

# Market Comment | Global risk concerns weigh on markets

Global Financial Markets Unit  
07 Apr 2016

- **FOMC Minutes: Hawks Fighting for Faster Action as Doves Maintain Cautious Approach.** The minutes from the March FOMC meeting did not do much to clarify the Fed's policy plans for the coming months but instead confirmed the lingering uncertainties haunting the Committee. Views were mixed on the risks to the economic outlook as well as the appropriate response to incoming economic data. Committee members were divided on a possible April announcement, although the doves seem likely to prevail due to heightened global uncertainty. June remains in play for the next 25 basis point increase, closing out 2016 at 1.0%. ([see](#))
- **Mixed labour data in the US.** US jobless claims dropped by more than expected in the week ended 2 April (267K; consensus: 270K) and continuing claims rose unexpectedly in the week ended 26 March (to 2191K from 2172K; consensus: 2170K).
- **ECB Minutes. Today, the ECB released the monetary policy accounts of its 10 March meeting.** The minutes confirm that a large majority of voting members supported the proposed policy package, but support for the various components of the package was varied. The accounts revealed that this decision arises as members widely agreed the needed to reconsider the degree of monetary policy stance to try to counteract heightened risks to the ECB's price stability target. The ECB discussed introducing a negative-rate exemption, but finally this was rejected as "too complex." The minutes also revealed that members do not rule out the possibility of further cuts if warranted by the outlook for price stability.
- **The ECB's officials reiterated the commitment to its inflation target.** Mario Draghi reiterated that the ECB will continue trying to reach the inflation target. The ECB will not halt its efforts, as it demonstrated in March: "These decisions reaffirmed that, even when faced with global disinflationary forces, the ECB does not surrender to excessively low inflation," he added. In the same line, Vitor Constancio insisted on the ECB's determination to reach its price target, "the ECB has done and, within its mandate, will continue to do whatever is needed to pursue its price stability objective," and he pointed that governments should take action on economic growth. "Other policies must also act to deliver a lasting and sustainable improvement in economic growth prospects," he added. Meanwhile, Peter Praet warned of the effect of negative shocks in financial markets on the ECB measures. "If further adverse shocks were to materialise, our measures could be recalibrated once more commensurate with the strength of the headwind, also taking into account possible side-effects," he said.
- **China's FX reserves unexpectedly increased in March** (USD +10.3bn to USD 3.2 tnRMB, consensus -6.3bn), underpinned by the increase in China's portfolio inflows, the positive trend in the Chinese equity markets in March and lower intervention from the PBoC. Nonetheless, the Chinese equity markets fell today, as global growth concerns couple with the next expiration of the ban on stock sales by large shareholders weighed on it.

- **The recent increase in concerns about global growth weighed on financial markets,** after the minutes of two of the main central banks (Fed and ECB) reaffirmed their dovish tone based among other factors on the uncertain global outlook, while the IMF Director reiterated that the Fund is likely to revise global growth outlook slightly downwards. In this context, the risk-off mood remained today. The abrupt appreciation of the JPY against the USD (1.66%) - it stands at a 10-month high - coupled with a gold price increase (+1.4%) showed the market's defensive mode. Furthermore, the reinforcement of the dovish tone by the ECB's official had a mild effect on the EUR, which halted its appreciation trend, but it not was enough to mute the risk-off mood in financial markets. On another front, oil prices fell sharply after yesterday's rebound - on the back of better-than-expected oil inventories - while copper dropped again (Brent: -2.3%% Wtx: -2.1% Copper: -3%). Safe haven sovereign bond yields declined, while European peripheral yields rose sharply (US 10Y: -5bps GER 10Y: -3bps ITA 10Y: + 11bps SPA 10Y: +9 bps POR 10Y: + 24bps), boosting peripheral risk premiums (Spain +12 bps, Italy 14 bps and Portugal 27 bps). Equity markets also suffered from the risk-averse environment (Eurostoxx: -1.5% IBEX: -1.4% DAX: -1.2% CAC: -1.1% S&P: -1.0%), with the banking sector underperforming. Emerging currencies depreciated against the US dollar (RUB: -0.7%, BRL: -1.6%, MXN: -1.4%, CLP: -1.0%, COP: -1.0%) largely due to deteriorating commodity prices.

