

Market Comment | Mixed earning reports and volatile oil prices weighed on markets

Global Financial Markets Unit
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- **Financial markets registered an increase in volatility across the board** (VIX +3.3%, V2X +2.5%, VDAX +1.7%, HSI +4%) on the back of ups and downs in oil prices and a barrage of corporate earnings releases, thereby halting the upward trend in risk asset prices. **Mixed economic indicators also did not help to increase appetite for risk assets** (better-than-expected US services PMI in October and slightly worse-than-expected confidence data in Germany's November GFK consumer confidence).
- **Sovereign bond yields rose significantly** across the board, shored up by higher risk aversion and by an increase in the already high probability of an interest rate hike at the Fed's December meeting (72%). In the meantime, increasing market-based inflationary expectations (5Y5YUS 2.15%, 5Y5YUK 3.6%, 5Y5YEU 1.44%) - still at low levels - also supported the increase in yields. **The major increases were registered in European bonds, especially in Italy** (10YUK 6 bps, 10YITA 8 bps, 10YGER 6 bps, 10YFRA 6 bps), ahead of the December referendum in the country.
- Slightly lower oil prices, weak corporate earnings releases and higher yields weighed on risk asset prices. **In Europe, share prices slightly went down** (EuroStoxx50 -0.2%, Dax -0.4%, Ibex35 +0.3%) at the start of the session but moderated as the session went by, amid mixed earnings reports. Meanwhile the US indices (S&P500 0%) remained unchanged despite corporate earnings reports continuing to disappoint. In the same line, Asian shares mainly went down (Nikkei +0.2%, Shanghai -0.5%, Hang Seng -1%).
- In the meantime, the USD and the EUR reverted to previous trends: the **USD eased from the previous high levels** against its main peers (EUR +0.2%, JPY -0.2%, GBP +0.4%), **while the EUR appreciated from the recent low levels**. In commodities, as mentioned above, oil prices continued their downward trend (Brent -1.4%) despite the unexpected decrease in US crude oil inventories, reflecting market scepticism about the implementation of the preliminary deal by OPEC to limit production. In these circumstances, EM currencies (MXN -0.8%, TRY -0.5%, COP -1%) depreciated, suffering from both high interest rate hike probabilities in US and slightly lower oil prices.

