

Market Comment | Recent oil supportive trend halted today

Global Financial Markets Unit
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- **Slight consolidation in financial markets**, where oil price performance and the market's expectation regarding path of Fed's interest normalization remained as the two main drivers. Moreover, **yesterday's Euro-group finished with no negative surprises** about the disbursement of the Greek bailout, given the the implementation by the Greek authorities of the 15 milestones in the context of the ESM programme's first review. Economic indicators in the EZ continued to be supportive as German ZEW in October showed a better-than-expected sentiment (6.2, consensus 4.3, prior 0.5).
- Regarding the first, **oil prices halted the very positive trend** (+8.4% in October) with a mild correction (-1.7%) due to the IEA (International Energy Agency) report, that said OPEC's oil production rose to record highs in September. The IEA said that the last developments in the agreement to cut the oil supply -willingness of non-OPEC countries, such as Russia to join the potential pact- still maintained oil prices hovering around their highest level this year.
- Regarding the **Fed's normalization process, markets seem like the most likely scenario for December's rate hike** (implicit market probabilities almost at 70%). Against this backdrop, US sovereign yields registered an increase (10YUS +3 bps) -yesterday it remained closed- while the EZ's curves inched down partially offsetting yesterday's increases (10YGER -3 bps, 10YFRA -3 bps). Remarkably, Portugal sovereign yield registered a sharp decrease for the second day in a row (10YPOR -7 bps), after the reassuring comments of Portugal's Finance Minister on DBRS's rating assessment
- European **equity indices** started the session with limited gains, that were trimmed back (Eurostoxx50 -0.5%, Dax -0.4%, Ibex35 -0.1%), coinciding with the negative opening in the US (S&P500 -1%) led by the health care sector, ahead of the start of the 3Q earnings release. Besides, Asia financial markets went higher (Nikkei +1%, Shangai +0.6%).
- **The USD continued its appreciating trend** and stood at its highest level since August against the EUR. The GBP depreciated once again (-1.2%) on the back of increasing fears of "hard Brexit", while the JPY remained almost stable. The EM currencies were little changed against the USD (CLP +0.3%, COP 0%, TRY -0.4%), amid the halt in oil prices' upward trend. The MXN halted (-0.2%) its good performance despite Mexico's central bank declaring that it may use IMF credit lines, if necessary to control external shocks in the MXN.

Update 17.45 CET 11 October, 2016
Table 1

Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	0.65	2.4	1.3	7	19
US	1.75	2.8	6.0	7	52
UK (2-yr)	0.67	0.1	1.6	4	32
