

Market Comment | Yellen speech in the spotlight

Global Financial Markets Unit
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- **Positive consumer confidence data in the US.** US consumer confidence rose in March against estimates of its remaining unchanged (to 96.2 points from 94.0).
- **San Francisco Fed's William says that the latest developments allow additional rate hikes but insists on gradualism.** He reiterated that macroeconomic data - unemployment and inflation - will continue improving, allowing new rate hikes, although he said that "the future pace will be, as we've said repeatedly, gradual and thoughtful".
- **The money supply M3 remained stable in February** in line with estimates (at 5.0% YoY), while loans to non-financial business increased (by 0.9% YoY in February) - which is the biggest improvement since 2011- and loans to households also rose (by 1.6% YoY).
- **Yellen speech in the spotlight.** The US policy stance has remained as one of the most significant drivers in financial markets in recent weeks. The dovish tone shown in the last FOMC meeting diverged from the recent hawkish comments of some Fed officials' discourse, based on the latest developments in the US economy. It brings increasing probabilities of a rate-hike sooner than the market as a whole is expecting. For this reason, Janet Yellen's speech today is in the spotlight. The tone of today's speech will be a key to reinforcing the latest hawkish comments or to giving some support to those who betting on very low interest rates for longer. Volatility in oil prices has also been dragging down risk assets since the beginning of this week: today oil prices fell again (Brent:-3.1% Wtx:-3.2%), -waiting for the release of fresh US oil inventories data - in line with other commodity prices (Copper:-1.7%). Against this backdrop, European equity markets, in a highly volatile session, finally closed with mild gains (Eurostoxx: +0.6% IBEX: +0.2% DAX:+0.4% CAC:+0.9%). Meanwhile, both US and Asian markets dropped (S&P:-0.1 % Nikkei: -0.18% Shanghai: -1.28%). On bond markets, US treasury yields inched down in all tenors (2Y:-2 bps 10Y:-4 bps) waiting for Yellen's speech. In the same vein, European yields declined, led by peripheral countries, mainly driven by Spanish bonds (GER 10Y:-4 bps ITA 10Y:-6 bps SPA 10Y:-8 bps POR 10Y:-5 bps), narrowing slightly peripheral risk-premiums. On FX markets, the USD appreciated slightly against other major currencies (EUR: 0.1% GBP:0.25 %). Meanwhile, EM currencies depreciated against the US dollar mainly those most linked to oil prices (BRL:-0.9% COP:-0.9% MXN:-0.2% CLP:-0.9% PEN:-0.8%) and the Argentine peso which depreciated -2.9%.

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Table1

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

Libor markets (changes in bp)

US 2yr 5.84 (2.46) (0.10)
 US 3yr 5.32 (2.46) (0.23)
 US 6yr 5.06 (2.46) (0.32)
 Japan 3yr 4.08 (0.11) (2.14)
 GER 3yr -0.4 (2) (2) (0.44)
 GER 5yr -0.31 (4) (2) (0.36)
 GER 10yr -0.14 (4) (1) (0.14)

Belgium 10yr 0.2 (4) (4) (1.11) (3.3)
 France 10yr 0.2 (2) (2) (1.11) (3.3)
 Greece 10yr 0.8 (1) (2) (1.98) (5.4)
 Ireland 10yr 0.7 (2) (1) (1.3)
 Italy 10yr 1.24 (4) (2) (2.46) (6)
 Netherlands 10yr 0.4 (2) (1) (1.11) (3.3)
 Portugal 10yr 0.2 (2) (1) (1.11) (3.3)
 Spain 10yr 1.44 (2) (1) (1.11) (3.3)

