

Market Comment | China's GDP reassures, while oil price surge spurs positive mood

Global Financial Markets Unit
19 Oct 2016

- **Chinese Growth stabilised in Q3.** China's Q3 2016 GDP came out today at 6.7% YoY, (consensus and previous at 6.7%). In particular, both fixed asset investment and retail sales improved marginally from the previous month's figures, but industrial production dipped slightly. Meanwhile, credit supply maintained its accelerating momentum in September. Based on these data, we are raising our 2016 full-year GDP projection to 6.6% from 6.4% previously. ([see](#))
- **Moderately positive mood continued in markets, supported by lack of negative surprises in China's GDP and the upward trend in oil prices, although some ongoing uncertainties remained.** In this context, even though equity volatility decreased across the board (HSI -1.62%, VDAX -5.93%, VSTOXX -5%, VIX -6%), global equity markets received the data in a muted way. China's stocks declined (Hang Seng -0.38%) in the wake of the release, led by commodity and property sectors, the focus of concerns about China's economy. Developed indices benefited from oil prices surge: In Europe, stocks inched up (Euro Stoxx +0.3%, Dax +0.2%, Ibex35 +0.9%) and the European banking sector outperformed (EZ banks, +0.7%), while oil prices surged, and US stocks rose (S&P500 +0.2%), influenced by the positive results of the US Q3 earnings season.
- In these circumstances, **yields in developed countries remained almost unchanged:** European yields were little changed (10YGER -1 bps, 10YFRA -1 bps) ahead of tomorrow's ECB meeting - which is not expected to lead to significant changes in its current stance. Remarkably, Portuguese bonds have shown a very good performance recently and 10Y yields stand today at their lowest level since early September (10YPOR -6 bps, at 3.19%). Recent punishment was triggered by uncertainty regarding DBRS's decision on Portugal's rating, as it is the only major agency to maintain the country's debt in investment grade territory. Judging by market reaction, **fears of a downgrade are gradually fading, following the Finance Minister's positive meeting with the agency.** Meanwhile US and UK yields remained almost unchanged.
- FX markets saw tentative trade, as reflected in currency movements. The USD, EUR and GBP were steady in today's session. Nonetheless, movements in commodity prices influenced EM currency movements. **Oil prices soared (Brent +2.4%) amid encouraging US crude oil inventories** (which fell significantly against expectations of an increase) and optimistic comments regarding the potential trend in oil prices made by Saudi Arabia's oil minister. As a result, EM currencies tended to appreciate (MXN +0.2%, CLP +0.4%, TRY +0.9%).

