

Market Comment | Calm in markets ahead of FOMC, while oil price volatility remains

Global Financial Markets Unit
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- **Euro zone M3 money supply rose in March in line with estimates** (by 5.0% YoY; previous 4.9%). Loans to non-financial corporates increased (by 0.8% YoY in March, 0.7% YoY in February) while loans to households kept growing at 2.2% YoY. On another front, German GfK consumer confidence increased in May unexpectedly (by 0.3 points to 9.7; consensus: 9.4), while French consumer confidence remained unchanged in April (at 94 points; consensus: 95) and in Italy it dropped, against estimates of an increase (by 0.7 points to 114.2; consensus: 115.0).
- **Next round of monetary policy meetings in main developed countries will be key to modulating market sentiment.** Ahead of today's Fed outcome and tonight's BoJ meeting, investors showed a cautious mood in bond markets, while equity markets benefited early this morning from increasing oil prices. Yesterday's US oil inventories data caused a sharp rebound in oil prices (+2.2%) and prices topped the maximum level since November 2015 (46.84 USD/b). Nonetheless, today's new US oil inventories data disappointed and contributed to turn down oil prices at the end of the European session to end almost unchanged (Brent:+0.8% Wtx:+0.5%). Against this backdrop European equity markets rose slightly (Eurostoxx: +0.1% IBEX: +0.3% DAX: +0.2% CAC: +0.5%) underpinned mainly by the energy sector, which benefited from higher oil prices (despite high volatility). In the US, equity markets dropped (S&P: -0.3 %), dragged down especially by some disappointing first quarter earnings reports. Asian markets dropped slightly (Nikkei and Shanghai: -0.4%) despite the National Bureau of Statistics of China (NBS) releasing an increase in industrial profits (by 11.1% YoY in March) which could diminish fears about a hard landing for the Chinese economy's slowdown process. On bond markets, US treasury yields declined in all its tenors (2Y: -1 bp 10Y: -3 bps) ahead of the FOMC meeting outcome. On the other hand, European core yields remained almost unchanged, while peripherals dropped, led by Portugal (ITA 10Y: -2bps SPA 10Y: -1bp POR 10Y: -4 bps). Meanwhile, the 10Y Greek yield surged (+39 bps) due to Greece's missing another deadline for striking a deal with its European creditors. The Eurogroup decided not to call an extraordinary meeting this Thursday, as it considered that more time was needed in order to strike a deal on the first Greek review and the contingency package. In FX markets, the USD remained almost unchanged against other major currencies (EUR: +0.13% GBP: -0.23% JPY: +0.02%) although this could change if the Fed strengthens its tone in today's meeting. EM currencies showed a mixed performance (RUB: -0.4% BRL: -0.3% CLP: +0% COP: +0.1% MXN: -0.1%) despite the high level in oil prices.

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Table 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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