

# Market Comment | Oil prices and US economic indicators drove market's performance

Global Financial Markets Unit  
17 May 2016

- **Positive macroeconomic data in the US.** US CPI data surprised positively, increasing by more than expected in April (0.4% MoM; consensus: 0.3%) and registering the highest level since February 2013. Meanwhile, core CPI increased in line with expectations (by 0.2% MoM; previous month: 0.1%). On another front, industrial production rose in April, beating expectations after the drop in March (by 0.7% MoM; consensus: 0.3%) reaching its highest level since November 2014. In addition, housing starts accelerated above estimates (to 1172K from 1099K; consensus: 1125K), while building permits increased below estimates (to 1116K from 1077K; consensus: 1135K). The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2016 is 2.5 percent on May 17, down from 2.8 percent on May 13. ([see](#))
- **The pace of China's recovery is moderating in 2Q.** The latest economic indicators released in China showed a deterioration. With this situation we are expecting that the authorities will take more easing measures in the second half of the year. In addition, our monthly GDP points to output growth of close to 6.4%, slowing down from 6.7% in 1Q16. ([see](#))
- **Rebound in oil prices and the US economic indicators were the main drivers of today's session.** Oil prices almost reached the 50 USD/pb threshold today (49.47USDpb), helped by last week's oil supply disruption and US inventories data. The upward revision by some significant forecasters of oil prices also fuelled oil prices during the first term of the session. The increase in oil prices contributed to increasing demand for risky assets - European indices opened around 1% up and EM currencies appreciated strongly against USD -. Nonetheless, as the session went by, the gains in oil price faded (Brent: +0.4% -49.17USDpb-, Wtx: +0.9%) as did the previous gains in risky assets. On equity markets, European indices dropped after offsetting their early gains (Euro Stoxx 50: -0.6%, DAX: -0.8%, CAC: -0.5%) dragged down by the energy and auto sectors. In the same vein, US equity markets fell (S&P and Dow: -0.3%) waiting for speeches by Fed members. The Nikkei rose (+1.13%), favoured by optimism driven by the early increase in oil prices. The release of better-than-expected economic indicators in the US (CPI and industrial production) also contributed to adding some pressure on risky assets in that it increased the probabilities of an earlier continuation of the US rate tightening process. Nonetheless, the market still gives close to zero probabilities to a June rate hike: 8%. In this line, US treasury short-term bonds inched up, while long-term tenors remained almost unchanged. Meanwhile, European yields declined, led by peripheral countries (GER 10Y: -1 bps, FRA 10Y: -1 bps, ITA 10Y: -3 bps, SPA 10Y: -4 bps POR 10Y: -6 bps). In FX, the USD depreciated against other major currencies (EUR: +0.17%, GBP: +0.53%, JPY: +0.04%). EM currencies appreciated against the US dollar with some exceptions such as the Mexican peso and the Brazilian real (RUB: +0.5%, BRL: -0.1%, CLP: +0.4%, COP: +0.2% MXN: -0.2% TRY: +0.3%).

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Table 1





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

**Debt markets (changes in bp)**

**US Treasury**  
 US 2yr 0.8 (0.0) (0.2)  
 US 5yr 1.26 (0.1) (0.05)  
 US 10yr 1.74 (0.1) (0.1) (0.3)

**Japan**  
 Japan 10yr 0.1 (0.0) (0.0) (0.0)  
 OER 2yr 0.5 (0.0) (0.1) (0.1)  
 OER 5yr 0.3 (0.0) (0.1) (0.1)  
 OER 10yr 0.1 (0.0) (0.1) (0.0)

**Belgium**  
 Belgium 10yr 0.52 (4) (2) (0) (4)  
 France 10yr 0.47 (1) (2) (0) (2)  
 Greece 10yr 2.4 (1.1) (0.1) (0.1) (0.1)  
 Ireland 10yr 0.8 (0.0) (0.0)  
 Italy 10yr 1.4 (1.3) (0) (2) (1) (0)  
 Netherlands 10yr 0.2 (0.1) (0.1) (0.1) (0.1)  
 Portugal 10yr 2.0 (1.2) (0.2) (0.2) (0.2)  
 Spain 10yr 1.5 (1.4) (0.2) (0.2) (0.2)

**Emerging Markets**  
 Brazil 10yr 12.7 (1.6) (0.4) (1.4)  
 China 10yr 4.0 (0.7) (0.2) (0.2) (0.2)  
 Colombia 10yr 6.0 (0.0) (0.0) (0.0) (0.0)  
 Korea 10yr 4.0 (2) (0) (2) (0) (2)  
 Peru 10yr 6.2 (0.1) (0.1) (0.1) (0.1)

**Poland**  
 Poland 10yr 2.84 (1.4) (1.1) (2) (4)  
 Russia 10yr 8.37 (2) (1) (2) (2) (0)  
 Russia 10yr 8.37 (2) (1) (2) (2) (0)  
 Turkey 10yr 9.91 (4) (0) (0) (0)

