

Market Comment | Volatile session ahead of tomorrow's ECB meeting

Global Financial Markets Unit
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- **Disappointing US economic data.** Wholesale sales dropped more than expected (by -1.3% MoM; consensus: -0.3%) in January, favouring an increase in US wholesale inventories (by +0.3% MoM in January; consensus: -0.2%). An increase in inventories could contribute positively to GDP growth in the first quarter, but it does not signal healthy growth.
- **Volatile session in global risky assets ahead of tomorrow's ECB meeting, despite better-than-expected oil inventories data.** Markets have already priced in a 10 bps cut in the ECB deposit rate at tomorrow's ECB meeting, while some analysts expect an even deeper cut in the depo rate and/or further extension in the pace and duration of the public sector purchase programme (PSPP). In this context, markets have been hovering around yesterday's closes ahead of tomorrow's meeting. On another front, the US economy figures released were mixed and without showing a very sound economy, while lower-than-expected oil inventories boosted oil prices but failed to spur strong gains in equity prices. Against this background European equity markets remained almost unchanged in a volatile session - main indices were around 1.5% up during the session - (Eurostoxx:+0.5% IBEX:+0.4% DAX:+0.3% CAC:+0.5%). Furthermore, the US equity indices opened positively but they flattened, dragged by discouraging macroeconomic data (S&P:+0.4% Dow:+0.4%) while Asian markets dropped today (Nikkei: -0.8% Shanghai: -1.34%). On bond markets, safe-haven bond yields inched up, offsetting part of the previous session's decrease (US 10Y:+4 bps GER 10Y:+6 bps UK 10Y:+5 bps) while European peripheral yields remained unchanged, narrowing their peripheral risk-premiums (ITA: -6 bps SPA:-6 bps POR:-6 bps). On FX markets, the USD remained almost stable against other major currencies (EUR:+0.1% GBP:+0.1 % JPY:-0.3 %) while depreciating against EM currencies (RUB: +2.3% BRL:+1.7% COP: +0.8% CLP:+1.0% MXN:+1.1% TRY: +0.9%) underpinned by the improvement in commodity prices, especially oil prices due to the better-than-expected crude oil inventories data (Brent:+3.1% Wtx:+4.1% Copper:+1.3%).

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Table1

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

Debit markets (change in bp)

Eurozone			
US 2yr	6.89	(2)	(146)
US 5yr	1.84	(1)	(20)
US 10yr	1.87	(1)	(12)
Japan 10yr	4.2	(0)	(16)
Other			
GB 2yr	4.13	(1)	(2)
GB 5yr	2.34	(1)	(2)
GB 10yr	4.24	(1)	(2)
Belgium			
Belgium 10yr	6.87	(1)	(14)
France			
France 10yr	5.62	(1)	(14)
France 5yr	4.2	(1)	(1)
France 2yr	6.2	(1)	(1)
Germany			
Germany 10yr	4.1	(1)	(1)
Germany 5yr	4.2	(1)	(1)
Germany 2yr	4.2	(1)	(1)
Italy			
Italy 10yr	4.2	(1)	(1)
Netherlands			
Netherlands 10yr	4.2	(1)	(1)
Portugal			
Portugal 10yr	4.2	(1)	(1)
Spain			
Spain 10yr	4.2	(1)	(1)
Emerging Markets			
China 10yr	4.42	(1)	(1)
China 5yr	4.42	(1)	(1)
China 2yr	4.42	(1)	(1)
Greece			
Greece 10yr	4.2	(1)	(1)
Korea			
Korea 10yr	4.2	(1)	(1)
Poland			
Poland 10yr	4.2	(1)	(1)
Russia			
Russia 10yr	4.2	(1)	(1)
Turkey			
Turkey 10yr	4.2	(1)	(1)
Indonesia			
Indonesia 10yr	4.2	(1)	(1)

Country risk (change in bp)

