

Market Comment | Global markets surge as the ECB hints at further stimuli

Global Financial Markets Unit
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- **The ECB hints at further stimuli.** The European Central Bank left the monetary policy unchanged as expected, but said that “degree of monetary policy accommodation will be re-examined in December”, increasing expectations of further stimuli. It highlighted that it is in a ‘work and assess’ mood instead of a ‘wait and see’ mood. In particular, Mr. Draghi stated that the governing council had “a very rich discussion” and was “open to a whole menu of monetary policy instruments”. Moreover, he said that some members wanted to act at today’s meeting. Mr Draghi left open a wide range of possible measures and did not disclose any preferences as to type, size or composition.
- **Mixed data in the US.** US jobless claims rose less than estimated in the week ended 17 October (by 3K to 259K; consensus: 265K). Meanwhile, the leading economic indicator index dropped in September more than expected (by -0.2% MoM; consensus: -0.1%). On another front, existing home sales increased more than estimates (by 0.25 to 5.55millions; consensus: 5.39), while the FHFA house price index increased in August by 0.3% MoM. In addition, the Chicago Fed national activity index rose in September less than estimated (by 0.2 to -0.37; consensus: -0.20).
- **Disappointing confidence data in the eurozone.** Eurozone consumer confidence decreased in October more than expected (by -0.6 points to -7.7; BBVAe: -7.6; consensus: -7.4). Meanwhile, French manufacturing confidence dropped in October unexpectedly (by 1 point to 103; BBVAe: 104 consensus: 103). On another front, Spain’s Labour Force Survey data for 3Q15 were positive, but indicate a deceleration of the pace of improvement of the labour market by comparison with 3H15. The increase in employment and the drop in active population gave rise to a significant reduction in the unemployment rate, down to 21.2% (BBVAe: 21.6% consensus: 21.9%). ([see](#))
- **Global markets surged at the rising possibility of further stimulus by the ECB.** The unexpectedly dovish tone of today’s ECB meeting dragged both the European bond yields and the euro lower, boosting risk assets across the board, especially among European equities. Against this backdrop, European yields dropped sharply today, especially in the periphery (GER 10Y: -6bp, FRA 10Y: -8bp, ITA: -12bp, SPA: -12bp, POR: -9bp), narrowing the peripheral risk premia (ITA 10Y: -6bp, SPA 10Y: -6bp, POR 10Y: -3bp) on the back of further stimulus. Furthermore, the Italian and the Spanish 2Y yields returned to negative levels (to -0.02% Spain and to -0.01%) Meanwhile, the US treasury yields remained broadly unchanged at the time of writing, despite of the postponement of a 2Y UST auction due to debt ceiling constraints. In a coherent movement, equity markets rose across the board, led by European indices which were also helped by the ECB meeting (Euro Stoxx: +2.4%, DAX: +2.4%, IBEX-35: +1.9%, CAC: +2.2%). The optimism in Europe also spread to the US (S&P 500: +1.1%). On FX markets, the euro depreciated against other major currencies (USD: +1.63%, GBP: +1.60%, JPY: +1.24%). EM currencies that are most linked to commodity prices appreciated against the USD (RUB: +0.5%, MXN:

+0.6%, COP: +0.9%, CLP: +0.3%, TRY: +0.7%), helped by the slight increases on commodity markets (Brent: +0.8%, WTI: +0.7%, copper: +1.7%).

