

Market Comment | Oil prices drove financial markets

Global Financial Markets Unit
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- Today's session in the financial markets showed a slightly higher risk appetite than yesterday's session, with stable bond markets and rising equity prices, despite the higher volatility in oil prices. Nonetheless **market volumes remain very low.**
- **The oil price has been one of the main drivers in financial markets during last few days. During the week oil prices were volatile, driven by oil supply news flows:** i) on Tuesday OPEC announced an informal meeting aimed at reaching a new production agreement to contain the current downward trend in oil prices, ii) yesterday's publication of mixed oil inventories (higher crude oil inventories but lower-than-expected gasoline (petrol) inventories), and iii) today's cut in the oil demand growth forecast by IEA. **Even so, oil prices ended up with a significant rise (3.8%).**
- **European equities** were quite steady in early trade, amid mixed earnings reports and higher oil price volatility. However, European equity markets recovered some ground (EuroStoxx +0.8%; Dax +0.7%) after US equities opened in a positive mood (S&P500 +0.5%) fostered by encouraging earnings reports and better-than-expected weekly labour data.
- **Bond government yields were steady (10Y GER +2 bps, 10Y FRA +2 bps), but with narrower spreads in peripheral countries (SPA -4 bps, ITA -3 bps) due to the relatively positive mood in the markets.** However, bond markets will remain supported, as the IMF recommends the ECB to concentrate its monetary policy on asset purchases rather than cutting interest rates again. On the other hand, the Chinese "official" media hint at an absence of further interest rate cuts.
- **In forex markets**, the rise in oil prices pushed up the value of EM currencies (MXN +0.8%, CLP +0.6%, COP +1%), **while the BoE easing mood dragged the British pound**, which fell to a month low (-0.34%), while the EUR remained steady against the USD despite the IMF's comment on monetary policy.

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Table 1

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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