1st downgrade since August 2009			
Belgium	43	(4)	(6)
France	39	(4)	(2)
Germany	39	(4)	(1)
Ireland	14	(2)	(1)
Italy	14	(2)	(1)
Japan	14	(2)	(1)
Netherlands	11	(1)	(1)
Portugal	11	(1)	(1)
Spain	10	(1)	(1)
2nd downgrade since August 2009			
Belgium	17	(1)	(1)
France	16	(1)	(1)
Germany	16	(1)	(1)
Ireland	7	(1)	(1)
Italy	7	(1)	(1)
Netherlands	6	(1)	(1)
Portugal	5	(1)	(1)
Spain	5	(1)	(1)
3rd downgrade since August 2009			
Belgium	7	(1)	(1)
France	6	(1)	(1)
Germany	6	(1)	(1)
Ireland	3	(1)	(1)
Italy	3	(1)	(1)
Netherlands	2	(1)	(1)
Portugal	2	(1)	(1)
Spain	2	(1)	(1)
5yr downgrade CDS			
US CDS France	49	(1)	(1)
US CDS Germany	39	(1)	(1)
US CDS Italy	14	(1)	(1)
US CDS Ireland	14	(1)	(1)
US CDS Japan	14	(1)	(1)
US CDS Netherlands	11	(1)	(1)
US CDS Portugal	11	(1)	(1)
US CDS Spain	10	(1)	(1)
US CDS UK	10	(1)	(1)
US CDS US	21	(0)	(1)
5yr downgrade CDS			
US CDS Brazil	401	(1)	(1)
US CDS China	104	(1)	(1)
US CDS Colombia	24	(1)	(1)
US CDS Ecuador	176	(1)	(1)
US CDS Egypt	131	(1)	(1)
US CDS France	178	(1)	(1)
US CDS Greece	173	(1)	(1)
US CDS Hungary	229	(1)	(1)
US CDS India	304	(1)	(1)
US CDS Italy	144	(1)	(1)
US CDS Korea	131	(1)	(1)
US CDS Mexico	101	(1)	(1)
US CDS Russia	204	(1)	(1)
US CDS Turkey	276	(1)	(1)
US CDS UK	131	(1)	(1)
US CDS USA	21	(0)	(1)
US CDS Venezuela	229	(1)	(1)

Risk reduction (change in percentage point for 100bps spread, bp)

VIX	16.09	(1)	(1)
VIX 1M	16.09	(1)	(1)
VIX 3M	16.09	(1)	(1)
VIX 6M	16.09	(1)	(1)
VIX 1Y	16.09	(1)	(1)
Euro FX volatility index	27	(1)	(1)
Deutsche volatility	17	(1)	(1)
Euro FX volatility index	13	(1)	(1)
Credit spread (BAA)	333	(4)	(1)
US bonds volatility index	61	(4)	(1)

Risk on (change in bp)

US Treas 10yr	10	(1)	(1)
US Treas 2yr	10	(1)	(1)
US Treas 3m	10	(1)	(1)
US Treas 6m	10	(1)	(1)
US Treas 9m	10	(1)	(1)
US Treas 12m	10	(1)	(1)
US Treas 15m	10	(1)	(1)
US Treas 18m	10	(1)	(1)
US Treas 21m	10	(1)	(1)
US Treas 24m	10	(1)	(1)
US Treas 27m	10	(1)	(1)
US Treas 30m	10	(1)	(1)
US Treas 33m	10	(1)	(1)
US Treas 36m	10	(1)	(1)
US Treas 39m	10	(1)	(1)
US Treas 42m	10	(1)	(1)
US Treas 45m	10	(1)	(1)
US Treas 48m	10	(1)	(1)
US Treas 51m	10	(1)	(1)
US Treas 54m	10	(1)	(1)
US Treas 57m	10	(1)	(1)
US Treas 60m	10	(1)	(1)
US Treas 63m	10	(1)	(1)
US Treas 66m	10	(1)	(1)
US Treas 69m	10	(1)	(1)
US Treas 72m	10	(1)	(1)
US Treas 75m	10	(1)	(1)
US Treas 78m	10	(1)	(1)
US Treas 81m	10	(1)	(1)
US Treas 84m	10	(1)	(1)
US Treas 87m	10	(1)	(1)
US Treas 90m	10	(1)	(1)
US Treas 93m	10	(1)	(1)
US Treas 96m	10	(1)	(1)
US Treas 99m	10	(1)	(1)
US Treas 102m	10	(1)	(1)
US Treas 105m	10	(1)	(1)
US Treas 108m	10	(1)	(1)
US Treas 111m	10	(1)	(1)
US Treas 114m	10	(1)	(1)
US Treas 117m	10	(1)	(1)
US Treas 120m	10	(1)	(1)

Country risk (change in bp)

US CDS Brazil	132	(1)	(1)
US CDS China	104	(1)	(1)
US CDS Colombia	24	(1)	(1)
US CDS Ecuador	176	(1)	(1)
US CDS Egypt	131	(1)	(1)
US CDS France	178	(1)	(1)
US CDS Greece	173	(1)	(1)
US CDS Hungary	229	(1)	(1)
US CDS India	304	(1)	(1)
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US CDS Korea	131	(1)	(1)
US CDS Mexico	101	(1)	(1)
US CDS Russia	204	(1)	(1)
US CDS Turkey	276	(1)	(1)
US CDS UK	131	(1)	(1)
US CDS USA	21	(0)	(1)
US CDS Venezuela	229	(1)	(1)

Interest rate markets (change in bp)