**India**  
 India 10yr 7.4 (0) (0) (0) (0)  
 Indonesia 10yr 7.4 (4) (4) (0) (1) (0)

**Country risk (changes in bp)**

**1st overnight borrow (against Germany)**  
 Belgium 29 (0) (0) (0) (0)  
 France 34 (0) (0) (0) (0)  
 Greece 32 (0) (0) (0) (0)  
 Ireland 0 (0) (0) (0) (0)  
 Italy 2 (0) (0) (0) (0)  
 Netherlands 22 (0) (0) (0) (0)  
 Portugal 24 (0) (0) (0) (0) (0)  
 Spain 10 (0) (0) (0) (0)

**2nd overnight borrow (against Germany)**  
 Belgium 4 (0) (0) (0) (0)  
 France 9 (0) (0) (0) (0)  
 Greece 9 (0) (0) (0) (0)  
 Ireland 2 (0) (0) (0) (0)  
 Italy 7 (0) (0) (0) (0)  
 Netherlands 2 (0) (0) (0) (0) (0)  
 Portugal 23 (0) (0) (0) (0) (0)  
 Spain 0 (0) (0) (0) (0)

**3rd overnight borrow (against Germany)**  
 Belgium 4 (0) (0) (0) (0)  
 France 9 (0) (0) (0) (0)  
 Greece 9 (0) (0) (0) (0)  
 Ireland 2 (0) (0) (0) (0)  
 Italy 7 (0) (0) (0) (0)  
 Netherlands 2 (0) (0) (0) (0) (0)  
 Portugal 12 (0) (0) (0) (0) (0)  
 Spain 4 (0) (0) (0) (0)

**1st overnight CDS**  
 Eur CDS Belgium 0.0 (0) (0) (0) (0)  
 Eur CDS France 0.0 (0) (0) (0) (0)  
 Eur CDS Germany 0.0 (0) (0) (0) (0)  
 Eur CDS Greece 0.0 (0) (0) (0) (0) (0)  
 Eur CDS Ireland 0.0 (0) (0) (0) (0)  
 Eur CDS Italy 0.0 (0) (0) (0) (0)  
 Eur CDS Netherlands 0.0 (0) (0) (0) (0)  
 Eur CDS Portugal 0.0 (0) (0) (0) (0) (0)  
 Eur CDS Spain 0.0 (0) (0) (0) (0)

**1st overnight CDS**  
 Eur CDS Brazil 0.0 (0) (0) (0) (0)  
 Eur CDS China 0.0 (0) (0) (0) (0)  
 Eur CDS Colombia 0.0 (0) (0) (0) (0) (0)  
 Eur CDS Korea 0.0 (0) (0) (0) (0)  
 Eur CDS Peru 0.0 (0) (0) (0) (0)  
 Eur CDS Venezuela 0.0 (0) (0) (0) (0) (0)  
 Eur CDS Poland 0.0 (0) (0) (0) (0)  
 Eur CDS Russia 0.0 (0) (0) (0) (0) (0)  
 Eur CDS Turkey 0.0 (0) (0) (0) (0) (0)  
 Eur CDS China 0.0 (0) (0) (0) (0)  
 Eur CDS India 0.0 (0) (0) (0) (0)  
 Eur CDS Indonesia 0.0 (0) (0) (0) (0) (0)

**Credit risk**

**Risk indicators (changes in percentage except for E&A spreads, bp)**  
 VIX 14.76 (0.0) (0.0) (0.0) (0.0)  
 VIX30 18.7 (0) (0) (0) (0)  
 EIA EFT volatility index 23 (2) (2) (0) (2)  
 Delinquency ratio 5.4 (0.0) (0.0) (0.0) (0.0)  
 EIA F&E volatility index 11 (0) (0) (0) (0) (0)  
 Credit spread (AAA) 200 (0) (0) (0) (0) (0)  
 US bonds volatility index 67 (0) (0) (0) (0)

**Bank risk (changes in bp)**  
 US banks CDS 84 (1) (4) (4) (0)  
 Euro banks CDS 118 (0) (0) (0) (0)  
 UK banks CDS 124 (0) (0) (0) (0)  
 Large Spanish banks CDS 143 (0) (0) (0) (0) (0)  
 Medium Spanish banks CDS 192 (0) (0) (0) (0)

**Small banks CDS**  
 Small banks CDS 132 (0) (0) (0) (0) (0)  
 Russian banks CDS 200 (0) (0) (0) (0) (0)

**Country risk (changes in bp)**  
 US Non-Ancora CDS 246 (0) (0) (0) (0) (0)  
 Euro Non-Ancora CDS 208 (0) (0) (0) (0) (0)  
 UK Non-Ancora CDS 198 (0) (0) (0) (0) (0)

**Interest rate markets (changes in bp)**

**US Treasury**  
 US Treasury 2m 140 (0) (0) (0) (0)  
 US Treasury 3m 30 (0) (0) (0) (0) (0)  
 US Treasury 6m 30 (0) (0) (0) (0) (0)  
 US Treasury 12m 30 (0) (0) (0) (0) (0)

