

# Market Comment | As expected, no news from ECB meeting, unnoticed in financial markets

Global Financial Markets Unit  
21 Apr 2016

- **ECB April monetary policy meeting.** As expected, at today's monetary policy meeting there were no changes in the ECB's monetary policy stance, as the central bank left the key policy rate unchanged at 0.0% and the deposit rate at -0.4%. The dovish tone was reinforced and the easing bias was strengthened as the ECB stated that if warranted to achieve its objective, the ECB "will act by using all the instruments available within its mandate." During the press conference, Mr Draghi noted that it is essential to preserve an appropriate degree of monetary accommodation as long as needed. Mr Draghi highlighted the unanimity of the Governing Council (GC) on the appropriateness of the current monetary policy stance. On the economic outlook, risks still remain to the downside as uncertainties related with the global economy and geopolitical risks persist.
- **Confidence improves in the euro zone.** Euro zone consumer confidence increased in April but still stood in negative territory, as was expected (by 0.4 points to -9.3). French manufacturing confidence rose in April against estimates of a decrease after the upward revision in the previous data (to 104 points from 102; consensus: 101).
- **Mixed data in the US.** US jobless claims dropped unexpectedly in the week ended 16 April (to 247K from 253K; consensus: 265K). On another front, the Chicago Fed national activity index decreased in March unexpectedly (by 0.06 points to -0.44; consensus: -0.15), while the Philadelphia Fed business outlook plunged in April (to -1.6 points from 12.4; consensus: 9.0). In addition, the Conference board leading index rose in March below expectations (by 0.2%MoM; consensus: 0.4%).
- **As expected, no news from ECB meeting, unnoticed in financial markets.** As expected, today's ECB did not bring any substantial change in monetary policy. The willingness of the monetary authority to use all the instruments available to reach its target (which could include further deposit rate cuts if needed) was unnoticed by markets. The assets most sensitive to ECB's decisions did not register significant variations: The euro ended at almost the same level as it had started the session against the USD (amid some volatility) and sovereign yields inched up, as they had before the ECB press conference (GER 10Y:+5 bps ITA 10Y:+6 bps SPA 10Y:+6 bps POR 10Y:+6 bps). With no major news in the monetary field, the main driver of movements in financial markets was the price of oil. Late yesterday evening oil prices rebounded on the back of the US oil inventory release, and supported by the International Energy Agency (IEA), which predicted the biggest fall in 25 years in non-OPEC countries' production. "This year, we are expecting the biggest decline in non-OPEC oil supply in the last 25 years (...). At the same time, global demand [is growing at] a hectic pace, led by India, China and other emerging countries," the IEA's chief said. It drove prices to their highest levels so far this year (Brent: 45.9 USD/b WTx: 43.5 USD/b per barrel). Nonetheless this movement receded as the session went by in a high volatility environment (Brent:-1.2%). It triggered an upturn in other commodity prices and halted the recovery in other risky assets, principally in equity indices after their recent rebound. The US equity markets dropped slightly

today (S&P: 0% Dow:-0.3%), while European indices remained almost unchanged (Eurostoxx: +0.4% IBEX: +0.6% DAX: +0.3% CAC:-0.1%). The Nikkei rebounded (+2.7%), boosted by the probability of more monetary policy easing and despite the mild appreciation of the JPY against the USD (+0.36%). The drop in commodity prices dragged down EM currencies, which have depreciated against the USD after their recent abrupt appreciation (RUB:-1.5% CLP:-0.7% COP:-1.1% MXN:-0.9%).

Update 17.3 CET 21 April, 2016

Table 1

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

**Index markets (changes in bp)**

**US Dow** 341 (1)(4)(124)  
**US S&P** 1342(16)(142)  
**US 10yr 1M** 0(1)(7)(139)  
**Japan Nikkei** 211(2)(2)(138)  
**US 2yr** 44(8)(2)(1)(145)  
**US 5yr** 23(1)(6)(1)(127)  
**US 10yr** 14(8)(7)(126)  
**Belgium 10yr** 0(1)(7)(4)(130)  
**France 10yr** 23(7)(5)(1)(142)  
**Germany 10yr** 3(1)(0)(1)(135)  
**Health 10yr** 0(1)(0)(0)(1)  
**Italy 10yr** 14(8)(1)(1)(121)(14)  
**Netherlands 10yr** 4(1)(0)(1)(135)  
**Portugal 10yr** 3(2)(1)(1)(135)(88)  
**Spain 10yr** 1(0)(0)(1)(136)

**Country risk (changes in bp)**

**Spain** 10yr 23(7)(5)(1)(142)  
**US Dow** 341 (1)(4)(124)  
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**Spain 10yr** 1(0)(0)(1)(136)

**Commodity (change in percentage)**

**Wheat** 42(21)(2)(2)(2)(3)  
**WTY** 42(21)(2)(2)(2)(3)  
**Crude** 22(1)(0)(1)(1)(1)  
**Gold** 10(1)(0)(1)(1)(1)  
**Iron** 10(1)(0)(1)(1)(1)  
**Oil** 10(1)(0)(1)(1)(1)  
**Platinum** 10(1)(0)(1)(1)(1)  
**Silver** 10(1)(0)(1)(1)(1)

**Stock markets (change in percentage)**

**US Dow** 341 (1)(4)(124)  
**US S&P** 1342(16)(142)  
**US 10yr 1M** 0(1)(7)(139)  
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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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