US 2yr swap	15	(1)	(1)
US 3yr swap	15	(1)	(1)
US 5yr swap	15	(1)	(1)
US 7yr swap	15	(1)	(1)
US 10yr swap	15	(1)	(1)
US 15yr swap	15	(1)	(1)
US 20yr swap	15	(1)	(1)
US 25yr swap	15	(1)	(1)
US 30yr swap	15	(1)	(1)
US 35yr swap	15	(1)	(1)
US 40yr swap	15	(1)	(1)
US 45yr swap	15	(1)	(1)
US 50yr swap	15	(1)	(1)
US 55yr swap	15	(1)	(1)
US 60yr swap	15	(1)	(1)
US 65yr swap	15	(1)	(1)
US 70yr swap	15	(1)	(1)
US 75yr swap	15	(1)	(1)
US 80yr swap	15	(1)	(1)
US 85yr swap	15	(1)	(1)
US 90yr swap	15	(1)	(1)
US 95yr swap	15	(1)	(1)
US 100yr swap	15	(1)	(1)

Stock markets (change in percentage)

S&P 500	1.02	(4)	(1)
NASDAQ	1.02	(4)	(1)
Dow Jones	1.02	(4)	(1)
Russ 100	1.02	(4)	(1)
FTSE 100	1.02	(4)	(1)
Euro Stoxx	1.02	(4)	(1)
MSCI Asia	1.02	(4)	(1)
MSCI Europe	1.02	(4)	(1)
MSCI Africa	1.02	(4)	(1)
MSCI Latin	1.02	(4)	(1)
MSCI Russia	1.02	(4)	(1)
MSCI Brazil	1.02	(4)	(1)
MSCI China	1.02	(4)	(1)
MSCI India	1.02	(4)	(1)
MSCI Korea	1.02	(4)	(1)
MSCI Japan	1.02	(4)	(1)
MSCI Taiwan	1.02	(4)	(1)
MSCI Hong Kong	1.02	(4)	(1)
MSCI Singapore	1.02	(4)	(1)
MSCI Philippines	1.02	(4)	(1)
MSCI Thailand	1.02	(4)	(1)
MSCI Malaysia	1.02	(4)	(1)
MSCI Indonesia	1.02	(4)	(1)
MSCI Vietnam	1.02	(4)	(1)
MSCI South Korea	1.02	(4)	(1)
MSCI Taiwan	1.02	(4)	(1)
MSCI Hong Kong	1.02	(4)	(1)
MSCI Singapore	1.02	(4)	(1)
MSCI Philippines	1.02	(4)	(1)
MSCI Thailand	1.02	(4)	(1)
MSCI Malaysia	1.02	(4)	(1)
MSCI Indonesia	1.02	(4)	(1)
MSCI Vietnam	1.02	(4)	(1)
MSCI South Korea	1.02	(4)	(1)

Commodity risk (change in bp)

US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)
US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)
US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)

Interest rate markets (change in bp)

US 2yr swap	15	(1)	(1)
US 3yr swap	15	(1)	(1)
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MSCI Asia	1.02	(4)	(1)
MSCI Europe	1.02	(4)	(1)
MSCI Africa	1.02	(4)	(1)
MSCI Latin	1.02	(4)	(1)
MSCI Russia	1.02	(4)	(1)
MSCI Brazil	1.02	(4)	(1)
MSCI China	1.02	(4)	(1)
MSCI India	1.02	(4)	(1)
MSCI Korea	1.02	(4)	(1)
MSCI Japan	1.02	(4)	(1)
MSCI Taiwan	1.02	(4)	(1)
MSCI Hong Kong	1.02	(4)	(1)
MSCI Singapore	1.02	(4)	(1)
MSCI Philippines	1.02	(4)	(1)
MSCI Thailand	1.02	(4)	(1)
MSCI Malaysia	1.02	(4)	(1)
MSCI Indonesia	1.02	(4)	(1)
MSCI Vietnam	1.02	(4)	(1)
MSCI South Korea	1.02	(4)	(1)

Commodity risk (change in bp)

US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)
US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)
US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)

Interest rate markets (change in bp)

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MSCI Latin	1.02	(4)	(1)
MSCI Russia	1.02	(4)	(1)
MSCI Brazil	1.02	(4)	(1)
MSCI China	1.02	(4)	(1)
MSCI India	1.02	(4)	(1)
MSCI Korea	1.02	(4)	(1)
MSCI Japan	1.02	(4)	(1)
MSCI Taiwan	1.02	(4)	(1)
MSCI Hong Kong	1.02	(4)	(1)
MSCI Singapore	1.02	(4)	(1)
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US Agriculture	25	(1)	(1)
US Non-Agriculture	25	(1)	(1)
US Agriculture	25	(1)	(1)

Interest rate markets (change in bp)

US 2yr swap	15	(1)	(1)
US 3yr swap	15	(1)	(1)
US 5yr swap	15	(1)	(1)
US 7yr swap	15	(1)	(1)
US 10yr swap	15	(1)	(1)
US 15yr swap	15	(1)	(1)
US 20yr swap	15	(1)	(1)</

*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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