

# Market Comment | Bund yields touch record low levels

Global Financial Markets Unit  
08 Jun 2016

- **Bund yields touch record low levels** The German 10Y yield touched a new record low (0.035%), although it bounced back later, ending slightly above yesterday's levels. The record low in German yields puzzled investors, and introduce a note of caution in financial markets. In fact, the lower yield failed to provide support to European equity markets, which declined, led by the banking sector (Euro Stoxx 50 down by around -1%). Apart from the gloomy global economic outlook and uncertainties about Brexit, technical factors might have been playing a role in low German yields: i) The German sovereign yield curve stands below the ECB deposit rate (-0.4%) until the 6Y tenor, so that the ECB purchases have to focus on the 7-10 tenor, pushing down yields of these tenors. Moreover, the start of the Corporate Purchase Programme may have also contributed to drag German yields, as declining corporate yields make sovereign yields attractive in relative terms. The average yield of the euro corporate investment grade declined today (-2 bps to 0.77%) - measured by Bloomberg investment grade euro corporate index.
- **Moreover today's China economic data also brought some concerns to financial markets.** China's trade data disappointed, with global exports falling further in May by 4.1% YoY in USD terms, suggesting weak global demand. Nonetheless, imports declined less than expected, suggesting a certain improvement in domestic demand thanks to the recent policy support. The slight increase in global risk aversion caused an uptick in gold prices (1.4%) also supported by low safe-haven yields and lower USD dollar.
- **On FX markets, the USD depreciated against other major currencies** including the EUR despite European yields remains at very lows levels. (EUR: +0.4%, JPY: +0.7%, GBP: +0.1%). The JPY benefited from the upward revision of GDP growth for 1Q16 to 0.5% QoQ (previous estimate 0.4% QoQ), surprising positively the consensus forecast while GBP halted in its downwards pressure against USD after the release of the latest polls regarding Brexit. The EM currencies appreciated against the US dollar, favoured by a rebound in oil prices, which topped US\$51 pb today on the back of smaller-than-expected US oil inventories. (RUB: +1.3%, BRL: +1.9%, CLP: +0.9%, COP: +1.3%, MXN: +1.2%).

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Table 1

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

**Libor markets (changes in bps)**

US 3m 0.78 (1.02) (0.27)  
 US 6m 1.22 (0.18) (0.12)  
 US 12m 1.72 (0.15) (0.18)  
 Japan 3m 0.12 (0.11) (0.17)  
 GB 3m 0.54 (0.12) (0.49)  
 GB 6m 0.42 (0.12) (0.37)  
 GB 12m 0.48 (0.18) (0.47)  
 Belgium 3m 0.45 (0.14) (0.32)  
 France 3m 0.47 (0.14) (0.33)  
 Greece 3m 7.37 (0.16) (0.16) (0.81)  
 Korea 3m 0.15 (0.14) (0.23)  
 MY 3m 0.15 (0.11) (0.20)  
 Netherlands 3m 0.18 (0.17) (0.18)  
 Portugal 3m 1.08 (0.14) (0.21) (0.50)  
 Spain 3m 0.12 (0.14) (0.19) (0.14)

EURIBOR 3m 0.47  
 Euro 3m 0.47 (0.12) (0.26) (0.11)  
 China 3m 4.06 (0.12) (0.15) (0.19)  
 Canada 3m 0.77 (0.12) (0.12) (0.24) (0.29)  
 Mexico 3m 6.02 (0.11) (0.11) (0.12)  
 New York 3m 0.81 (0.12) (0.12) (0.23)  
 Poland 3m 1.14 (0.14) (0.15)  
 Russia 3m 0.14 (0.12) (0.14)  
 Russia 3m 0.74 (0.12) (0.21) (0.21)  
 Turkey 3m 0.23 (0.12) (0.11) (0.18)  
 India 3m 0.48 (0.11) (0.17) (0.27)  
 Indonesia 3m 7.62 (0.12) (0.12) (0.11)

