

# Market Comment | Cautious mood in markets amid fears after the attacks in Paris

Global Financial Markets Unit  
16 Nov 2015

- **US Empire State manufacturing index rose less than expected** (by 0.62 points to -10.74; consensus: -6.5).
- **Eurozone CPI final data improve slightly.** Eurozone CPI rose in October against estimates of remaining unchanged (by +0.1% YoY; BBVAe and consensus: 0.0%), while CPI core also rose unexpectedly (by 1.1% YoY; BBVAe and consensus: 1.0%).
- **ECB's Vitor Constancio reiterated that in December the ECB will assess whether the monetary policy is still appropriate.** He said that "The next Eurosystem staff forecast, due in December, will help the Governing Council re-examine whether the current degree of monetary accommodation remains appropriate." Moreover, he said, "Headline inflation is again at zero and core inflation has not consolidated a more positive development, which points to the need to reassess our policy stance in order to achieve our goals by 2017". Besides, **Yves Mersch says that the ECB has not decided yet on further measures.** Executive Board member Mersch said that "We will examine the effects of measures taken so far and decide if there is a need for further action or not". He particularly said that experts "are studying all the options. It is possible that their work could lead to recommendations being made. However, the Governing Council is independent and has sole authority". He clarified that "Nothing has been decided on! The discussion will take place within the Governing Council, not in the public arena."
- **Negative GDP data in Japan.** Japan GDP fell in the 3Q15 more than expected (by -0.8% QoQ annualised; consensus: -0.2%); with this second consecutive quarterly decrease, the Japanese economy remains in a technical recession. The fall in the GDP was driven mainly by the negative contribution from corporate investment on the back of doubts concerning the external environment (-5.0% QoQ annualised).
- **Cautious mood in markets amid fears after the attacks in Paris.** Concerns about the threat of terrorism increased the caution in financial markets. Although both risk assets and safe-haven bonds remained broadly flat today, other safe-haven assets such as gold have increased in price while travel and leisure stocks have declined. The geopolitical uncertainty has also had an impact on oil prices, which increased early this morning after last night's French raids on against oil deposits under ISIS control. Nonetheless, the expectations of a rise in the US oil stocks reduced this effect. Against this backdrop, equity markets remained broadly unchanged in both US and European indices, despite doubts in the early trading session (S&P 500: +0.3%, Euro Stoxx: +0.1%, IBEX-35: 0%, CAC: -0.1%, DAX: +0.1%). The Airlines and Tourism sectors were the worst performers, given the fear of further attacks. On Asian markets, the Nikkei dropped (-1.0%) due to the worse-than-expected GDP data. On another front, US treasury and European safe-haven yields decreased slightly (10Y: -1bp, GER 10Y: -2bp, FRA 10Y: -1bp), while peripheral yields showed a mixed performance (ITA 10Y: +2bp, SPA 10Y: +2bp, POR 10Y: -7bp). On FX markets, the USD appreciated against other major currencies after last week's consolidation

(EUR: -0.49%, GBP: -0.24%, JPY: -0.38%). EM currencies were mixed (BRL: +0.4%, RUB: +0.3%, TRY: -0.5%, MXN: -0.6%, CLP: -1.1%), while commodity prices continued last week's downwards trend (Brent: -0.2%, WTI: -1.3% and copper: -2.5%).

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Table 1

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

**Debt markets (changes in bp)**

*US Treasury*

US 2yr	0.84 (1)(1)(24)(18)
US 5yr	1.64 (1)(1)(31)(21)
US 10yr	2.28 (1)(1)(41)(24)(9)

*Japan*

Japan 10yr	0.3 (0)(1)(2)(1)(2)(1)(2)
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*Germany*

GER 2yr	0.37 (0)(1)(1)(1)(1)(2)(1)
GER 5yr	0.11 (1)(1)(1)(1)(1)(1)(1)
GER 10yr	0.54 (1)(1)(1)(1)(1)(1)(1)

*France*

France 10yr	0.82 (1)(1)(1)(1)(1)(1)(1)
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*Italy*

Italy 10yr	0.86 (1)(1)(1)(1)(1)(1)(1)
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*Spain*

