

# Market Comment | Cautious mode remains: Fed minutes and oil price in the spotlight

Global Financial Markets Unit  
06 Apr 2016

- **Services PMI improved in China.** China's Services Caixin PMI improved in March and stands at 52.2 points (from 51.2 points in February, consensus: 51.4 points). This improvement completes a positive month for Chinese confidence, after last week's positive manufacturing confidence data. Both indices topped the 50 points threshold.
- **Better-than-expected industrial production in Germany.** German industrial production dropped in February by less than expected (by -0.5% MoM; consensus: -1.8%).
- **Cautious mode remains: Fed minutes and oil price in the spotlight.** After yesterday's negative session in financial markets due among other factors to Lagarde's pessimistic view - warning of "a new mediocre" phase characterized by very low economic growth - risky assets registered a positive performance although doubts still remain. China's better-than-expected confidence data released last night was not enough to mute completely the risk-off mood in financial markets. Oil prices registered significant gains after the smaller-than-expected US oil inventories, but remained below the 40 USD/pb threshold (Brent: +3.9% WTx: +4.5%). Meanwhile, main equity indices registered a mild increase across the board, helped by the energy sector (Eurostoxx: +0.7% IBEX: +0.2% DAX: +0.7% CAC: +0.8% S&P: +0.6% Dow: +0.4%) but they are still far from recovered from recent losses. Moreover, the European banking sector remained underperformed. After the dovishness shown by both the FOMC and Yellen (in her last speech), the release of the latest FOMC minutes later today will be a key hint of the Fed's pace in the interest rate normalization process. The markets assigned almost zero probability to an April rate-hike, while assigning a 20% chance of an increase in rates in June. Safe-haven yields inched up (US 10Y: +3 bps GER 10Y: +2 bps) after yesterday's drop, while European peripheral yields rose again, led by Portugal (ITA 10Y: +1 bp SPA 10Y: +2 bps POR 10Y: +4 bps). In Fx markets, the USD showed a mixed performance against other major currencies, highlighting the Japanese Yen, which appreciated again showing the persistence of defensive mode in financial markets (JPY: +0.3% GBP: -0.4%). EM currencies appreciated slightly against the US dollar (RUB: +0.6 % BRL: +0.3 % COP: +0.2%) due to the recovery in oil prices.

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Table1

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

**Libor markets (changes in bp)**

US 3m 8.73 (0.10) (17) (32)  
 US 3m 1.18 (0.24) (20) (46)  
 US 1y 15.75 (0.71) (46) (42)  
 Japan 3m 1.67 (0.10) (10) (42)  
 GB 3m -0.49 (0.05) (0) (14)  
 GB 3m -2.36 (1.21) (0) (32)  
 GB 1y 0.12 (0.14) (11) (65)  
 Belgium 15y 0.5 (2) (2) (18) (47)  
 France 15y 0.42 (0) (0) (19) (49)  
 Greece 15y 0.89 (0) (0) (47) (84)  
 Korea 15y 17 (0) (0) (14)  
 Mexico 15y 1.28 (0) (1) (18) (31)  
 Netherlands 15y 0.32 (0) (1) (13) (44)  
 Portugal 15y 1.18 (0) (0) (20) (37)  
 Spain 15y 1 (0) (0) (16) (26)

**Country risk**

France 15y 1.12 (0.27) (28) (230)  
 China 15y 4.42 (0) (1) (51) (24)  
 Canada 15y 0.32 (0) (1) (11) (44)  
 Mexico 15y 1.30 (2) (1) (21) (25)  
 Peru 15y 0.97 (0) (1) (22) (24)  
 Finland 15y 2.88 (2) (4) (4) (5)  
 Russia 15y 3.17 (0) (2) (4) (15)  
 Russia 15y 5.2 (0) (1) (1) (15)  
 Turkey 15y 0.68 (0) (0) (18) (29)

**India 15y 7.48 (0) (1) (4) (18) (30)**

**Indonesia 15y 7.62 (0) (1) (24) (112)**

**Country risk (changes in bp)**

US 3m overnight (Against Germany)  
 Belgium 30 (0) (2) (17) (4)  
 France 34 (0) (1) (12)  
 Greece 807 (0) (0) (41) (132)  
 Ireland 8 (0) (0) (1) (13)  
 Italy 117 (1) (1) (1) (20)  
 Netherlands 7 (0) (0) (1) (13)  
 Portugal 207 (0) (0) (1) (18)  
 Spain 139 (0) (0) (2) (25)

**3yr overnight (Against Germany)**

Belgium 7 (0) (0) (0) (11)  
 France 10 (0) (0) (0) (11)  
 Greece 303 (0) (0) (10) (20)  
 Ireland 3 (0) (0) (0) (11)  
 Italy 67 (0) (0) (1) (21)  
 Netherlands 10 (0) (0) (1) (14)  
 Portugal 231 (0) (0) (1) (21)  
 Spain 16 (0) (0) (1) (4)

**5yr overnight (Against Germany)**

Belgium 4 (0) (0) (0) (6)  
 France 5 (0) (0) (0) (6)  
 Greece 117 (0) (0) (0) (16)  
 Ireland 1 (0) (0) (0) (6)  
 Italy 487 (0) (0) (1) (17)  
 Netherlands 11 (0) (0) (0) (16)  
 Portugal 111 (2) (0) (1) (16)  
 Spain 8 (0) (0) (1) (16)

**3yr overnight OIS**

US 3m OIS Belgium 30 (0) (2) (17) (4)  
 US 3m OIS France 32 (0) (1) (11) (4)  
 US 3m OIS Germany 38 (0) (1) (10) (6)  
 US 3m OIS Greece 817 (0) (0) (41) (132)  
 US 3m OIS Ireland 8 (0) (0) (1) (13)  
 US 3m OIS Italy 117 (1) (1) (1) (20)  
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 US 3m OIS Portugal 207 (0) (0) (1) (18)  
 US 3m OIS Spain 139 (0) (0) (2) (25)  
 US 3m OIS US 22 (0) (0) (2) (5)

**5yr overnight OIS**

US 3m OIS Belgium 277 (0) (0) (1) (17)  
 US 3m OIS China 103 (0) (1) (2) (24)  
 US 3m OIS Canada 37 (0) (0) (1) (14)  
 US 3m OIS Mexico 172 (0) (1) (1) (10)  
 US 3m OIS Peru 102 (0) (0) (1) (13)  
 US 3m OIS Venezuela 6548 (28) (48) (1) (247) (54)  
 US 3m OIS Finland 0 (0) (0) (0) (17)  
 US 3m OIS Russia 207 (0) (1) (1) (16)  
 US 3m OIS Turkey 205 (0) (1) (1) (14)  
 US 3m OIS China 128 (0) (0) (0) (18)  
 US 3m OIS India 173 (0) (0) (1) (24)  
 US 3m OIS Indonesia 231 (0) (0) (1) (24)

**Country risk**

US 3m OIS Belgium 30 (0) (2) (17) (4)  
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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

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