**US OIS spread**  
 US OIS spread 2m 23 (1) (1) (0) (1)  
 US OIS spread 3m 22 (0) (0) (0) (0) (0)  
 US OIS spread 6m 22 (0) (0) (0) (0) (0)  
 US OIS spread 12m 24 (0) (0) (0) (0) (0)

**Spain Fed Spread**  
 Spain Fed Spread 3m 24 (0) (0) (0) (0) (0)  
 EONIA rate 0.4 (0) (0) (0) (0) (0)  
 Euribor 3m 0.4 (0) (0) (0) (0) (0)  
 Euribor 6m 0.4 (0) (0) (0) (0) (0)  
 Libor 3m 0.4 (0) (0) (0) (0) (0)  
 Libor 6m 0.4 (0) (0) (0) (0) (0)

**Stock markets (Change in percentage)**

**US equity returns**  
 S&P500 2003 (2) (2) (1) (1) (1)  
 Dow Jones 1988 (2) (2) (1) (1) (1)  
 Nikkei 1982 (1) (1) (0) (1) (1) (1)  
 FTSE 100 1982 (0) (0) (0) (0) (0) (0)  
 Euro Stoxx 50 2002 (1) (1) (0) (1) (1) (1)  
 MSCI EAFE 1981 (1) (1) (0) (1) (1) (1)  
 DAX 1974 (1) (1) (0) (1) (1) (1)  
 CAC40 1981 (1) (1) (0) (1) (1) (1)  
 IBEX 1982 (1) (1) (0) (1) (1) (1)  
 ASI - China S&A 2012 (0) (0) (0) (0) (0) (0)

**Developing**  
 US banks 0.1 (0) (0) (0) (0) (0)  
 JPM 0.1 (0) (0) (0) (0) (0)  
 Cit 0.1 (0) (0) (0) (0) (0)  
 BofA 0.1 (0) (0) (0) (0) (0)  
 WFC 0.1 (0) (0) (0) (0) (0)  
 GS 0.1 (0) (0) (0) (0) (0)

**MSCI**  
 MSCI 433 (1) (1) (0) (1) (0) (1) (0)  
 MSCI 241 (0) (0) (0) (0) (0) (0) (0)  
 Barclays 105 (0) (0) (0) (0) (0) (0)  
 iShares 105 (0) (0) (0) (0) (0) (0) (0)

**Euro banks**  
 Euro banks 7.8 (0) (0) (0) (0) (0) (0)  
 BNP 4.1 (0) (0) (0) (0) (0) (0)  
 Citigroup 4.8 (0) (0) (0) (0) (0) (0) (0)  
 HSBC 1.1 (0) (0) (0) (0) (0) (0) (0)  
 Intesa 2.1 (0) (0) (0) (0) (0) (0) (0)  
 ING 1.1 (0) (0) (0) (0) (0) (0) (0)  
 Intesa 2.1 (0) (0) (0) (0) (0) (0) (0)  
 Unicredit 2.1 (0) (0) (0) (0) (0) (0) (0)

**Large Spanish banks**  
 Large Spanish banks 84.6 (0) (0) (0) (0) (0) (0)  
 Santander 4.1 (0) (0) (0) (0) (0) (0) (0)  
 BBVA 3.8 (0) (0) (0) (0) (0) (0) (0)

**Medium Spanish banks**  
 Medium Spanish banks 87.4 (0) (0) (0) (0) (0) (0) (0)  
 CaixaBank 0.4 (0) (0) (0) (0) (0) (0) (0)  
 Pegasus 1.0 (0) (0) (0) (0) (0) (0) (0)  
 Sabadell 1.0 (0) (0) (0) (0) (0) (0) (0)  
 Bankinter 0.3 (0) (0) (0) (0) (0) (0) (0)  
 Bankia 0.8 (0) (0) (0) (0) (0) (0) (0)

**Greek banks**  
 Greek banks 4.3 (0) (0) (0) (0) (0) (0) (0)  
 Alpha Bank 2.5 (0) (0) (0) (0) (0) (0) (0)  
 Piraeus Bank 0.2 (0) (0) (0) (0) (0) (0) (0)  
 National Bank 0.2 (0) (0) (0) (0) (0) (0) (0)  
 Eurobank Ergasika 1.0 (0) (0) (0) (0) (0) (0) (0)

**Commodity markets**

**US Dollar**  
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**Commodity prices (change in percentage)**

**Oil**  
 WTI 40 (1) (1) (0) (1) (0) (1) (0)  
 Brent 35 (0) (0) (0) (0) (0) (0) (0)  
 Crude 28 (0) (0) (0) (0) (0) (0) (0)  
 Gas 10 (0) (0) (0) (0) (0) (0) (0)  
 Bauxite 10 (0) (0) (0) (0) (0) (0) (0)  
 SOY 0 (0) (0) (0) (0) (0) (0) (0)  
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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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