

# Market Comment | Signs of a slight rebound in Europe while markets remain weak in EM Asia

Global Financial Markets Unit  
07 Sep 2015

- **German industrial production rebounds.** In July, German industrial production rose more than expected (by 0.7% MoM; BBVAe: 0.5% consensus: 1.1%). In YoY terms, it rose by 0.5% YoY (consensus: 0.3%).
- **G20 says global growth is “short of expectations.”** The G20 group of top world economies said that global economic expansion was slower than had been expected. “Global growth falls short of our expectations. We have pledged to take decisive action to keep the economic recovery on track and we are confident that the global economic recovery will gain speed.” On policies, they said that “in line with the improving economic outlook, monetary policy tightening is more likely in some advanced economies. We will refrain from competitive devaluations, and resist all forms of protectionism. We will carefully calibrate and clearly communicate our actions, especially against the backdrop of major monetary and other policy decisions, to minimise negative spillovers, mitigate uncertainty and promote transparency.” ([see](#))
- **China’s reserves down more than expected.** After a turbulent month, China’s foreign exchange reserves fell by the most ever: USD94bn in August, compared to a decline of USD40bn in July.
- **Signs of a slight rebound in Europe while markets remain weak in EM Asia.** European equity markets were only slightly higher (or flat) after ending last week in the red (Euro Stoxx: +0.5%, CAC: +0.4%, Ibex-35: -0.1%, DAX: +0.6%). EM Asian equity indices kept falling, suggesting that the risk-off mood still weighs on EM (Shanghai: -2.52% and Hang Seng: -1.23%) while US markets remained closed for Labor Day. On bond markets, European core yields remained broadly steady (with no US Treasuries reference). On the other hand, peripheral yields rose, with the exception of the Greek 10Y yield (SPA 10Y: +5bp, POR 10Y: +5bp, GRE 10Y: -19bp). On the FX markets, depreciatory pressure persisted on EM currencies, especially on Asian currencies and some South American ones (CNY: -0.2%, IDR: -0.7, MYR: -1.62%, COP: -0.8%). Geopolitical risk continued to drag Turkish financial variables down; the Turkish lira depreciated -0.8% against the USD, while the 10Y bond yield rose +24bp. On commodities, oil prices dropped once again, leaving the Brent below USD50/bbl (Brent: -2.2%, WTI: -2.0%), whereas copper rose (+1.2%) due to the news that Glencore plans to suspend copper production.

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Table1

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

**Libor markets (Changes in bp)**

**LIBOR 3M**

US 3m 4.71 (0.21) (4.0)  
 US 3m 4.67 (0.61) (1.6) (4.9)  
 US 1m 2.02 (0.4) (0.9) (1.6)  
 Japan 3m 0.71 (0.11) (0.4) (0.4)

EUR 3m 4.23 (0.1) (1.1) (1.1)  
 EUR 3m 4.24 (0.2) (1.3) (2.3)  
 EUR 3m 4.07 (0.2) (1.1) (1.1)  
 Belgium 3m 1.03 (0.1) (1.1) (1.1)  
 France 3m 1.02 (0.1) (1.1) (1.1)  
 Greece 3m 0.36 (0.1) (1.1) (1.1) (1.1)  
 Korea 3m 1.0 (0.1) (1.1) (1.1)  
 MY 3m 1.0 (0.1) (1.1) (1.1)  
 Indonesia 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 Portugal 3m 2.06 (0.1) (1.1) (1.1)  
 Spain 3m 1.0 (0.1) (1.1) (1.1)

**LIBOR 6M**

Spain 3m 1.0 (0.1) (1.1) (1.1)  
 China 3m 4.06 (0.1) (1.1) (1.1)  
 Canada 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 Mexico 3m 4.11 (0.1) (1.1) (1.1)  
 New Zealand 3m 1.0 (0.1) (1.1) (1.1)

**LIBOR 12M**

France 3m 1.0 (0.1) (1.1) (1.1)  
 Russia 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 Korea 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 Turkey 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 India 3m 1.0 (0.1) (1.1) (1.1) (1.1)  
 Indonesia 3m 1.0 (0.1) (1.1) (1.1) (1.1)

**Country risk (Changes in bp)**

**1-yr sovereign spreads (against Germany)**

Belgium 34 (2) (1) (1)  
 France 14 (2) (1) (1)  
 Greece 129 (1) (1) (1) (1) (1)  
 Korea 17 (0) (1) (1) (1)  
 MY 12 (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1)  
 Portugal 190 (1) (1) (1) (1)  
 Spain 14 (1) (1) (1) (1)

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

Belgium 15 (1) (1) (1) (1)  
 France 14 (2) (1) (1) (1)  
 Greece 108 (1) (1) (1) (1) (1)  
 Korea 17 (0) (1) (1) (1) (1)  
 MY 12 (1) (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1) (1)  
 Portugal 127 (1) (1) (1) (1) (1)  
 Spain 14 (1) (1) (1) (1) (1)