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Table 1

Debt markets (10Y, %, changes in bps)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	0.79	-0.5	-1.6	1	-26
US	1.73	-0.5	-3.7	2	-54
GR (2-yr)	0.67	0.1	-1.2	2	-32
Germany	0.03	-0.8	-4.0	1	-60
France	0.31	-1.3	-5.7	-1	-68
Spain	1.11	1.1	4.8	8	-56
Italy	1.38	-0.2	-3.8	7	-22
Portugal	3.19	-5.5	-21.3	-18	-67
Greece	8.44	-0.5	-13.2	-19	-16
Japan (2-yr)	0.27	-0.2	-1.2	-2	-26
Japan	0.06	-0.1	-1.8	-32	-32
Emerging Markets					
Brazil	11.16	-15.7	-26.3	-108	-535
Chile	4.22	-0.4	3.4	-4	-44
Colombia	7.12	1.9	5.9	16	-154
Mexico	6.04	2.1	-3.3	-6	-22
Peru	5.70	0.0	-6.4	14	-160
Poland	2.97	-4.8	-9.7	6	2
Russia	8.36	-12.2	1.7	11	-119
Turkey	9.68	-14.0	-2.0	9	-79
India	7.42	-3.1	-5.7	5	-22
Indonesia	7.15	3.7	5.2	16	-160
Country risk (bp, changes in bp)					
	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	-0.5	-1.7	-2	-8
Italy	135	0.6	0.2	6	39
Portugal	316	-4.7	-17.3	-19	-128
Spain	108	1.9	6.6	6	-6
2-yr sovereign spread vs Germany					
France	4	-0.1	-1.2	-1	1
Italy	59	-0.1	1.1	1	27
Portugal	94	0.4	-1.6	-29	49
Spain	46	-0.2	1.9	0	10
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	263	-2	-2	6	-229
Chile	90	-1	0	1	-37
Colombia	170	-2	2	3	-61
Mexico	146	-1	5	-11	-24
Peru	103	-1	0	-8	-83
Venezuela	3,968	337	799	-343	-2075
Poland	76	-1	2	5	4
Russia	231	-4	0	26	-71
Turkey	253	0	0	10	-20
China	107	-1	0	7	-1
India	139	0	3	6	-9
Indonesia	152	0	3	8	-74
Risk factors					
	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	14	-5.6	-9	-7	-4
VSTOXX	18	-5.1	-10	-11	-4
EM ET volatility index	21	-1.8	-11	-9	8
DollarEuro volatility	7	-2.7	-15	-4	-24
EM FX volatility index	10	-2.8	-5	-10	-14
Credit spread (BAA/10ys)	264	0.5	2	6	59
US bonds volatility index	63	-1.9	-2	-9	-7
Banking 5y CDS (bps) *					
US	75	-0.7	-3	-1	0
EZ	115	-1.3	-3	1	31
UK	105	-1.8	-2	14	28
Large Spanish	126	-1.3	-3	4	-11
Medium Spanish	157	-0.9	3	4	0
Corporate 5y CDS (bps) *					
US Non-financial	199	-0.7	-3	-1	0
EZ Non-financial	109	-1.3	-3	1	31
UK Non-financial	140	-1.0	-1	-1	-52
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
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	0.88	0.00	0.0	0.0	0.3
Libor 12m	1.57	0.00	0.0	0.0	0.4
EZ TED spread 3m	54.7	-0.9	0.2	11.0	13.5
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,145	0.2	0.3	0	5
Dow Jones	18,225	0.3	0.4	1	5
