Market Comment | Markets driven by US data and ongoing uncertainty about the FOMC

Global Financial Markets Unit
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- **US August CPI data (ex food and energy) disappointed.** US CPI ex food and energy rose in August less than expected (by 1.8% YoY; consensus: 1.9%), while in MoM terms it increased in line with expectations (by 0.1% MoM; consensus: 0.1%). Meanwhile, CPI rose in line with estimates (by 0.2% YoY; consensus: 0.2%), whereas in MoM terms it dropped, again in line with estimates (by -0.1% MoM; consensus: -0.1%).

- **Eurozone revised down in August.** Eurozone MoM CPI in August remained stable in line with estimates, while in YoY terms it rose less than expected (by 0.1% YoY; BBVAe and consensus: +0.2%) and CPI core also increased also less than expectations (by 0.9% YoY; BBVAe and consensus: 1.0%).

- **S&P downgrades Japan's credit rating from AA- to A+.** S&P followed the path set by Moody's and Fitch, which both downgraded Japan in previous months (to A1 in December and A in April respectively). The decision was driven by the uncertainty in the fiscal consolidation, due to the worries about the economic outlook.

- **China eases capital controls.** The National Development and Reform Commission released a new regulation to ease the process of obtaining foreign currency bank loans as well as the issue of renminbi bonds by Chinese companies. Both the ongoing capital outflows (on the back of doubts concerning Chinese economy's outlook) and the crash in domestic stock market might have motivated the measure.

- **Markets driven by US data and ongoing uncertainty about the Fed´s upcoming decision.** A partial recovery in Asian indices (Shenzhen: +6.52%, Shanghai: +4.89%) let market players focus their attention on the FOMC meeting taking place today and tomorrow. Although the implied rate of Fed Futures gives only a 31% chance to a lift-off at the current meeting, both the USDEUR and the 2Y USD yields started the day as if favouring such a possibility. Nonetheless, the release of inflation data (with a lower than expected US core inflation) reversed the incipient trend. At the time of writing, US 2Y yields have flattened by 2bp, and the 10Y yield has inched down by 1bp. European yields have also remained broadly unchanged (GER 10Y: +2bp FRA 10Y: +2bp, ITA 10Y: +2bp). Additionally, the German Bundesbank faced a weak demand at today's bond auction, suggesting that investor remain caution ahead FOMC meeting. On FX markets, the USD depreciated against other major currencies (GBP: +1.1%, EUR: +0.23%) and also against EM currencies (BRL: +0.8%, RUB: +2.3%, TRY: +1.0%). The latter currencies have appreciated on the back of a surge in oil prices (Brent: +6.0% and WTI: +3.8% after the release of US oil inventories). Equity indices showed mixed signals: European ones rose (Euro Stoxx: +1.1%, CAC: +1.4%, Ibex-35: +1.6 %), while US equity markets have so far remained flat (S&P 500: +0.1%, Dow: +0.2%).

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Table1

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

Debt markets *(changes in bp)*

Developed Markets
US 2-yr 0,78 (-2) (4) (8) (12)
US 5-yr 1,59 (-2) (6) (2) (-7)
US 10-yr 2,28 (-1) (8) (11) (10)

Japan 10-yr 0,37 (-1) (0) (-3) (4)

GER 2-yr -0,22 (1) (0) (3) (-13)
GER 5-yr 0,08 (1) (3) (6) (6)
GER 10-yr 0,77 (2) (7) (14) (23)

Belgium 10-yr 1,09 (2) (7) (12) (26)
France 10-yr 1,16 (2) (6) (21) (33)
Greece 10-yr 8,57 (-6) (12) (-52) (-118)
Ireland 10-yr 1,37 (4) (4) (14)
Italy 10-yr 1,92 (2) (8) (16) (3)
Netherlands 10-yr 0,94 (2) (6) (13) (25)
Portugal 10-yr 2,71 (0) (19) (33) (2)
Spain 10-yr 2,13 (0) (5) (19) (51)

Emerging Markets
Brazil 10-yr 15,13 (0) (21) (149) (276)
Chile 10-yr 4,67 (0) (10) (15) (68)
Colombia 10-yr 8,49 (-2) (-3) (68) (139)
Mexico 10-yr 6,17 (0) (5) (18) (34)
Peru 10-yr 7,57 (-1) (3) (65) (212)

