

Market Comment | China's trade data increase market concerns about the cycle

Global Financial Markets Unit
09 May 2016

- **Disappointing trade data in China.** China's exports dropped in April against estimates of their remaining unchanged (by -1.8%YoY) after the surge in the previous month (by 11.5% YoY). In the same way, imports plunged by more than expected (by 10.9% YoY; consensus: -4.0%)
- **Better than expected German data.** German factory orders increased by more than estimates in March (by 1.9% MoM; BBVAe and consensus: 0.6%) due mainly to the contribution of capital goods orders (+4.0% MoM). In addition, foreign orders increased, compensating for the drop in domestic orders.
- **Charles Evans, Chicago Fed president, considers that US economic growth could rise this year to 2.5%** despite the weak GDP in 1Q16. He also thinks that the Fed is on the right path, waiting to see macroeconomic indicators before taking a decision. He said that inflation and business confidence are still low.
- **S&P upgrades Turkish outlook to stable from negative.** S&P maintained Turkey's sovereign credit rating at BB+, continuing below investment grade. However, the outlook was upgraded to stable from negative. This decision was taken due to the stable outlook reflecting the balance between the resilience of the Turkish economy and modest fiscal deficits against lingering regional and domestic risks and still-high external financing needs.
- **Eurogroup meeting today reviews the Greek package of reforms** required to complete the first review of the third economic programme and possible debt relief. On Sunday the Greek parliament passed the pension and tax reforms aimed at saving some €5.4bn (3% of GDP), which would allow Greece to reach the 3.8% primary surplus contemplated in the conditions of the third bailout approved last August. The agreement will pave the way to unlock a €5bn tranche of EU lending. The press conference at the conclusion of the meeting is expected at 8 p.m. today. However, the finance minister's remarks on his arrival suggested that a decision would not come until May. Moreover, the IMF is still sceptical about the ability of these measures to achieve the primary surplus target.
- **China's trade data increase market concerns about the cycle.** Worse-than-expected macroeconomic data in China increase uncertainty about the green shoots seen in China's economy during the last month. This outcome, coupled with the weak US payroll data released on Friday slightly increased the global cyclical risk premiums, despite better-than-expected German factory orders. In bond markets, 10Y bond yields inched down across the board (US 10Y and GER 10Y: -2 bps). In peripheral countries, Greek yield declined sharply (-22 bps) after the Greek parliament backed the pension and tax reforms that would pave the way for unlocking the loan tranche. Despite the growth concerns, European equity rebounded today (Eurostoxx50: +0.6% DAX: +1.1% CAC: +0.4%), but mainly led by defensive sectors (telecoms and healthcare), while the material, energy and banking sectors declined further, the latter led by declines in the Italian banking sector. Meanwhile, in the US the main indices fell slightly (S&P: -0.1%

Dow: -0.2%). In FX markets, the USD appreciated sharply against the Japanese yen (-1.08%) due to the intervention of Japan's finance minister, who said that the authorities could act in the forex market if necessary. Meanwhile, The US currency remained almost unchanged against other major currencies. EM currencies depreciated against the US dollar (RUB: -0.6% BRL: -2.8% CLP: -1.4% MXN: -1.7% TRY: -0.6%) hampered by the deterioration in commodity prices (Brent: -3.5% Wtx: -2.5% Cooper: -1.9%). Oil prices suffered high volatility today. They began the session by increasing, however these gains were offset. There are some expectations about a turning point in Alberta's wildfire, which might reduce the negative impact on oil supply disruption. In addition, the announcement of a new oil minister in Saudi Arabia will not change the current strategy of increasing the country's share of the oil market.

Update 17.30 CET 09 May, 2016

Table 1

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

Index markets (changes in bps)

US	
US 5yr	3.71 (2) (2) (2) (2)
US 10yr	7.2 (1) (1) (1) (1)
US 10yr 1m	1.26 (2) (2) (2) (2)
Japan	
JP 5yr	0.51 (4) (4) (4) (4)
JP 10yr	2.38 (1) (1) (1) (1)
JP 10yr 1m	1.13 (1) (1) (1) (1)
Germany	
German 10yr	0.58 (2) (2) (2) (2)
France 10yr	1.51 (2) (2) (2) (2)
Spain 10yr	3.2 (2) (2) (2) (2)
Italy 10yr	3.8 (2) (2) (2) (2)
UK 10yr	4.7 (2) (2) (2) (2)
Netherlands 10yr	3.2 (2) (2) (2) (2)
Portugal 10yr	3.2 (2) (2) (2) (2)
Spain 10yr	3.2 (2) (2) (2) (2)
Emerging Markets	
China 10yr	3.24 (2) (2) (2) (2)
India 10yr	6.7 (2) (2) (2) (2)
Colombia 10yr	6.1 (2) (2) (2) (2)
Venezuela 10yr	5.28 (2) (2) (2) (2)
Mexico 10yr	6.3 (2) (2) (2) (2)
Russia	
Russia 10yr	3.06 (2) (2) (2) (2)
Russia 5yr	5.08 (1) (1) (1) (1)
Russia 10yr	3.06 (2) (2) (2) (2)
Turkey 10yr	7.7 (2) (2) (2) (2)
India	
India 10yr	6.7 (2) (2) (2) (2)
Indonesia 10yr	7.78 (1) (1) (1) (1)

