Market Comment | Oil prices breach $50 pb in the day but trim gains later

Global Financial Markets Unit
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- **Positive macroeconomic data in the US.** US jobless claims dropped by more than expected in the week ended 21 May (268K; consensus: 275K, previous: 278K). On another front, durable goods orders preliminary data showed a surge in April (by 3.4% MoM; consensus: 0.5%), while ex transportation also rose (by 0.4% MoM; consensus: 0.3%). In addition, pending home sales rose sharply above estimates in April (by 5.1% MoM; consensus: 0.7%). Atlanta Fed GDP "nowcast" confirmed the positive economic data and pointed to 2.9% growth in 2Q16, increasing from 2.5% forecast on May 17

- **Spanish GDP final data confirmed the stabilisation in economic growth,** which was 0.8% QoQ in 1Q16, as expected. This increase was supported mainly by the improvement in domestic demand (+1.0% QoQ) and despite the deterioration in foreign demand (-0.28% QoQ). (see)

- **Bullard welcomed the realignment of market outlook with FOMC's forecast.** Fed member James Bullard considers that the minutes helped investors to see the probability of a rate hike in June, which before the minutes they were completely excluding. He also insisted that the Fed path depends of macroeconomic data, "I'm keeping an open mind, I want to look at the data as it's available at the meeting," he said. As regards Brexit, he thinks that it is not a determinant issue for the FOMC, "I do not think Brexit is the global financial event that it's being made out to be," he added.

- **Oil prices breach $50 pb in the day but trim.** Oil prices breached the US$50 pb threshold during the session - reaching the highest level in seven months - underpinned by the better-than-expected US inventories data released this week, which helped to dissipate partially the concerns about global supply. This increase in oil price was one of the main drivers in financial markets, allowing main assets to maintain their current upward trend. European equity markets increased across the board, driven by the energy and basic resources sectors (EuroStoxx: +0.3%, IBEX: -0.5%, DAX: +0.7%, CAC: +0.7%). The exceptions were those indices in which the banking sector is high-weighted, especially IBEX 35 where the announcement of the increase of capital in a medium-size bank caused a sharp drop in its price (around 20%) and dragged the sector. The US indices remained almost unchanged despite the better-than-expected macroeconomic data, suggesting profit-taking. On bond markets, the US sovereign yield curve declined across all tenors, led by shorter tranches (2Y: -4 bps, 10Y: -3 bps) awaiting tomorrow's speech by Janet Yellen - investors are expecting her monetary policy comments to include mention of a possible rate-hike in June or July. Meanwhile, European peripheral yields increased (ITA 10Y: +1 bp, SPA 10Y: +2 bps, POR 10Y: +5 bps, GRE 10Y: +6 bps) dragged down by IMF comments about the agreement between Greece and the Eurogroup. The IMF considers that the measures are still insufficient to transform the current country debt into a sustainable debt burden. In FX, the USD depreciated against other major currencies with the exception of the British pound, which depreciated after yesterday's movements (EUR: +0.25%, JPY: +0.36% GBP: -0.12%). EM currencies appreciated against the US dollar, with some exceptions such as the Russian Ruble (RUB: -0.3%, CLP: +0.8%, COP: +0.3%, MXN: +0.2%) underpinned by commodity prices (Brent: +0.3% Wtx: +0.2% Copper: +0.6%).

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Table 1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0.88 (-4) (0) (2) (-16)
US 5-yr 1.37 (-3) (-1) (-2) (-39)
US 10-yr 1.84 (-3) (-1) (-9) (-43)

Japan 10-yr -0.12 (-4) (-6) (-2) (-39)

GER 2-yr -0.52 (-1) (-1) (-3) (-17)
GER 5-yr -0.38 (-1) (-2) (-9) (-33)
GER 10-yr 0.14 (-1) (-3) (-16) (-49)

Belgium 10-yr 0.52 (0) (-3) (-17) (-45)
France 10-yr 0.48 (0) (-3) (-16) (-51)
Greece 10-yr 7.2 (6) (-29) (-141) (-109)
Ireland 10-yr 0.78 (0) (-7) (-20)
Italy 10-yr 1.37 (1) (-13) (-17) (-23)
Netherlands 10-yr 0.35 (-1) (-4) (-16) (-44)
Portugal 10-yr 3.01 (5) (-8) (-21) (50)
Spain 10-yr 1.5 (2) (-10) (-14) (-28)