Finland 10yr 1.77 (1) (1) (2.29) (4.4)
 One Year 4.4 (3) (3) (2) (4)
 Canada 10yr 2.87 (1) (1) (1.11) (3.3)
 Mexico 10yr 2.87 (1) (1) (1.11) (3.3)
 New 10yr 1.54 (1) (1) (1.11) (3.3)
 Poland 10yr 2.0 (1) (1) (1.11) (3.3)
 Russia 10yr 2.0 (2) (2) (2.46) (6)
 Turkey 10yr 1.8 (1) (1) (1.11) (3.3)
 India 10yr 7.5 (2) (1) (2.29) (4.4)
 Indonesia 10yr 1.8 (2) (1) (1.11) (3.3)

Country risk (changes in bp)

10 year sovereign spreads (against Germany)
 Belgium 31 (2) 13 (0) (8)
 France 32 (2) 13 (0) (8)
 Greece 107 (16) 148 (43)
 Ireland 87 (14) 27 (1) (7)
 Italy 112 (21) 128 (16)
 Netherlands 22 (5) 11 (4) (8)
 Portugal 272 (50) 102 (28)
 Spain 130 (4) 112 (25)

30 year sovereign spreads (against Germany)
 Belgium 4 (0) 13 (3)
 Greece 107 (16) 148 (43)
 Ireland 87 (14) 27 (1) (7)
 Italy 112 (21) 128 (16)
 Netherlands 22 (5) 11 (4) (8)
 Portugal 272 (50) 102 (28)
 Spain 130 (4) 112 (25)

20 year sovereign spreads (against Germany)
 Belgium 6 (0) 12 (3)
 France 6 (0) 12 (3)
 Ireland 87 (14) 27 (1) (7)
 Italy 112 (21) 128 (16)
 Netherlands 22 (5) 11 (4) (8)
 Spain 31 (0) 11 (1) (1)

5yr overnight LIBOR
 EUR CDS Belgium 46 (0) 42 (4) (3)
 EUR CDS France 34 (0) 41 (7)
 EUR CDS Germany 28 (0) 41 (7)
 EUR CDS Greece 198 (0) 188 (103) (201)
 EUR CDS Ireland 89 (0) 13 (7) (8)
 EUR CDS Italy 129 (0) 12 (2) (1)
 EUR CDS Netherlands 20 (0) 10 (5) (5)
 EUR CDS Portugal 271 (1) 114 (48) (72)
 EUR CDS Spain 16 (1) 15 (14) (2)
 EUR CDS UK 41 (0) 10 (3) (3)
 EUR CDS US 21 (0) 11 (3) (3)

3yr overnight LIBOR
 EUR CDS Belgium 46 (0) 42 (4) (3)
 EUR CDS France 34 (0) 41 (7)
 EUR CDS Germany 28 (0) 41 (7)
 EUR CDS Greece 198 (0) 188 (103) (201)
 EUR CDS Ireland 89 (0) 13 (7) (8)
 EUR CDS Italy 129 (0) 12 (2) (1)
 EUR CDS Netherlands 20 (0) 10 (5) (5)
 EUR CDS Portugal 271 (1) 114 (48) (72)
 EUR CDS Spain 16 (1) 15 (14) (2)
 EUR CDS UK 41 (0) 10 (3) (3)
 EUR CDS US 21 (0) 11 (3) (3)

1yr overnight LIBOR
 EUR CDS Belgium 46 (0) 42 (4) (3)
 EUR CDS France 34 (0) 41 (7)
 EUR CDS Germany 28 (0) 41 (7)
 EUR CDS Greece 198 (0) 188 (103) (201)
 EUR CDS Ireland 89 (0) 13 (7) (8)
 EUR CDS Italy 129 (0) 12 (2) (1)
 EUR CDS Netherlands 20 (0) 10 (5) (5)
 EUR CDS Portugal 271 (1) 114 (48) (72)
 EUR CDS Spain 16 (1) 15 (14) (2)
 EUR CDS UK 41 (0) 10 (3) (3)
 EUR CDS US 21 (0) 11 (3) (3)

Cost of risk

Cost of risk (changes in percentage points for 1.00 spread, 100)

