

Market Comment | Equity markets rebounded, led by European indices

Global Financial Markets Unit
24 May 2016

- **US new home sales surprised positively**, increasing in April against estimates of a further fall (to 619K from 531K; consensus: 523K), reaching their highest level since 2008. Meanwhile, the Richmond manufacturing index declined by more than expected, falling into negative territory in May (to -1 points from 14; consensus: 8).
- **Disappointing ZEW data**. The German economic sentiment index plunged unexpectedly in May (by 4.8 points to 6.4; consensus: 12.0), as did euro zone economic sentiment (by 4.7 points to 16.8). Meanwhile the current situation index increased (by 5.4 points to 53.1; consensus: 49.0). The ZEW indicators have apparently been undermined by the uncertainty regarding the Brexit referendum. In addition, French manufacturing confidence declined slightly as expected (by 1 point to 104) while business confidence rose unexpectedly (by 1 point to 102; consensus: 101). On another front, Germany's GDP final data confirmed the acceleration in economic growth in 1Q16 (to 0.7% QoQ) compared with the previous quarter (0.3% QoQ). The improvement was due mainly to the contribution of domestic demand.
- **Equity markets rebounded, led by European indices**. Developed equity markets rebounded today after the doubtful trend of recent sessions (EuroStoxx 50: 2.5%, IBEX: 2.8%, DAX: 2.4%, CAC: 2.6%, MIB: 3.4%, S&P: 1.3%, Dow: 1.1%) and offset yesterday's losses. The European indices led the gains, especially the peripheral country indices, supported by the banking (EZ Banks: +4.6%) and insurance sectors, both favoured by the increasing probability of an interest rate hike in the US in upcoming policy meetings (June: 38% or July: 58%). The US bond markets continued the repricing process, adapting their prices to the Fed's new wording ahead of Yellen's speech next Friday, and yields continued to rise in all tenors (2Y: bps, 10Y: bps). Meanwhile, European peripheral premiums declined slightly (core bonds remained almost unchanged while peripheral yields inched down). Another direct effect of the hawkishness of Fed officials' tone is the USD's appreciating trend, which persisted today, the only exception being the GBP (EUR: -0.65%, JPY: -0.67%, GBP: +0.96%). The EUR depreciated against the USD, due among other things to worse-than-expected confidence data, while the GBP was favoured by the update of new polls giving an extra advantage to the "remain" option over the "leave" option in the Brexit issue. EM currencies registered mixed performances, - despite the slight improvement in oil prices ahead of new API data (Brent:+1.1%, WTX:+1.4%)- but they broadly recovered slightly from recent drops (RUB: +0.9%, BRL: +0.5%, CLP: +0.2%, MXN: +0.3%). The Turkish lira was one of the most volatile currencies today, TRY appreciating strongly following confirmation that Mehmet Simsek (market-friendly) is to remain as deputy prime minister following the arrival of the new Turkish PM. Moreover, The Central Bank of Turkey reduced the upper bound of its interest rate corridor (marginal funding rate) 50 bps further to 9.5% ([see](#)). This did not change the positive trend in TRY, which surged following the low levels seen in the past several weeks (+1.7%).

Updat 17.30 CET 24 May, 2016
Table 1

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

Daily markets (changes in bp)

US 2yr 0.42 (0.15) (0.42)
 US 5yr 1.41 (0.11) (0.29)
 US 10yr 1.87 (0.19) (0.21) (40)

Japan 10yr 2.11 (0.10) (0.17)
 GER 2yr 0.51 (0.11) (1.41)
 GER 5yr 2.36 (0.13) (2.01)
 GER 10yr 3.16 (0.15) (1.44)

Belgium 10yr 3.55 (4.13) (4.61) (42)
 France 10yr 3.52 (1.01) (4.61) (44)
 Greece 5yr 2.07 (0.14) (2.19) (152)
 Russia 5yr 8.82 (42) (20.20)
 Italy 10yr 4.42 (4.61) (4.61) (47)
 Netherlands 10yr 3.80 (0.10) (4.14) (41)
 Portugal 10yr 5.83 (4.14) (4.26) (42)
 Spain 10yr 5.84 (4.13) (4.24)