Country risk (changes in bps)

Very short-term spreads (against Germany)	
Belgium	42.1 (1) (1) (1)
France	37.4 (1) (1) (1)
Germany	37.4 (1) (1) (1)
Italy	76.2 (1) (1) (1)
Netherlands	22.1 (2) (2) (2)
Portugal	318.2 (2) (2) (2)
Spain	145.1 (2) (2) (2)
1 year overnight spreads (against Germany)	
Belgium	8 (1) (1) (1)
France	21 (2) (2) (2)
Germany	10 (1) (1) (1)
Italy	39 (2) (2) (2)
Netherlands	4 (1) (1) (1)
Portugal	245 (2) (2) (2)
Spain	84 (2) (2) (2)
3 year overnight spreads (against Germany)	
Belgium	8 (1) (1) (1)
France	5 (1) (1) (1)
Germany	5 (1) (1) (1)
Italy	15 (1) (1) (1)
Netherlands	2 (1) (1) (1)
Portugal	144 (2) (2) (2)
Spain	44 (2) (2) (2)
5 year overnight spreads (against Germany)	
Belgium	8 (1) (1) (1)
France	5 (1) (1) (1)
Germany	5 (1) (1) (1)
Italy	15 (1) (1) (1)
Netherlands	2 (1) (1) (1)
Portugal	144 (2) (2) (2)
Spain	44 (2) (2) (2)
Very short-term CDS	
US CDS 10yr	51 (2) (2) (2) (2)
US CDS 5yr	39 (2) (2) (2) (2)
US CDS 3yr	30 (2) (2) (2) (2)
US CDS 1yr	18 (2) (2) (2) (2)
US CDS 90d	12 (2) (2) (2) (2)
US CDS 30d	7 (2) (2) (2) (2)
US CDS 15d	4 (2) (2) (2) (2)
US CDS 7d	2 (2) (2) (2) (2)
US CDS 3d	1 (2) (2) (2) (2)
US CDS 1d	0.5 (2) (2) (2) (2)
US CDS 0.5d	0.2 (2) (2) (2) (2)
US CDS 0.25d	0.1 (2) (2) (2) (2)
US CDS 0.125d	0.05 (2) (2) (2) (2)
US CDS 0.0625d	0.02 (2) (2) (2) (2)
US CDS 0.03125d	0.01 (2) (2) (2) (2)
US CDS 0.015625d	0.005 (2) (2) (2) (2)
US CDS 0.0078125d	0.002 (2) (2) (2) (2)
US CDS 0.00390625d	0.001 (2) (2) (2) (2)
US CDS 0.001953125d	0.0005 (2) (2) (2) (2)
US CDS 0.0009765625d	0.0002 (2) (2) (2) (2)
US CDS 0.00048828125d	0.0001 (2) (2) (2) (2)
US CDS 0.000244140625d	0.00005 (2) (2) (2) (2)
US CDS 0.0001220703125d	0.00002 (2) (2) (2) (2)
US CDS 0.00006103515625d	0.00001 (2) (2) (2) (2)
US CDS 0.000030517578125d	0.000005 (2) (2) (2) (2)
US CDS 0.0000152587890625d	0.000002 (2) (2) (2) (2)
US CDS 0.00000762939453125d	0.000001 (2) (2) (2) (2)
US CDS 0.000003814697265625d	0.0000005 (2) (2) (2) (2)
US CDS 0.0000019073486328125d	0.0000002 (2) (2) (2) (2)
US CDS 0.00000095367431640625d	0.0000001 (2) (2) (2) (2)
US CDS 0.000000476837158203125d	0.00000005 (2) (2) (2) (2)
US CDS 0.0000002384185940625d	0.00000002 (2) (2) (2) (2)
US CDS 0.00000011920929703125d	0.00000001 (2) (2) (2) (2)
US CDS 0.000000059604648515625d	0.000000005 (2) (2) (2) (2)
US CDS 0.000000029802324278125d	0.000000002 (2) (2) (2) (2)
US CDS 0.000000014901162140625d	0.000000001 (2) (2) (2) (2)
US CDS 0.00000000745058203125d	0.0000000005 (2) (2) (2) (2)
US CDS 0.000000003725291015625d	0.0000000002 (2) (2) (2) (2)
US CDS 0.00000000186264578125d	0.0000000001 (2) (2) (2) (2)
US CDS 0.000000000931322890625d	0.00000000005 (2) (2) (2) (2)
US CDS 0.0000000004656614453125d	0.00000000002 (2) (2) (2) (2)
US CDS 0.00000000023283072265625d	0.00000000001 (2) (2) (2) (2)
US CDS 0.000000000116415361328125d	0.000000000005 (2) (2) (2) (2)
US CDS 0.0000000000582076806640625d	0.000000000002 (2) (2) (2) (2)
US CDS 0.0000000000291038403228125d	0.000000000001 (2) (2) (2) (2)
US CDS 0.000000000014551921140625d	0.0000000000005 (2) (2) (2) (2)
US CDS 0.00000000000727595703078125d	0.0000000000002 (2) (2) (2) (2)
US CDS 0.000000000003637978515361328125d	0.0000000000001 (2) (2) (2) (2)
US CDS 0.0000000000018189892576806640625d	0.00000000000005 (2) (2) (2) (2)
US CDS 0.0000000000009094946288403228125d	0.00000000000002 (2) (2) (2) (2)
US CDS 0.0000000000004547473140625d	0.00000000000001 (2) (2) (2) (2)
US CDS 0.00000000000022737365703078125d	0.000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000113686826403228125d	0.000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000005684341140625d	0.000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000028421703078125d	0.0000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000142108535361328125d	0.0000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000000710542676806640625d	0.0000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000003551318403228125d	0.00000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000001775659203078125d	0.00000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000008878296015361328125d	0.00000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000044391465703078125d	0.000000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000002219573288403228125d	0.000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000110978691640625d	0.000000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000005489403228125d	0.0000000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000000274470162140625d	0.0000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000137235076806640625d	0.0000000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000000686175365361328125d	