

Market Comment | Uncertainties over the global economic outlook still dragged risk assets

Global Financial Markets Unit
22 Sep 2015

- **Weak data in the US.** The US house price index rose more than expected in July (by 0.6% MoM; consensus: 0.4%). Meanwhile, the Richmond manufacturing index dropped unexpectedly in September (by 5 points to -5 points; consensus: 4 points).
- **Limited data in the Eurozone.** Eurozone consumer confidence dropped more than expected in August (by 0.2 points to -7.1; BBVAe: -6.8, consensus: -7.0).
- **Uncertainties over the global economic outlook still dragged risk assets today.** After yesterday's mild recovery in equities as well as a slight rebound in yields across the board, doubts about the global economic outlook hit global markets again today. The ongoing uncertainty is keeping the markets in risk-off mode and provoked an increase in the VIX (+17.4% to 23.64). Today's asset class performances also confirmed the increased risk-off sentiment: safe-haven yields were depressed globally (US 10Y: -7bp and GER 10Y: -9bp), widening peripheral risk premia (ITA 10Y: +4bp, SPA 10Y: +5bp, POR 10Y: +9bp), while equity indices dropped across the board (S&P: -1.8%, Eurostoxx: -3.6%, IBEX: -3.3%, CAC: -3.7%) in spite of the slight improvement in Chinese indices (Shanghai: +0.92%). In particular, the German DAX (-3.9%) was dragged down by the slump in Volkswagen shares, which fell 53% on the back of potential consequences of the emissions scandal. On the other hand, yesterday's hawkish comment from Fed's officials still supported the US dollar, which appreciated against developed currencies (EUR: -0.52%, GBP: -1.03%), and at a more intense pace against EM currencies (BRL: -1.8%, CLP: -2.1%, MXN: -1.3%, RUB: -0.9%, TRY: -0.8%). These currencies were also undermined by the negative dynamic in commodity prices, which also tracked the markets' pessimism about the global economic outlook, with cyclical commodities extending their declines (Brent: -1.9%, WTx: -2.9%, Copper: -4.2%).

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Table1

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

Fiber markets (Changes in bp)

Germany
 US 3yr 4.60 (3.52) (8) (1)
 US 5yr 4.44 (4.17) (1) (22)
 US 10yr 4.34 (3.71) (5) (63)
 Japan 10yr 0.71 (0.71) (0) (0)
 GER 3yr 2.27 (4.14) (2) (17)
 GER 5yr 2.02 (4.14) (8) (3)
 GER 10yr 1.41 (4.14) (8) (4)
 Belgium 10yr 0.91 (4.8) (14) (8)
 France 10yr 0.61 (4.8) (11) (8)
 Greece 10yr 0.20 (8) (4) (145)
 Korea 10yr 1.57 (4.8) (14) (8)
 MX 10yr 7.75 (5.4) (14) (14)
 Netherlands 10yr 0.24 (4.8) (8)
 Portugal 10yr 2.59 (8) (13) (18)
 Spain 10yr 1.61 (4.8) (18) (8)

Emerging Markets
 Brazil 10yr 10.36 (10) (1) (206) (206)
 Chile 10yr 4.05 (8) (2) (10) (8)
 Colombia 10yr 5.12 (10) (8) (16) (16)
 Mexico 10yr 4.01 (8) (14) (12) (18)
 Peru 10yr 7.42 (8) (8) (8) (8)
 Poland 10yr 2.81 (4) (2) (8) (2)
 Russia 10yr 8.14 (12) (1) (1) (1)
 Russia 10yr 11.81 (4) (2) (8) (198)
 Turkey 10yr 16.15 (10) (8) (8) (8)
 India 10yr 7.72 (14) (1) (1) (1)
 Indonesia 10yr 8.19 (12) (2) (2) (137)

Country risk (Changes in bp)

Top emerging economies (against Germany)
 Belgium 21 (1) (1) (1) (2)
 France 10 (1) (1) (1) (1)
 Greece 783 (8) (28) (196) (157)
 Korea 62 (1) (1) (1) (1)
 MX 148 (1) (1) (1) (1)
 Netherlands 18 (1) (1) (1) (1)
 Portugal 168 (1) (2) (1) (1)
 Spain 138 (1) (2) (1) (1)

Top emerging economies (against Germany)
 Belgium 12 (1) (1) (1) (1)
 France 13 (1) (1) (1) (1)
 Greece 1824 (8) (8) (8) (8)
 Korea 24 (2) (1) (1) (1)
 MX 41 (2) (1) (1) (1)
 Netherlands 11 (1) (1) (1) (1)
 Portugal 128 (1) (2) (1) (1)
 Spain 41 (2) (1) (1) (1)

Top emerging economies (against Germany)
 Belgium 7 (2) (1) (1) (1)
 France 8 (2) (1) (1) (1)
 Korea 15 (1) (1) (1) (1)
 MX 41 (2) (1) (1) (1)
 Netherlands 12 (1) (1) (1) (1)
 Portugal 81 (2) (1) (1) (1)
 Spain 41 (2) (1) (1) (1)

Top emerging economies (against Germany)
 Spain 41 (2) (1) (1) (1)
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Country risk
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 Spain 41 (2) (1) (1) (1)
 Spain 41 (2) (1) (1) (1)