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Table1





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

**Index markets (change in bp)**

US 2 yr 1.71 (2) (-1.48) (6)  
 US 5 yr 1.31 (4) (-0.81) (4) (4)  
 US 10 yr 1.65 (4) (-0.12) (4) (7)

Japan 10 yr 4.16 (1) (-0.01) (3) (2)  
 CD 2 yr -2.11 (-2) (-2) (6) (4)  
 US 2 yr -2.33 (-2) (-1) (4) (4)  
 CD 5 yr 2.38 (-2) (-1) (4) (4)

Belgium 10 yr 5.44 (2) (-0.13) (3) (3)  
 France 10 yr 5.12 (2) (-0.12) (2) (3)  
 Greece 10 yr 5.11 (2) (2) (-1) (4) (4)  
 Iceland 10 yr 6.50 (0) (0) (0) (0)  
 Italy 10 yr 5.38 (1) (1) (-1) (3) (3)  
 Netherlands 10 yr 5.12 (2) (-0.13) (3) (3)  
 Portugal 10 yr 5.42 (2) (0) (2) (2) (2)  
 Spain 10 yr 5.85 (1) (1) (1) (1)

Emerging Markets  
 Brazil 10 yr 12.18 (1) (-0.01) (2) (1) (1)  
 Chile 10 yr 4.21 (1) (-1) (3) (4)  
 Colombia 10 yr 5.19 (1) (-1) (4) (1) (1)  
 Mexico 10 yr 5.82 (1) (-1) (-1) (2) (3) (3)  
 Peru 10 yr 7.12 (1) (-1) (1) (1) (1)

Poland 10 yr 2.85 (6) (1) (1) (3) (3)  
 Russia 10 yr 8.10 (1) (1) (1) (1) (1)  
 Russia 10 yr 5.91 (1) (1) (1) (1) (1)  
 Turkey 10 yr 5.11 (1) (1) (1) (1) (1)

India 10 yr 7.41 (1) (-1) (-1) (2) (3) (4)  
 Indonesia 10 yr 7.58 (4) (-1) (-1) (2) (2)

**Country risk (change in bp)**

10yr sovereign spreads (against Germany)  
 Belgium 20 (2) (4) (1) (1)  
 France 20 (1) (2) (5) (5)  
 Greece 82 (0) (0) (-1) (1) (1)  
 Iceland 31 (0) (0) (0) (0) (0)  
 Italy 130 (1) (2) (1) (1) (1)  
 Netherlands 22 (1) (1) (1) (1) (1)  
 Portugal 133 (2) (2) (1) (1) (1)  
 Spain 152 (2) (2) (1) (1) (1)

5yr sovereign spreads (against Germany)  
 Belgium 12 (2) (1) (1) (1)  
 France 14 (1) (1) (1) (1) (1)  
 Greece 50 (0) (0) (-1) (1) (1)  
 Iceland 41 (0) (0) (0) (0) (0)  
 Italy 79 (2) (2) (1) (1) (1)  
 Netherlands 9 (1) (1) (1) (1) (1)  
 Portugal 141 (1) (1) (1) (1) (1)  
 Spain 55 (0) (0) (0) (0) (0)

3yr sovereign spreads (against Germany)  
 Belgium 7 (0) (1) (1) (1) (1)  
 France 10 (0) (1) (1) (1) (1)  
 Greece 32 (0) (0) (-1) (1) (1)  
 Iceland 32 (0) (0) (0) (0) (0)  
 Italy 52 (1) (1) (1) (1) (1)  
 Netherlands 3 (0) (0) (0) (0) (0)  
 Portugal 124 (1) (1) (1) (1) (1)  
 Spain 57 (0) (0) (0) (0) (0)

1yr sovereign spreads (against Germany)  
 Belgium 2 (0) (1) (1) (1) (1)  
 France 5 (0) (1) (1) (1) (1)  
 Greece 18 (0) (0) (-1) (1) (1)  
 Iceland 32 (0) (0) (0) (0) (0)  
 Italy 48 (1) (1) (1) (1) (1)  
 Netherlands 1 (0) (0) (0) (0) (0)  
 Portugal 141 (1) (1) (1) (1) (1)  
 Spain 55 (0) (0) (0) (0) (0)

US 10 yr 1.11 (1) (1) (1) (1) (1)  
 US 5 yr 0.75 (1) (1) (1) (1) (1)  
 US 2 yr 0.12 (1) (1) (1) (1) (1)  
 EU 10 yr 1.21 (1) (1) (1) (1) (1)  
 EU 5 yr 0.85 (1) (1) (1) (1) (1)  
 EU 2 yr 0.28 (1) (1) (1) (1) (1)  
 Japan 10 yr 4.16 (1) (1) (1) (1) (1)  
 Japan 5 yr 2.71 (1) (1) (1) (1) (1)  
 Japan 2 yr 1.65 (1) (1) (1) (1) (1)  
 Canada 10 yr 3.11 (1) (1) (1) (1) (1)  
 Canada 5 yr 2.11 (1) (1) (1) (1) (1)  
 Canada 2 yr 1.11 (1) (1) (1) (1) (1)