Poland 10-yr 3,04 (1) (6) (28) (52)
Russia 5-yr 11,49 (-6) (-29) (22) (-270)
Russia 10-yr 11,23 (-6) (-28) (21) (-178)
Turkey 10-yr 10,4 (-8) (-5) (70) (253)

India 10-yr 7,76 (0) (-1) (1) (-13)
Indonesia 10-yr 9,53 (8) (39) (81) (170)

Country risk *(changes in bp)*

Developed Markets
10-yr sovereign spreads *(against Germany)*
Belgium 32 (0) (0) (-2) (3)
France 39 (0) (-1) (7) (11)
Greece 780 (-9) (5) (-66) (-140)
Ireland 61 (1) (-3) (0) (-10)
Italy 115 (0) (1) (1) (-20)
Netherlands 17 (0) (-0,9) (-1) (3)
Portugal 194 (-2) (12,5) (19) (-20)
Spain 136 (-2) (-2) (5) (29)

5-yr sovereign spreads *(against Germany)*
Belgium 14 (1) (1,4) (-1) (0)
France 14 (1) (0) (0) (-3)
Greece 1595 (-1) (-3) (-6) (462)
Ireland 37 (10) (4) (9) (-3)
Italy 76 (0) (2) (1) (-18)
Netherlands 5 (0) (0,8) (0) (-3)
Portugal 127 (-2) (7) (10) (-16)
Spain 93 (-1) (3) (5) (7)

2-yr sovereign spreads *(against Germany)*
Belgium 5 (0) (0) (-2) (-1)
France 4 (-1) (-2) (-3) (-2)
Ireland 9 (-1) (-4) (-13) (-2)
Italy 37 (2) (5) (2) (-26)
Netherlands 1 (0) (1) (-3) (-5)
Portugal 59 (1) (8) (-1) (7)
Spain 37 (0) (4) (1) (-13)

5-yr sovereign CDS
5-yr CDS Belgium 39 (0) (0) (-1) (-10)
5-yr CDS France 32 (0) (1) (-2) (-15)
5-yr CDS Germany 14 (0) (0) (0) (-4)
5-yr CDS Greece 1485 (-88) (-69) (70) (204)
5-yr CDS Ireland 51 (2) (0) (-1) (1)
5-yr CDS Italy 113 (-1) (1) (-1) (-22)
5-yr CDS Netherlands 18 (0) (1) (0) (-3)
5-yr CDS Portugal 170 (-2) (2) (-2) (-30)
5-yr CDS Spain 101 (-2) (4) (0) (6)
5-yr CDS UK 16 (-1) (1) (-3) (-6)
5-yr CDS US 16 (0) (-1) (0) (0)

Emerging Markets
5-yr sovereign CDS
5-yr CDS Brazil 376 (-4) (8) (75) (177)
5-yr CDS Chile 112 (-3) (-8) (1) (18)
5-yr CDS Colombia 208 (-3) (-8) (10) (69)
5-yr CDS Mexico 141 (-5) (-5) (5) (38)
5-yr CDS Peru 162 (-6) (-7) (6) (46)
5-yr CDS Venezuela 6015 (-23) (-31) (-1265) (1510)

5-yr CDS Poland73 (-1) (-2) (3) (3)
5-yr CDS Russia 348 (-10) (-21) (-25) (-128)
5-yr CDS Turkey 277 (-13) (-2) (20) (95)

5-yr CDS China 114 (-4) (-1) (13) (29)
5-yr CDS India 179 (-2) (-6) (-11) (7)
5-yr CDS Indonesia 229 (-10) (-13) (25) (73)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 22,37 (-0,8) (-14,7) (71,8) (7)
VSTOXX 28,15 (-6) (-7,6) (25,8) (4)
EM EFT volatility Index 33 (-4) (-7) (29) (46)
Dollar/euro volatility 11,3 (-0,5) (-2) (17,1) (18)
EM FX volatility index 12 (0) (0) (15) (14)
Credit spread (BAA) 316,4 (1,1) (5,5) (19,1) (60)
US bonds volatility index 85 (0) (0) (12) (23)

Bank risk *(changes in bp)*
US banks CDS 78 (0) (-1) (4) (8)
EMU banks CDS 90 (0) (-3) (2) (7)
UK banks CDS 84 (0) (-1) (6) (24)