Nikkei	16,999	0.2	0.9	3	-11
FTSE 100	7,021	0.3	0.0	3	12
EuroStoxx 50	3,058	0.3	1.6	3	6
IBEX	8,945	0.9	3.0	3	-6
DAX	10,654	0.2	1.2	3	-1
CAC	4,523	0.3	1.6	3	-2
MBI	17,049	0.5	3.5	4	-20
ASE Athens	593	-0.1	1.2	6	6
MSCI Latin *	75,837	1.5	2.9	8	28
Ibovespa (Brazil)	63,768	0.0	4.5	11	47
Mobtel	48,109	0.0	0.4	5	12
MSCI EM Europe *	4,486	-0.7	0.5	2	6
Poland	1,745	1.4	-0.9	0	-6
Mico (Russia)	1,968	-0.1	-1.3	-1	-12
Ive 100 (Turkey)	79,210	1.1	2.3	2	10
MSCI Asia *	721	1.2	0.0	2	9
Shanghai Com (China)	3,085	0.0	0.9	2	-13
Jakarta (Indonesia)	5,409	0.0	0.5	3	18
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	89.1	0.7	2.1	5	-5
Citi	68.2	0.8	0.1	3	3
Chf	49.5	1.0	1.6	6	-4
BofA	16.4	1.0	2.4	5	-2
MS	32.3	-0.1	1.2	2	2
GS	174.5	1.1	3.1	5	-3
EZ banks					
BNP	81.6	0.7	2.8	8	-25
Crédit Agricole	9.4	-0.4	0.2	9	-14
Deutsche Bank	12.6	1.0	1.7	7	-44
ING	11.6	0.9	2.6	8	-7
Intesa	2.1	1.0	5.1	1	33
SG	34.2	0.6	2.8	9	-20
Unicredit	2.2	0.6	3.8	8	-57
UK banks					
HSBC	73.4	1.2	2.9	3	-16
RBS	623.5	0.1	1.1	7	16
RIS	180.4	1.6	2.0	3	-40
Barclays	177.7	2.1	5.5	6	-19
Lloyds	54.9	1.8	3.5	-4	-25
Large Spanish banks					
Santander	68.1	2.0	5.5	11	10
Santander	4.2	2.1	4.4	7	-8
BBVA	6.0	2.0	6.3	14	11
Medium Spanish banks					
CajaBanc	60.9	0.7	1.9	3	-26
CajaBanc	2.5	1.0	7.6	5	-21
Popular	1.1	1.1	-2.2	-2	-61
Sabadell	76.5	2.0	6.3	14	-11
Banque	1.2	1.9	2.6	3	-27
Banque	6.6	1.4	2.0	2	1
Currencies (% , net for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.10	-0.1	-0.3	1.6	1
GBPUSD	1.23	0.0	0.7	5.6	17
USDJPY	103.24	0.6	0.9	1.3	14
DNV	97.88	0.0	0.1	-2.1	1
Emerging					
USDARS (Argentina)	15.22	-0.1	-0.9	-0.4	-18
USDRL (Brazil)	3.17	0.5	0.7	3.1	20
USDCPL (Chile)	665.85	0.4	0.2	1.4	6
USDCOP (Colombia)	2919	-0.4	-0.5	0.0	8
USDMXN (Mexico)	18.58	0.2	1.8	5.7	8
USDPEN (Peru)	3.38	0.0	0.6	0.2	1
LUCL	65.53	0.3	0.8	3.0	5
USDPLN (Poland)	3.93	-0.1	-0.7	-2.2	0
USDRLB (Russia)	62.32	0.3	1.3	3.6	14
USDTRY (Turkey)	3.07	0.9	0.7	3.8	5
USDCNY (China)	6.74	0.0	-0.3	-1.0	-4
USDINR (India)	66.68	0.1	-0.2	0.4	-1
USDOR (Indonesia)	13,008	0.1	0.1	1.1	6
ADXY	106.5	0.1	0.2	0.5	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
WTX	54.9	2.4	2.2	15	42
WtX	51.8	2.9	3.2	20	40
Copper	2.06	-0.6	-3.9	-3	-2
Gold	1,271	0.7	1.3	-3	20
S&P Spot commodity *	376	0.3	0.8	8	21
S&P Brent Spot *	446	0.4	0.2	13	39
S&P Metals Spot *	274	-0.3	-2.2	1	-8
S&P Agricultural *	304	-0.3	3.6	3	7