China 10 yr 5.41 (1) (1) (1) (1) (1)  
 China 5 yr 3.91 (1) (1) (1) (1) (1)  
 China 2 yr 2.41 (1) (1) (1) (1) (1)  
 India 10 yr 7.41 (1) (1) (1) (1) (1)  
 India 5 yr 5.91 (1) (1) (1) (1) (1)  
 India 2 yr 4.41 (1) (1) (1) (1) (1)  
 Brazil 10 yr 12.18 (1) (1) (1) (1) (1)  
 Brazil 5 yr 9.68 (1) (1) (1) (1) (1)  
 Brazil 2 yr 7.15 (1) (1) (1) (1) (1)  
 Mexico 10 yr 5.82 (1) (1) (1) (1) (1)  
 Mexico 5 yr 4.32 (1) (1) (1) (1) (1)  
 Mexico 2 yr 2.82 (1) (1) (1) (1) (1)

Russia 10 yr 8.10 (1) (1) (1) (1) (1)  
 Russia 5 yr 5.91 (1) (1) (1) (1) (1)  
 Russia 2 yr 3.41 (1) (1) (1) (1) (1)  
 Turkey 10 yr 5.11 (1) (1) (1) (1) (1)  
 Turkey 5 yr 3.61 (1) (1) (1) (1) (1)  
 Turkey 2 yr 2.11 (1) (1) (1) (1) (1)  
 Poland 10 yr 2.85 (1) (1) (1) (1) (1)  
 Poland 5 yr 1.35 (1) (1) (1) (1) (1)  
 Poland 2 yr 0.85 (1) (1) (1) (1) (1)  
 Czech 10 yr 1.85 (1) (1) (1) (1) (1)  
 Czech 5 yr 0.35 (1) (1) (1) (1) (1)  
 Czech 2 yr 0.85 (1) (1) (1) (1) (1)

Slovak 10 yr 2.85 (1) (1) (1) (1) (1)  
 Slovakia 5 yr 1.35 (1) (1) (1) (1) (1)  
 Slovakia 2 yr 0.85 (1) (1) (1) (1) (1)  
 Hungary 10 yr 3.85 (1) (1) (1) (1) (1)  
 Hungary 5 yr 2.35 (1) (1) (1) (1) (1)  
 Hungary 2 yr 0.85 (1) (1) (1) (1) (1)  
 Korea 10 yr 4.16 (1) (1) (1) (1) (1)  
 Korea 5 yr 2.66 (1) (1) (1) (1) (1)  
 Korea 2 yr 1.16 (1) (1) (1) (1) (1)  
 Taiwan 10 yr 3.16 (1) (1) (1) (1) (1)  
 Taiwan 5 yr 1.66 (1) (1) (1) (1) (1)  
 Taiwan 2 yr 0.16 (1) (1) (1) (1) (1)

Thailand 10 yr 3.16 (1) (1) (1) (1) (1)  
 Thailand 5 yr 1.66 (1) (1) (1) (1) (1)  
 Thailand 2 yr 0.16 (1) (1) (1) (1) (1)  
 Hong Kong 10 yr 3.16 (1) (1) (1) (1) (1)  
 Hong Kong 5 yr 1.66 (1) (1) (1) (1) (1)  
 Hong Kong 2 yr 0.16 (1) (1) (1) (1) (1)  
 Singapore 10 yr 3.16 (1) (1) (1) (1) (1)  
 Singapore 5 yr 1.66 (1) (1) (1) (1) (1)  
 Singapore 2 yr 0.16 (1) (1) (1) (1) (1)  
 Malaysia 10 yr 3.16 (1) (1) (1) (1) (1)  
 Malaysia 5 yr 1.66 (1) (1) (1) (1) (1)  
 Malaysia 2 yr 0.16 (1) (1) (1) (1) (1)

