

Market Comment | Positive sentiment advances in very calm markets

Global Financial Markets Unit
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- In a session with sparse economic data, **the positive sentiment triggered yesterday by encouraging economic data in Europe extended today** as German GDP met expectations (0.2%QoQ, consensus 0.4%QoQ), but signalling an increase since the forecast of 0.2% QoQ, powered by strong export performance. Meanwhile in the US - contrasting with yesterday's data - existing home sales were less than expected (5.39M, consensus 5.51M, prior 5.57M). Even so, the market implied probability of an interest rate hike increased ahead of the Jackson Hole symposium which starts tomorrow
- The positive sentiment was perceived mainly in the **European banking sector** (EMU +2.4%), which led the rise in equity indices (Euro Stoxx50 +0.5%, Dax +0.3%). Nonetheless, **US equities were slightly down**, with stocks continuing to hover around all-time high levels (S&P500 -0.2%).
- Against this backdrop, **bond markets were especially steady**, with no significant movement, ending up almost flat in government bonds yields. The most remarkable event was that **Portugal's bond yield bucked the trend (10Y POR -4 bps)**, thereby halting the upward trend in the yield triggered by uncertainty on DBRS's rating review. In Mexico, the rating agency **S&P put Mexico's rating (BBB+) on a negative outlook** due to the increasing debt to GDP ratio and sluggish growth. CDS slightly increased, Mexico index closed yesterday 1.3% down and the MXN closed 1.5% down.
- However, today EM currencies showed mixed performance (MXN +0.2%, TRY -0.1%, COP -0.8%, PLN -0.5%), despite the **fall in oil prices** (-2.3%) triggered by an increase in crude oil inventories against an expectation of a decrease (2.501M, consensus -0.455M, prior -2.508M). Meanwhile, the USD appreciated slightly against the JPY and the EUR, while the GBP extended its appreciation with 0.25% higher (accumulating three consecutive days of appreciation and 2.72% higher since August 15, the post-Brexit minimum GBP value vs USD).

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Table 1

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

Debt markets (changes in bp)

Germany
 US 3y 4.19 (2) (2) (2) (2)
 US 5y 1.13 (2) (2) (1) (4)
 US 10y 1.55 (2) (2) (2) (2)
 Japan 5y 0.47 (2) (1) (1) (2) (2)
 GER 5y 0.43 (2) (1) (2) (2) (2)
 GER 5y 0.52 (1) (1) (2) (4) (7)
 GER 5y 0.81 (2) (1) (1) (2) (2)
 Belgium 10y 0.13 (2) (1) (1) (1) (1)
 France 5y 0.41 (2) (1) (1) (1) (1)
 Greece 15y 4.24 (2) (1) (1) (1) (1)
 Ireland 5y 0.41 (2) (1) (1) (1) (1)
 Italy 15y 1.12 (2) (1) (1) (1) (1)
 Netherlands 10y 0.42 (2) (1) (1) (1) (1)
 Portugal 10y 0.37 (2) (1) (1) (1) (1)
 Spain 5y 0.50 (2) (1) (1) (1) (1)

France
 France 10y 1.16 (2) (1) (1) (1) (1)
 China 10y 4.30 (2) (1) (1) (1) (1)
 Columbia 5y 2.12 (2) (1) (1) (1) (1)
 Mexico 5y 4.30 (2) (1) (1) (1) (1)
 Peru 5y 3.65 (2) (1) (1) (1) (1)

Poland
 Poland 5y 2.88 (1) (1) (1) (1) (1)
 Russia 5y 8.57 (1) (1) (1) (1) (1)
 Russia 10y 8.28 (1) (1) (1) (1) (1)
 Turkey 5y 10.56 (2) (1) (1) (1) (1)

India
 India 5y 7.14 (2) (1) (1) (1) (1)
 Indonesia 10y 7.89 (2) (1) (1) (1) (1)

Country risk (changes in bp)

1st sovereign spreads (against Germany)
 France 22 (2) (1) (1) (1)
 Greece 817 (2) (1) (1) (1)
 Ireland 82 (1) (1) (1) (1)
 Italy 122 (2) (1) (1) (1)
 Netherlands 1 (1) (1) (1) (1)
 Portugal 87 (1) (1) (1) (1)
 Spain 102 (1) (1) (1) (1)

5y sovereign spreads (against Germany)
 Belgium 7 (2) (1) (1) (1)
 France 11 (2) (1) (1) (1)
 Greece 184 (2) (1) (1) (1)
 Ireland 21 (1) (1) (1) (1)
 Italy 74 (2) (1) (1) (1)
 Netherlands 2 (2) (1) (1) (1)
 Portugal 23 (1) (1) (1) (1)
 Spain 48 (1) (1) (1) (1)

