

Market Comment | The rebound in oil prices was not enough to rally the market this week

Global Financial Markets Unit
13 May 2016

- **Better-than-expected data in the US today.** US retail sales increased in April, surprising positively compared with expectations (by -1.3% MoM; consensus: 0.8%), while ex auto and gas also increased by more than expected (0.8% MoM, consensus 0.5%). Meanwhile, April's PPI final demand increased by less than consensus expectations (+0.2% MoM; consensus: +0.3%).
- **Euro zone Q1 2016 GDP preliminary growth surprised negatively despite the upward revision of Germany's GDP.** Euro zone preliminary Q1 2016 GDP growth was revised downwards from the previous flash estimate (0.5% vs 0.6% QoQ; BBVAe and consensus: 0.6%) while Germany's preliminary Q1 2016 GDP increased by more than expected (0.7% QoQ, BBVAe and consensus: 0.6%).
- **Brazil - Henrique Meirelles appointed Minister of Finance.** After 55 of the 81 Senate members voted in favour of admitting for analysis the impeachment case, president Rousseff stepped aside and Vice-President Michel Temer assumed his duties as acting president. ([see](#))
- **The rebound in oil prices was not enough to rally the market during the week.** High volatility in oil prices was the main driver in the financial markets during the week, which was also affected by the worsening economic outlook on the back of disappointing data in China and last week's payroll data in the US. Oil prices seemed to maintain the upwards trend -which started in mid February - but volatility remained very high. The wildfires in Canada and disruption in oil exports in Libya coupled with the surprising smaller-than-expected US oil inventories this week contributed to maintaining oil prices close to their highest levels this year. (Brent: +5%, Wtx: +3.3%). Unlike oil prices, other cyclical commodities such as industrial metals declined sharply this week (copper -3.7%), still reflecting the cyclical uncertainties, in line with the weaker economic indicators released.
- Although today's economic indicators in the US partially moderated the negative outlook, investors continued to buy US Treasuries, glimpsing growth concerns. Last week's payroll data in the US contributed to delaying market expectations of a rate hike in the US (June rate hike probabilities: %) and slightly worsening the global economic outlook. US yields dropped (US 10Y:-4 bps) while in the euro zone, core curves remained almost unchanged - as did those of the main peripheral countries (ITA 10Y: +0 bps, SPA 10Y:+3 + bps)-. Meanwhile there was a strong tightening in Greek and Portuguese risk premiums on the back of encouraging news from Greece (POR 10Y: -7 bps, GRE 10Y: -109bps). The Eurogroup (EG) made progress on a solution to close the first review of the IMF/EU bailout programme for Greece that would pave the way for the release of the loan tranche and debt relief (but not haircut).
- **Equity indices** had a mixed performance across the board: European indices remained almost unchanged despite worse-than-expected 1Q earnings results (Euro Stoxx 50: +0.7%, IBEX: +0.1%, DAX: +0.8%, CAC: +0.5%) as well as US indices (S&P: 0.2% DJ:-0.3%). Despite the increase in oil prices, the energy sector performed weakly this week, dragged down by the volatility in this market, and cyclical

sectors such as basic resources also registered a poor performance. In Asia, the Nikkei increased (+1.9%) helped by JPY depreciation after its recent upward trend against USD.

- **In FX**, the USD appreciated against other main currencies (EUR:-0.96). Both the BoE's and IMF's warning about the negative impact on growth if Brexit finally happens - the BoE said that even a recession is possible - dragged down the GBP (-0.51%). In the same line, the Japanese yen depreciated, undermined by increased probability of further monetary policy easing by the Bank of Japan (-1.98%). EM currencies registered a mixed performance against the USD, reflecting the volatility and the divergence among commodity prices, amid several idiosyncratic factors in Brazil and Turkey. (RUB: +1.1%, BRL: -0.3%, CLP: -4%, COP:-0.7%, MXN:-1.5%), the volatility of the Brazilian real being particularly marked due to the impeachment process of its President Dilma Rousseff: the Senate session admitted the impeachment case. In addition, the Brazilian 5Y CDS declined by -22 bps during the week. The Turkish lira depreciated (-1.4%) - on the back of the recent increase of political uncertainty - despite S&P's upgrading its outlook 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.