US 10yr 10.2 (0) 10.2 (0)
 UK 10yr 10.2 (0) 10.2 (0)
 EUR 10yr 10.2 (0) 10.2 (0)
 JPY 10yr 10.2 (0) 10.2 (0)
 AUD 10yr 10.2 (0) 10.2 (0)
 NZD 10yr 10.2 (0) 10.2 (0)
 CAD 10yr 10.2 (0) 10.2 (0)
 CHF 10yr 10.2 (0) 10.2 (0)
 SEK 10yr 10.2 (0) 10.2 (0)
 NOK 10yr 10.2 (0) 10.2 (0)
 DKK 10yr 10.2 (0) 10.2 (0)
 ISK 10yr 10.2 (0) 10.2 (0)
 HUF 10yr 10.2 (0) 10.2 (0)
 PLN 10yr 10.2 (0) 10.2 (0)
 CZK 10yr 10.2 (0) 10.2 (0)
 SKK 10yr 10.2 (0) 10.2 (0)
 UZB 10yr 10.2 (0) 10.2 (0)
 KZT 10yr 10.2 (0) 10.2 (0)
 RUB 10yr 10.2 (0) 10.2 (0)
 TRY 10yr 10.2 (0) 10.2 (0)
 BRL 10yr 10.2 (0) 10.2 (0)
 MXN 10yr 10.2 (0) 10.2 (0)
 INR 10yr 10.2 (0) 10.2 (0)
 IDR 10yr 10.2 (0) 10.2 (0)
 PHP 10yr 10.2 (0) 10.2 (0)
 THB 10yr 10.2 (0) 10.2 (0)
 MYR 10yr 10.2 (0) 10.2 (0)
 SGD 10yr 10.2 (0) 10.2 (0)
 HKD 10yr 10.2 (0) 10.2 (0)
 TWD 10yr 10.2 (0) 10.2 (0)
 KRW 10yr 10.2 (0) 10.2 (0)
 CNY 10yr 10.2 (0) 10.2 (0)
 HKT 10yr 10.2 (0) 10.2 (0)
 JPY 10yr 10.2 (0) 10.2 (0)
 AUD 10yr 10.2 (0) 10.2 (0)
 NZD 10yr 10.2 (0) 10.2 (0)
 CAD 10yr 10.2 (0) 10.2 (0)
 CHF 10yr 10.2 (0) 10.2 (0)
 SEK 10yr 10.2 (0) 10.2 (0)
 NOK 10yr 10.2 (0) 10.2 (0)
 DKK 10yr 10.2 (0) 10.2 (0)
 ISK 10yr 10.2 (0) 10.2 (0)
 HUF 10yr 10.2 (0) 10.2 (0)
 PLN 10yr 10.2 (0) 10.2 (0)
 CZK 10yr 10.2 (0) 10.2 (0)
 SKK 10yr 10.2 (0) 10.2 (0)
 UZB 10yr 10.2 (0) 10.2 (0)
 KZT 10yr 10.2 (0) 10.2 (0)
 RUB 10yr 10.2 (0) 10.2 (0)
 TRY 10yr 10.2 (0) 10.2 (0)
 BRL 10yr 10.2 (0) 10.2 (0)
 MXN 10yr 10.2 (0) 10.2 (0)
 INR 10yr 10.2 (0) 10.2 (0)
 IDR 10yr 10.2 (0) 10.2 (0)
 PHP 10yr 10.2 (0) 10.2 (0)
 THB 10yr 10.2 (0) 10.2 (0)
 MYR 10yr 10.2 (0) 10.2 (0)
 SGD 10yr 10.2 (0) 10.2 (0)
 HKD 10yr 10.2 (0) 10.2 (0)
 TWD 10yr 10.2 (0) 10.2 (0)
 KRW 10yr 10.2 (0) 10.2 (0)
 CNY 10yr 10.2 (0) 10.2 (0)
 HKT 10yr 10.2 (0) 10.2 (0)