2y sovereign spreads (against Germany)
 Belgium 11 (2) (1) (1) (1)
 France 8 (2) (1) (1) (1)
 Ireland 2 (2) (1) (1) (1)
 Italy 25 (2) (1) (1) (1)
 Netherlands 2 (2) (1) (1) (1)
 Portugal 12 (2) (1) (1) (1)
 Spain 43 (2) (1) (1) (1)

3y sovereign CDS
 5y CDS Belgium 37 (1) (1) (1) (1)
 5y CDS France 29 (2) (1) (1) (1)
 5y CDS Germany 17 (2) (1) (1) (1)
 5y CDS Greece 872 (2) (1) (1) (1)
 5y CDS Ireland 80 (2) (1) (1) (1)
 5y CDS Italy 108 (2) (1) (1) (1)
 5y CDS Netherlands 20 (2) (1) (1) (1)
 5y CDS Portugal 50 (2) (1) (1) (1)
 5y CDS Spain 82 (2) (1) (1) (1)
 5y CDS UK 16 (2) (1) (1) (1)

Emerging Markets

5y sovereign CDS
 5y CDS Argentina 374 (2) (1) (1) (1)
 5y CDS Brazil 331 (2) (1) (1) (1)
 5y CDS China 72 (1) (1) (1) (1)
 5y CDS Colombia 176 (1) (1) (1) (1)
 5y CDS Mexico 150 (2) (1) (1) (1)
 5y CDS Peru 101 (2) (1) (1) (1)
 5y CDS Venezuela 100 (2) (1) (1) (1)

5y CDS Russia 228 (1) (1) (1) (1)
 5y CDS Turkey 241 (1) (1) (1) (1)

5y CDS China 301 (1) (1) (1) (1)
 5y CDS India 120 (1) (1) (1) (1)
 5y CDS Indonesia 127 (1) (1) (1) (1)

Credit risk

1st sovereign spreads (percentage weight for 504 assets, top)
 VIX 15.18 (1) (1) (1) (1) (1)
 VIX3M 18.81 (1) (1) (1) (1) (1)
 EM DPT volatility index 71 (1) (1) (1) (1)
 Global credit index 11.87 (1) (1) (1) (1)
 EM 5Y credit index 10 (1) (1) (1) (1)
 Credit spread 204A 204.1 (2) (1) (1) (1)
 US bank credit index 47 (2) (1) (1) (1)

Bank risk (changes in bp)

US banks CDS 37 (2) (1) (1) (1)
 EM banks CDS 193 (2) (1) (1) (1)
 UK banks CDS 35 (1) (1) (1) (1)

Large Spanish banks CDS 221 (2) (1) (1) (1)
 Medium Spanish banks CDS 153 (2) (1) (1) (1)

Greek banks CDS 118 (2) (2) (1) (1)
 Russian banks CDS 138 (1) (1) (1) (1)

Corporate risk (changes in bp)

EM14 Non-financial CDS 6 (2) (1) (1) (1)
 UK Non-financial CDS 6 (2) (1) (1) (1)

Interbank markets (changes in bp)

LIBOR 3m spread 2m 1.20 (2) (1)
 LIBOR 6m spread 2m 24 (1) (1) (1) (1)
 LIBOR 12m spread 2m 50 (1) (1) (1) (1)

US OIS spread 3m 38 (1) (1) (1) (1)
 US OIS spread 6m 70 (2) (1) (1) (1)
 US TED spread 3m 52 (1) (1) (1) (1)

Spain Td Spread 3m 4 (2) (1) (1) (1)

EONIA index 4 (2) (1) (1) (1)
 Euler index 4 (2) (1) (1) (1)
 Euler 12m 6 (2) (1) (1) (1)

Libor 3m 0.81 (2) (1) (1) (1)
 Libor 6m 1.23 (2) (1) (1) (1)

Stock markets (Changes in percentage)

Major stock indices
 S&P500 2762.14 (2) (1) (1) (1)
 Dow Jones 2997.81 (2) (1) (1) (1)
 Nikkei 20207.3 (2) (1) (1) (1) (1)
 FTSE 100 6555.5 (2) (1) (1) (1) (1)
 Eurostoxx 5670.6 (2) (1) (1) (1) (1)
 ASI 2628.1 (2) (1) (1) (1) (1)
 CSI 3000 3012.2 (2) (1) (1) (1) (1)
 ASX 2000 2678.7 (2) (1) (1) (1) (1)