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Table 1

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

Table markets (changes in bp)

US 2yr 276 (21)(24)(27)
 US 3yr 125 (1)(2)(4)(3)
 US 10yr 174 (14)(14)(14)

Japan 10yr 83 (1)(1)(1)(3)(37)
 GER 2yr -4.51 (6)(14)(7)
 GER 5yr -2.48 (9)(1)(33)
 GER 10yr 1.14 (2)(1)(1)(46)

Belgium 10yr 0.52 (2)(4)(2)(144)
 Brazil 10yr 4.92 (2)(2)(2)(42)
 Canada 10yr 4.13 (2)(2)(2)(158)
 Denmark 10yr 2.31 (2)(1)(11)
 Euro 10yr 1.48 (1)(0)(2)(1)(4)
 Netherlands 10yr 5.29 (2)(1)(1)(1)(14)
 Portugal 10yr 3.71 (2)(1)(1)(14)(6)
 Spain 10yr 4.82 (6)(1)(1)(1)(14)

Italy 10yr 3.26 (1)(1)(1)(1)(146)
 UK 10yr 4.94 (2)(2)(2)(1)(147)
 Mexico 10yr 5.8 (1)(1)(1)(1)(14)
 New Zealand 10yr 1.91 (1)(1)(1)(1)(14)

Russia 10yr 2.89 (2)(1)(1)(1)(14)
 Russia 5yr 5.81 (4)(1)(1)(1)(14)
 Russia 10yr 8.82 (2)(1)(1)(1)(14)

Turkey 10yr 9.82 (2)(1)(1)(1)(14)

India 10yr 14.02 (2)(1)(1)(1)(14)
 Indonesia 10yr 7.71 (1)(1)(1)(1)(10)

Country risk (changes in bp)

Spain 28 (2)(2)(1)(5)
 France 35 (1)(1)(1)(1)
 Greece 129 (4)(1)(1)(1)(1)(38)
 Ireland 18 (1)(1)(1)(1)(1)(17)
 Italy 23 (2)(1)(1)(1)(1)(26)
 Netherlands 22 (1)(1)(1)(1)(1)(21)
 Portugal 321 (6)(4)(1)(1)(1)(1)(14)
 Spain 140 (1)(1)(1)(1)(1)

Germany 8 (1)(1)(1)(1)(1)(1)
 France 20 (1)(1)(1)(1)(1)(1)
 Greece 160 (1)(1)(1)(1)(1)(1)
 Ireland 23 (1)(1)(1)(1)(1)(1)
 Italy 10 (1)(1)(1)(1)(1)(1)
 Netherlands 1 (1)(1)(1)(1)(1)(1)
 Spain 84 (1)(1)(1)(1)(1)(1)

Germany 4 (1)(1)(1)(1)(1)(1)
 France 8 (1)(1)(1)(1)(1)(1)
 Greece 5 (1)(1)(1)(1)(1)(1)
 Italy 1 (1)(1)(1)(1)(1)(1)
 Netherlands 2 (1)(1)(1)(1)(1)(1)
 Spain 110 (2)(1)(1)(1)(1)(1)

Country risk (changes in bp)

Spain 28 (2)(2)(1)(5)
 France 35 (1)(1)(1)(1)
 Greece 129 (4)(1)(1)(1)(1)(38)
 Ireland 18 (1)(1)(1)(1)(1)(17)
 Italy 23 (2)(1)(1)(1)(1)(26)
 Netherlands 22 (1)(1)(1)(1)(1)(21)
 Portugal 321 (6)(4)(1)(1)(1)(1)(14)
 Spain 140 (1)(1)(1)(1)(1)

