

Market Comment | Risk-off mood eases slightly across the board.

Global Financial Markets Unit
09 Sep 2015

- **Potential plans to support growth in China and Japan.** In China, the Ministry of Finance said that it will strengthen fiscal policies, increase infrastructure spending and accelerate the reform of its tax system to support growth. In Japan, Prime Minister Shinzo Abe vowed to lower the corporate tax rate by at least 3.3%. He said that he would lower the effective corporate tax rate by at least 3.3% "next year" and will "aim to go beyond that if possible." "We will push forward in reducing the rate down into the twenties over several years, bringing it to a level that compares favourably in the international context," Abe said. "We will change Japan into a country that is able to keep growing. Placing the economy as my highest priority, I will move forward steadily, step by step, on the roadmap for achieving this goal."
- **Job openings in the US rise to a record high in July.** The number of job openings again surged to 5.75 million in July from 5.323 million, the highest since the series began in December 2000 and beating expectations.
- **Risk-off mood eases slightly across the board.** Markets risk indicators suggested that investors were more prone to take risks (VIX: 24.15 (-3.0%)). On the one hand, equity markets and cyclical commodity prices (metal commodities) rebounded today, whereas safe-haven assets, such as US Treasury, German bund and gold prices declined. Expectations of further growth support measures in Japan and China boosted equity markets across the board (led by the Nikkei), after several weeks of continuous falls (S&P 500: 0.2% Euro Stoxx: +1.7%, CAC: +2.0 %, Ibex-35: +2.2%, DAX: +0.8%, Nikkei: +7.7%, Shanghai: +2.29). In line with the easing in risk aversion, safe-haven bonds declined, sending yields slightly higher (US10Y: +5bp, GER 10Y: +3bp). Meanwhile, the peripheral yields also rose, with the exception of Greece (ITA 10Y: +1bp, SPA 10Y: +3bp, POR 10Y: +1bp, GRE 10Y: -29bp). However, the peripheral risk premium remained broadly flat. On FX markets, the funding currencies depreciated against the USD (JPY: -0.98%, EUR: -0.33%), while commodity-linked currencies appreciated against the US dollar (Australian dollar +0.27%, Canadian dollar +1.13%). EM currencies showed a mixed performance, as the European EM currencies depreciated against USD (RUB: -0.2%, TRY: -0.6%), while South American currencies appreciated (BRL: +1.0%, CLP: +0.4%, MXN: +0.3%). On another front, in commodities the oil prices continued falling (Brent: -1.5%, WTI: -1.7%), whereas the copper price remained flat after yesterday's dramatic surge and gold fell (-1.0%) due to the slight risk-on mood.

Update 17.00 CET 09 September, 2015

Table1

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

Libor markets (Changes in bp)

3 months

US 3m	6.75 (2)(4)(3)(9)
US 3m	1.56 (6)(5)(4)(9)
US 15m	2.20 (2)(6)(6)(9)

6 months

Japan 6m	5.71 (2)(2)(2)(4)(4)
GER 3m	4.22 (6)(1)(4)(6)(1)(3)
GER 6m	5.05 (1)(7)(1)(1)(5)
GER 15m	5(1)(2)(4)(6)(1)(4)

1 year

Belgium 15m	1.02 (6)(1)(1)(1)(1)(9)
France 15m	1.10 (2)(1)(2)(2)(2)
Greece 15m	8.44 (2)(4)(2)(4)(2)(6)(1)(3)(9)
India 15m	5.4 (6)(1)(6)
Italy 15m	5.84 (1)(1)(4)(1)(1)(3)
Netherlands 15m	5.05 (1)(1)(1)(1)(2)(2)(2)(2)
Portugal 15m	2.25 (1)(1)(7)(1)(7)(1)(1)(8)
Spain 15m	2.48 (1)(1)(1)(1)(1)(7)

Energy markets

Brent 15m	4.88 (1)(8)(1)(7)(1)(2)(2)(2)(1)
Crude 15m	4.87 (2)(1)(2)(1)(2)
Coal 15m	8(2)(9)(2)(9)(2)(4)(1)(6)
Wheat 15m	4.14 (1)(1)(1)(1)(1)(1)(1)(1)
Wheat 3m	2.10 (1)(1)(1)(1)(1)(1)(1)(1)