0.00000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000003430876806640625d	0.00000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000001715438403228125d	0.00000000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000000000857719203078125d	0.000000000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000000004288596015361328125d	0.000000000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000000000021442980076806640625d	0.000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000001072149403228125d	0.0000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000053607470162140625d	0.0000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000268037365361328125d	0.0000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000134018691640625d	0.00000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000670093403228125d	0.00000000000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000000000000335046806640625d	0.00000000000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000000000167523403228125d	0.000000000000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000000000008376170162140625d	0.000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000004188085361328125d	0.000000000000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000000000020940426806640625d	0.0000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000010470213403228125d	0.0000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000000523510162140625d	0.0000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000261755076806640625d	0.00000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000001308788403228125d	0.00000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000006543940625d	0.00000000000000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000000000000003271970162140625d	0.000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000001635985361328125d	0.000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000000008179926806640625d	0.000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000004089963403228125d	0.0000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000000204498162140625d	0.0000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000000001022490806640625d	0.0000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000511245403228125d	0.00000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000000025562270162140625d	0.00000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000000012781130806640625d	0.00000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000000000000000006390563403228125d	0.000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000319528162140625d	0.000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000000001597640625d	0.000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000007988203078125d	0.0000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000039941015361328125d	0.0000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000001997051640625d	0.0000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000099852576806640625d	0.00000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000049926288403228125d	0.00000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000024963140625d	0.00000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000124815361328125d	0.000000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000000624076806640625d	0.000000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000000312038403228125d	0.000000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000015601940625d	0.0000000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000000780093403228125d	0.0000000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000000390046806640625d	0.0000000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000000019502340625d	0.00000000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000000975213403228125d	0.00000000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000000487606806640625d	0.00000000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000000243803228125d	0.000000000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000000012190162140625d	0.000000000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.000000000000000000000000000000006095076806640625d	0.000000000000000000000000000000000001 (2) (2) (2) (2)
US CDS 0.0000000000000000000000000000000030475361328125d	0.0000000000000000000000000000000000005 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000000000152376806640625d	0.0000000000000000000000000000000000002 (2) (2) (2) (2)
US CDS 0.00000000000000000000000000000000076194	

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of

Spain with number 0182.