

# Market Comment | Financial markets little changed at the beginning of the week

Global Financial Markets Unit  
05 Sep 2016

- Early in the trading session the markets were in a positive mood - amid positive services PMI data and ahead of the ECB's monetary policy meeting on Thursday. **China continued to turn out positive news as the Caixin services PMI (Aug) indicated faster growth** than expected (52.1, consensus 51.9, prior 51.7). This positive news may be confirmed by the exports and imports data to be published on Thursday. In the euro zone, services PMI data went down slightly (52.8, consensus 53.1, prior 53.1), due to the worse-than-expected data from Germany, but partially offset by better-than-expected data from Spain, Italy and France. **Rebound in oil prices (which rose by around 5% during the session) due to hopes of an agreement between Russia and Saudi Arabia.** Nonetheless, the positive mood in oil prices moderated as details of the commitment were unveiled, the market's expectations were not met and this dragged down other risk assets as the session went by. This week might be driven by economic data and central banks' stance (BoE's Carney and FOMC's Williams are set to speak this Wednesday, ECB meeting on Thursday).
- In equity markets, little variation was perceived. **US markets remained closed for Labor Day, whereas European markets moderated the early positive mood** in which they opened, ending up almost flat at the end of the session. Nikkei went higher (+0.7%) supported by the **comments made by BoJ's Koruda during the G20 meeting, signalling its determination to ease monetary policy further** to achieve inflation targets, dismissing the rumours that BoJ is reaching its limits. In this environment, no significant variations were shown in bond markets, with main sovereign bond yields inching down.
- **The EUR (Euro index, +0.2%) and the USD (DXY +0.1%) remained stable**, while the JPY (+0.5%) strengthened despite the comments made by Koruda. The GBP also rose (+0.26%), pushed up by encouraging UK services PMI data, which unexpectedly rose, shoring up the recent Brexit resilience shown by the UK's economy. On the other hand, high volatility in oil prices amid speculation on an OPEC deal remained on the move: early in the session oil prices spiked on reports that Russia and Saudi Arabia will work for an output freeze, ahead of an informal OPEC meeting in late September, but the final announcement trimmed the significant gains (+1.3%). In this context, EM currencies inched up (MXN +0.2%, TRY +0.1%).

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Table 1





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

**Debt markets (changes in bps)**

**Germany**

US 2 yr 0.78 (0.2) (14) (26)  
 US 5 yr 1.19 (0.2) (16) (47)  
 US 10 yr 1.6 (0.4) (19) (47)

Japan 10 yr 4.2 (0.8) (11) (31)

GER 2 yr 0.64 (1.1) (2) (12) (26)  
 GER 5 yr 0.81 (1.1) (0) (1) (48)  
 GER 10 yr 0.89 (1.1) (0) (1) (48)

Belgium 10 yr 0.19 (1.1) (3) (1) (78)  
 France 10 yr 0.22 (0.8) (1) (1) (74)  
 Greece 10 yr 11.2 (2.2) (1) (1) (11)

Italy 10 yr 4.4 (1.1) (1) (1)  
 Italy 10 yr 4.16 (1.1) (1) (1) (44)  
 Netherlands 10 yr 0.17 (1.1) (1) (1) (11)

Portugal 10 yr 2.6 (0.2) (1) (1) (53)  
 Spain 10 yr 1.9 (1.2) (1) (1) (71)

**Emerging Markets**

China 10 yr 11.8 (1.3) (1) (1) (145)  
 China 5 yr 4.3 (0.2) (1) (1) (11)

Canada 10 yr 0.8 (1.1) (0) (1) (11)

Mexico 10 yr 5.4 (0.1) (1) (1) (42)  
 Peru 10 yr 5.5 (0.1) (1) (1) (42)

Poland 10 yr 2.8 (1.1) (1) (1) (15) (7)

Russia 5 yr 3.0 (1.1) (1) (1) (15) (7)  
 Russia 10 yr 4.1 (1.1) (1) (1) (15) (7)

Turkey 10 yr 3.4 (1.1) (1) (1) (15) (7)

India 10 yr 12 (0.1) (1) (1) (1)

Indonesia 10 yr 4.1 (1.1) (1) (1) (15) (7)

**Country risk (changes in bps)**

**10 yr sovereign spreads (against Germany)**

Belgium 23 (1) (1) (1) (1)

France 31 (1) (1) (1) (1)

Greece 311 (1) (1) (1) (1)

Ireland 47 (1) (1) (1) (1)

Italy 101 (1) (1) (1) (1)

Netherlands 11 (1) (1) (1) (1)

Portugal 214 (1) (1) (1) (1)

Spain 161 (1) (1) (1) (1)

**5 yr sovereign spreads (against Germany)**

Belgium 11 (1) (1) (1) (1)

France 13 (1) (1) (1) (1)

Greece 161 (1) (1) (1) (1)