**2-yr sovereign spreads (against Germany)**

Belgium 8 (1) (1) (1) (1)  
 France 14 (2) (1) (1) (1)  
 Greece 108 (1) (1) (1) (1) (1)  
 Korea 17 (0) (1) (1) (1) (1)  
 MY 12 (1) (1) (1) (1) (1)  
 Netherlands 10 (1) (1) (1) (1) (1)  
 Portugal 127 (1) (1) (1) (1) (1)  
 Spain 14 (1) (1) (1) (1) (1)

**5-yr sovereign CDS**

Spr CDS Belgium 26 (1) (1) (1) (1)  
 Spr CDS France 20 (1) (1) (1) (1)  
 Spr CDS Germany 4 (1) (1) (1) (1)  
 Spr CDS Greece 108 (1) (1) (1) (1) (1)  
 Spr CDS Korea 17 (0) (1) (1) (1) (1)  
 Spr CDS MY 15 (1) (1) (1) (1) (1)  
 Spr CDS Netherlands 10 (1) (1) (1) (1) (1)  
 Spr CDS Portugal 17 (1) (1) (1) (1) (1)  
 Spr CDS Spain 190 (1) (1) (1) (1) (1)  
 Spr CDS UK 17 (1) (1) (1) (1) (1)

**Country risk**

Spr CDS Brazil 178 (1) (1) (1) (1) (1)  
 Spr CDS China 127 (1) (1) (1) (1) (1)  
 Spr CDS Canada 24 (1) (1) (1) (1) (1)  
 Spr CDS Mexico 178 (1) (1) (1) (1) (1)  
 Spr CDS New Zealand 127 (1) (1) (1) (1) (1)  
 Spr CDS Russia 127 (1) (1) (1) (1) (1)  
 Spr CDS Turkey 277 (1) (1) (1) (1) (1)

**Country risk**

Spr CDS China 118 (1) (1) (1) (1) (1)  
 Spr CDS India 118 (1) (1) (1) (1) (1)  
 Spr CDS Indonesia 241 (1) (1) (1) (1) (1)  
 Spr CDS Korea 17 (0) (1) (1) (1) (1)

**Country risk**

US 21 (1) (1) (1) (1) (1)  
 VIX 21 (1) (1) (1) (1) (1)  
 VIX 100 21 (1) (1) (1) (1) (1)  
 EIA EPT energy price 42 (1) (1) (1) (1) (1)  
 Domestic utility 12 (1) (1) (1) (1) (1)  
 Spr CDS Mexico 178 (1) (1) (1) (1) (1)  
 Credit spread index 122 (1) (1) (1) (1) (1)  
 US bank utility index 17 (1) (1) (1) (1) (1)

**Index and changes in bp**

US bank CDS 31 (1) (1) (1) (1) (1)  
 EUR bank CDS 37 (1) (1) (1) (1) (1)  
 US bank CDS 37 (1) (1) (1) (1) (1)  
 Large Spanish bank CDS 118 (1) (1) (1) (1) (1)  
 Midsize Spanish bank CDS 168 (1) (1) (1) (1) (1)  
 Small Spanish bank CDS 264 (1) (1) (1) (1) (1)  
 Greek bank CDS 439 (1) (1) (1) (1) (1)  
 Russian bank CDS 439 (1) (1) (1) (1) (1)

**Country risk (change in bp)**

US bank CDS 31 (1) (1) (1) (1) (1)  
 EUR bank CDS 37 (1) (1) (1) (1) (1)  
 US bank CDS 37 (1) (1) (1) (1) (1)  
 Large Spanish bank CDS 118 (1) (1) (1) (1) (1)  
 Midsize Spanish bank CDS 168 (1) (1) (1) (1) (1)  
 Small Spanish bank CDS 264 (1) (1) (1) (1) (1)  
 Greek bank CDS 439 (1) (1) (1) (1) (1)  
 Russian bank CDS 439 (1) (1) (1) (1) (1)

**Country risk (change in bp)**

US 3m spread 1m 15 (0) (1) (1) (1)  
 US 3m spread 3m 31 (0) (1) (1) (1)  
 US 3m spread 6m 20 (1) (1) (1) (1)  
 US 3m spread 12m 17 (0) (1) (1) (1)  
 US 3m spread 18m 17 (0) (1) (1) (1)  
 US 3m spread 24m 17 (0) (1) (1) (1)  
 Spain 3m spread 1m 4 (0) (1) (1) (1) (1)  
 Spain 3m spread 3m 31 (0) (1) (1) (1) (1)  
 Spain 3m spread 6m 31 (0) (1) (1) (1) (1)  
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Spain 3m spread 1m 4 (0) (1) (1) (1) (1)  
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\*CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

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