)
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US 5yr	1.84 (6)	(2)	(1)	(4)
US 10yr	1.98 (1)	(1)	(2)	(4)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day delay

DISCLAIMER

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