Large Spanish banks CDS 124 (0) (8) (15) (46)
Medium Spanish banks CDS 165 (2) (2) (6) (51)

Greek banks CDS 2448 (1) (6) (31) (1564)
Russian banks CDS 476 (-25) (-41) (1) (-111)

Corporate risk *(changes in bps)*
US Non-financial CDS 0 (0) (-236) (-224) (-157)
EMU Non-financial CDS 0 (0) (-122) (-114) (-107)
UK Non-financial CDS 0 (0) (-130) (-127) (-113)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 10 (0) (0) (0) (0)
UEM OIS spread 12m 31 (0) (0) (1) (-9)
UEM TED spread 3m 34 (0) (3,6) (6) (10)

US OIS spread 3m 11 (0) (-1) (-1) (-3)
US OIS spread 12m 44 (2) (-3) (1) (10)
US TED spread 3m 28 (1) (-2) (1) (6)

Spain Ted Spread 3m 5 (0) (0,4) (2) (0)

EONIA Index -0,14 (0) (-1,2) (-2) (-29)
Euribor 3m -0,04 (0) (-0,2) (-1) (-12)
Euribor 12m 0,16 (0) (0) (-1) (-17)

Libor 3m 0,33 (0) (0) (0) (8)
Libor 12m 0,85 (0) (0) (1) (23)

Stock markets *(Changes in percentage)*

Developed Markets
Main equity indices
S&P500 1980,4 (0,1) (2) (-5,8) (-4)
DowJones 16629,3 (0,2) (2,3) (-5,2) (-7)
Nikkei 18171,6 (0,8) (-3,2) (-11,9) (4)
FTSE 100 6207,6 (1,1) (-0,3) (-5,2) (-5)
EuroStoxx 50 3241,7 (1,1) (-0,9) (-7,3) (3)
IBEX9936,5 (1,6) (-1) (-8,8) (-3)
DAX 10200,3 (0,1) (-1) (-6,8) (4)
CAC4631,5 (1,4) (-0,7) (-7,1) (8)
MIB 21980,2 (0,3) (-0,7) (-6,1) (16)
ASE Athens 692,4 (1,5) (3,5) (1,7) (-16)

Bank stocks
US banks 94,4 (-0,6) (1,5) (-8,8) (-6)
JPM 63,3 (-0,5) (1,7) (-7,1) (1)
Citi 51,9 (-0,3) (1,9) (-10,2) (-4)
BoA 16,1 (-1,2) (1,3) (-9,3) (-10)
MS 34,3 (-0,7) (1,7) (-10) (-11)
GS 187,2 (-0,1) (0,8) (-7,6) (-3)

UK banks 93,5 (0,2) (-1,2) (-5,5) (-6)
HSBC 512,9 (0,8) (-1,2) (-8) (-16)
RBS 327,6 (-0,4) (-1,1) (-3,6) (-17)
Barclays 261,6 (0,7) (-0,4) (-4,5) (7)
Lloyds 75,3 (-0,4) (-2,3) (-5,9) (-1)

EMU banks 114,6 (-0,3) (-2,1) (-8,7) (15)
BNP 55,1 (0) (-2,5) (-6,9) (12)
Crédit Agricole 11,3 (-0,2) (-4,7) (-12,2) (5)
Deutsche Bank 25,9 (-1,1) (-1,5) (-10,1) (4)
ING 13,2 (-0,5) (-2,9) (-6,1) (22)
Intesa 3,2 (-0,1) (-1,3) (-7,6) (31)
SG 42,1 (0,1) (-2,6) (-11,1) (20)
Unicredito 5,8 (-0,6) (0,4) (-6,8) (9)

Large Spanish banks 87,2 (1,4) (-2) (-12,7) (-13)
Santander 5,1 (1,2) (-3,3) (-14) (-27)
BBVA 8 (1,5) (-1) (-11,8) (1)

Medium Spanish banks 86 (0,3) (-1,3) (-10,4) (-14)
Caixabank 3,5 (-1,3) (-4,2) (-10,1) (-19)
Popular 3,4 (0) (-3,7) (-14,1) (-18)
Sabadell 1,7 (0,6) (-0,8) (-14,3) (-16)
Bankinter 6,5 (1,1) (0,1) (-7,9) (-3)
Bankia 1,1 (0,9) (2) (-5,5) (-15)