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Table 1

Debt markets (10Y, %, changes in bps)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	0.97	1.6	4.4	13	10
US	1.78	2.8	4.1	20	-49
EUR (2-yr)	0.64	1.2	3.0	5	29
Germany	0.09	5.6	5.6	20	54
France	0.37	6.2	5.8	19	-62
Spain	1.13	5.0	2.8	22	-64
Italy	1.46	0.0	7.0	28	13
Portugal	3.21	2.1	1.7	-17	70
Greece	8.29	-13.4	-15.6	-11	0
Japan (2-yr)	0.25	0.1	2.3	-2	24
Japan	0.06	-0.7	0.0	33	33
Emerging Markets					
Brazil	11.21	9.0	5.8	66	530
Chile	4.18	0.0	-2.3	-3	-48
Colombia	7.29	-0.4	14.0	18	-137
Mexico	6.15	4.5	12.2	0	-11
Peru	5.70	0.2	-0.4	11	-161
Poland	3.06	6.8	9.2	26	12
Russia	8.41	-0.9	4.8	21	-114
Turkey	9.70	1.0	2.0	13	77
India	7.30	-0.8	-3.7	-11	26
Indonesia	7.08	2.1	-6.4	17	-166
Country risk (bp, changes in bp)					
	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	28	0.6	0.2	-2	-8
Italy	138	2.4	2.2	8	41
Portugal	313	-3.5	-3.9	37	124
Spain	105	-0.6	-3.6	1	10
2-yr sovereign spread vs Germany					
France	4	0.3	-1.3	-3	0
Italy	56	-0.3	0.1	-1	24
Portugal	91	-0.7	-3.0	-24	46
Spain	42	-1.6	-3.9	-6	6
Emerging Markets					
	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	259	4	-3	-11	-232
Chile	86	1	-4	1	-41
Colombia	165	2	13	-8	74
Mexico	141	2	-4	26	29
Peru	98	2	-5	-9	88
Venezuela	3,264	-43	-704	-336	-2770
Poland	74	0	-2	3	2
Russia	220	-1	-11	11	82
Turkey	241	0	-12	-4	-32
China	105	0	-2	0	-4
India	138	0	-1	-4	-11
Indonesia	140	0	-4	2	70
Risk factors					
	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	14	3.3	-4	-4	-4
VSTOXX	19	2.5	3	8	-4
EM ETI volatility index	21	5.2	-1	9	9
DollarEuro volatility	7	-1.0	-3	9	26
EM FX volatility index	9	-0.7	-3	-10	-18
Credit spread (BAA)(bps)	257	2.0	7	-11	66
US bonds volatility index	57	1.1	-7	-2	-15
Banking 5y CDS (bps) *					
US	75	1.5	0	-1	0
EZ	114	4.5	-1	7	30
UK	103	3.3	-2	8	26
Large Spanish	120	3.7	-6	-9	-17
Medium Spanish	153	-0.1	4	-4	5
Corporate 5y CDS (bps) *					
US Non-financial	195	1.5	0	-1	0
EZ Non-financial	106	4.5	-1	7	30
UK Non-financial	136	-0.4	-3	-2	56
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	0.89	0.00	0.0	0.0	0.3
Libor 12m	1.58	0.00	0.0	0.0	0.4
EZ TED spread 3m	54.4	-0.88	-0.4	10.2	13.6
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
Main indices					
S&P500	2,143	0.0	0.0	0	5
Dow Jones	18,220	0.3	0.1	1	5
Nikkei	17,392	0.2	2.3	5	-9
FTSE 100	6,958	0.8	0.8	2	11
EuroStoxx 50	3,081	-0.2	0.8	4	6
IBEX	9,171	0.3	2.5	5	-4
DAX	10,710	-0.4	0.6	3	0
CAC	4,535	-0.1	0.3	3	-2
MB	17,281	0.3	1.4	7	-19
ASE Athens	588	0.1	-0.6	5	7
MSCI Latin *	76,085	-0.3	0.3	5	28
Ibovespa (Brazil)	63,552	-0.5	0.1	9	47
Mobtel	47,845	-0.5	-1.3	1	11
MSCI EM Europe *	4,539	-0.1	1.2	0	7
Poland	1,780	-0.3	2.0	2	-4
Mico (Russia)	1,975	-0.1	0.4	-1	12
Ive 100 (Turkey)	79,388	0.0	0.2	3	11
MSCI Asia *	726	-0.1	0.7	0	10
Shanghai Com (China)	3,116	-0.5	1.0	5	-12
Jakarta (Indonesia)	5,400	-0.4	-0.6	0	18
Banking sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	69.1	0.5	1.2	5	5
Ch	49.7	0.3	0.5	8	4
BNA	16.8	0.4	1.0	11	0
MS	33.5	0.4	1.7	8	5
GS	176.4	0.5	1.1	9	2
EZ banks					
BNP	85.5	0.3	1.7	14	21
Crédit Agricole	52.9	0.2	5.8	16	1
Diēdicke Bank	9.9	0.3	5.7	15	-9
ING	13.3	1.1	5.9	26	41
Intesa	12.0	0.0	2.7	11	-4
Intesa	2.2	0.6	4.6	10	30
SG	35.9	-0.2	4.9	16	-16
Ukrainitlo	2.3	0.7	3.6	12	55
UK banks					
HSBC	74.9	-0.1	2.1	7	-15
RBS	622.5	-0.6	-0.4	9	16
Barclays	193.7	0.7	7.6	9	36
Barclays	181.8	-1.0	2.5	8	-17
Lloyds	55.9	1.0	1.8	3	-24
Large Spanish banks					
Santander	72.8	1.3	6.8	18	-4
Santander	4.5	0.4	6.6	15	-2
BBVA	6.4	2.0	7.0	21	-5
Medium Spanish banks					
CajaBanc	64.3	0.0	5.6	12	-22
CajaBanc	2.7	0.0	6.9	22	16
Popular	1.1	-2.3	1.1	-3	-60
Sabadell	1.2	0.6	5.8	11	23
Banque	7.0	1.0	5.5	11	6
Banque	0.8	-1.1	6.6	13	26
Currencies (% , rot for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.09	0.2	-0.6	3.0	0
GBPUSD	1.22	0.4	-0.4	5.7	-17
USDJPY	104.42	-0.2	-0.9	-4.1	13
DNV	98.59	0.1	0.7	3.5	0
Emerging					
USDARS (Argentina)	15.23	0.0	-0.3	0.0	-18
USDZAR (Brazil)	3.13	-0.7	1.1	3.3	21
USDCOP (Chile)	652.83	0.1	1.9	1.4	8
USDCOP (Colombia)	2965	-1.0	-1.7	-1.5	7
USDMXN (Mexico)	18.66	-0.8	-0.8	6.1	8
USDPEN (Peru)	3.37	-0.4	0.5	0.1	1
USDCNY (China)	65.78	-0.6	0.3	3.2	5
USDPOL (Poland)	3.97	-0.1	-1.1	-3.9	-1
USDPLN (Russia)	62.84	-1.2	-0.9	1.8	13
USDTRY (Turkey)	3.99	-0.5	-0.8	3.6	6
USDCNY (China)	6.77	0.1	-0.5	-1.5	-4
USDINR (India)	66.83	0.0	-0.2	0.3	-1
USDIDR (Indonesia)	13,004	0.0	0.0	0.3	6
ADXY	106.0	-0.1	-0.5	1.2	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
WTX	49.5	-0.9	-4.1	8	34
Copper	2.14	0.2	1.9	-2	1
Gold	1,268	-0.5	-0.1	5	19
S&P Spot commodity *	373	-0.5	-1.7	5	20
S&P Brent Spot *	441	-1.2	-3.1	8	37
S&P Metals Spot *	279	2.1	1.8	0	10
S&P Agricultural *	302	0.2	-1.2	3	6

