

# Market Comment | Bond markets await ECB meeting as commodity prices extend falls

Global Financial Markets Unit

21 Oct 2015

- **With no relevant macroeconomic news and the markets focusing on tomorrow's ECB meeting,** European yields dropped, offsetting yesterday's rise with the exception of Portuguese yields. (GER 10Y: -5bp, FRA 10Y: -7bp, ITA 10Y: -5bp, SPA 10Y: -6bp, POR 10Y: +3bp). The latter is pricing-in political uncertainty: a left-wing coalition may prevent the re-election of Passos Coelho (Social Democratic Party), the winner of the recent parliamentary election. Similarly, and on the back of neutral interventions by FOMC's members, the US yield curve also flattened (US 10Y: -4bp, US 2Y: -1bp). The slip back in interest rates helped developed equity markets to recover some gains today, especially in European indices which rose, led by the DAX (Euro Stoxx: +0.4%, DAX: +0.8%, IBEX-35: +0.4%, CAC: +0.4%) The US indices are broadly unchanged at the time of writing, despite the positive opening on the back of the better-than-expected quarterly results of some relevant companies. There was as mixed performance among Asian markets, where the Nikkei rose in spite of disappointing export prints, while the Shanghai index slumped, trimming some of the monthly gains (Nikkei: +1.9%, Shanghai: -3.06%). On another front, oil prices fell (Brent: -1.8%, WTI: -0.8%) on the back of the rise of 7 million barrels in the U.S. commercial crude stocks, according to the American Petroleum Institute's report. The figure is far from the market's expectations which had estimated an increase of only around 4 million barrels. This fact, along with the ongoing global concerns - that also affected other commodities (copper -1.2%) - hit the emerging currencies today (RUB: -1.3%, COP: -1.1%, BRL: -1.2%, MXN: -0.6%, CLP: -0.5%). The USD remained broadly unchanged against the other major currencies.

Update 17.00 CET 21 October, 2015

Table1

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

**Libor markets (Changes in bp)**

**3-month LIBOR**

US 3m 8.62 (4.7) (49.4)  
 US 6m 8.58 (4.6) (49.4)  
 US 12m 8.50 (4.4) (49.7)  
 Japan 3m 0.22 (0.0) (0.1)

GER 3m 2.26 (1.6) (2) (46)  
 GER 6m 2.03 (1.4) (2) (47)  
 GER 12m 1.87 (1.2) (1) (48)

Belgium 3m 8.88 (4.6) (1) (42) (5)  
 France 3m 8.87 (4.6) (1) (42) (5)  
 Greece 3m 7.72 (2) (2) (41) (28)  
 Ireland 3m 17.45 (2) (1)

Italy 3m 1.61 (1.5) (2) (28) (28)  
 Netherlands 3m 1.75 (1.5) (1) (28)  
 Portugal 3m 2.45 (1.7) (1) (1) (24)  
 Spain 3m 17.65 (1.6) (2) (14)

Switzerland 3m 8.87 (4.6) (1) (42) (5)  
 UK 3m 8.62 (4.7) (49.4)  
 Canada 3m 8.58 (4.6) (49.4)  
 Mexico 3m 8.50 (4.4) (49.7)  
 New Zealand 3m 8.50 (4.4) (49.7)

Poland 3m 2.72 (2) (2) (1) (17) (20)  
 Russia 3m 1.28 (1.4) (1) (1) (28)  
 Russia 3m 1.51 (1.5) (2) (1) (28)  
 Turkey 3m 15.21 (2) (2) (1) (14) (28)

India 3m 7.59 (1) (1) (1) (2) (28)  
 Indonesia 3m 8.5 (1) (1) (1) (2) (28)

**Country risk (Changes in bp)**

**3-year sovereign spreads (Against Germany)**

Belgium 21 (1) (2) (1) (2)  
 France 11 (1) (1) (1) (1)  
 Greece 718 (2) (2) (4) (206)  
 Ireland 6 (0) (0) (1) (1)

Italy 104 (0) (1) (1) (1) (2)  
 Netherlands 100 (1) (1) (1) (1) (2)  
 Portugal 188 (1) (1) (1) (1) (2)  
 Spain 118 (1) (1) (1) (1) (1)