Greek banks 26,3 (6,8) (1,5) (-4,1) (-74)
Alpha Bank0,2 (9,3) (12,5) (27,5) (-67)
Pireus Bank0,1 (8,2) (4,4) (-6,3) (-87)
National Central Bank0,6 (3,7) (-5,2) (-2,6) (-62)
Eurobank Ergasias0 (8,1) (-2,4) (-31) (-79)

Emerging Markets
Main equity indices
MSCI Latam 63117 (0,54) (0,8) (-1) (-5,5)
Ibovespa (Brazil) 48011 (1,4) (2,9) (1,7) (-4)
Mexbol 43270 (0) (1,2) (-1,6) (0,3)

MSCI EM Europe 4453 (0,3) (0,9) (-2) (0,5)
Poland 2182 (-0,2) (1,8) (0,4) (-5,8)
Micex (Russia) 1734 (1) (0,7) (1,5) (24,1)
Ise 100 (Turkey) 74149 (1,3) (3) (-3,6) (-13,5)

MSCI EM Asia 650 (-0,32) (2) (-5,6) (-9,6)
Shanghai Composite (China) 3152 (4,89) (-2,8) (-21,1) (-2,5)
Jakarta Composite (Indonesia) 4333 (-0,3) (-0,3) (-5,5) (-17)

Bank stocks
Turkish banks 74 (2,1) (1,8) (-6) (-25,8)
Akbank T.A.S. 7 (2,9) (4,1) (-3,1) (-21,7)
Garanti 7 (1,4) (0,4) (-6,5) (-24,7)
Turkiye Is Bankasi 5 (2) (0,6) (-8,6) (-30,9)

Russian banks 122 (1,3) (1,8) (2,4) (21,8)
Sberbank 77 (3,2) (3,5) (5,9) (40,8)
VTB Bank 0,1 (-1,2) (-0,4) (-2,1) (2,8)

Currencies *(in percentage, positive for dollar depreciation)*

Developed Markets
EURUSD 1,13 (0,23) (0,79) (2) (-6,7)
GBPUSD 1,55 (1,1) (0,94) (-0,5) (-0,5)
USDJPY 120,57 (-0,12) (-0,06) (3,1) (-0,7)
DXY 95,23 (0,4) (0,8) (1,6) (-5,5)

Emerging Markets
USDARS (Argentina) 9,37 (0) (-0,3) (-1,4) (-10,7)
USDBRL (Brazil) 3,83 (0,8) (-1,4) (-10,1) (-44,2)
USDCLP (Chile) 679,63 (0,8) (1,4) (1,5) (-12)
USDCOP (Colombia) 2998,13 (0,9) (3,7) (0) (-26,2)
USDMXN (Mexico) 16,56 (0,8) (1,6) (-0,8) (-12,3)
USDPEN (Peru) 3,21 (0,1) (0,5) (1,1) (-7,7)
LACI 67,01 (0,5) (0,5) (-3,3) (-18,5)

USDPLN (Poland) 3,71 (0,4) (1,2) (1,2) (-4,9)
USDRUB (Russia) 65,24 (2,3) (4,8) (0,4) (-12,9)
USDTRY (Turkey) 3 (1) (1,2) (-4,6) (-28,7)

USDCNY (China) 6,37 (0) (0,1) (0,4) (-2,6)
USDINR (India) 66,46 (-0,1) (-0,1) (-1,8) (-4,9)
USDIDR (Indonesia) 14459 (-0,4) (-1,4) (-4,6) (-16,7)
ADXY 107,65 (0,2) (0,7) (0,1) (-4,5)

Commodities *(change in percentage)*

Brent 49,41 (6) (3,8) (1,4) (-13,8)
WTx 46,28 (3,8) (4,8) (10,5) (-13,1)
Copper 244,15 (0,2) (0) (4,7) (-14)
Gold 1121,01 (1,4) (1,2) (0,3) (-5,2)
CRB Index 407,75 (0) (0,6) (-0,7) (-6,9)
CRB (food) index 360,94 (0) (1,6) (0) (-2,3)
Baltic Dry Index 802 (0) (-6,2) (-24,6) (2,6)

Source: Bloomberg, Datastream and Haver

*CDS, EMBI & MSCI indices with one day delay
**Credit spread (BAA) with two days delay

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