Debt markets (10Y, %, changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2-yr)	0.67	1.6	7.4	13	18	
US	1.78	2.8	4.1	20	-49	
GER (2-yr)	-0.64	1.2	3.0	5	29	
Germany	0.09	5.6	5.6	20	-54	
France	0.37	6.2	5.8	19	-62	
Spain	1.13	5.0	2.0	22	-64	
Italy	1.46	0.0	7.8	28	13	
Portugal	3.21	2.1	1.7	17	70	
Greece	8.29	-13.4	-15.6	-11	0	
Japan (2-yr)	-0.25	0.1	2.3	2	24	
Japan	-0.06	-0.7	0.0	-33	-33	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	11.21	9.0	5.8	65	530	
Colombia	4.18	0.0	-2.3	-3	-48	
Mexico	7.29	-0.4	14.0	18	137	
Peru	6.15	4.5	12.2	0	-11	
Poland	5.70	0.2	-0.4	-11	-161	
Russia	3.06	6.8	9.2	26	12	
Turkey	8.41	-0.9	4.8	21	-114	
India	9.70	1.0	2.0	13	-77	
Indonesia	7.38	-0.8	-3.7	-11	-26	
Indonesia	7.08	2.1	-6.4	17	-165	
Country Risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany	France	20	0.6	0.2	2	8
Italy	138	2.4	2.2	8	41	
Portugal	313	-3.5	-3.9	-37	124	
Spain	105	-0.6	-3.6	1	-10	
2-yr sovereign spread vs Germany	France	4	0.3	-1.3	-3	0
Italy	56	-0.3	-3.1	-1	24	
Portugal	91	-0.7	-3.0	-24	46	
Spain	42	-1.6	3.9	6	6	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *	Brazil	259	4	-3	-11	232
Chile	86	1	-4	1	-41	
Colombia	165	2	-13	-8	-74	
Mexico	141	2	-4	-26	-29	
Peru	98	2	-5	-9	-88	
Venezuela	3,264	-43	-704	-336	-2779	
Poland	74	0	-2	3	2	
Russia	220	-1	-11	11	-82	
Turkey	241	0	-12	-4	-32	
China	105	0	-2	0	-4	
India	138	0	-1	-4	-11	
Indonesia	148	0	-4	2	-78	
Risk Indicators	level	Daily	Weekly	Monthly	YTD	
Volatility Indicators (%)	VIX	14	3.3	-4	-4	-4
VSTOXX	19	2.5	3	-8	-4	
EM EFT volatility Index	21	5.2	-1	-9	-9	
Dolarreuro volatility	7	-1.0	-3	9	26	
EM FX volatility Index	9	-0.7	-3	-10	-18	
Credit spread (BAA) (bps)	257	-2.8	7	-11	66	
US bonds volatility index	57	1.1	-7	-2	-15	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	75	1.5	0	-1	0	
EZ	114	4.5	-1	-7	30	
UK	103	3.3	-2	8	26	
Large Spanish	120	3.7	6	-9	-17	
Medium Spanish	153	-0.1	4	-4	-5	
Emerging 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	195	1.5	0	-1	0	
EZ Non-financial	106	4.5	-1	-7	30	
UK Non-financial	136	-0.4	-3	-2	-56	
Interbank markets (%, changes in bp)	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	0.89	0.00	0.0	0.0	0.3	
Libor 12m	1.58	0.00	0.0	0.0	0.4	
EZ TED spread 3m	54.4	-0.80	-0.4	10.2	13.6	
Stock markets (%)	level	Daily	Weekly	Monthly	YTD	
Main indices	S&P500	2,143	0.0	0.0	0	5
Dow Jones	18,220	0.3	0.1	1	5	
Nikkei	17,392	0.2	2.3	5	-9	
FTSE 100	6,958	-0.8	-0.9	2	11	
EuroStoxx 50	3,001	-0.2	0.8	4	6	
IBEX	9,171	0.3	2.5	5	-4	