Emerging Markets
 Brazil 10yr 12.82 (14.19) (16) (23) (28)
 China 5yr 4.24 (0.11) (0.11) (4)
 Colombia 10yr 4.11 (0.11) (0.11) (4)
 Mexico 10yr 6.17 (0.15) (0.15) (13)
 Peru 10yr 6.26 (0.15) (0.15) (14)

Poland 10yr 3.51 (0.10) (0.17)
 Russia 5yr 8.15 (0.17) (15.23) (73)
 Russia 10yr 8.15 (0.17) (15.23) (64)
 Turkey 10yr 9.79 (2.51) (4.21) (20) (46)

India 10yr 7.47 (0.11) (0.11)
 Indonesia 10yr 7.96 (0.11) (0.11) (19)

Country risk (changes in bp)

EUR sovereign spreads (against Germany)
 Belgium 37 (41) (21) (0)
 France 30 (31) (14) (13)
 Greece 200 (134) (116) (47)
 Ireland 42 (42) (42) (15)
 Italy 105 (41) (31) (23)
 Netherlands 21 (11) (21) (0)
 Portugal 286 (114) (141) (27) (87)
 Spain 136 (141) (11) (27)

EUR sovereign spreads (against Germany)
 Belgium 4 (0) (12) (13) (4)
 France 18 (0) (12) (20) (8)
 Greece 103 (0) (13) (21) (7)
 Ireland 21 (0) (12) (18)
 Italy 80 (0) (14) (11)
 Netherlands 3 (1) (12) (11) (3)
 Portugal 131 (41) (11) (27) (142)
 Spain 88 (2) (11) (14)

3yr sovereign spreads (against Germany)
 Belgium 4 (0) (11) (13)
 France 6 (1) (12) (21) (8)
 Greece 91 (0) (12) (17)
 Italy 48 (0) (10) (11)
 Netherlands 1 (1) (11) (12) (5)
 Portugal 101 (41) (11) (26) (146)
 Spain 40 (1) (11) (17) (8)

EUR sovereign CDS
 EUR CDS Belgium 80 (0) (1) (1) (1)
 EUR CDS France 30 (0) (1) (1) (1)
 EUR CDS Germany 20 (0) (1) (1) (1)
 EUR CDS Greece 200 (134) (116) (47)
 EUR CDS Ireland 42 (42) (42) (15)
 EUR CDS Italy 105 (41) (31) (23)
 EUR CDS Netherlands 21 (11) (21) (0)
 EUR CDS Portugal 286 (114) (141) (27) (87)
 EUR CDS Spain 136 (141) (11) (27)

EUR sovereign CDS
 EUR CDS Belgium 80 (0) (1) (1) (1)
 EUR CDS China 14 (0) (17) (16) (15)
 EUR CDS Colombia 27 (15) (20) (11)
 EUR CDS Mexico 181 (0) (18) (20) (16)
 EUR CDS Peru 178 (0) (18) (18)
 EUR CDS Venezuela 133 (0) (18) (15) (18)

EUR CDS (annualized) in %
 EUR CDS Russia 265 (2) (20) (14) (136)
 EUR CDS Turkey 278 (1) (12) (10) (5)

EUR CDS China 126 (0) (1) (1) (1)
 EUR CDS India 104 (0) (12) (17)
 EUR CDS Indonesia 168 (0) (0) (1) (1)

Credit risk

Risk indicators (percentage, percentage except for E&A spreads, bp)
 VIX 14.58 (17.4) (4.1) (13.3) (4)
 US Treasury 3m 0.40 (0.15) (0.15)
 EUR EFT volatility index 22 (41) (41) (13)
 Detrended volatility 5.9 (2.3) (1.5) (1.5) (1.5)
 EUR FX volatility index 11 (0) (1) (1) (1)
 Credit spread (AAA) 203 (14) (14) (12) (14)
 US bonds volatility index 69 (0) (1) (1) (1)