Germany	0.03	-3.1	7.9	1	60
France	0.32	-2.5	5.5	2	67
Spain	1.02	-1.1	3.9	7	76
Italy	1.38	-2.0	7.0	13	22
Portugal	3.37	-6.7	-1.6	21	85
Green	8.27	-1.2	0.7	2	1
Japan (2-yr)	0.26	1.7	2.2	6	25
Japan	0.05	2.7	3.0	31	31
Emerging Markets					
Brazil	11.38	3.0	-23.4	89	514
Chile	4.17	0.0	-3.4	20	49
Colombia	7.10	2.8	-12.6	2	-155
Mexico	6.04	0.0	-4.9	12	23
Peru	5.77	0.0	0.0	12	-154
Poland	3.07	0.3	16.6	18	13
Russia	8.29	5.6	20.1	25	-126
Turkey	9.63	11.0	20.0	10	-84
India	7.48	-0.5	-2.6	1	-17
Indonesia	7.13	2.4	13.3	21	-161
Country risk (bp, changes in bp)					
Developed Markets					
10-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	30	0.6	-2.4	0	-6
Italy	135	1.1	-0.9	11	38
Portugal	335	-3.6	-9.5	20	146
Spain	99	2.0	-4.0	8	-15
2-yr sovereign spread vs Germany	level	Daily	Weekly	Monthly	YTD
France	5	0.1	0.2	0	2
Italy	57	0.5	1.0	2	26
Portugal	97	-5.3	-12.5	-16	52
Spain	44	-1.6	-1.5	6	9
Emerging Markets					
5-yr sovereign CDS *	level	Daily	Weekly	Monthly	YTD
Brazil	266	0	4	25	-225
Chile	89	-1	4	18	-38
Colombia	175	-1	5	22	64
Mexico	156	-1	4	25	-14
Peru	103	-1	3	6	-82
Venezuela	3,240	0	345	-936	-2,094
Poland	72	0	2	1	0
Russia	223	3	5	27	-79
Turkey	246	1	-3	12	-27
China	104	-1	2	10	-5
India	138	0	-1	10	-10
Indonesia	140	0	0	14	-70
Risk factors					
Volatility indicators (%)					
VIX	15	14.7	13	-12	-3
VSTOXX	20	3.2	3	3	-2
EM ET volatility index	24	9.7	4	2	7
DollarEuro volatility	8	6.8	14	15	-15
EM FX volatility index	10	0.1	-1	1	-11
Credit spread (BAA)(bps)	261	-2.8	5	-2	-62
US bonds volatility index	63	0.0	1	-9	-7
Banking 5y CDS (bps) *					
US	79	-0.1	-4	6	4
EZ	117	-0.2	8	12	34
UK	104	-0.3	-1	21	27
Large Spanish	128	-0.2	-6	17	-9
Medium Spanish	155	-1.0	6	8	-2
Corporate 5y CDS (bps) *					
US Non-financial	201	-0.1	-4	6	4
EZ Non-financial	110	-0.2	8	12	34
UK Non-financial	139	0.0	0	3	-53
Interbank markets (% , changes in bp)					
EDNA Index	0.35	0.00	0.0	0.0	0.2
Euro3m	0.31	0.00	0.0	0.0	0.2
EURibor 12m	0.07	0.00	0.0	0.0	0.1
Libor 3m	0.87	0.00	0.0	0.0	0.3
Libor 12m	1.59	0.00	0.0	0.0	0.4
EZ TED spread 3m	54.6	2.70	4.4	3.0	13.8
Stock markets (%)					
Main indices					
S&P500	2,142	-1.0	-0.4	1	5
Dow Jones	18,164	-0.9	0.0	0	4
Nikkei	17,025	1.0	1.7	0	-11
FTSE 100	7,071	-0.4	0.0	4	13
EuroStoxx 50	3,021	-0.5	-0.3	-1	-8
IBEX	8,693	-0.1	-0.9	4	-9
DAX	10,577	-0.4	-0.4	0	-2
CAC	4,472	-0.6	-0.7	0	-4
MBI	16,474	-1.0	1.0	-4	-23
ASE Athens	585	-0.3	1.1	3	-7
MSCI Latin *	74,225	0.9	0.5	1	25
Ibovespa (Brazil)	61,194	-0.8	3.1	6	41
Mobtel	48,199	-0.1	0.6	4	12
MSCI EM Europe *	4,535	0.9	1.6	1	7
Poland	1,757	-0.5	0.2	0	-5
Mico (Russia)	2,001	0.0	0.8	-1	14
Ive 100 (Turkey)	77,644	-0.2	0.0	1	8
MSCI Asia *	728	0.0	0.7	0	10
Shanghai Com (China)	3,065	0.6	2.0	0	-13
Jakarta (Indonesia)	5,382	-0.1	1.5	0	17
Banking sector					
US banks	87.8	-1.0	2.4	2	-7
JPM	68.4	-0.4	2.6	3	4
Ch	48.1	-1.0	2.7	4	5