Germany 8 (1)(1)(1)(1)(1)(1)
 France 20 (1)(1)(1)(1)(1)(1)
 Greece 160 (1)(1)(1)(1)(1)(1)
 Ireland 23 (1)(1)(1)(1)(1)(1)
 Italy 10 (1)(1)(1)(1)(1)(1)
 Netherlands 1 (1)(1)(1)(1)(1)(1)
 Spain 84 (1)(1)(1)(1)(1)(1)

Germany 4 (1)(1)(1)(1)(1)(1)
 France 8 (1)(1)(1)(1)(1)(1)
 Greece 5 (1)(1)(1)(1)(1)(1)
 Italy 1 (1)(1)(1)(1)(1)(1)
 Netherlands 2 (1)(1)(1)(1)(1)(1)
 Spain 110 (2)(1)(1)(1)(1)(1)

Commodity (change in percentage, positive for dollar depreciation)

WTI 14.59 (1)(2)(1)(2)(1)(14)
 Brent 12.22 (1)(1)(1)(1)(1)(14)
 BFOE 11.46 (1)(1)(1)(1)(1)(14)
 US FT commodity index 24 (2)(2)(1)(1)
 US FT commodity index 25 (2)(2)(1)(1)(1)
 US FT commodity index 31 (2)(2)(1)(1)(1)
 US FT commodity index 32 (2)(2)(1)(1)(1)
 US FT commodity index 33 (2)(2)(1)(1)(1)
 US FT commodity index 34 (2)(2)(1)(1)(1)

US banks CDS 84 (1)(1)(1)(1)(1)
 US non-bank CDS 70 (1)(1)(1)(1)(1)
 UK banks CDS 122 (1)(1)(1)(1)(1)(1)

Large Spanish bank CDS 102 (1)(1)(1)(1)(1)
 Medium Spanish bank CDS 100 (1)(1)(1)(1)(1)

Czech bank CDS 109 (1)(1)(1)(1)(1)(1)
 Russian bank CDS 105 (1)(1)(1)(1)(1)

US Non-Bank CDS 246 (1)(1)(1)(1)(1)
 EMI Non-Bank CDS 186 (1)(1)(1)(1)(1)
 UK Non-Bank CDS 194 (1)(1)(1)(1)(1)

Stock markets (changes in percentage)

Spain 2062 (2)(2)(1)(1)(2)(1)(1)
 S&P500 1705 (1)(1)(1)(1)(1)(1)(1)
 Nikkei 164 (2)(2)(1)(1)(1)(1)(1)(1)
 FTSE 100 145 (1)(1)(1)(1)(1)(1)(1)
 Euro Stoxx 50 246 (1)(1)(1)(1)(1)(1)(1)
 MSCI EAFE 167 (1)(1)(1)(1)(1)(1)(1)
 DAX MSCI 167 (1)(1)(1)(1)(1)(1)(1)
 CAC40 167 (1)(1)(1)(1)(1)(1)(1)
 ASX 167 (1)(1)(1)(1)(1)(1)(1)

US banks CDS 84 (1)(1)(1)(1)(1)
 US non-bank CDS 70 (1)(1)(1)(1)(1)
 UK banks CDS 122 (1)(1)(1)(1)(1)(1)

Large Spanish bank CDS 102 (1)(1)(1)(1)(1)
 Medium Spanish bank CDS 100 (1)(1)(1)(1)(1)

Czech bank CDS 109 (1)(1)(1)(1)(1)(1)
 Russian bank CDS 105 (1)(1)(1)(1)(1)

US Non-Bank CDS 246 (1)(1)(1)(1)(1)
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WTI 14.59 (1)(2)(1)(2)(1)(14)
 Brent 12.22 (1)(1)(1)(1)(1)(14)
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 US FT commodity index 24 (2)(2)(1)(1)
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Czech bank CDS 109 (1)(1)(1)(1)(1)(1)
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[Current level and changes at daily, weekly, monthly and annual frequencies]