Bank risk (percentage in bp)
 US banks CDS 96 (0) (2) (7) (11)
 EUR banks CDS 113 (0) (1) (1) (2)
 UK banks CDS 113 (1) (1) (1) (0)

Large Spanish banks CDS 138 (2) (4) (20) (7)
 Medium Spanish banks CDS 192 (0) (0) (1) (1)
 Small banks CDS 121 (142) (111) (42) (43)
 Russian banks CDS 31 (1) (1) (1) (1)

Commodity risk (changes in bp)

US Non-Ancient CDS 24 (0) (1) (1) (1)
 S&P Non-Ancient CDS 28 (0) (1) (1) (1)
 UK Non-Ancient CDS 142 (1) (1) (1) (1)

Interbank markets (changes in bp)

US 3m secured 3m 14 (0) (0) (1) (1)
 US 6m secured 1m 20 (0) (0) (1) (1)
 US 12m secured 3m 20 (0) (1) (1) (1)

US OIS spread 3m 20 (1) (2) (1) (1)
 US OIS spread 6m 19 (2) (3) (1) (1)
 US TED spread 3m 32 (1) (2) (1) (1)

Spain Fed Spread 3m 11 (1) (1) (1) (1)
 EONIA near 0.40 (0.15) (0.15) (1)
 Euribor 3m 0.40 (0.15) (0.15) (1)
 Euribor 6m 0.41 (0.15) (0.15) (1)

Libor 1m 0.60 (0.15) (0.15)
 Libor 3m 1.3 (0) (0) (1) (1)

Stock markets (Changes in percentage)

Asia Pacific
 S&P500 2744.11 (1.31) (42.8) (7)
 Nikkei 1782.21 (1.89) (17) (2)
 Nikkei 1646.65 (0.91) (4.9) (16) (13)
 FTSE 100 6226.1 (0.11) (1) (1)
 Euro Stoxx 10 2014.4 (0.2) (2) (1) (1)
 MSCI EAFE 1627.1 (0.2) (2) (1)
 DAX 1074.2 (0.1) (1) (1) (1)
 CAC40 1410.3 (0.1) (1) (1) (1)
 IBEX 1702.0 (0.2) (1) (1) (1)
 ASI 1924.6 (1.1) (1) (1) (1)

Europe
 US Index 84.11 (0.4) (0.4) (1)
 JPM 84.3 (0.7) (0.8) (0.9) (2)
 Cit 84.5 (0.2) (0.1) (0.1) (1)
 Bank 84.7 (0.8) (0.7) (1) (1)
 WFT 27.5 (0.5) (0.5) (0.5) (1)
 GS 167.9 (0.9) (2) (1) (1) (1)

HSBC 48.8 (0.1) (0.1) (0.1) (1)
 BNP 240.4 (0.4) (0.4) (0.4) (1)
 Barclays 101.2 (0.4) (0.5) (0.5) (1)
 Lloyds 22.2 (0.7) (0.7) (0.7) (1)

EURO Stoxx 10 2014.4 (0.2) (2) (1) (1)
 BSE 43.1 (0.1) (0.1) (1)
 CNX Agriculture 81 (0.7) (0.8) (0.8) (1)
 NYSE Euronext 15.7 (0.7) (0.7) (1) (1)
 NYSE 10 (0.7) (0.7) (1) (1)
 Nikkei 21 (0.2) (0.2) (1) (1)
 SG 36.5 (0.7) (2) (1) (1) (1)
 Unilever 31 (0.6) (0.7) (1) (1) (1)

Large Spanish banks 88.9 (0.7) (0.2) (1) (1)
 Santander 42.8 (0.1) (0.1) (1)
 BBVA 33 (0.4) (0.4) (1) (1)

Medium Spanish banks 75.9 (1.1) (1.7) (1) (1)
 CaixaBank 37 (0.7) (0.7) (1) (1)
 Pegasus 21 (0.7) (0.7) (1) (1)
 Sasefin 14 (0.7) (0.7) (1) (1)
 Bankinter 6.7 (0.1) (0.1) (1) (1)
 Banco 6.8 (0.1) (0.1) (1) (1)

