

# Market Comment | European equity extended gains

Global Financial Markets Unit  
06 Oct 2015

- **The IMF downgrades its forecast for global growth.** In the latest World Economic Outlook, the fund sees "lower global growth compared to last year, with modest pick-up in advanced economies and a slowing in emerging markets, primarily reflecting weakness in some large emerging economies and oil-exporting countries." Moreover the fund emphasized that "downside risks to the world economy appear more pronounced than they did just a few months ago." Global growth for 2015 is projected at 3.1%, down 0.2% from its July forecast of 3.3% growth.
- **Disappointed trade deficit in the US.** The US trade balance deficit increased in August more than expected (by USD6.53bn to -USD48.33bn; consensus: -USD48.00bn). Weak factory orders data in Germany. German factory orders dropped unexpectedly in August (by -1.8% MoM; BBVAe: +0.8%, consensus: +0.5%) while in annual terms they rose less than expected (by +1.9% YoY; consensus: +5.6%)
- **European equity extended gains.** The release of worse-than-expected data in both the eurozone and the US was not enough to cause yesterday's relief market rally to lose steam in Europe, although the US markets are less firm today. Despite there being no news that could have improved the market's global economic outlook forecast, the sharp accumulated fall in risk assets could have contributed to increase their attractiveness to investors. Against this backdrop, European equity markets continued yesterday's increases, (at a slower pace) despite the doubts at the beginning of today's session (Euro Stoxx: +0.9%, IBEX-35: +1.2%, CAC: +1.0%, DAX: +1.0%). Asian markets also closed positively (Nikkei: +1.0%, while the Chinese indices remained closed). Nonetheless, the rally in US markets has halted today, and currently the S&P 500 is trading flat. On bond markets, the yield rebound continued in Europe (GER 10Y: +2bp, FRA 10Y: +2bp, ITA 10Y: +3bp SPA 10Y: +3bp and POR 10Y: +4bp due to Moody's warns on Portugal's election results on the back of the lack of a majority government) while the US treasuries remained broadly unchanged (10Y: -2bp). On FX markets, the USD depreciated against both other major currencies (EUR: +0.65%, JPY: +0.21%, GBP: +0.42%) and EM currencies (MXN: +0.7%, BRL: +1.7%, RUB: +1.2%, CLP: +0.5%, IDR: +1.8%). These last currencies have been underpinned by the recovery in some commodity prices (Brent: +3.8%, WTI: +3.3%, copper: +0.3%). The price of Brent crude is now above USD50/bbl (at USD51.12/bbl) for the first time after remaining for more than a month below that level.

Update 17.00 CET 06 October, 2015  
Table1

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

**Libor markets (changes in bp)**

**Overnight**  
 US 3m 0.8 (1) 0.6 (1) 0.7 (2)  
 US 6m 1.0 (1) 0.6 (1) 0.4 (2)  
 US 12m 1.5 (1) 0.5 (1) 0.8 (1)  
 Japan 3m 0.0 (2) 0.0 (1) 0.0 (0)  
**3m**  
 GER 3m 2.25 (1) 1.1 (1) 1.1 (1)  
 GER 6m 2.5 (1) 0.2 (1) 1.7 (3)  
 GER 12m 2.5 (1) 0.1 (1) 0.0 (0)  
**6m**  
 Belgium 10y 0.9 (2) 0.1 (1) 0.1 (0)  
 France 10y 0.7 (2) 0.2 (1) 0.1 (0)  
 Greece 10y 7.26 (4) 2.3 (1) 1.8 (1) 1.7 (0)  
 Ireland 10y 0.7 (1) 0.4 (1) 0.5 (1)  
 Italy 10y 1.4 (1) 0.1 (1) 0.1 (1) 0.2 (0)  
 Netherlands 10y 0.7 (1) 0.1 (1) 0.1 (0)  
 Portugal 10y 2.35 (1) 0.4 (1) 0.4 (1) 0.2 (4)  
 Spain 10y 1.0 (1) 0.4 (1) 0.2 (0) 0.2 (0)