Bank risk (changes in bp)
 EUR bank CDS 122 (1) 115 (12) (26)
 US bank CDS 122 (1) 115 (12) (26)
 UK bank CDS 122 (1) 115 (12) (26)

Large Spanish bank CDS 122 (1) 115 (12) (26)
 Medium Spanish bank CDS 122 (1) 115 (12) (26)

Greek bank CDS 122 (1) 115 (12) (26)
 Russian bank CDS 122 (1) 115 (12) (26)

Corporate risk (changes in bp)
 US non-financial CDS 122 (1) 115 (12) (26)
 EU non-financial CDS 122 (1) 115 (12) (26)

Interest rate markets (changes in bp)

EUR 3m swap 3m 110 (0) (0) (0)
 EUR 6m swap 12m 38 (0) (0) (0)
 US 12 month 12m 32 (0) (0) (0)
 US 6m swap 3m 24 (0) (0) (0)
 US 3m swap 12m 29 (0) (0) (0)
 US 12 month 12m 29 (0) (0) (0)
 Spain 12 month 3m -2 (0) (2) (2)
 EONIA index 2.5 (0) (0) (0)
 Eurobor 3m -4.3 (0) (0) (0)
 Eurobor 6m -4.0 (0) (0) (0)
 Libor 3m 1.0 (0) (0) (0)
 Libor 6m 1.2 (0) (0) (0)

Stock markets (changes in percentage)

US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)

Bank stocks
 US banks 7.2 (4) 4 (3) (2) (1)
 JPM 5.1 (2) 1 (2) (2) (2)
 Cit 4.1 (1) 1 (1) (1) (1)
 Bank of America 4.1 (1) (1) (1)
 Wells Fargo 4.1 (1) (1) (1)
 US 10yr 10.2 (0) 10.2 (0) (0)
 UK banks 6.7 (0) 1 (1) (1) (1)
 HSBC 4.3 (1) 1 (1) (1) (1)
 RBS 2.8 (1) 1 (1) (1) (1)
 Barclays 1.1 (1) (1) (1) (1)
 Citigroup 1.1 (1) (1) (1) (1)
 EMI banks 6.2 (0) 1 (1) (1) (1)
 BNP 4.1 (0) 1 (1) (1) (1)
 Credit Agricole 3.8 (1) 1 (1) (1) (1)
 Deutsche Bank 1.4 (1) (1) (1) (1)
 ING 1.2 (0) 1 (1) (1) (1)
 Societe Generale 1.2 (0) 1 (1) (1) (1)
 UBS 1.1 (0) 1 (1) (1) (1)
 Credit Suisse 1.1 (0) 1 (1) (1) (1)
 Citigroup 1.1 (0) 1 (1) (1) (1)
 UBS 1.1 (0) 1 (1) (1) (1)
 Credit Suisse 1.1 (0) 1 (1) (1) (1)

Large Spanish bank CDS 122 (1) 115 (12) (26)
 Medium Spanish bank CDS 122 (1) 115 (12) (26)
 Greek bank CDS 122 (1) 115 (12) (26)
 Russian bank CDS 122 (1) 115 (12) (26)
 Corporate risk (changes in bp)
 US non-financial CDS 122 (1) 115 (12) (26)
 EU non-financial CDS 122 (1) 115 (12) (26)

Emerging markets

US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)

Commodities (in percentage, positive for dollar depreciation)

US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)

Commodities (change in percentage)

US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 US S&P 500 2.0 (0) (0)
 Dow Jones 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)
 FTSE 100 1.0 (0) (0) (0)
 Euro Stoxx 50 1.0 (0) (0) (0)
 MSCI World 1.0 (0) (0) (0)
 CAC 40 1.0 (0) (0) (0)
 ASX 1.0 (0) (0) (0)
 HSI 1.0 (0) (0) (0)
 Nikkei 1.0 (0) (0) (0)

Source: Bloomberg, Bloomberg Barclays

Fuente: BBVA Research

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*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day delay

We will be back on Monday

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