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Table1

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

Index markets (changes in bpt)

US Dow 8 (2) (4) (7)
US S&P 1 (1) (4) (13)
US NYSE 2 (0) (2) (-10) (-4)

Asia Nikkei 3 (1) (-1) (-2) (-1) (-2)
CSI 2 (2) (-1) (-1) (-1) (-1) (-2)
OS S&P -2 (0) (-1) (-1) (-1) (-1)
DAX 1 (0) (-1) (-1) (-1) (-1)

Belgium 1 (0) (-1) (-1) (-1) (-1)
France 1 (0) (-1) (-1) (-1) (-1)
Germany 1 (0) (-1) (-1) (-1) (-1)
Japan 1 (0) (-1) (-1) (-1) (-1)
Korea 1 (0) (-1) (-1) (-1) (-1)
Netherlands 1 (0) (-1) (-1) (-1) (-1)
Portugal 1 (0) (-1) (-1) (-1) (-1)
Spain 1 (0) (-1) (-1) (-1) (-1)

Emerging Markets
Brazil 1 (0) (-1) (-1) (-1) (-1)
China 1 (0) (-1) (-1) (-1) (-1)
Columbia 1 (0) (-1) (-1) (-1) (-1)
Mexico 1 (0) (-1) (-1) (-1) (-1)
Peru 1 (0) (-1) (-1) (-1) (-1)

Poland 1 (0) (-1) (-1) (-1) (-1)
Russia 1 (0) (-1) (-1) (-1) (-1)
Turkey 1 (0) (-1) (-1) (-1) (-1)
India 1 (0) (-1) (-1) (-1) (-1)
Indonesia 1 (0) (-1) (-1) (-1) (-1)

Country risk (changes in bpt)

15 yr sovereign spreads (against Germany)
Belgium 21 (2) (4) (7)
France 21 (2) (4) (7)
Germany 21 (2) (4) (7)
Italy 18 (2) (3) (5)
Japan 18 (2) (3) (5)
Netherlands 17 (2) (3) (5)
Portugal 18 (2) (3) (5)
Spain 17 (2) (3) (5)

5 yr sovereign spreads (against Germany)
Belgium 12 (0) (2) (4)
France 12 (0) (2) (4)
Germany 12 (0) (2) (4)
Italy 15 (1) (3) (5)
Japan 15 (1) (3) (5)
Netherlands 14 (0) (2) (4)
Portugal 15 (1) (3) (5)
Spain 14 (0) (2) (4)

3 yr sovereign spreads (against Germany)
Belgium 9 (0) (1) (2)
France 9 (0) (1) (2)
Germany 9 (0) (1) (2)
Italy 12 (0) (2) (4)
Japan 12 (0) (2) (4)
Netherlands 11 (0) (2) (3)
Portugal 12 (0) (2) (4)
Spain 11 (0) (2) (3)

Sovereign CDS
5 yr CDS Belgium 34 (0) (4) (7)
5 yr CDS France 34 (0) (4) (7)
5 yr CDS Germany 34 (0) (4) (7)
5 yr CDS Greece 101 (5) (12) (19)
5 yr CDS Ireland 49 (0) (8) (12)
5 yr CDS Italy 113 (6) (14) (22)
5 yr CDS Netherlands 31 (0) (6) (10)
5 yr CDS Portugal 31 (0) (6) (10)
5 yr CDS Spain 31 (0) (6) (10)
5 yr CDS UK 21 (0) (4) (7)
5 yr CDS US 21 (0) (4) (7)

Emerging Markets
5 yr sovereign CDS
5 yr CDS Brazil 46 (7) (12) (17)
5 yr CDS China 31 (4) (8) (12)
5 yr CDS Columbia 44 (8) (16)
5 yr CDS Mexico 101 (5) (12) (19)
5 yr CDS Peru 71 (11) (17)
5 yr CDS Venezuela 153 (27) (54) (102)

5 yr CDS Poland 41 (8) (14)
5 yr CDS Russia 202 (32) (60) (87)
5 yr CDS Turkey 202 (32) (60) (87)
5 yr CDS China 108 (20) (36) (52)
5 yr CDS India 108 (20) (36) (52)
5 yr CDS Indonesia 225 (37) (65) (92)

Credit risk

10 yr BBB+ to BBB- changes in percentage since 2007
VIX 15 (1) (2) (3) (4)
VIX20 20 (2) (3) (4) (5)
EIA EFT energy price 21 (2) (4) (6) (8)
Duffield energy 21 (2) (4) (6) (8)
EIA FT commodity 21 (2) (4) (6) (8)
Credit spread Brazil 153 (27) (54) (102)
US bank credit yield 75 (12) (24) (36)