Emerging Markets
Brazil 10-yr 12.88 (0) (20) (5) (-364)
Chile 10-yr 4.58 (0) (3) (19) (-8)
Colombia 10-yr 8.07 (-3) (0) (-11) (-58)
Mexico 10-yr 6.09 (-4) (-1) (20) (-18)
Peru 10-yr 6.29 (0) (19) (-7) (-102)

Poland 10-yr 3.07 (-1) (3) (-3) (13)
Russia 5-yr 9.11 (0) (-4) (-20) (-77)
Russia 10-yr 8.96 (-1) (-6) (-24) (-59)
Turkey 10-yr 9.69 (-14) (-35) (69) (-78)

India 10-yr 7.47 (0) (0) (0) (-29)
Indonesia 10-yr 7.9 (-3) (3) (27) (-85)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 38 (1) (-1) (-1) (4)
France 34 (1) (0) (0) (-2)
Greece 705 (7) (-26) (-125) (-60)
Ireland 63 (1) (-5) (-4) (11)
Italy 122 (2) (-10) (-1) (26)
Netherlands 21 (0) (-0.9) (0) (4)
Portugal 287 (6) (-5.1) (-5) (98)
Spain 135 (3) (-7) (2) (21)

5-yr sovereign spreads *(against Germany)*
Belgium 5 (1) (0.5) (-1) (-2)
France 19 (1) (-1) (0) (6)
Greece 1640 (1) (2) (9) (33)
Ireland 32 (1) (-3) (0) (7)
Italy 67 (1) (-7) (-5) (12)
Netherlands -2 (0) (-0.7) (0) (-3)
Portugal 213 (7) (-8) (-13) (102)
Spain 86 (2) (-5) (-6) (14)

2-yr sovereign spreads *(against Germany)*
Belgium 4 (0) (0) (0) (0)
France 8 (0) (-1.4) (1) (5)
Ireland 14 (-2) (-2) (-3) (0)
Italy 45 (1) (0) (-4) (13)
Netherlands 0 (0) (-1) (-1) (2)
Portugal 100 (1) (-11) (-14) (55)
Spain 41 (2) (-1) (-6) (6)

5-yr sovereign CDS
5-yr CDS Belgium 49 (0) (-1) (-1) (17)
5-yr CDS France 37 (-1) (0) (0) (12)
5-yr CDS Germany 19 (-1) (0) (0) (6)
5-yr CDS Greece 901 (-26) (-68) (-67) (-158)
5-yr CDS Ireland 63 (-1) (-2) (0) (23)
5-yr CDS Italy 125 (-2) (-3) (2) (30)
5-yr CDS Netherlands 26 (-1) (-1) (2) (11)
5-yr CDS Portugal 254 (-4) (-5) (-3) (86)
5-yr CDS Spain 92 (-2) (-1) (0) (3)
5-yr CDS UK 31 (-3) (-2) (-1) (11)
5-yr CDS US 23 (1) (0) (0) (4)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 343 (-4) (5) (-7) (-149)
5-yr CDS Chile 108 (-4) (2) (9) (-19)
5-yr CDS Colombia 232 (-3) (-1) (16) (-7)
5-yr CDS Mexico 173 (-4) (-1) (13) (3)
5-yr CDS Peru 162 (-6) (-1) (9) (-24)
5-yr CDS Venezuela 5105 (-107) (-280) (-563) (-938)

5-yr CDS Poland86 (0) (0) (1) (14)
5-yr CDS Russia 258 (1) (4) (7) (-44)
5-yr CDS Turkey 271 (0) (0) (32) (-3)

5-yr CDS China 122 (-2) (-6) (-6) (13)
5-yr CDS India 161 (-5) (-1) (-4) (13)
5-yr CDS Indonesia 187 (-3) (-5) (-9) (-40)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 13.76 (-1) (-15.7) (-1.4) (-4)
VSTOXX 20.82 (-1.1) (-14.6) (-2.2) (-1)
EM EFT volatility Index 22 (-1) (-15) (-1) (-4)
Dollar/euro volatility 9.1 (4.5) (0.5) (16.4) (-6)
EM FX volatility index 11 (0) (-3) (0) (-7)
Credit spread (BAA) 290 (2.6) (4.8) (1.1) (-33)
US bonds volatility index 68 (0) (-4) (1) (0)