Bank stocks
 BNP 46.0 (2) (1) (1) (1) (1)
 Cit 36.7 (2) (1) (1) (1) (1)
 Deu 14.8 (2) (1) (1) (1) (1)
 MS 31.7 (2) (1) (1) (1) (1)
 CQ 30.1 (2) (1) (1) (1) (1)

HSBC 141.1 (2) (1) (1) (1) (1)
 RBS 18.1 (2) (1) (1) (1) (1)
 Citigroup 188.1 (2) (1) (1) (1) (1)
 Lloyds 29.2 (2) (1) (1) (1) (1)

EM bank stocks
 BNP 44.7 (1) (1) (1) (1) (1)
 Citibank 49.5 (1) (1) (1) (1) (1)
 Deutsche Bank 17.2 (2) (1) (1) (1) (1)
 ING 18.1 (2) (1) (1) (1) (1)
 Intesa 11.3 (2) (1) (1) (1) (1)
 BNP 10.1 (2) (1) (1) (1) (1)
 Unibank 2.1 (2) (1) (1) (1) (1)

Large Spanish banks 41.2 (2) (1) (1) (1)
Spanish 3.5 (2) (1) (1) (1) (1)
EBank 14.2 (2) (1) (1) (1) (1)

Medium Spanish banks 38.4 (2) (2) (1) (1) (1)
Commerzbank 4.1 (2) (1) (1) (1) (1)
Caixa 1.2 (2) (1) (1) (1) (1)
Santander 7.2 (2) (1) (1) (1) (1)
Banque 4.4 (2) (1) (1) (1) (1)
Banco 17.2 (2) (1) (1) (1) (1)

Greek banks 2.5 (1) (1) (1) (1) (1)
Alpha Bank 0 (1) (1) (1) (1) (1)
Piraeus Bank 1.6 (2) (1) (1) (1) (1)
Bank of Crete 1 (1) (1) (1) (1) (1)
Eurobank Ergasys 1.7 (2) (1) (1) (1) (1)

Money market indicators

MSCI Latin 2279 (2) (1) (1) (1) (1)
 MSCI Europe 1851 (2) (1) (1) (1) (1)
 Nikkei 1961 (2) (1) (1) (1) (1)
 MSCI EM Europe 4481 (2) (1) (1) (1) (1)
 Powsat 179 (2) (1) (1) (1) (1)
 MSCI Europe 1993 (2) (1) (1) (1) (1)

MSCI India 1112 (2) (1) (1) (1) (1)
 Shanghai Composite (China 300) 2167 (2) (1) (1) (1) (1)
 Nikkei Composite (Japan) 2417 (2) (1) (1) (1) (1)

Bank stocks
 Turkish banks 20 (2) (1) (1) (1) (1)
 Allianz 17.2 (2) (1) (1) (1) (1)
 Swiss 12 (2) (1) (1) (1) (1)
 Turkey 10 (2) (1) (1) (1) (1)

Russian banks 17 (2) (1) (1) (1) (1)
 Deutsche 159 (2) (1) (1) (1) (1)
 VTB Bank 0 (2) (1) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.33 (2) (1) (1) (1) (1)
 GBPUSD 1.32 (2) (1) (1) (1) (1)
 USDJPY 109.2 (2) (1) (1) (1) (1)
 CNY 6.47 (2) (1) (1) (1) (1)

EMCurrencies
 USDARS Argentina 14.88 (1) (1) (1) (1) (1)
 USDZAR 20.66 (1) (1) (1) (1) (1)
 USDCAD 1.36 (2) (1) (1) (1) (1)
 USDCOP Colombia 1861 (2) (1) (1) (1) (1)
 USDMX Mexico 18 (2) (1) (1) (1) (1)
 USDPES Peru 7.38 (2) (1) (1) (1) (1)
 USDBRL Brazil 19.12 (2) (1) (1) (1) (1)

USDCurrencies
 USDINR India 70.2 (2) (1) (1) (1) (1)
 USDSGD Singapore 1.33 (2) (1) (1) (1) (1)
 USDKRW Korea 1117.2 (2) (1) (1) (1) (1)
 USDTW Taiwan 20.6 (2) (1) (1) (1) (1)
 USDTHAI Thailand 32.1 (2) (1) (1) (1) (1)

Commodity (change in percentage)
 Oil 49.2 (2) (1) (1) (1) (1)
 Copper 239 (1) (1) (1) (1) (1)
 CME 128.4 (2) (1) (1) (1) (1)

Bank CDS 162 (2) (1) (1) (1) (1)
S&P CDS 208 (2) (1) (1) (1) (1)
S&P CDS 278 (2) (1) (1) (1) (1)

Source: Bloomberg, Bloomberg Barclays

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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