Deficit markets (changes in bpt)

Germany

US 2 yr 6.79 (2) (4) (27)

US 5 yr 3.21 (2) (4) (41)

US 10 yr 1.74 (1) (4) (2) (43)

Japan

US 2 yr 4.71 (1) (1) (1) (31) (37)

OECD 2 yr 4.51 (6) (1) (1) (1) (7)

OECD 5 yr 2.36 (8) (1) (1) (2) (3)

OECD 10 yr 1.42 (1) (1) (1) (4) (6)

Belgium

US 2 yr 6.53 (2) (4) (2) (44)

France 10 yr 4.62 (1) (1) (2) (45)

Germany 5 yr 4.21 (1) (1) (1) (46)

Japan 10 yr 4.81 (1) (1) (1) (46)

OECD 2 yr 4.49 (1) (1) (2) (41)

Netherlands 10 yr 3.26 (2) (1) (1) (44)

Portugal 5 yr 4.71 (2) (1) (1) (45)

Spain 10 yr 5.05 (1) (1) (1) (45)

Emerging Markets

Brazil 10 yr 12.29 (1) (1) (4) (42)

China 10 yr 4.49 (1) (1) (1) (42)

Colombia 5 yr 7.05 (1) (1) (1) (43)

Korea 10 yr 5.9 (1) (1) (1) (43)

Peru 10 yr 5.21 (1) (1) (1) (43)

Poland 10 yr 2.89 (2) (1) (1) (45)

Russia 5 yr 8.31 (4) (1) (4) (42)

Russia 10 yr 8.52 (2) (1) (2) (42)

Turkey 10 yr 10.92 (1) (2) (1) (47)

India

India 10 yr 7.46 (1) (1) (1) (43)

Indonesia 10 yr 7.71 (1) (1) (1) (43)

Country risk (changes in bpt)

16 yr sovereign spreads (against Germany)

Belgium 29 (8) (3) (1) (5)

France 30 (8) (1) (1) (7)

Germany 20 (4) (2) (1) (1) (3)

Ireland 40 (8) (1) (2) (17)

Italy 104 (12) (3) (1) (2)

Netherlands 21 (2) (1) (1) (1)

Portugal 33 (5) (1) (1) (1) (14)

Spain 146 (1) (1) (1) (24)

5 yr sovereign spreads (against Germany)

Belgium 16 (1) (1) (1) (3)

France 20 (8) (1) (1) (1)

Germany 10 (4) (1) (1) (1)

Italy 74 (1) (1) (1) (2)

Netherlands 11 (1) (1) (1) (1)

Portugal 21 (1) (1) (1) (1) (1)

Spain 95 (1) (1) (1) (24)

3 yr sovereign spreads (against Germany)

Belgium 9 (1) (1) (1) (1)

France 11 (1) (1) (1) (1)

Germany 7 (1) (1) (1) (1)

Netherlands 6 (1) (1) (1) (1)

Portugal 13 (1) (1) (1) (1) (1)

Spain 44 (1) (1) (1) (1)

5 yr sovereign CDS

5 yr CDS Belgium 81 (2) (1) (1) (1)

5 yr CDS France 81 (1) (1) (1) (1)

5 yr CDS Germany 55 (1) (1) (1) (1)

5 yr CDS Ireland 96 (1) (1) (1) (1)

5 yr CDS Italy 109 (1) (1) (1) (1)

5 yr CDS Netherlands 27 (1) (1) (1) (1)

5 yr CDS Portugal 38 (1) (1) (1) (1) (1)

5 yr CDS Spain 85 (1) (1) (1) (1)

5 yr CDS UK 80 (1) (1) (1) (1)

5 yr CDS US 21 (1) (1) (1) (1)

