

Market Comment | Equity markets rally across the board

Global Financial Markets Unit
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- **Disappointing data in the US.** The US Markit services PMI dropped unexpectedly in September (by 0.5 points to 55.1; consensus: 55.6), while the ISM non-manufacturing composite decreased more than estimated (by 2.1 points to 56.9; consensus: 57.5).
- **PMI moderation in Europe.** Eurozone composite and services PMIs dropped unexpectedly in September (by 0.3 points to 53.6 and 53.7 respectively; BBVAe and consensus: 53.9). By country, Germany's composite and services PMIs decreased against estimates of remaining unchanged (by 0.2 points to 54.1 for both; BBVAe and consensus: 54.3), whereas in France the composite PMI rose unexpectedly (by 0.5 points to 51.9; BBVAe and consensus: 51.4) and the services PMI also increased against expectations of remaining unchanged (by 0.7 to 51.9; BBVAe and consensus: 51.2). Meanwhile, the Spanish composite PMI dropped more than expected (by 4.2 points to 54.6; consensus: 58.0) and the services PMI also plunged more than estimated (by 4.5 points to 55.1; consensus: 58.7). In addition, Italy's composite PMI diminished more than estimated (by 1.6 points to 53.4; BBVAe: 54.0) and the services PMI also declined more than expected (by 1.3 points to 53.3; BBVAe and consensus: 54.1). On another front, eurozone retail sales in August remained unchanged, in line with estimates (BBVAe: -0.2% MoM, consensus: 0.0%).
- **Equity markets rally across the board** (S&P 500: +1.1% Euro Stoxx: +3.4%, IBEX-35: +3.7%, CAC: +3.7%, DAX: +2.9% MIB: +2.8%), although the economic data disappointed again in both Europe and US. Asian equity markets also rose today (Nikkei: +1.6%). Those sectors which have lately been hampered by the worsening of the global growth dynamic were the best performers today (Basic Resources, Telecom and Energy). In particular, the IBEX outperformed the rest of the European indices, probably on the back of the upward review of Spanish's rating. In the same vein, yields rose across the board after last Friday's generalised drop. Despite the abrupt fall in the probability that markets assign to a rate hike in December 2015 since last Friday, the US Treasury yield increased today (2Y: +2bp, 10Y: +3bps). In Europe, yields also rose but with mixed performance between the core and periphery. Core yields increased more strongly than peripherals (GER 10Y: +5bp, FRA 10Y: +5bp, ITA 10Y: +3bp, SPA 10Y: +3bp, POR 10Y: +2bp), slightly reducing the periphery risk premia. Meanwhile, emerging economies' yields dropped today, especially those of USD-denominated debt (Mexican (USD) 10Y: -8.6bp; Colombian (USD) 10Y: -7.6bp). On FX markets, the USD appreciated against other major currencies (EUR:-0.05%, JPY:-0.33%), while it depreciated against most EM currencies, especially against commodity-linked currencies (RUB: +2.6%, MXN: +0.4%, COP: +0.7%, CLP: +0.7%), which was heightened by today's rebound in commodity prices (Brent: +2.2%, WTI: +1.6%, copper: +1.9%).

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Table1

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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