Bank risk *(changes in bp)*
US banks CDS 82 (-1) (-4) (-2) (7)
EMU banks CDS 105 (-3) (-11) (3) (21)
UK banks CDS 107 (-3) (-11) (0) (30)

Large Spanish banks CDS 129 (-5) (-12) (13) (-8)
Medium Spanish banks CDS 180 (-4) (-10) (-2) (23)

Greek banks CDS 1222 (-35) (-127) (-353) (-430)
Russian banks CDS 361 (-1) (2) (8) (-21)

Corporate risk *(changes in bps)*
US Non-financial CDS 229 (-6) (-12) (-1) (-153)
EMU Non-financial CDS 282 (-4) (4) (68) (110)
UK Non-financial CDS 171 (-8) (-5) (-4) (-21)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 9 (0) (0) (-1) (-2)
UEM OIS spread 12m 37 (0) (1) (-1) (3)
UEM TED spread 3m 35 (0) (3.3) (-1) (-6)

US OIS spread 3m 21 (0) (0) (-4) (-2)
US OIS spread 12m 72 (1) (2) (0) (16)
US TED spread 3m 38 (4) (3) (-1) (-7)

Spain Ted Spread 3m 8 (-1) (-5.6) (4) (3)

EONIA Index -0.34 (0) (-0.2) (0) (-22)
Euribor 3m -0.26 (0) (0) (-1) (-13)
Euribor 12m -0.01 (0) (0) (0) (-7)

Libor 3m 0.67 (0) (1) (3) (5)
Libor 12m 1.32 (0) (2) (8) (14)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 2090.2 (0) (2.5) (-0.1) (2)
Dow Jones 17819.1 (-0.2) (2.2) (-1) (2)
Nikkei 16772.5 (0.1) (0.8) (-3.3) (-12)
FTSE 100 6265.7 (0) (3.5) (-0.3) (0)
EuroStoxx 50 3071.2 (0.3) (5.2) (-1.6) (-6)
IBEX9079.9 (-0.5) (4.7) (-2.2) (-5)
DAX 10272.7 (0.7) (4.9) (0.1) (-4)
CAC4512.6 (0.7) (5.4) (-0.5) (-3)
MIB 18210.9 (0.1) (3.8) (-2.5) (-15)
ASE Athens 645.4 (0.6) (3.7) (7.6) (2)

Bank stocks
US banks 85.1 (-1) (2.7) (-1.1) (-9)
JPM 65.2 (-0.5) (2.8) (1.9) (-1)
Citi 46.3 (-1.4) (2.7) (-1.7) (-11)
BoA 14.8 (-1) (1.7) (-2.1) (-12)
MS 27.5 (-1.1) (3.2) (-0.3) (-14)
GS 159.9 (-0.8) (3.4) (-3.6) (-11)

HSBC 446 (-0.1) (4.5) (-5) (-17)
RBS 248.6 (-2.9) (9.6) (-1.5) (-18)
Barclays 184.8 (-0.5) (8.3) (6.2) (-16)
Lloyds 72.8 (-1.3) (5.4) (4) (0)

EMU banks 88.7 (0.6) (8.2) (-1.3) (-18)
BNP 50 (2.1) (10.4) (5.3) (-4)
Crédit Agricole 9.6 (1.2) (10.2) (-4.1) (-11)
Deutsche Bank 16.2 (0.6) (8.4) (-1.5) (-28)
ING 11.3 (0.8) (10.2) (0) (-9)
Intesa 2.4 (0.8) (3.4) (-3.8) (-23)
SG 37 (0.7) (7.3) (4.4) (-13)
Unicredito 3 (-3.8) (7.8) (-13.8) (-41)

Large Spanish banks 69.6 (-1.3) (7.6) (-7.6) (-8)
Santander 4.4 (-1.8) (6.6) (-3.7) (-4)
BBVA 6 (-0.8) (8.5) (-10.6) (-10)

Medium Spanish banks 69.7 (-6.1) (1.2) (-9.7) (-15)
Caixabank 2.5 (-4.3) (3.7) (-11) (-21)
Popular 1.7 (-26.5) (-18.2) (-31.7) (-43)
Sabadell 1.6 (-5) (3.5) (-6.9) (0)
Bankinter 6.9 (0.8) (5.4) (1.3) (5)
Bankia 0.8 (-2.4) (5.2) (-8.7) (-25)