5 yr sovereign CDS

5 yr CDS Brazil 110 (1) (1) (2) (1) (1)

5 yr CDS China 81 (1) (1) (1) (1)

5 yr CDS Colombia 233 (1) (1) (1) (1) (1)

5 yr CDS Korea 162 (1) (1) (1) (1)

5 yr CDS Peru 152 (1) (1) (1) (1) (1)

5 yr CDS Venezuela 1049 (2) (1) (1) (1) (1) (1)

5 yr CDS Poland 114 (1) (1) (1) (1)

5 yr CDS Russia 246 (1) (1) (1) (1) (1)

5 yr CDS Turkey 204 (1) (1) (1) (1)

5 yr CDS China 106 (1) (1) (1) (1)

5 yr CDS India 105 (1) (1) (1) (1)

5 yr CDS Indonesia 111 (1) (1) (1) (1)

Risk indicators (changes in percentage except for E&A spreads, bpt)

VIX 14.09 (1) (2) (4) (1) (1)

VIX3M 17.1 (1) (1) (1) (1) (1)

E&A 177 weekly index 24 (2) (1) (1) (1)

Daily index 21 (1) (1) (1) (1) (1)

E&A FX weekly index 11 (1) (1) (1) (1)

Credit spread BAA1 208 (1) (2) (1) (1) (1)

US bonds weekly index 64 (1) (1) (1) (1)

Bank risk (changes in bpt)

US banks CDS 84 (1) (1) (1) (1)

EU banks CDS 113 (1) (1) (1) (1)

UK banks CDS 122 (1) (1) (1) (1)

Large Spanish banks CDS

100 (1) (1) (1) (1)

100 (1) (1) (1) (1)

100 (1) (1) (1) (1)

Small banks CDS

139 (1) (1) (1) (1)

139 (1) (1) (1) (1)

Russian banks CDS

37 (1) (1) (1) (1)

Commodity risk (changes in bpt)

US Non-Arctic CDS 256 (1) (1) (1) (1)

S&P Non-Arctic CDS 299 (1) (1) (1) (1)

UK Non-Arctic CDS 196 (1) (1) (1) (1)

Interest rate markets (changes in bpt)

US 10 yr swap 3m 140 (1) (1) (1) (1)

US 10 yr swap 5m 37 (1) (1) (1) (1)

US 10 yr swap 7m 31 (1) (1) (1) (1)

US 10 yr swap 10m 21 (1) (1) (1) (1)

US 10 yr swap 15m 14 (1) (1) (1) (1)

US 10 yr swap 20m 7 (1) (1) (1) (1)

US 10 yr swap 30m 3 (1) (1) (1) (1)

US 10 yr swap 40m 2 (1) (1) (1) (1)

US 10 yr swap 50m 1 (1) (1) (1) (1)

US 10 yr swap 60m 1 (1) (1) (1) (1)

US 10 yr swap 70m 1 (1) (1) (1) (1)

US 10 yr swap 80m 1 (1) (1) (1) (1)

US 10 yr swap 90m 1 (1) (1) (1) (1)

US 10 yr swap 100m 1 (1) (1) (1) (1)

Stock markets (Changes in percentage)

Major equity indices

S&P 500 18.2 (1) (1) (1) (1)

Dow Jones 19.3 (1) (1) (1) (1)

Nikkei 19.4 (1) (1) (1) (1)

FTSE 100 19.5 (1) (1) (1) (1)

Euro Stoxx 19.6 (1) (1) (1) (1)

MSCI EAFE 19.7 (1) (1) (1) (1)

MSCI EM 19.8 (1) (1) (1) (1)

MSCI ACWI 19.9 (1) (1) (1) (1)

MSCI World 20.0 (1) (1) (1) (1)

MSCI Europe 20.1 (1) (1) (1) (1)

MSCI Asia 20.2 (1) (1) (1) (1)

MSCI Africa 20.3 (1) (1) (1) (1)