DAX	10,710	-0.4	0.6	3	0	
CAC	4,535	-0.1	0.3	3	-2	
MBI	17,201	0.3	1.4	7	-19	
ASE Athens	589	0.1	-0.6	5	-7	
MSCI Latam *	76,005	-0.3	0.3	5	28	
Bovespa (Brazil)	63,552	-0.5	0.1	9	47	
Mobdol	47,845	-0.5	-1.3	1	11	
MSCI EM Europe *	4,539	0.1	1.2	0	7	
Poland	1,760	-0.3	2.0	2	-4	
Moscú (Russia)	1,975	-0.1	0.4	-1	12	
Ise 100 (Turkey)	79,398	0.0	0.2	3	11	
MSCI EM Asia	726	-0.1	0.7	0	10	
Shanghai Com (China)	3,116	-0.5	1.0	5	12	
Jakarta (Indonesia)	5,400	-0.4	-0.6	0	18	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	90.0	0.4	1.3	9	3	
JPM	69.1	0.5	1.2	5	5	
Citi	49.7	0.3	0.5	8	-4	
BoA	16.8	0.4	1.9	11	0	
MS	33.5	0.4	1.7	8	5	
GS	176.4	0.5	1.1	9	2	
EZ banks	85.5	0.3	4.7	14	21	
BNP	52.9	0.2	5.8	16	1	
Credit Agricole	9.9	0.3	5.7	15	9	
Deutsche Bank	13.3	1.1	5.9	26	-41	
ING	12.0	0.0	2.7	11	-4	
Intesa	2.2	0.6	4.6	10	-30	
SG	35.9	0.2	4.9	16	-16	
Unicredit	2.3	0.7	3.6	12	-55	
UK banks	74.9	-0.1	2.1	7	15	
HSBC	62.2	-0.6	-0.4	9	16	
RBS	193.7	0.7	7.6	9	-36	
Barclays	181.8	-1.0	2.5	8	-17	
Lloyds	55.9	1.0	1.8	3	-24	
Large Spanish banks	72.8	1.3	6.8	18	-4	
Santander	4.5	0.4	6.6	15	-2	
BBVA	6.4	2.0	7.0	21	5	
Medium Spanish banks	64.3	0.0	5.6	12	-22	
Cabobank	2.7	0.0	6.9	22	-16	
Popular	1.1	-2.3	1.1	-3	-60	
Sabadell	1.2	0.6	5.8	11	-23	
Bankinter	7.0	1.0	5.5	11	6	
Banca	0.8	-1.1	6.6	13	-26	
Currencies (% net for currency depreciation)	level	Daily	Weekly	Monthly	YTD	
Developed	EURUSD	1.09	0.2	-0.6	-3.0	0
GBPUSD	1.22	0.4	-0.4	-5.7	-17	
USDJPY	104.42	-0.2	-0.9	-4.1	13	
DKY	98.59	0.1	-0.7	-3.5	0	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.23	0.0	-0.3	0.0	-18	
USDBRL (Brazil)	3.13	-0.7	1.1	3.3	21	
USDCJP (Chile)	652.03	0.1	1.9	1.4	8	
USDCLP (Colombia)	2965	-1.0	1.7	1.5	7	
USDMXN (Mexico)	18.66	-0.8	-0.8	6.1	-8	
USDPEN (Peru)	3.37	-0.4	0.5	0.1	1	
LACI	65.78	-0.6	0.3	3.2	5	
USDPLN (Poland)	3.97	-0.1	1.1	-3.9	-1	
USDRLB (Russia)	62.84	-1.2	-0.9	1.8	13	
USDTRY (Turkey)	3.09	-0.5	-0.8	-3.6	-6	
USDCNY (China)	6.77	0.1	0.5	-1.5	-4	
USDINR (India)	66.83	0.0	-0.2	-0.3	-1	
USDIDR (Indonesia)	13,004	0.0	0.0	0.3	6	
ADXY	106.0	-0.1	-0.5	-1.2	0	
Commodities (%)	level	Daily	Weekly	Monthly	YTD	
Brent	50.1	-1.4	-4.9	6	34	
Wti	49.5	-0.9	-4.1	8	24	
Copper	214	0.2	1.9	-2	1	
Gold	1,268	-0.5	-0.1	5	19	
S&P Spot commodity *	373	-0.5	-1.7	5	20	
S&P Brent Spot *	441	-1.2	-3.1	8	-37	
S&P Metals Spot *	279	2.1	1.8	0	10	
S&P Agricultural *	302	0.2	-1.2	3	6	

Source: Bloomberg, Datastream and Haver

* With one day delay

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