Ireland 77 (1) (1) (1) (1)

Netherlands 5 (1) (1) (1) (1)

Portugal 106 (1) (1) (1) (1)

Spain 64 (1) (1) (1) (1)

**3 yr sovereign spreads (against Germany)**

Belgium 5 (1) (1) (1) (1)

France 6 (1) (1) (1) (1)

Greece 161 (1) (1) (1) (1)

Ireland 39 (1) (1) (1) (1)

Netherlands 3 (1) (1) (1) (1)

Portugal 53 (1) (1) (1) (1)

Spain 41 (1) (1) (1) (1)

**5 yr sovereign CDS**

5 yr CDS France 26 (1) (1) (1) (1)

5 yr CDS Germany 16 (1) (1) (1) (1)

5 yr CDS Greece 162 (1) (1) (1) (1)

5 yr CDS Ireland 89 (1) (1) (1) (1)

5 yr CDS Italy 104 (1) (1) (1) (1)

5 yr CDS Netherlands 22 (1) (1) (1) (1)

5 yr CDS Portugal 101 (1) (1) (1) (1)

5 yr CDS Spain 74 (1) (1) (1) (1)

5 yr CDS US 27 (1) (1) (1) (1)

**Emerging Markets**

**5 yr sovereign CDS**

5 yr CDS Argentina 376 (1) (1) (1) (1) (1052)

5 yr CDS Brazil 231 (1) (1) (1) (1) (220)

5 yr CDS China 14 (1) (1) (1) (1)

5 yr CDS Colombia 161 (1) (1) (1) (1) (274)

5 yr CDS India 18 (1) (1) (1) (1)

5 yr CDS Mexico 162 (1) (1) (1) (1) (28)

5 yr CDS Peru 162 (1) (1) (1) (1) (170)

5 yr CDS Venezuela 214 (1) (1) (1) (1) (170)

5 yr CDS Poland 27 (1) (1) (1) (1)

5 yr CDS Russia 232 (1) (1) (1) (1) (2)

5 yr CDS Turkey 241 (1) (1) (1) (1) (2)

5 yr CDS China 84 (1) (1) (1) (1) (1)

5 yr CDS India 117 (1) (1) (1) (1) (1)

**Credit risk**

**100% recovery (changes in percentage points for S&P, S&P+, S&P-)**

VW 11 (0) (1) (1) (1) (1)

VSTOXX 4 (1) (1) (1) (1) (1)

EMF 100% recovery 26 (1) (1) (1) (1)

EMF 75% recovery 26 (1) (1) (1) (1)

EMF 50% recovery 32 (1) (1) (1) (1)

CS 100% recovery 48 (1) (1) (1) (1)

CS 75% recovery 48 (1) (1) (1) (1)

CS 50% recovery 48 (1) (1) (1) (1)

US banks CDS 77 (1) (1) (1) (1)

EMU banks CDS 107 (1) (1) (1) (1)

UK banks CDS 84 (1) (1) (1) (1)

Large Spanish banks CDS 141 (1) (1) (1) (1)

Medium Spanish banks CDS 146 (1) (1) (1) (1)

Russian banks CDS 162 (1) (1) (1) (1)

Colombian risk (changes in bps)

EMU Non-financial CDS (1) (1) (1) (1)

UK Non-financial CDS (1) (1) (1) (1)

**Interbank markets (changes in bps)**

EUR 05 overnight 3m 10 (1) (1) (1) (1)

EUR 05 3m 2m 2m 20 (1) (1) (1) (1)

EUR 05 3m 3m 3m 30 (1) (1) (1) (1)

USD 05 overnight 3m 10 (1) (1) (1) (1)

USD 05 3m 2m 2m 20 (1) (1) (1) (1)

USD 05 3m 3m 3m 30 (1) (1) (1) (1)

Spain Fed Signal 3m 4 (1) (1) (1) (1)

EOHA Index 0.34 (0.8) (1) (1) (1)

EURIBOR 3m 4 (1) (1) (1) (1)

EURIBOR 6m 4 (1) (1) (1) (1)

LIBOR 3m 4 (1) (1) (1) (1)

LIBOR 6m 4 (1) (1) (1) (1)

**Stock markets (Changes in percentage)**

**Main equity indices**

S&P 500 1.18 (0.1) (1) (1) (1)

Dow Jones 1.62 (0.1) (1) (1) (1)

Nikkei 1.13 (1) (1) (1) (1)

FTSE 100 1.04 (1) (1) (1) (1)

Euro Stoxx 1.1 (1) (1) (1) (1)

MSCI EAFE 1.1 (1) (1) (1) (1)

MSCI EM 1.1 (1) (1) (1) (1)

China 1.1 (1) (1) (1) (1)

India 1.1 (1) (1) (1) (1)

ASEAN 1.1 (1) (1) (1) (1)

BRIC 1.1 (1) (1) (1) (1)

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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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