1 year

France 15m	2.86 (1)(1)(1)(1)(1)(4)(1)(4)
Russia 15m	7.71 (1)(1)(1)(1)(1)(1)(1)(1)
Russia 3m	1.61 (1)(1)(1)(1)(1)(1)(1)(1)
Turkey 15m	6.45 (1)(1)(1)(1)(1)(1)(1)(1)
India 15m	7.77 (1)(1)(1)(1)(1)(2)(1)(2)
Indonesia 15m	8.14 (1)(1)(1)(1)(1)(1)(1)(1)

Country risk (Changes in bp)

1 year monthly probability against Germany

Belgium	32 (2)(1)(1)(1)(1)(1)
France	42 (1)(1)(1)(1)(1)(1)
Greece	774 (2)(1)(6)(1)(2)(6)(1)(4)(8)
Italy	64 (2)(2)(1)(1)(1)(1)
UK	114 (2)(1)(1)(1)(1)(1)(1)(1)
Netherlands	19 (1)(1)(1)(1)(1)(1)(1)(1)
Portugal	181 (2)(1)(1)(1)(1)(1)(1)(1)
Spain	128 (1)(1)(1)(1)(1)(1)

1 year monthly probability against Germany

Belgium	31 (1)(1)(1)(1)(1)(1)
France	13 (1)(1)(1)(1)(1)(1)
Greece	1887 (1)(1)(1)(1)(1)(1)(1)(1)
Italy	20 (1)(1)(1)(1)(1)(1)
UK	111 (1)(1)(1)(1)(1)(1)(1)(1)
Netherlands	19 (1)(1)(1)(1)(1)(1)(1)(1)
Portugal	125 (1)(1)(1)(1)(1)(1)(1)(1)
Spain	91 (1)(1)(1)(1)(1)(1)

2 year monthly probability against Germany

Belgium	8 (2)(2)(1)(1)
France	8 (2)(2)(1)(1)
Italy	11 (1)(1)(1)(1)(1)
UK	21 (1)(1)(1)(1)(1)(1)
Netherlands	11 (1)(1)(1)(1)(1)(1)
Portugal	51 (2)(1)(1)(1)(1)(1)(1)
Spain	31 (1)(1)(1)(1)(1)(1)

1 year monthly CDS

Spr CDS Belgium	26 (1)(1)(1)(1)(1)(1)
Spr CDS France	11 (1)(1)(1)(1)(1)(1)
Spr CDS Germany	4 (1)(1)(1)(1)(1)(1)
Spr CDS Greece	342 (2)(1)(7)(1)(5)(8)(1)
Spr CDS Italy	35 (1)(1)(1)(1)(1)(1)
Spr CDS Japan	113 (1)(1)(1)(1)(1)(1)
Spr CDS Netherlands	17 (1)(1)(1)(1)(1)(1)
Spr CDS Portugal	170 (2)(1)(2)(1)(1)(1)
Spr CDS Spain	99 (2)(1)(1)(1)(1)(1)
Spr CDS UK	18 (1)(1)(1)(1)(1)(1)
Spr CDS US	17 (1)(1)(1)(1)(1)(1)

Energy CDS

Spr CDS Brent	3(1)(1)(1)(1)(1)(1)
Spr CDS Crude	31 (1)(1)(1)(1)(1)(1)
Spr CDS Coal	294 (1)(2)(1)(1)(1)(1)
Spr CDS Wheat	148 (1)(1)(1)(1)(1)(1)
Spr CDS Wheat 3m	189 (1)(1)(1)(1)(1)(1)
Spr CDS Venezuela	694 (1)(1)(1)(1)(1)(1)
Spr CDS Paganetti	40 (1)(1)(1)(1)(1)(1)
Spr CDS Russia	365 (2)(1)(2)(1)(1)(1)(1)
Spr CDS Turkey	279 (1)(1)(1)(1)(1)(1)
Spr CDS China	116 (1)(1)(1)(1)(1)(1)
Spr CDS India	165 (1)(1)(1)(1)(1)(1)
Spr CDS Indonesia	241 (1)(1)(1)(1)(1)(1)

Comd. Risk

100 days/1 year changes in percentage index for B.A. spreads, bp

VIX	24.16 (1)(1)(1)(1)(1)(1)
VIX100	38 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)
ED EFT	107 (1)(1)(1)(1)(1)(1)

Libor in changes in bp

US 6m	6.75 (2)(4)(3)(9)
EU 6m	5.05 (1)(7)(1)(1)(5)
UK 6m	5.05 (1)(7)(1)(1)(5)