MSCI Australia 20.4 (1) (1) (1) (1)

MSCI Brazil 20.5 (1) (1) (1) (1)

MSCI Canada 20.6 (1) (1) (1) (1)

MSCI China 20.7 (1) (1) (1) (1)

MSCI France 20.8 (1) (1) (1) (1)

MSCI Germany 20.9 (1) (1) (1) (1)

MSCI Hong Kong 21.0 (1) (1) (1) (1)

MSCI India 21.1 (1) (1) (1) (1)

MSCI Japan 21.2 (1) (1) (1) (1)

MSCI Korea 21.3 (1) (1) (1) (1)

MSCI Latin America 21.4 (1) (1) (1) (1)

MSCI Mexico 21.5 (1) (1) (1) (1)

MSCI Middle East 21.6 (1) (1) (1) (1)

MSCI New Zealand 21.7 (1) (1) (1) (1)

MSCI Russia 21.8 (1) (1) (1) (1)

MSCI South America 21.9 (1) (1) (1) (1)

MSCI Taiwan 22.0 (1) (1) (1) (1)

MSCI Thailand 22.1 (1) (1) (1) (1)

MSCI Turkey 22.2 (1) (1) (1) (1)

MSCI USA 22.3 (1) (1) (1) (1)

MSCI Venezuela 22.4 (1) (1) (1) (1)

Commodity prices (changes in percentage)

US 10 yr swap 140 (1) (1) (1) (1)

US 10 yr swap 5m 37 (1) (1) (1) (1)

US 10 yr swap 7m 31 (1) (1) (1) (1)

US 10 yr swap 10m 21 (1) (1) (1) (1)

US 10 yr swap 15m 14 (1) (1) (1) (1)

US 10 yr swap 20m 7 (1) (1) (1) (1)

US 10 yr swap 30m 3 (1) (1) (1) (1)

US 10 yr swap 40m 2 (1) (1) (1) (1)

US 10 yr swap 50m 1 (1) (1) (1) (1)

US 10 yr swap 60m 1 (1) (1) (1) (1)

US 10 yr swap 70m 1 (1) (1) (1) (1)

US 10 yr swap 80m 1 (1) (1) (1) (1)

US 10 yr swap 90m 1 (1) (1) (1) (1)

US 10 yr swap 100m 1 (1) (1) (1) (1)

Commodity prices (changes in percentage)

US 10 yr swap 140 (1) (1) (1) (1)

US 10 yr swap 5m 37 (1) (1) (1) (1)

US 10 yr swap 7m 31 (1) (1) (1) (1)

US 10 yr swap 10m 21 (1) (1) (1) (1)

US 10 yr swap 15m 14 (1) (1) (1) (1)

US 10 yr swap 20m 7 (1) (1) (1) (1)

US 10 yr swap 30m 3 (1) (1) (1) (1)

US 10 yr swap 40m 2 (1) (1) (1) (1)

US 10 yr swap 50m 1 (1) (1) (1) (1)

US 10 yr swap 60m 1 (1) (1) (1) (1)

US 10 yr swap 70m 1 (1) (1) (1) (1)

US 10 yr swap 80m 1 (1) (1) (1) (1)

US 10 yr swap 90m 1 (1) (1) (1) (1)

US 10 yr swap 100m 1 (1) (1) (1) (1)

Commodity prices (changes in percentage)

US 10 yr swap 140 (1) (1) (1) (1)

US 10 yr swap 5m 37 (1) (1) (1) (1)

US 10 yr swap 7m 31 (1) (1) (1) (1)

US 10 yr swap 10m 21 (1) (1) (1) (1)

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US 10 yr swap 80m 1 (1) (1) (1) (1)

US 10 yr swap 90m 1 (1) (1) (1) (1)

US 10 yr swap 100m 1 (1) (1) (1) (1)

Source: Bloomberg, Dealog and various sources

*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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