**Country risk (changes in bps)**

US country risk (Aggravated Germany)  
 Belgium 33 (0.2) (0.1) (0)  
 France 38 (0.1) (0.1) (0)  
 Greece 712 (0.19) (0.86) (0.4)  
 Ireland 71 (0.19) (0.19)  
 Italy 134 (0.20) (0.27)  
 Netherlands 25 (0.11) (0.18)  
 Portugal 302 (0.18) (0.18)  
 Spain 138 (0.2) (0.2) (0.2)

US country risk (Aggravated Germany)  
 Belgium 7 (0.1) (0.1) (0)  
 France 22 (0.1) (0.1) (0)  
 Greece 366 (0.1) (0.1)  
 Ireland 8 (0.1) (0.1)  
 Italy 62 (0.1) (0.1) (0.1)  
 Netherlands 17 (0.1) (0.1) (0.1)  
 Portugal 228 (0.1) (0.1) (0.1)  
 Spain 47 (0.1) (0.1) (0.1)

US country risk (Aggravated Germany)  
 Belgium 8 (0.1) (0.1) (0)  
 France 18 (0.1) (0.1) (0.1)  
 Greece 147 (0.1) (0.1) (0.1)  
 Ireland 14 (0.1) (0.1) (0.1)  
 Italy 48 (0.1) (0.1) (0.1)  
 Netherlands 14 (0.1) (0.1) (0.1)  
 Portugal 102 (0.1) (0.1) (0.1)  
 Spain 48 (0.1) (0.1) (0.1)

US country risk  
 US GDP Belgium 83 (0.1) (0.1) (0.1)  
 US GDP France 37 (0.1) (0.1) (0.1)  
 US GDP Germany 18 (0.1) (0.1) (0.1)  
 US GDP Greece 86 (0.1) (0.1) (0.1)  
 US GDP Ireland 85 (0.1) (0.1) (0.1)  
 US GDP Italy 133 (0.1) (0.1) (0.1)  
 US GDP Netherlands 26 (0.1) (0.1) (0.1)  
 US GDP Portugal 14 (0.1) (0.1) (0.1)  
 US GDP Spain 96 (0.1) (0.1) (0.1)  
 US GDP UK 21 (0.1) (0.1) (0.1)  
 US GDP US 21 (0.1) (0.1) (0.1)

US country risk  
 US GDP Belgium 201 (0.1) (0.1) (0.1)  
 US GDP China 86 (0.1) (0.1) (0.1)  
 US GDP Canada 202 (0.1) (0.1) (0.1)  
 US GDP Russia 103 (0.1) (0.1) (0.1)  
 US GDP Peru 139 (0.1) (0.1) (0.1)  
 US GDP Venezuela 400 (0.1) (0.1) (0.1)  
 US GDP Finland 12 (0.1) (0.1) (0.1)  
 US GDP Russia 208 (0.1) (0.1) (0.1)  
 US GDP Turkey 201 (0.1) (0.1) (0.1)  
 US GDP China 108 (0.1) (0.1) (0.1)  
 US GDP India 100 (0.1) (0.1) (0.1)  
 US GDP Indonesia 82 (0.1) (0.1) (0.1)

**Commodity risk**

US commodity risk (percentage annual for 2.5% spread, 20)  
 US 10 12 (0.1) (0.1) (0.1)  
 US 100 24 (0.1) (0.1) (0.1)  
 US 10 12 12 (0.1) (0.1) (0.1)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
 US 10 12 (0.1) (0.1) (0.1)  
 US 100 24 (0.1) (0.1) (0.1)  
 US 10 12 12 (0.1) (0.1) (0.1)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
 US 10 12 (0.1) (0.1) (0.1)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
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**US country risk**

US country risk (percentage annual for 2.5% spread, 20)  
 US 10 12 (0.1) (0.1) (0.1)  
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 US 10 12 12 12 12 12 12 (0.1) (0.1) (0.1)



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

**Debt markets (changes in bp)**

US 2yr 0.79 (41) (2) (7) (27)  
 US 5yr 1.23 (61) (5) (1) (5) (5)  
 US 10yr 1.72 (41) (1) (4) (4) (7)

Japan 10yr 4.1 (2) (1) (1) (1) (7)  
 GER 2yr 0.54 (6) (2) (2) (1) (6)  
 GER 5yr 0.84 (6) (2) (1) (3) (3)  
 GER 10yr 1.08 (1) (4) (1) (4) (3)