Spain 10yr	1.34 (0)(1)(1)(1)(1)(1)(1)
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*UK*

UK 10yr	0.88 (1)(1)(1)(1)(1)(1)(1)
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*India*

India 10yr	2.68 (1)(1)(1)(1)(1)(1)(1)
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*China*

China 10yr	2.68 (1)(1)(1)(1)(1)(1)(1)
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*South Korea*

South Korea 10yr	2.68 (1)(1)(1)(1)(1)(1)(1)
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*Indonesia*

Indonesia 10yr	2.68 (1)(1)(1)(1)(1)(1)(1)
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*Turkey*

Turkey 10yr	8.66 (1)(1)(1)(1)(1)(1)(1)
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*Other*

Other 10yr	2.68 (1)(1)(1)(1)(1)(1)(1)
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**Country risk (changes in bp)**

*1yr sovereign spreads (against Germany)*

Belgium	29 (1)(1)(1)(1)(1)
France	32 (1)(1)(1)(1)(1)
Greece	102 (1)(1)(1)(1)(1)(1)(1)
Ireland	31 (1)(1)(1)(1)(1)
Italy	31 (1)(1)(1)(1)(1)
Netherlands	17 (0)(1)(1)(1)(1)(1)
Portugal	213 (1)(1)(1)(1)(1)(1)(1)
Spain	127 (1)(1)(1)(1)(1)

*5yr sovereign spreads (against Germany)*

Belgium	11 (0)(1)(1)(1)(1)
France	10 (0)(1)(1)(1)(1)
Greece	101 (1)(1)(1)(1)(1)(1)(1)
Ireland	31 (1)(1)(1)(1)(1)
Italy	27 (1)(1)(1)(1)(1)
Netherlands	7 (0)(1)(1)(1)(1)(1)
Portugal	151 (1)(1)(1)(1)(1)(1)(1)
Spain	71 (1)(1)(1)(1)(1)

*1yr sovereign spreads (against Germany)*

Belgium	7 (0)(1)(1)(1)(1)
France	7 (0)(1)(1)(1)(1)
Greece	91 (1)(1)(1)(1)(1)(1)(1)
Ireland	31 (1)(1)(1)(1)(1)
Italy	28 (0)(1)(1)(1)(1)
Netherlands	7 (0)(1)(1)(1)(1)(1)
Portugal	151 (1)(1)(1)(1)(1)(1)(1)
Spain	31 (1)(1)(1)(1)(1)

*1yr sovereign CDS*

EUR CDS Belgium	14 (1)(1)(1)(1)(1)
EUR CDS France	20 (0)(1)(1)(1)(1)
EUR CDS Germany	0 (0)(1)(1)(1)(1)(1)
EUR CDS Greece	102 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Ireland	31 (1)(1)(1)(1)(1)
EUR CDS Italy	31 (1)(1)(1)(1)(1)
EUR CDS Netherlands	17 (0)(1)(1)(1)(1)(1)
EUR CDS Portugal	213 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Spain	127 (1)(1)(1)(1)(1)
EUR CDS US	10 (0)(1)(1)(1)(1)

*5yr sovereign CDS*

EUR CDS Belgium	420 (1)(1)(1)(1)(1)(1)(1)
EUR CDS France	132 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Germany	22 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Greece	102 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Ireland	31 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Italy	27 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Netherlands	7 (0)(1)(1)(1)(1)(1)(1)
EUR CDS Portugal	151 (1)(1)(1)(1)(1)(1)(1)
EUR CDS Spain	127 (1)(1)(1)(1)(1)(1)(1)
EUR CDS US	21 (0)(1)(1)(1)(1)

**Commodities**

*Oil (WTI)*

WTI	70.1 (1)(1)(1)(1)(1)(1)(1)
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*Gold*

Gold	1200 (1)(1)(1)(1)(1)(1)(1)
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*US Treasury*

US 2yr	0.84 (1)(1)(1)(1)(1)(1)(1)
US 5yr	1.64 (1)(1)(1)(1)(1)(1)(1)
US 10yr	2.28 (1)(1)(1)(1)(1)(1)(1)