Large Spanish banks CDS

Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)
Wolsum	163 (1)(1)(1)(1)(1)(1)

Liborbank markets (Changes in bp)

US 3m	6.75 (2)(4)(3)(9)
US 6m	5.05 (1)(7)(1)(1)(5)
US 15m	2.20 (2)(6)(6)(9)
US 3m	6.75 (2)(4)(3)(9)
US 6m	5.05 (1)(7)(1)(1)(5)
US 15m	2.20 (2)(6)(6)(9)
US 3m	6.75 (2)(4)(3)(9)
US 6m	5.05 (1)(7)(1)(1)(5)
US 15m	2.20 (2)(6)(6)(9)
US 3m	6.75 (2)(4)(3)(9)
US 6m	5.05 (1)(7)(1)(1)(5)
US 15m	2.20 (2)(6)(6)(9)

Libor CDS

Libor 3m	0.25 (1)(1)(1)(1)(1)(1)
Libor 6m	0.25 (1)(1)(1)(1)(1)(1)
Libor 12m	0.25 (1)(1)(1)(1)(1)(1)

Stock markets (Changes in percentage)

1 year monthly

Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)

Bank stocks

US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)

Bank stocks

US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)

Bank stocks

US 6m	6.75 (2)(4)(3)(9)
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US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)

Bank stocks

US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)
US 6m	6.75 (2)(4)(3)(9)

Commodity (in percentage positive for dollar depreciation)

EURUSD	1.17 (1)(1)(1)(1)(1)(1)
GBPUSD	1.54 (1)(1)(1)(1)(1)(1)
USDJPY	1.02 (1)(1)(1)(1)(1)(1)
USDCHF	1.17 (1)(1)(1)(1)(1)(1)
USDINR	1.17 (1)(1)(1)(1)(1)(1)
USDKRW	1.17 (1)(1)(1)(1)(1)(1)
USDHKD	1.17 (1)(1)(1)(1)(1)(1)
USDSGD	1.17 (1)(1)(1)(1)(1)(1)
USDCAD	1.17 (1)(1)(1)(1)(1)(1)
USDBRL	1.17 (1)(1)(1)(1)(1)(1)
USDZAR	1.17 (1)(1)(1)(1)(1)(1)
USDTRY	1.17 (1)(1)(1)(1)(1)(1)
USDTHB	1.17 (1)(1)(1)(1)(1)(1)
USDIDR	1.17 (1)(1)(1)(1)(1)(1)
USDMYR	1.17 (1)(1)(1)(1)(1)(1)
USDPHP	1.17 (1)(1)(1)(1)(1)(1)
USDPLN	1.17 (1)(1)(1)(1)(1)(1)
USDSEK	1.17 (1)(1)(1)(1)(1)(1)
USDNOK	1.17 (1)(1)(1)(1)(1)(1)
USDSW	1.17 (1)(1)(1)(1)(1)(1)
USDCHF	1.17 (1)(1)(1)(1)(1)(1)
USDJPY	1.17 (1)(1)(1)(1)(1)(1)
USDINR	1.17 (1)(1)(1)(1)(1)(1)
USDKRW	1.17 (1)(1)(1)(1)(1)(1)
USDHKD	1.17 (1)(1)(1)(1)(1)(1)
USDSGD	1.17 (1)(1)(1)(1)(1)(1)
USDCAD	1.17 (1)(1)(1)(1)(1)(1)
USDZAR	1.17 (1)(1)(1)(1)(1)(1)
USDTRY	1.17 (1)(1)(1)(1)(1)(1)
USDTHB	1.17 (1)(1)(1)(1)(1)(1)
USDIDR	1.17 (1)(1)(1)(1)(1)(1)
USDMYR	1.17 (1)(1)(1)(1)(1)(1)
USDPHP	1.17 (1)(1)(1)(1)(1)(1)
USDPLN	1.17 (1)(1)(1)(1)(1)(1)
USDSEK	1.17 (1)(1)(1)(1)(1)(1)
USDNOK	1.17 (1)(1)(1)(1)(1)(1)
USDSW	1.17 (1)(1)(1)(1)(1)(1)

Commodity (in percentage)

Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)
Oil	12.72 (1)(1)(1)(1)(1)(1)

Value weighting (in percentage)

Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)
Spain	19.72 (1)(1)(1)(1)(1)(1)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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