Belgium 10yr 4.45 (6) (4) (4) (4) (4)  
 France 10yr 5.41 (1) (4) (4) (4) (4)  
 Greece 5yr 10.8 (1) (1) (1) (1) (1)  
 Hungary 5yr 8.1 (1) (1) (1) (1) (1)  
 Italy 10yr 5.38 (1) (1) (1) (1) (1)  
 Netherlands 10yr 2.8 (1) (1) (1) (1) (1)  
 Portugal 10yr 5.8 (4) (4) (4) (4) (4)  
 Spain 10yr 5.4 (4) (4) (4) (4) (4)

**Emerging Markets**  
 China 10yr 4.6 (1) (1) (1) (1) (1)  
 China 5yr 4.2 (1) (1) (1) (1) (1)  
 Colombia 10yr 4.1 (1) (1) (1) (1) (1)  
 Korea 10yr 4.5 (1) (1) (1) (1) (1)  
 Mexico 10yr 6.5 (1) (1) (1) (1) (1)  
 Peru 10yr 6.5 (1) (1) (1) (1) (1)

Poland 10yr 3.1 (4) (4) (4) (4) (4)  
 Russia 5yr 8.5 (4) (4) (4) (4) (4)  
 Russia 10yr 8.1 (4) (4) (4) (4) (4)  
 Turkey 10yr 7.2 (4) (4) (4) (4) (4)  
 India 10yr 7.4 (1) (1) (1) (1) (1)  
 Indonesia 10yr 7.6 (1) (1) (1) (1) (1)

**C country risk (changes in bp)**

**10yr sovereign spreads (against Germany)**  
 Belgium 29 (6) (2) (2) (5)  
 France 32 (6) (2) (2) (5)  
 Greece 32 (4) (1) (1) (4) (34)  
 Ireland 7 (1) (4) (5) (9)  
 Italy 34 (4) (1) (1) (4)  
 Netherlands 21 (1) (1) (1) (1)  
 Portugal 32 (2) (4) (1) (1) (14)  
 Spain 19 (3) (1) (1) (1)

**5yr sovereign spreads (against Germany)**  
 Belgium 17 (1) (1) (1) (1)  
 France 23 (1) (1) (1) (1)  
 Greece 34 (4) (1) (1) (4)  
 Ireland 7 (1) (1) (1) (1)  
 Italy 21 (1) (1) (1) (1)  
 Netherlands 17 (1) (1) (1) (1)  
 Portugal 23 (1) (1) (1) (1)  
 Spain 17 (1) (1) (1) (1)

**3yr sovereign spreads (against Germany)**  
 Belgium 9 (1) (1) (1) (1)  
 France 11 (1) (1) (1) (1)  
 Greece 37 (1) (1) (1) (1)  
 Ireland 7 (1) (1) (1) (1)  
 Italy 18 (1) (1) (1) (1)  
 Netherlands 9 (1) (1) (1) (1)  
 Portugal 15 (1) (1) (1) (1)  
 Spain 11 (1) (1) (1) (1)

**5yr sovereign CDS**  
 5yr CDS Belgium 85 (2) (1) (1) (1)  
 5yr CDS France 37 (4) (1) (1) (1)  
 5yr CDS Germany 25 (1) (1) (1) (1)  
 5yr CDS Greece 86 (1) (1) (1) (1)  
 5yr CDS Ireland 65 (1) (1) (1) (1)  
 5yr CDS Italy 133 (1) (1) (1) (1)  
 5yr CDS Netherlands 26 (1) (1) (1) (1)  
 5yr CDS Portugal 21 (4) (1) (1) (1)  
 5yr CDS Spain 69 (1) (1) (1) (1)  
 5yr CDS UK 31 (1) (1) (1) (1)  
 5yr CDS US 21 (1) (1) (1) (1)