Greek banks 4.7 (4.1) (0.5) (0.8) (1)
 Alpha Bank 2.4 (1) (0.8) (0.8) (1)
 Piraeus Bank 1.4 (1) (0.8) (0.8) (1)
 National Bank 1.4 (1) (0.8) (0.8) (1)
 Eurobank Ergasika 1 (0.4) (0.5) (0.5) (1)

Emerging Markets

BRF Latin America 17 (0.1) (0.1) (1) (1)
 BNP Paribas 1602 (0.1) (0.1) (1) (1)
 Banco 1602 (0.1) (0.1) (1) (1)

USCF E Europe 442 (0.2) (1) (1) (1) (1)
 Poland 101 (0.1) (0.1) (1) (1)
 Korea 100 (0.1) (0.1) (1) (1)
 India 100 (1) (1) (1) (1) (1)

MSCI E Asia 100 (0.1) (0.1) (1) (1)
 MSCI E Asia 100 (0.1) (0.1) (1) (1)
 Shanghai Composite 2164 (0.7) (0.8) (1) (1) (1)
 Jauch Composite 1911 (0.7) (0.8) (1) (1) (1)

Risk events

Turkish banks 16 (0.4) (0.4) (1) (1)
 Axiata 1.6 (0.1) (0.1) (1) (1)
 Gemina 3 (0.1) (0.1) (1) (1)
 Turkey Borsasiz 1.4 (0.1) (0.1) (1) (1)

Russian banks 164 (0.1) (0.1) (1) (1)
 Otkritie 15 (0.1) (0.1) (1) (1)
 VTB Bank 1 (0.2) (0.4) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.19 (0.05) (1.47) (0.7) (2.6)
 GBPUSD 1.48 (0.06) (1.11) (0.1) (0.1)
 USDJPY 108.07 (0.07) (0.70) (0.1) (0.5)
 DXY 91.3 (0.1) (0.1) (1) (1)

USDCY (in %)
 USDCY Argentina 14 (0.1) (0.1) (1) (1)
 USDCY Brazil 13 (0.1) (0.1) (1) (1)
 USDCY China 102 (0.1) (0.1) (1) (1)
 USDCY Colombia 108 (0.1) (0.1) (1) (1)
 USDCY E Europe 134 (0.1) (0.1) (1) (1)
 USDCY E Asia 111 (0.1) (0.1) (1) (1)

USDCY Poland 137 (0.1) (0.1) (1) (1)
 USDCY Russia 102 (0.1) (0.1) (1) (1)
 USDCY Turkey 1 (0.7) (0.6) (1) (1) (1)
 USDCY Venezuela 156 (0.1) (0.1) (1) (1)
 USDCY Mexico 108 (0.1) (0.1) (1) (1)
 USDCY India 100 (1) (1) (1) (1) (1)

USDCY China 102 (0.1) (0.1) (1) (1)
 USDCY Mexico 108 (0.1) (0.1) (1) (1)
 USDCY Brazil 13 (0.1) (0.1) (1) (1)
 USDCY Argentina 134 (0.1) (0.1) (1) (1)
 USDCY Venezuela 156 (0.1) (0.1) (1) (1)
 USDCY India 100 (1) (1) (1) (1) (1)

Commodity Risk (Change in percentage)

Brent 44.67 (1.1) (0.8) (0.1) (1)
 WTI 42.74 (1.1) (0.9) (0.1) (1)
 Copper 2.9 (0.1) (0.1) (1) (1)
 Bauxite 120 (0.1) (0.1) (1) (1)
 Bauxite 120 (0.1) (0.1) (1) (1)
 S&P 500 (Spot commodity index 264.84) (0.7) (1) (1) (1)
 S&P 500 (Index Spot 418) (0.1) (0.1) (1) (1)
 S&P 500 (Index Spot 201) (0.1) (0.1) (1) (1)
 S&P 500 (Agreement Spot 201) (0.1) (0.1) (1) (1) (1)

Stock Shorting (Debit and net)

*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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