BofA	16.2	-0.9	2.2	3	-4
MS	32.3	-0.9	0.7	2	1
GS	168.7	-1.3	4.0	0	-6
EZ banks	78.9	-0.7	4.3	2	-27
BNP	48.6	-1.1	5.5	1	-7
Crédit Agricole	9.3	0.7	4.1	5	15
Deutsche Bank	12.3	-1.6	4.8	10	45
ING	11.2	-0.1	2.6	-1	-10
Intesa	2.0	-2.1	2.1	9	36
SG	33.0	-0.1	6.9	-1	-22
Unicredit	2.1	-1.5	4.2	-11	-59
UK banks	72.3	0.4	1.1	-3	-18
HSBC	618.5	-1.0	3.7	-7	15
RBS	181.0	1.3	0.8	-12	-40
Barclays	172.4	0.1	1.9	-1	-21
Lloyds	53.6	2.4	-2.1	-10	-27
Large Spanish banks	64.3	1.7	3.6	3	15
Santander	4.0	0.0	0.8	5	-13
BBVA	5.6	3.0	5.9	-1	-16
Medium Spanish banks	59.6	-0.2	1.0	6	-28
Citibank	2.3	-0.5	1.8	8	27
Poplar	1.1	-0.4	0.9	-11	-59
Subsidi	71.7	3.0	5.9	-1	-16
Bankinter	1.1	0.0	0.2	10	29
Banisa	6.4	-0.6	0.5	-3	-1
Currencies (% , not for currency disposals)					
Developed					
EURUSD	1.11	-0.7	-1.3	1.5	2
GBPUSD	1.22	-1.2	-4.0	-7.9	-17
USDJPY	103.37	0.2	-0.5	0.7	14
DNV	97.53	-0.6	1.4	-2.3	1
Emerging					
USDARS (Argentina)	15.20	0.0	-0.2	0.7	-18
USDZAR (Brazil)	3.21	-0.1	1.5	2.0	19
USDCJP (China)	667.59	0.3	0.6	0.4	6
USDCOP (Colombia)	2927	0.0	1.7	-0.3	8
USDMXN (Mexico)	18.57	-0.2	1.8	-0.4	-10
USDPEN (Peru)	3.40	-0.2	0.1	0.1	0
LUCI	64.80	-0.1	1.2	0.5	3
USDPLN (Poland)	3.87	-1.2	-0.7	-0.2	1
USD RUB (Russia)	62.72	-1.3	0.0	3.3	14
USDTRY (Turkey)	3.08	-0.4	-0.8	-3.9	6
USDCNY (China)	6.72	-0.2	-0.8	-0.6	-4
USDINR (India)	66.53	0.0	-0.1	0.2	-1
USDOR (Indonesia)	13,032	-0.4	-0.4	0.6	5
ADXY	106.3	-0.5	-0.6	0.6	0
Commodities (%)					
Brent	52.3	-1.7	2.7	9	40
WTX	50.5	-1.6	3.8	10	36
Copper	2.17	-1.0	0.5	4	2
Gold	1,258	-0.2	-0.9	5	18
S&P Spot commodity *	378	1.8	3.0	7	21
S&P Brent Spot *	454	2.6	4.9	11	42
S&P Metals Spot *	283	1.2	0.9	5	12
S&P Agricultural *	296	0.6	-0.4	2	4

Debt markets (10Y, %, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	0.85	2.4	3.3	7	19
US	1.75	2.8	6.0	7	-52
GER (2-yr)	-0.67	-0.1	1.6	4	32
Germany	0.03	-3.1	7.9	1	-60
France	0.32	-2.5	5.5	2	-67
Spain	1.02	-1.1	3.9	7	-76
Italy	1.38	-2.0	7.0	13	-22
Portugal	3.37	-6.7	-1.6	21	85
Greece	8.27	-1.2	0.7	-2	-1
Japan (2-yr)	-0.26	1.7	2.2	6	25
Japan	-0.05	2.7	-3.0	-31	-31
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	11.38	3.0	-2.4	82	511
Chile	4.17	0.0	-3.4	-20	-49
Colombia	7.10	2.8	-12.6	2	155
Mexico	6.04	0.0	-4.9	12	23
Peru	5.77	0.0	0.0	12	-154
Poland	3.07	0.3	16.6	18	13
Russia	8.29	5.6	20.1	25	125
Turkey	9.63	11.0	20.0	10	-84
India	7.48	-0.5	-2.6	1	-17
Indonesia	21.3	2.4	13.3	21	-161
Country risk bps, changes in bps	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	30	0.6	-2.4	0	6
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Peru	103	-1	3	6	-82
Venezuela	3,240	0	345	-936	-2804
Poland	72	0	2	1	0
Russia	223	3	5	27	-79
Turkey	246	-1	-3	12	-27
China	104	-1	-2	10	-5
India	138	0	-1	10	-10
Indonesia	149	0	0	14	78
Risk indicators					
Volatility indicators (%)					
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Medium Spanish	155	1.0	6	8	-2