Philippines 10 yr 3.16 (1) (1) (1) (1) (1)  
 Philippines 5 yr 1.66 (1) (1) (1) (1) (1)  
 Philippines 2 yr 0.16 (1) (1) (1) (1) (1)  
 Vietnam 10 yr 3.16 (1) (1) (1) (1) (1)  
 Vietnam 5 yr 1.66 (1) (1) (1) (1) (1)  
 Vietnam 2 yr 0.16 (1) (1) (1) (1) (1)  
 Indonesia 10 yr 7.58 (4) (-1) (-1) (2) (2)  
 Indonesia 5 yr 6.08 (4) (-1) (-1) (2) (2)  
 Indonesia 2 yr 4.58 (4) (-1) (-1) (2) (2)

Colombia 10 yr 5.19 (1) (-1) (4) (1) (1)  
 Colombia 5 yr 3.69 (1) (-1) (4) (1) (1)  
 Colombia 2 yr 2.19 (1) (-1) (4) (1) (1)  
 Peru 10 yr 7.12 (1) (-1) (1) (1) (1)  
 Peru 5 yr 5.62 (1) (-1) (1) (1) (1)  
 Peru 2 yr 4.12 (1) (-1) (1) (1) (1)

Chile 10 yr 4.21 (1) (-1) (3) (4)  
 Chile 5 yr 2.71 (1) (-1) (3) (4)  
 Chile 2 yr 1.21 (1) (-1) (3) (4)  
 Argentina 10 yr 12.18 (1) (-1) (1) (1) (1)  
 Argentina 5 yr 9.68 (1) (-1) (1) (1) (1)  
 Argentina 2 yr 7.18 (1) (-1) (1) (1) (1)

Costa Rica 10 yr 4.21 (1) (-1) (3) (4)  
 Costa Rica 5 yr 2.71 (1) (-1) (3) (4)  
 Costa Rica 2 yr 1.21 (1) (-1) (3) (4)  
 Panama 10 yr 5.82 (1) (-1) (1) (1) (1)  
 Panama 5 yr 4.32 (1) (-1) (1) (1) (1)  
 Panama 2 yr 2.82 (1) (-1) (1) (1) (1)

Venezuela 10 yr 12.18 (1) (-1) (1) (1) (1)  
 Venezuela 5 yr 9.68 (1) (-1) (1) (1) (1)  
 Venezuela 2 yr 7.18 (1) (-1) (1) (1) (1)

Uruguay 10 yr 4.21 (1) (-1) (3) (4)  
 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

Ecuador 10 yr 4.21 (1) (-1) (3) (4)  
 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)

Bolivia 10 yr 4.21 (1) (-1) (3) (4)  
 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
 Bolivia 2 yr 1.21 (1) (-1) (3) (4)

Paraguay 10 yr 4.21 (1) (-1) (3) (4)  
 Paraguay 5 yr 2.71 (1) (-1) (3) (4)  
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 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
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 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
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Bolivia 10 yr 4.21 (1) (-1) (3) (4)  
 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
 Bolivia 2 yr 1.21 (1) (-1) (3) (4)

Paraguay 10 yr 4.21 (1) (-1) (3) (4)  
 Paraguay 5 yr 2.71 (1) (-1) (3) (4)  
 Paraguay 2 yr 1.21 (1) (-1) (3) (4)

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 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

Ecuador 10 yr 4.21 (1) (-1) (3) (4)  
 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)

Bolivia 10 yr 4.21 (1) (-1) (3) (4)  
 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
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 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

Ecuador 10 yr 4.21 (1) (-1) (3) (4)  
 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)

Bolivia 10 yr 4.21 (1) (-1) (3) (4)  
 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
 Bolivia 2 yr 1.21 (1) (-1) (3) (4)

Paraguay 10 yr 4.21 (1) (-1) (3) (4)  
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 Paraguay 2 yr 1.21 (1) (-1) (3) (4)

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 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

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 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)

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 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

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 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)

Bolivia 10 yr 4.21 (1) (-1) (3) (4)  
 Bolivia 5 yr 2.71 (1) (-1) (3) (4)  
 Bolivia 2 yr 1.21 (1) (-1) (3) (4)

Paraguay 10 yr 4.21 (1) (-1) (3) (4)  
 Paraguay 5 yr 2.71 (1) (-1) (3) (4)  
 Paraguay 2 yr 1.21 (1) (-1) (3) (4)

Uruguay 10 yr 4.21 (1) (-1) (3) (4)  
 Uruguay 5 yr 2.71 (1) (-1) (3) (4)  
 Uruguay 2 yr 1.21 (1) (-1) (3) (4)

Ecuador 10 yr 4.21 (1) (-1) (3) (4)  
 Ecuador 5 yr 2.71 (1) (-1) (3) (4)  
 Ecuador 2 yr 1.21 (1) (-1) (3) (4)











\*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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