**5yr sovereign CDS**  
 5yr CDS Brazil 201 (1) (1) (1) (1)  
 5yr CDS China 126 (1) (1) (1) (1)  
 5yr CDS Colombia 208 (1) (1) (1) (1)  
 5yr CDS Mexico 155 (1) (1) (1) (1)  
 5yr CDS Peru 138 (1) (1) (1) (1)  
 5yr CDS Venezuela 400 (1) (1) (1) (1)

**5yr CDS Russia (1-2) (1) (1) (1)**  
 5yr CDS Russia 208 (1) (1) (1) (1)  
 5yr CDS Turkey 241 (1) (1) (1) (1)  
 5yr CDS China 130 (1) (1) (1) (1)  
 5yr CDS India 155 (1) (1) (1) (1)  
 5yr CDS Indonesia 152 (1) (1) (1) (1)

**C credit risk**

**10yr risk-adjusted spreads (percentage point) except for EEA spreads, 00**  
 UK 14 (2) (1) (1) (1) (1)  
 VETRO 24 (1) (1) (1) (1) (1)  
 EIT 17 (1) (1) (1) (1) (1)  
 Deloitte 16 (1) (1) (1) (1) (1)  
 EIT 17 (1) (1) (1) (1) (1)  
 Credit spread (AAA) 27 (1) (1) (1) (1)  
 US bonds volatility index 44 (1) (1) (1) (1)

**Bank risk (changes in bp)**  
 US banks CDS 79 (1) (1) (1) (1)  
 EEA banks CDS 111 (2) (1) (1) (1)  
 UK banks CDS 114 (1) (1) (1) (1)  
 Large Spanish banks CDS 134 (4) (1) (1) (1)  
 Medium Spanish banks CDS 175 (1) (1) (1) (1)  
 Greek banks CDS 171 (4) (1) (1) (1)  
 Russian banks CDS 307 (1) (1) (1) (1)

**Corporate risk (changes in bp)**  
 US Non-financial CDS 228 (1) (1) (1) (1)  
 EEA Non-financial CDS 239 (1) (1) (1) (1)  
 UK Non-financial CDS 196 (1) (1) (1) (1)

**Interbank markets (changes in bp)**

US 3m secured 3m 14 (2) (1) (1) (1)  
 US 6m secured 3m 36 (2) (1) (1) (1)  
 US 12m secured 3m 58 (2) (1) (1) (1)  
 US 3m unsecured 3m 26 (4) (1) (1) (1)  
 US 6m unsecured 3m 77 (1) (1) (1) (1)  
 US 12m unsecured 3m 42 (1) (1) (1) (1)  
 Spain Fed Spread 3m 3 (2) (1) (1) (1)

**Stock markets (Changes in percentage)**  
**Major equity returns**  
 S&P500 21 (14) (2) (1) (2) (4)  
 Dow Jones 17 (8) (2) (1) (1) (1)  
 Nikkei 18 (3) (1) (1) (1) (1)  
 FTSE 100 20 (1) (1) (1) (1) (1)  
 Euro Stoxx 50 20 (1) (1) (1) (1) (1)  
 MSCI EAFE 14 (1) (1) (1) (1) (1)  
 DAX 10 (3) (1) (1) (1) (1)  
 CAC40 10 (1) (1) (1) (1) (1)  
 IBV 10 (1) (1) (1) (1) (1)  
 ASI 10 (1) (1) (1) (1) (1)

**Developing**  
 US 10yr 8.1 (1) (1) (1) (1) (1)  
 JPM 45 (2) (1) (1) (1) (1)  
 Cit 45 (1) (1) (1) (1) (1)  
 Bank 14 (1) (1) (1) (1) (1)  
 WFC 28 (1) (1) (1) (1) (1)  
 GS 15 (1) (1) (1) (1) (1)

**US 10yr 8.1 (1) (1) (1) (1) (1)**  
 HSBC 46 (1) (1) (1) (1) (1)  
 BNP 24 (1) (1) (1) (1) (1)  
 Barclays 17 (1) (1) (1) (1) (1)  
 Lloyds 15 (1) (1) (1) (1) (1)

**EMU banks**  
 BNP 46 (1) (1) (1) (1) (1)  
 Citigroup 3 (1) (1) (1) (1) (1)  
 Citigroup 3 (1) (1) (1) (1) (1)  
 ING 10 (1) (1) (1) (1) (1)  
 Intesa 21 (1) (1) (1) (1) (1)  
 ING 10 (1) (1) (1) (1) (1)  
 Unicredit 2 (1) (1) (1) (1) (1)