Bank risk (changes in bpt)
US banks CDS 85 (1) (2) (3)
EU banks CDS 85 (1) (2) (3)
UK banks CDS 85 (1) (2) (3)
Large Spanish banks CDS 116 (2) (3) (4)
Medium Spanish banks CDS 116 (2) (3) (4)

Other banks CDS 246 (5) (10) (15)
Russian banks CDS 409 (7) (14) (21)
Croatian risk (changes in bpt)
US Non-Bank CDS 5 (0) (1) (2)
UK Non-Bank CDS 5 (0) (1) (2)

Interbank markets (changes in bpt)

US Fed overnight 12 (1) (2) (3)
US Fed reserve 12 (1) (2) (3)
EU 12 (1) (2) (3)
US 12 (1) (2) (3)
US 12 (1) (2) (3)
US 12 (1) (2) (3)

Spain Fed Spread 6 (2) (4) (8)
EONIA index 4 (4) (8) (12)
EONIA index 4 (4) (8) (12)
Euro12h 4 (4) (8) (12)
Euro12h 4 (4) (8) (12)

Libor 3m 6 (2) (12) (18)
Libor 12m 6 (2) (12) (18)
Stock markets (Change in percentage)

Main equity indices
S&P500 2 (0) (1) (2) (3)
Dow Jones 2 (0) (1) (2) (3)
Nikkei 2 (0) (1) (2) (3)
FTSE 100 2 (0) (1) (2) (3)
Euronext 2 (0) (1) (2) (3)
BSE 2 (0) (1) (2) (3)
CAC40 2 (0) (1) (2) (3)
IBEX 2 (0) (1) (2) (3)
ASX 2 (0) (1) (2) (3)

US banks 102 (1) (1) (2) (3)
JPY 102 (1) (1) (2) (3)
CHF 102 (1) (1) (2) (3)
BRL 102 (1) (1) (2) (3)
USD 102 (1) (1) (2) (3)
GBP 102 (1) (1) (2) (3)
EUR 102 (1) (1) (2) (3)
HKD 102 (1) (1) (2) (3)

UK banks 102 (1) (1) (2) (3)
MSCI 102 (1) (1) (2) (3)
RUS 102 (1) (1) (2) (3)
BANKIA 102 (1) (1) (2) (3)
LLOYD 102 (1) (1) (2) (3)
Eiffel 102 (1) (1) (2) (3)
BHP 102 (1) (1) (2) (3)
Chek Agri 102 (1) (1) (2) (3)
Alcoa 102 (1) (1) (2) (3)
Rio 102 (1) (1) (2) (3)
Ineos 102 (1) (1) (2) (3)
SQ 102 (1) (1) (2) (3)
Unilever 102 (1) (1) (2) (3)

Large Spanish banks 102 (1) (1) (2) (3)
Santander 102 (1) (1) (2) (3)
BBVA 102 (1) (1) (2) (3)
Medium Spanish banks 102 (1) (1) (2) (3)
CaixaBank 102 (1) (1) (2) (3)
Prufer 102 (1) (1) (2) (3)
Sabadell 102 (1) (1) (2) (3)
Bancoit 102 (1) (1) (2) (3)
Bankia 102 (1) (1) (2) (3)

Other banks 102 (1) (1) (2) (3)
Ames Bank 102 (1) (1) (2) (3)
Ames Bank 102 (1) (1) (2) (3)
Ames Bank 102 (1) (1) (2) (3)
Ames Bank 102 (1) (1) (2) (3)
Ames Bank 102 (1) (1) (2) (3)

US banks 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)

Bank stocks
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)

US banks 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
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Bank stocks
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
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Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)
Japan 102 (1) (1) (2) (3)

US banks 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)
MSCI Europe 102 (1) (1) (2) (3)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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