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Country risk bps, changes in bps	level	Daily	Weekly	Monthly	YTD	
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Turkey	453	0	0	10	-20	
China	107	-1	0	7	-1	
India	139	0	3	6	-9	
Indonesia	153	0	3	8	-74	
Risk indicators	level	Daily	Weekly	Monthly	YTD	
Volatility indicators (%)	VIX	14	-5.6	-9	-7	-4
VSTOXX	18	-5.1	-10	-11	-4	
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EZ Non-financial	109	-1.3	-3	1	31	
UK Non-financial	140	-1.0	1	-1	-52	
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	0.88	0.00	0.0	0.0	0.3	
Libor 12m	1.57	0.00	0.0	0.0	0.4	
EZ TED spread 3m	54.7	0.90	0.2	11.0	13.3	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Main indices	S&P500	2,145	0.2	0.3	0	5
Dow Jones	18,225	0.3	0.4	1	5	
Nikkei	16,999	0.2	0.9	3	-11	
FTSE 100	7,021	0.3	0.0	3	12	
EuroStoxx 50	3,058	0.3	1.6	3	6	
IBEX	8,945	0.9	3.0	3	6	
DAX	10,654	0.2	1.2	3	-1	
CAC	4,523	0.3	1.6	3	-2	
MBI	17,049	0.5	3.5	4	-20	
ASE Athens	593	-0.1	1.2	6	6	
MSCI Latam *	75,837	1.5	2.9	8	28	
Bovespa (Brazil)	63,768	0.0	4.5	11	47	
MobdI	48,109	0.0	0.4	5	12	
MSCI Europe *	4,486	0.7	-0.9	2	6	
Poland	1,745	1.4	-0.9	0	-6	
Mex (Russia)	1,968	-0.1	1.3	12	12	
Ise 100 (Turkey)	79,210	1.1	2.3	2	10	
MSCI Asia	721	1.2	0.0	2	9	
Shanghai Com (China)	3,085	0.0	0.9	2	-13	
Jakarta (Indonesia)	5,409	0.0	0.5	3	18	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	89.1	0.7	2.1	5	5	
JPM	68.2	0.8	0.1	3	3	
Citi	49.5	1.0	1.6	6	-4	
BoA	16.4	1.0	2.4	5	2	
MS	32.3	-0.1	1.2	2	2	
GS	174.5	1.1	3.1	5	-3	
EZ banks	81.6	0.7	2.8	8	-25	
BNP	49.9	1.3	3.3	11	-4	
Credit Agricole	9.4	-0.4	0.2	9	-14	
Deutsche Bank	12.6	1.0	1.7	7	-44	
ING	11.6	0.9	2.6	8	-7	
Intesa	2.1	1.0	5.1	1	-33	
SG	34.2	0.6	2.8	9	-20	
Unicredit	2.2	0.6	3.8	8	-57	
UK banks	73.4	1.2	2.9	3	16	
HSBC	623.5	1.1	1.1	7	16	
RBS	180.4	1.6	2.0	-3	-40	
Barclays	177.7	2.1	5.5	6	19	
Lloyds	54.9	1.8	3.5	-4	-25	
Large Spanish banks	68.1	2.0	5.5	11	-10	
Santander	4.2	2.1	4.4	7	-8	
BBVA	6.0	2.0	6.3	14	11	
Medium Spanish banks	60.9	0.7	1.9	3	26	
Cabobank	2.5	1.0	7.6	5	21	
Popular	1.1	1.1	-2.2	-2	-61	
Sabadell	76.5	2.0	6.3	14	11	
Bankinter	1.2	1.9	2.6	3	27	
Banika	6.6	1.4	2.0	2	1	
Currencies (%), net for currency depreciation	level	Daily	Weekly	Monthly	YTD	
Developed	EURUSD	1.10	-0.1	-0.3	-1.8	1
GBPUSD	1.23	0.0	0.7	-5.6	-17	
USDJPY	103.24	0.6	0.9	-1.3	14	
DKY	97.88	0.0	-0.1	-2.1	1	
Emerging	USDARS (Argentina)	15.22	-0.1	0.9	0.4	-18
USDBRL (Brazil)	3.17	0.5	0.7	3.1	20	
USDCJP (China)	665.05	0.4	0.2	1.4	6	
USDCLP (Colombia)	2919	-0.4	-0.5	0.0	8	
USDMXN (Mexico)	18.58	0.2	1.8	5.7	-8	
USDPEN (Peru)	3.38	0.0	0.6	0.2	1	
LACI	65.53	0.3	0.8	3.0	5	
USDPLN (Poland)	3.93	-0.1	-0.7	-2.2	0	
USD RUB (Russia)	62.32	0.3	1.3	3.6	14	
USDTRY (Turkey)	3.07	0.9	0.7	-3.0	-5	
USDCNY (China)	6.74	0.0	0.3	-1.0	-4	
USDINR (India)	66.68	0.1	-0.2	0.4	-1	
USDIDR (Indonesia)	13,008	0.1	0.1	1.1	6	
ADXY	106.5	-0.1	0.2	-0.5	0	
Commodities (%)	level	Daily	Weekly	Monthly	YTD	
Beant	52.9	2.4	2.2	15	42	
Wix	51.8	2.9	3.2	20	40	
Copper	208	-0.6	-3.9	-3	-2	
Gold	1,271	0.7	1.3	-3	20	
S&P Spot commodity *	376	0.3	0.8	8	21	
S&P Brent Spot *	446	0.4	0.2	13	-39	
S&P Metals Spot *	274	-0.3	-2.2	1	8	
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Source: Bloomberg, Datastream and Haver

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* With one day delay

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