Credit risk

US
 VIX 21.6 (1) (1) (1) (1)
 VIX30 32.1 (1) (1) (1) (1)
 EIA Crude Oil 21.6 (1) (1) (1) (1)
 Drought severity 1.1 (2) (2) (2) (2)
 EIA Crude Oil 21.6 (1) (1) (1) (1)
 Credit spread index 102.5 (1) (1) (1) (1)
 US bank volatility index 75 (1) (1) (1) (1)

Spain
 US bank CDS 90 (1) (1) (1) (1)
 EU bank CDS 90 (1) (1) (1) (1)
 US bank CDS 90 (1) (1) (1) (1)

Large Spanish banks CDS
 US bank CDS 90 (1) (1) (1) (1)
 EU bank CDS 90 (1) (1) (1) (1)
 US bank CDS 90 (1) (1) (1) (1)

Country risk (Changes in bp)
 US bank CDS 90 (1) (1) (1) (1)
 EU bank CDS 90 (1) (1) (1) (1)
 US bank CDS 90 (1) (1) (1) (1)

Interest rate markets (Changes in bp)

US
 US 3m spread 1m 11.02 (1) (1) (1) (1)
 US 6m spread 1m 32 (2) (2) (2) (2)
 US 12m spread 1m 34 (4) (4) (4) (4)
 US 3m spread 3m 16 (8) (8) (8) (8)
 US 6m spread 3m 17 (8) (8) (8) (8)
 US 12m spread 3m 34 (16) (16) (16) (16)
 Spain 3m spread 3m 6 (8) (8) (8) (8)
 UK bank index 45 (1) (1) (1) (1)
 Euro bank index 414 (8) (8) (8) (8)
 Euro bank index 315 (8) (8) (8) (8)

Stock markets (Changes in percentage)

Spain
 S&P500 1925.14 (2) (2) (2) (2)
 Nikkei 1807.52 (2) (2) (2) (2)
 FTSE 100 1807.52 (2) (2) (2) (2)
 Euro Stoxx 50 2069.12 (4) (4) (4) (4)
 MSCI EAFE 1234.56 (1) (1) (1) (1)
 DAX 1601.91 (1) (1) (1) (1)
 CAC40 1517.12 (1) (1) (1) (1)
 ASI 1927.72 (1) (1) (1) (1)
 ASI 1927.72 (1) (1) (1) (1)

Bank stocks
 US bank 90.31 (1) (1) (1) (1)
 JPM 48.51 (1) (1) (1) (1)
 Citi 32.11 (1) (1) (1) (1)
 BAC 31.12 (1) (1) (1) (1)
 WFC 32.11 (1) (1) (1) (1)
 GS 37.12 (1) (1) (1) (1)

EU bank
 HSBC 107.11 (1) (1) (1) (1)
 BNP 107.11 (1) (1) (1) (1)
 Santander 107.11 (1) (1) (1) (1)
 BBVA 107.11 (1) (1) (1) (1)

EU bank
 HSBC 107.11 (1) (1) (1) (1)
 BNP 107.11 (1) (1) (1) (1)
 Santander 107.11 (1) (1) (1) (1)
 BBVA 107.11 (1) (1) (1) (1)

EU bank
 HSBC 107.11 (1) (1) (1) (1)
 BNP 107.11 (1) (1) (1) (1)
 Santander 107.11 (1) (1) (1) (1)
 BBVA 107.11 (1) (1) (1) (1)

EU bank
 HSBC 107.11 (1) (1) (1) (1)
 BNP 107.11 (1) (1) (1) (1)
 Santander 107.11 (1) (1) (1) (1)
 BBVA 107.11 (1) (1) (1) (1)

EU bank
 HSBC 107.11 (1) (1) (1) (1)
 BNP 107.11 (1) (1) (1) (1)
 Santander 107.11 (1) (1) (1) (1)
 BBVA 107.11 (1) (1) (1) (1)

Commodity (for percentage, positive for dollar depreciation)

EU
 EURUSD 1.11 (1) (1) (1) (1)
 GBPUSD 1.51 (1) (1) (1) (1)
 USDJPY 102.51 (1) (1) (1) (1)
 DXY 96.3 (1) (1) (1) (1)

US
 US30 1925.14 (2) (2) (2) (2)
 US500 1925.14 (2) (2) (2) (2)
 US100 1925.14 (2) (2) (2) (2)
 US200 1925.14 (2) (2) (2) (2)

EU
 EURO50 1925.14 (2) (2) (2) (2)
 EURO100 1925.14 (2) (2) (2) (2)
 EURO200 1925.14 (2) (2) (2) (2)
 EURO300 1925.14 (2) (2) (2) (2)

EU
 EURO50 1925.14 (2) (2) (2) (2)
 EURO100 1925.14 (2) (2) (2) (2)
 EURO200 1925.14 (2) (2) (2) (2)
 EURO300 1925.14 (2) (2) (2) (2)

EU
 EURO50 1925.14 (2) (2) (2) (2)
 EURO100 1925.14 (2) (2) (2) (2)
 EURO200 1925.14 (2) (2) (2) (2)
 EURO300 1925.14 (2) (2) (2) (2)

Commodity (for percentage, positive for dollar depreciation)

EU
 EURUSD 1.11 (1) (1) (1) (1)
 GBPUSD 1.51 (1) (1) (1) (1)
 USDJPY 102.51 (1) (1) (1) (1)
 DXY 96.3 (1) (1) (1) (1)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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