Switzerland 12 (0) (0) (1) (2)  
 UK 19 (1) (1) (1) (1) (2)  
 Canada 185 (1) (1) (1) (1) (2)  
 Mexico 24 (1) (1) (1) (1) (2)  
 New Zealand 11 (1) (1) (1) (1) (2)

Poland 8 (0) (0) (1) (1) (2)  
 Russia 1 (0) (0) (1) (1) (2)  
 Russia 1 (0) (0) (1) (1) (2)  
 Turkey 158 (1) (1) (1) (1) (2)  
 India 27 (1) (1) (1) (1) (2)

**3-year sovereign spreads (Against Germany)**

Belgium 4 (0) (0) (1) (1) (2)  
 France 1 (0) (0) (1) (1) (2)  
 Greece 1 (0) (0) (1) (1) (2)  
 Ireland 1 (0) (0) (1) (1) (2)

Netherlands 1 (0) (0) (1) (1) (2)  
 Portugal 5 (0) (0) (1) (1) (2)  
 Spain 1 (0) (0) (1) (1) (2)

**3-year sovereign spreads (Against Germany)**

Spr CDS Belgium 26 (0) (0) (1) (1) (2)  
 Spr CDS France 21 (1) (1) (1) (1) (2)  
 Spr CDS Germany 4 (0) (0) (1) (1) (2)  
 Spr CDS Greece 1036 (40) (1) (1) (1) (2) (251)

Spr CDS Ireland 41 (1) (1) (1) (1) (2)  
 Spr CDS Italy 113 (1) (1) (1) (1) (2)  
 Spr CDS Netherlands 17 (0) (0) (1) (1) (2)  
 Spr CDS Portugal 170 (4) (1) (1) (1) (2) (130)  
 Spr CDS Spain 86 (1) (1) (1) (1) (2)  
 Spr CDS UK 17 (1) (1) (1) (1) (2)  
 Spr CDS US 21 (0) (0) (1) (1) (2)

**Country risk**

Spr CDS Baa1 477 (25) (24) (18) (27)  
 Spr CDS Aaa 132 (1) (1) (1) (1) (2)  
 Spr CDS Caa3 25 (1) (1) (1) (1) (2)  
 Spr CDS Caa2 19 (1) (1) (1) (1) (2)  
 Spr CDS Caa1 179 (1) (1) (1) (1) (2)  
 Spr CDS Vowc 193 (20) (1) (1) (1) (2) (84)

Spr CDS Paa 171 (1) (1) (1) (1) (2)  
 Spr CDS Baa2 205 (2) (2) (1) (1) (2) (143)  
 Spr CDS Turkey 258 (2) (2) (1) (1) (2) (17)

Spr CDS China 108 (1) (1) (1) (1) (2)  
 Spr CDS India 108 (1) (1) (1) (1) (2)  
 Spr CDS Indonesia 227 (1) (1) (1) (1) (2) (80)

**Country risk**

US 11.16 (1.14) (1.4) (2) (1) (1)  
 VIX 17.00 (1.8) (1.3) (1) (1) (1)  
 EIA Crude Oil 20 (1) (1) (1) (1) (1)  
 Daxcommodity 4.1 (1) (1) (1) (1) (1)  
 EIA Natural Gas 11 (1) (1) (1) (1) (1)  
 Credit Default Swaps 102 (1) (1) (1) (1) (1) (1)  
 US Bank Volatility Index 71 (1) (1) (1) (1) (1)

**Index and changes in bp**

US Bank CDS 30 (1) (1) (1) (1) (2)  
 EU Bank CDS 36 (1) (1) (1) (1) (2)  
 US Bank CDS 30 (1) (1) (1) (1) (2)

Large Spanish banks CDS 121 (1) (1) (1) (1) (2)  
 Midsize Spanish banks CDS 165 (1) (1) (1) (1) (2)  
 Greek banks CDS 2482 (1) (1) (1) (1) (2) (171)  
 Russian banks CDS 416 (1) (1) (1) (1) (2) (171)