*Other*

Other	2.68 (1)(1)(1)(1)(1)(1)(1)
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**Stock markets (Change in percentage)**

*US*

S&P 500	2.01 (1)(1)(1)(1)(1)(1)(1)
Dow Jones	1.72 (1)(1)(1)(1)(1)(1)(1)
NASDAQ	2.12 (1)(1)(1)(1)(1)(1)(1)
FTSE 100	0.5 (1)(1)(1)(1)(1)(1)(1)
Euro Stoxx 50	1.8 (1)(1)(1)(1)(1)(1)(1)
MSCI World	1.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Emerging	1.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Asia	1.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Europe	1.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Africa	1.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Latin America	1.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Middle East	1.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	1.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	1.8 (1)(1)(1)(1)(1)(1)(1)
MSCI India	1.9 (1)(1)(1)(1)(1)(1)(1)
MSCI China	2.0 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	2.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	2.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	2.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	2.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	2.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	2.6 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	2.7 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	2.8 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	2.9 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	3.0 (1)(1)(1)(1)(1)(1)(1)
MSCI India	3.1 (1)(1)(1)(1)(1)(1)(1)
MSCI China	3.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	3.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	3.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	3.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	3.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	3.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	3.8 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	3.9 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	4.0 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	4.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	4.2 (1)(1)(1)(1)(1)(1)(1)
MSCI India	4.3 (1)(1)(1)(1)(1)(1)(1)
MSCI China	4.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	4.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	4.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	4.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	4.8 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	4.9 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	5.0 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	5.1 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	5.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	5.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	5.4 (1)(1)(1)(1)(1)(1)(1)
MSCI India	5.5 (1)(1)(1)(1)(1)(1)(1)
MSCI China	5.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	5.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	5.8 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	5.9 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	6.0 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	6.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	6.2 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	6.3 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	6.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	6.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	6.6 (1)(1)(1)(1)(1)(1)(1)
MSCI India	6.7 (1)(1)(1)(1)(1)(1)(1)
MSCI China	6.8 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	6.9 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	7.0 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	7.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	7.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	7.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	7.4 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	7.5 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	7.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	7.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	7.8 (1)(1)(1)(1)(1)(1)(1)
MSCI India	7.9 (1)(1)(1)(1)(1)(1)(1)
MSCI China	8.0 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	8.1 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	8.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	8.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	8.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	8.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	8.6 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	8.7 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	8.8 (1)(1)(1)(1)(1)(1)(1)
MSCI Russia	8.9 (1)(1)(1)(1)(1)(1)(1)
MSCI Turkey	9.0 (1)(1)(1)(1)(1)(1)(1)
MSCI India	9.1 (1)(1)(1)(1)(1)(1)(1)
MSCI China	9.2 (1)(1)(1)(1)(1)(1)(1)
MSCI Brazil	9.3 (1)(1)(1)(1)(1)(1)(1)
MSCI Mexico	9.4 (1)(1)(1)(1)(1)(1)(1)
MSCI Korea	9.5 (1)(1)(1)(1)(1)(1)(1)
MSCI Japan	9.6 (1)(1)(1)(1)(1)(1)(1)
MSCI Australia	9.7 (1)(1)(1)(1)(1)(1)(1)
MSCI Canada	9.8 (1)(1)(1)(1)(1)(1)(1)
MSCI New Zealand	9.9 (1)(1)(1)(1)(1)(1)(1)
MSCI South Africa	10.0 (1)(1)(1)(1)(1)(1)(1)

**Commodities (in percentage, positive for dollar depreciation)**

*US*

WTI	0.1 (1)(1)(1)(1)(1)(1)(1)
Gold	0.2 (1)(1)(1)(1)(1)(1)(1)
US 2yr	0.3 (1)(1)(1)(1)(1)(1)(1)
US 5yr	0.4 (1)(1)(1)(1)(1)(1)(1)
US 10yr	0.5 (1)(1)(1)(1)(1)(1)(1)

*Other*

Other	0.6 (1)(1)(1)(1)(1)(1)(1)
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\*CDS, EMBI & MSCI indices with one day delay

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

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