**Energy**

Brent 10y 0.2 (1) 0.1 (1) 0.0 (1) 0.0 (0)  
 Crude 10y 0.4 (1) 0.1 (1) 0.1 (1) 0.1 (0)  
 Coal 10y 0.1 (1) 0.1 (1) 0.2 (1) 0.0 (1)  
 Gas 10y 0.3 (2) 0.1 (1) 0.1 (1) 0.1 (0)  
 Power 10y 7.4 (2) 0.1 (1) 0.1 (0) 0.0 (0)  
**Fixed 10y** 2.6 (1) 0.2 (1) 0.2 (1) 0.1 (1)  
 Russia 5y 1.1 (1) 0.2 (1) 0.1 (1) 0.1 (0)  
 Russia 10y 10.5 (2) 0.0 (1) 0.0 (1) 0.0 (1)  
 Turkey 10y 5.2 (1) 0.0 (1) 0.1 (1) 0.1 (0)  
**India 10y** 7.2 (1) 0.1 (1) 0.2 (1) 0.0 (0)  
**Indonesia 10y** 8.5 (3) 0.1 (1) 0.1 (1) 0.1 (0)

**Country risk (changes in bp)**

**Top economic growth (against Germany)**  
 Belgium 32 (2) 1 (1) 0 (2) 0 (1)  
 France 21 (2) 0 (1) 0 (1) 0 (1)  
 Greece 73 (4) 0 (1) 0 (1) 0 (1) 0 (1)  
 Ireland 36 (2) 0 (1) 0 (1) 0 (1)  
 Italy 110 (1) 0 (1) 0 (1) 0 (1)  
 Netherlands 18 (1) 0 (1) 0 (1) 0 (1)  
 Portugal 110 (2) 0 (1) 0 (1) 0 (1)  
 Spain 124 (1) 0 (1) 0 (1) 0 (1)

**Top economic growth (against Germany)**

Belgium 12 (1) 0 (1) 0 (1) 0 (1)  
 France 7 (1) 0 (1) 0 (1) 0 (1)  
 Greece 100 (4) 0 (1) 0 (1) 0 (1)  
 Ireland 32 (2) 0 (1) 0 (1) 0 (1)  
 Italy 101 (1) 0 (1) 0 (1) 0 (1)  
 Netherlands 18 (1) 0 (1) 0 (1) 0 (1)  
 Portugal 110 (2) 0 (1) 0 (1) 0 (1)  
 Spain 117 (1) 0 (1) 0 (1) 0 (1)

**Top economic growth (against Germany)**

Belgium 6 (1) 0 (1) 0 (1) 0 (1)  
 France 5 (1) 0 (1) 0 (1) 0 (1)  
 Greece 102 (4) 0 (1) 0 (1) 0 (1)  
 Ireland 32 (2) 0 (1) 0 (1) 0 (1)  
 Italy 101 (1) 0 (1) 0 (1) 0 (1)  
 Netherlands 18 (1) 0 (1) 0 (1) 0 (1)  
 Portugal 110 (2) 0 (1) 0 (1) 0 (1)  
 Spain 117 (1) 0 (1) 0 (1) 0 (1)

**Top economic growth (against Germany)**

Spr CDS Belgium 20 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS France 21 (2) 0 (1) 0 (1) 0 (1)  
 Spr CDS Germany 8 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Greece 190 (2) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Ireland 36 (2) 0 (1) 0 (1) 0 (1)  
 Spr CDS Italy 110 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Netherlands 18 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Portugal 110 (2) 0 (1) 0 (1) 0 (1)  
 Spr CDS Spain 104 (2) 0 (1) 0 (1) 0 (1)  
 Spr CDS UK 18 (2) 0 (1) 0 (1) 0 (1)  
 Spr CDS US 18 (1) 0 (1) 0 (1) 0 (1)

**Energy CDS**

Spr CDS Brent 407 (2) 1 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Crude 104 (2) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Coal 20 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Gas 170 (1) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Power 603 (1) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Russia 288 (2) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Turkey 288 (2) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS China 114 (1) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS India 188 (4) 0 (1) 0 (1) 0 (1) 0 (1)  
 Spr CDS Indonesia 238 (1) 0 (1) 0 (1) 0 (1) 0 (1)

**Country risk**

US 10y 0.2 (1) 0 (1) 0 (1) 0 (1)  
 VIX 10y 0.2 (1) 0 (1) 0 (1) 0 (1)  
 VIX 30d 0.2 (1) 0 (1) 0 (1) 0 (1)  
 EIA EPT energy price 2015 120 (1) 0 (1) 0 (1)  
 Daxcom volatility 8 (1) 0 (1) 0 (1) 0 (1) 0 (1)  
 Credit spread index 2015 0 (1) 0 (1) 0 (1) 0 (1)  
 Credit spread index 2016 0 (1) 0 (1) 0 (1) 0 (1)  
 US bank volatility index 77 (1) 0 (1) 0 (1) 0 (1)