**Country risk (Changes in bp)**

US Non-Financial CDS 9 (0) (0) (1) (1) (2)  
 EU Non-Financial CDS 9 (0) (0) (1) (1) (2)  
 UK Non-Financial CDS 9 (0) (0) (1) (1) (2)

**Interbank markets (Changes in bp)**

US 3m spread 3m 15 (0) (0) (1) (1) (2)  
 US 6m spread 3m 31 (0) (0) (1) (1) (2)  
 US 12m spread 3m 39 (0) (0) (1) (1) (2)

US 3m spread 3m 15 (0) (0) (1) (1) (2)  
 US 6m spread 3m 31 (0) (0) (1) (1) (2)  
 US 12m spread 3m 39 (0) (0) (1) (1) (2)

Spain 3m spread 3m 4 (1) (1) (1) (1) (2)  
 ERMBA Index 1.14 (0) (0) (1) (1) (2)  
 Eurobar Index 1.05 (0) (0) (1) (1) (2)  
 Eurobar Index 1.13 (0) (0) (1) (1) (2)

**Libor Cdn**

Libor Cdn 0.52 (0) (0) (1) (1) (2)  
 Libor Cdn 0.52 (0) (0) (1) (1) (2)

**Stock markets (Changes in percentage)**

US S&P 500 10.00 (1.0) (1.0) (1.0) (1.0)  
 Dow Jones 10.00 (1.0) (1.0) (1.0) (1.0)  
 Nikkei 10.00 (1.0) (1.0) (1.0) (1.0)  
 FTSE 100 10.00 (1.0) (1.0) (1.0) (1.0)  
 Euro Stoxx 50 10.00 (1.0) (1.0) (1.0) (1.0)  
 DAX 10.00 (1.0) (1.0) (1.0) (1.0)  
 CAC 40 10.00 (1.0) (1.0) (1.0) (1.0)  
 ASI 10.00 (1.0) (1.0) (1.0) (1.0)  
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Bank stocks  
 US banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 JPM 10.00 (1.0) (1.0) (1.0) (1.0)  
 Citi 10.00 (1.0) (1.0) (1.0) (1.0)  
 BAC 10.00 (1.0) (1.0) (1.0) (1.0)  
 WFC 10.00 (1.0) (1.0) (1.0) (1.0)  
 GS 10.00 (1.0) (1.0) (1.0) (1.0)

US banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 HSBC 10.00 (1.0) (1.0) (1.0) (1.0)  
 Citigroup 10.00 (1.0) (1.0) (1.0) (1.0)  
 Bank of America 10.00 (1.0) (1.0) (1.0) (1.0)  
 Wells Fargo 10.00 (1.0) (1.0) (1.0) (1.0)

EU banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 BNP 10.00 (1.0) (1.0) (1.0) (1.0)  
 Credit Agricole 10.00 (1.0) (1.0) (1.0) (1.0)  
 Deutsche Bank 10.00 (1.0) (1.0) (1.0) (1.0)  
 ING 10.00 (1.0) (1.0) (1.0) (1.0)  
 Santander 10.00 (1.0) (1.0) (1.0) (1.0)

Large Spanish banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 Santander 10.00 (1.0) (1.0) (1.0) (1.0)  
 BBVA 10.00 (1.0) (1.0) (1.0) (1.0)

Midsize Spanish banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 Popular 10.00 (1.0) (1.0) (1.0) (1.0)  
 Caixabank 10.00 (1.0) (1.0) (1.0) (1.0)  
 Bankia 10.00 (1.0) (1.0) (1.0) (1.0)

Greek banks 10.00 (1.0) (1.0) (1.0) (1.0)  
 Alpha Bank 10.00 (1.0) (1.0) (1.0) (1.0)  
 Piraeus Bank 10.00 (1.0) (1.0) (1.0) (1.0)  
 Eurobank Ergasias 10.00 (1.0) (1.0) (1.0) (1.0)

**Country risk**

US 10.00 (1.0) (1.0) (1.0) (1.0)  
 WSCI Index 10.00 (1.0) (1.0) (1.0) (1.0)  
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**Country risk (Changes in percentage)**

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 GBR 10.00 (1.0) (1.0) (1.0) (1.0)  
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\*CDS, EMBI & MSCI indices with one day delay

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

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