

Market Comment | Markets start the week in a positive mood ahead of BoJ and Fed meetings

Global Financial Markets Unit
19 Sep 2016

- Financial markets showed a positive sentiment in today's session, after the downward trend during last week, with an increasing appetite for risk assets (VIX -2%) ahead of a new round of central bank meetings. The halt in the slide in oil prices last week on the back of some official comments, which increased the odds of an OPEC and non-OPEC deal on the oil glut, fanned the positive market mood. Nonetheless, **central banks' stance continue in the spotlight**: the markets' expectation regarding a rate hike at this Wednesday's FOMC meeting continue to diminish, supporting the calm in markets (implicit probabilities stand at 18%) as well as the potential (but unlikely) significant easing in the BoJ's stance.
- In these circumstances, prices of risk assets such as **global equities rose across the board**. European shares rose (Euro Stoxx50 +1.2%, Dax +1%). In the US, share prices went higher (S&P500 +0.5%), hovering around historical high levels. In Asia, stocks also rose (Hang Seng +0.92%) coinciding with the rebound in China's housing prices (9.2% YoY, 7.9% YoY prior) published today.
- **The lower risk aversion was also perceived in bond markets**, with safe-haven government bond yields unchanged (US 0 bps, GER +1 bps) while riskier bond yields diminished: European periphery bond yields dropped (ITA -3 bps, SPA -4 bps, POR -4 bps) as well as emerging USD-denominated bonds (BRA -14 bps, COL -7 bps, MEX -9 bps).
- Against this backdrop the **USD slipped against its main peers** (EUR +0.2%, JPY +0.44%, GBP +0.36%), as investors expect no interest rate hike in the US in this Wednesday's meeting. For their part, the EM currencies appreciated, thereby halting last week depreciating trend, underpinned by today's upward trend in oil prices and the cooling of expectations of a Fed interest rate hike (PLN +0.5%, TRY +0.2%, COP +1.2%, MXN +0.2%).
- Apart from the Fed and BoJ meetings, the most notable events this week are the speech of the ECB president (Mario Draghi), manufacturing PMI data in the EZ and the speech of main FOMC members on Friday, which could clarify the Fed's positioning after its decision.

Update 17.45 CET 19 September, 2016

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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