**Index in changes in bp**

US bank CDS 30 (1) 0 (1) 0 (1) 0 (1)  
 EU bank CDS 95 (1) 0 (1) 0 (1) 0 (1)  
 US bank CDS 91 (1) 0 (1) 0 (1) 0 (1)  
**Large Spanish banks CDS** 138 (1) 0 (1) 0 (1) 0 (1)  
**Medium Spanish banks CDS** 160 (1) 0 (1) 0 (1) 0 (1)  
**Greek banks CDS** 238 (1) 0 (1) 0 (1) 0 (1)  
**Russian banks CDS** 477 (1) 0 (1) 0 (1) 0 (1)

**Commodity risk (changes in bp)**

US 10y 0.2 (1) 0 (1) 0 (1) 0 (1)  
 EU 10y 0.2 (1) 0 (1) 0 (1) 0 (1)  
 UK 10y 0.2 (1) 0 (1) 0 (1) 0 (1)

**Interest rate markets (changes in bp)**

US 10y spread 1m 10 (1) 0 (1) 0 (1) 0 (1)  
 US 10y spread 3m 31 (1) 0 (1) 0 (1) 0 (1)  
 US 10y spread 6m 30 (1) 0 (1) 0 (1) 0 (1)  
 US 10y spread 12m 33 (1) 0 (1) 0 (1) 0 (1)  
 US 10y spread 18m 33 (1) 0 (1) 0 (1) 0 (1)  
 US 10y spread 24m 33 (1) 0 (1) 0 (1) 0 (1)  
 Spain 10y spread 1m 4 (1) 0 (1) 0 (1) 0 (1)  
**FOIA Index** 0.14 (1) 0 (1) 0 (1) 0 (1)  
**London Im** 0.05 (1) 0 (1) 0 (1) 0 (1)  
**London 3m** 0.14 (1) 0 (1) 0 (1) 0 (1)  
**Libor 3m** 0.02 (1) 0 (1) 0 (1) 0 (1)  
**Libor 6m** 0.02 (1) 0 (1) 0 (1) 0 (1)

**Stock markets (changes in percentage)**

**Spain equity indices**  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)  
 SIF35 102.2 (1) 0 (1) 0 (1) 0 (1)

**Bank stocks**

US banks 11.2 (1) 0 (1) 0 (1) 0 (1)  
 JPM 41.4 (1) 0 (1) 0 (1) 0 (1)  
 Citi 31.4 (1) 0 (1) 0 (1) 0 (1)  
 BAC 31.7 (1) 0 (1) 0 (1) 0 (1)  
 MS 32.4 (1) 0 (1) 0 (1) 0 (1)  
 HS 35.1 (1) 0 (1) 0 (1) 0 (1)  
 US banks 10.5 (1) 0 (1) 0 (1) 0 (1)  
 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)  
 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)  
 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)  
 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)

**EU banks**

EU banks 11.6 (1) 0 (1) 0 (1) 0 (1)  
 BNP 18 (1) 0 (1) 0 (1) 0 (1)  
 Credit Agricole 11 (1) 0 (1) 0 (1) 0 (1)  
 Deutsche Bank 32 (1) 0 (1) 0 (1) 0 (1)  
 HS 132 (1) 0 (1) 0 (1) 0 (1)  
 Santander 44 (1) 0 (1) 0 (1) 0 (1)  
**Large Spanish banks** 16 (1) 0 (1) 0 (1) 0 (1)  
**Santander** 11 (1) 0 (1) 0 (1) 0 (1)  
**BBVA** 7 (1) 0 (1) 0 (1) 0 (1)  
**Wolfsburg Bank** 9 (1) 0 (1) 0 (1) 0 (1)  
**Caixa** 15 (1) 0 (1) 0 (1) 0 (1)  
**Industria** 15 (1) 0 (1) 0 (1) 0 (1)  
**Bankia** 1.2 (1) 0 (1) 0 (1) 0 (1)  
**Bankia** 1.2 (1) 0 (1) 0 (1) 0 (1)  
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 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)  
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 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)  
 HSB 120.4 (1) 0 (1) 0 (1) 0 (1)





\*CDS, EMBI & MSCI indices with one day delay

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

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