Emerging 5y CDS (bps) *					
US Non-financial	201	-0.1	-4	6	4
EZ Non-financial	110	-0.2	8	12	34
UK Non-financial	139	0.0	0	-3	-53
Interbank markets (%), changes in bps					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Eurobor 3m	-0.31	0.00	0.0	0.0	-0.2
Eurobor 12m	-0.07	0.00	0.0	0.0	-0.1
Libor 3m	0.87	0.00	0.0	0.0	0.3
Libor 12m	1.59	0.00	0.0	0.0	0.4
EZ TED spread 3m	54.6	2.70	4.4	3.0	13.0
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,142	-1.0	0.4	1	5
Dow Jones	18,164	-0.9	0.0	0	4
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Mobd	48,199	-0.1	0.6	4	12
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Poland	1,757	-0.5	0.2	0	-5
Mosc (Russia)	2,001	0.0	0.8	-1	14
Ise 100 (Turkey)	77,644	-0.2	0.8	1	8
MSCI Asia	728	0.0	0.7	0	10
Shanghai Com (China)	3,065	0.6	2.0	0	13
Jakarta (Indonesia)	5,382	0.1	-1.5	0	17
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	87.0	-1.0	2.4	2	7
JPM	68.4	-0.4	2.6	3	4
Citi	49.1	-1.0	2.7	4	-5
BoA	16.2	-0.9	2.2	3	4
MS	32.3	-0.9	0.7	2	1
GS	168.7	-1.3	4.0	0	6
EZ banks	78.9	-0.7	4.3	-2	27
BNP	48.6	-1.1	5.5	1	7
Credit Agricole	9.3	0.7	4.1	5	15
Deutsche Bank	12.3	-1.6	4.8	-10	-45
ING	11.2	-0.1	2.6	-1	-10
Intesa	2.0	-2.1	2.1	-9	-36
SG	33.0	-0.1	6.9	-1	-22
Unicredit	2.1	-1.5	4.2	-11	-59
UK banks	72.3	0.4	1.1	3	18
HSBC	618.5	-1.0	3.7	7	15
RBS	181.0	1.3	-0.8	-12	-40
Barclays	172.4	0.1	1.9	-1	21
Lloyds	53.6	2.4	-2.1	-10	-27
Large Spanish banks	64.3	1.7	3.6	3	15
Santander	4.0	0.0	0.8	-5	-13
BBVA	5.6	3.0	5.9	-1	16
Medium Spanish banks	59.6	-0.2	1.8	-6	26
Cabobank	2.3	-0.5	4.4	8	27
Popular	1.1	-0.4	0.9	-11	-59
Sabadell	71.7	3.0	5.9	1	16
Bankinter	1.1	0.0	0.2	-10	-29
Bankia	6.4	-0.6	0.5	-3	-1
Currencies (%), net for currency depreciation					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.11	-0.7	-1.3	1.5	2
GBPUSD	1.22	-1.2	-4.0	-7.9	-17
USDJPY	103.37	0.2	-0.5	-0.7	14
DKY	97.53	-0.6	1.4	-2.3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	15.20	0.0	0.2	-0.7	-18
USDBRL (Brazil)	3.21	-0.1	1.5	2.0	19
USDCJP (Chile)	667.50	0.3	-0.6	0.4	6
USDCLP (Colombia)	2927	0.0	0.7	0.3	8
USDMXN (Mexico)	18.97	-0.2	1.8	-0.4	-10
USDPEN (Peru)	3.40	-0.2	0.1	-0.1	0
LACI	64.80	-0.1	1.2	0.5	3
USDPLN (Poland)	3.87	-1.2	-0.7	-0.2	1
USD RUB (Russia)	62.72	-1.3	0.0	3.3	14
USDTRY (Turkey)	3.08	-0.4	-0.8	-3.9	-6
USDVNY (China)	6.72	0.2	0.8	-0.6	4
USDINR (India)	66.53	0.0	-0.1	0.2	-1
USDIDR (Indonesia)	13,032	-0.4	-0.4	0.6	5
ADXY	106.3	-0.5	-0.6	-0.6	0
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	52.3	-1.7	2.7	9	40
Wti	50.5	-1.6	3.8	10	36
Copper	217	-1.0	0.5	4	2
Gold	1,258	-0.2	-0.9	-5	18
S&P Spot commodity *	378	1.8	3.0	7	21
S&P Brent Spot *	454	2.6	4.9	11	42
S&P Metals Spot *	283	1.2	0.9	5	12
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Source: Bloomberg, Datastream and Haver

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