**Large Spanish banks**  
 BBVA 4 (1) (1) (1) (1) (1)  
 Santander 4 (1) (1) (1) (1) (1)  
 BCU 3 (1) (1) (1) (1) (1)

**Medium Spanish banks**  
 Caixabank 5 (1) (1) (1) (1) (1)  
 Pegasus 1 (1) (1) (1) (1) (1)  
 Sabadell 1 (1) (1) (1) (1) (1)  
 Banesto 6 (1) (1) (1) (1) (1)  
 Bankia 3 (1) (1) (1) (1) (1)

**Greek banks**  
 Alpha Bank 4 (1) (1) (1) (1) (1)  
 Piraeus Bank 3 (1) (1) (1) (1) (1)  
 National Bank 1 (1) (1) (1) (1) (1)  
 Eurobank Ergasias 1 (1) (1) (1) (1) (1)

**European banks**  
 BNP 46 (1) (1) (1) (1) (1)  
 Citigroup 3 (1) (1) (1) (1) (1)  
 Citigroup 3 (1) (1) (1) (1) (1)  
 ING 10 (1) (1) (1) (1) (1)  
 Intesa 21 (1) (1) (1) (1) (1)  
 ING 10 (1) (1) (1) (1) (1)  
 Unicredit 2 (1) (1) (1) (1) (1)

**Turkish banks**  
 Turkish banks 17 (1) (1) (1) (1) (1)  
 Akbank 1 (1) (1) (1) (1) (1)  
 Garanti 1 (1) (1) (1) (1) (1)  
 Turkey's Banks 15 (1) (1) (1) (1) (1)

**Russian banks**  
 Russian banks 108 (1) (1) (1) (1) (1)  
 Sberbank 108 (1) (1) (1) (1) (1)  
 VTB Bank 1 (1) (1) (1) (1) (1)

**C currencies (in percentage, positive for dollar depreciation)**

EURUSD 14 (4) (1) (1) (1) (1)  
 GBPUSD 14 (4) (1) (1) (1) (1)  
 USDJPY 106 (4) (1) (1) (1) (1)  
 USD 10 (1) (1) (1) (1) (1)

**USDCOP (in percentage)**  
 USDCOP Argentina 13 (1) (1) (1) (1) (1)  
 USDCOP Brazil 13 (1) (1) (1) (1) (1)  
 USDCOP Chile 13 (1) (1) (1) (1) (1)  
 USDCOP Colombia 20 (1) (1) (1) (1) (1)  
 USDCOP Mexico 15 (1) (1) (1) (1) (1)  
 USDCOP Peru 13 (1) (1) (1) (1) (1)  
 USDCOP 10 (1) (1) (1) (1) (1)

**USDLPL (in percentage)**  
 USDLPL Poland 3 (1) (1) (1) (1) (1)  
 USDLPL Russia 2 (1) (1) (1) (1) (1)  
 USDLPL Turkey 2 (1) (1) (1) (1) (1)  
 USDLPL China 6 (1) (1) (1) (1) (1)  
 USDLPL India 6 (1) (1) (1) (1) (1)  
 USDLPL Indonesia 12 (1) (1) (1) (1) (1)  
 USDLPL 10 (1) (1) (1) (1) (1)

**Commodity (Change in percentage)**  
 Brent 50 (1) (1) (1) (1) (1)  
 WTI 50 (1) (1) (1) (1) (1)  
 Copper 20 (1) (1) (1) (1) (1)  
 Gold 10 (1) (1) (1) (1) (1)  
 S&P 500 (S&P commodity index) 102 (1) (1) (1) (1) (1)  
 S&P 500 (S&P spot) 40 (1) (1) (1) (1) (1)  
 S&P 500 (S&P futures) 40 (1) (1) (1) (1) (1)  
 S&P 500 (S&P options) 40 (1) (1) (1) (1) (1)

**Source: Bloomberg, DataStream and IHS**





\*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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