

Market Comment | Rebound in oil prices moderated early falls in risky assets

Global Financial Markets Unit
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- **Rebound in oil prices moderated early falls in risky assets.** In a session without significant macroeconomic releases, the high volatility of oil prices continued as one of the main drivers in financial markets. Yesterday's gains in oil prices, driven -among others- by the disruption in oil production in Nigeria, were almost erased early this morning by concerns about oil supply - due to larger-than-expected inventories data released yesterday - and the pace of resumption in Canadian oil supply after the wildfire. However, today's US crude oil inventories data showed an unexpected decrease, boosting oil prices (Brent: 3.3%, Wtx: 2.7%) and curbing previous falls in risky assets. On equity markets, European indices dropped today, driven mainly by peripheral countries' indices, which fell by as much as 2% during the session, offsetting part of the last few days' recovery. In the final part of the session, these falls moderated, helped by the upward trend in oil prices (Euro Stoxx 50:-0.7%, IBEX:-1.2%, MIB:-1.3%, DAX:-0.7%, CAC:-0.5 %). The sectors which undermined the global index were the most cyclical sectors (banking and utilities). In the same way, US equity markets posted a poor performance (S&P:-0.4%, Dow:-0.6%), hampered by worse-than-expected 1Q key company earnings. Meanwhile, the Nikkei opened up by around 1.5%, but as the Japanese yen appreciated, it offset previous gains to end almost unchanged. On bond markets, safe-haven yields remained almost unaltered: US yields inched down, while German yields were unchanged (US 10Y:-1 bp GER 10Y: 0 bp). Meanwhile, European peripheral yields declined, led by Portugal (ITA 10Y:-4 bps, SPA 10Y:-4 bps, POR 10Y: -11 bps) and risk premiums narrowed considerably today. In FX markets, the USD halted its upward trend, depreciating against other major peers, mainly the Japanese yen (EUR: +0.55%, GBP: +0.19%, JPY: +0.57%). EM currencies appreciated slightly against the US dollar (RUB: +1.9%, BRL: +0.5%, COP: +0.8%, MXN: +0.4%), underpinned by commodity prices, mainly oil.

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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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