Greek banks 4.6 (1.1) (4.7) (20.4) (1)
Alpha Bank2.5 (2) (5.9) (19.4) (1)
Pireus Bank0.3 (-4.1) (-2.5) (3) (0)
National Central Bank0.3 (-0.7) (0.7) (2.4) (-13)
Eurobank Ergasias1.1 (0) (3.8) (28.9) (4)

Emerging Markets
Main equity indices
MSCI Latam 65147 (0.31) (-1) (-3) (9.8)
Ibovespa (Brazil) 49483 (0) (-1.3) (-6.8) (14.1)
Mexbol 45790 (0.2) (1.6) (0.8) (6.5)

MSCI EM Europe 4505 (0.38) (-0.2) (-3.7) (6)
Poland 1849 (0) (2.7) (-3.5) (-0.5)
Micex (Russia) 1914 (0.8) (1.2) (-1.7) (8.7)
Ise 100 (Turkey) 78036 (-0.7) (1) (-9) (8.8)

MSCI EM Asia 645 (1.64) (1.4) (-2.8) (-2.3)
Shanghai Composite (China) 2822 (0.26) (0.6) (-4.8) (-20.3)
Jakarta Composite (Indonesia) 4785 (0.2) (1.7) (-0.6) (4)

Bank stocks
Turkish banks 79 (-0.1) (2.1) (-9.5) (7.6)
Akbank T.A.S. 8 (-0.5) (2.3) (-7.9) (17.8)
Garanti 8 (-0.3) (1.3) (-11.3) (6)
Turkiye Is Bankasi 5 (0.7) (2.7) (-9.5) (-2.2)

Russian banks 172 (2.1) (7.2) (6.7) (13.5)
Sberbank 132 (3.3) (9.6) (10.4) (30.5)
VTB Bank 0.1 (-0.4) (2.1) (-0.9) (-12.7)

Currencies *(in percentage, positive for dollar depreciation)*

Developed Markets
EURUSD 1.118 (0.25) (-0.18) (-1) (3)
GBPUSD 1.47 (-0.12) (0.47) (0.7) (-0.4)
USDJPY 109.79 (0.36) (0.15) (1.4) (8.7)
DXY 95.22 (0.1) (0.1) (-0.7) (3.5)

Emerging Markets
USDARS (Argentina) 14.12 (-0.5) (-0.2) (1.3) (-9.2)
USDBRL (Brazil) 3.58 (0) (-0.5) (-1.5) (9.5)
USDCLP (Chile) 686.01 (0.8) (1.4) (-2.7) (3.2)
USDCOP (Colombia) 3053.15 (0.3) (0.1) (-3.3) (3.8)
USDMXN (Mexico) 18.45 (0.2) (-0.2) (-6.2) (-7.2)
USDPEN (Peru) 3.34 (-0.1) (0) (-1.8) (2.1)
LACI 63.17 (0) (0) (-2.9) (0.9)

USDPLN (Poland) 3.94 (0.2) (-0.1) (-1.8) (-0.5)
USDRUB (Russia) 65.6 (-0.3) (1.8) (-0.2) (9.5)
USDTRY (Turkey) 2.93 (0.1) (1.8) (-4) (-0.6)

USDCNY (China) 6.56 (0) (-0.1) (-1) (-1)
USDINR (India) 67.18 (0.2) (0.3) (-1) (-1.5)
USDIDR (Indonesia) 13585 (0.4) (-0.1) (-2.9) (1.5)
ADXY 106.73 (0.2) (0.2) (-1.3) (0.2)

Commodities *(change in percentage)*

Brent 49.91 (0.3) (2.3) (9.1) (33.9)
WTx 49.68 (0.2) (3.2) (12.8) (34.1)
Copper 211.8 (0.6) (2.7) (-5.8) (-0.4)
Gold 1221.73 (-0.2) (-2.6) (-1.7) (15.1)
Baltic Dry Index 605 (0) (-4.6) (-14.1) (26.6)
S&P GSCI Spot commodity index 370.685 (1.2) (0.2) (7.4) (19.9)
S&P GSCI Brent Spot 427.49 (2.1) (1.6) (13.3) (36.2)
S&P GSCI Metals Spot 254.27 (0.1) (-0.6) (-6.6) (-0.2)
S&P GSCI Agricultural Spot 307.951 (1.6) (-0.1) (2.9) (8.6)

Source: Bloomberg, Datastream and Haver

*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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