

Market Comment | European equity indices lead today's gains

Global Financial Markets Unit
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- **Mixed data in the US.** US CPI rose 0.2% in October and was a positive surprise against the consensus forecasts (consensus: +0.1% YoY), while ex-food and energy it rose in line with estimates (by 1.9% YoY; consensus: 1.9%). On another front, industrial production showed a slight downturn in October and decreased 0.2% MoM (consensus: 0.1% MoM).
- **Improving expectations in Germany.** Germany's ZEW survey expectations surged in November more than estimated (by 10.4 points to 1.9; BBVAe: +3.0, consensus: +6.0 points), while the ZEW survey current situation figure dropped more than consensus expectations but less than ours (by 54.4 points to 55.2; BBVAe 50.0; consensus: 55.2 points). According to the poll, the further easing measures hinted at by the ECB at the October meeting could have underpinned the analysts' and economists' expectations for the next six months, caused (among other factors) by the euro's depreciation.
- **ECB's Praet sees a possible de-anchoring of inflation expectations.** Executive Board member Peter Praet said, "There are risks and this is why we're considering further action. A possible de-anchoring of inflation expectations together with a lot of slack is a dangerous cocktail." On a possible further reduction of the deposit rate, he said, "There is no decision which has been taken but it is true that, given the experience that we have seen, we thought in the Governing Council that there was the case to re-discuss the lower bound." On further policy action, he said, "The Governing Council will discuss whether there is a case for further action in the context of heightened uncertainty. This is a key issue."
- **Greece unblocks the scheduled tranche of the bailout funds.** Greece's finance minister announced early today that it had reached an agreement with its lenders. The agreement will allow the disbursements of the €2 billion sub-tranche linked to the first set of milestones (the first tranche of 86€ Bn bailout) and the unlock of 10€ Bn to banking recapitalization. The cash will be available once the legislation will be adopted in the Greek parliament on Thursday. The main discrepancies arose from the level of protection for primary residences of homeowners unable to pay their mortgages, among others issues.
- **European equity indices lead today's gains.** Yesterday's doubts because of the global uncertainty due to the terrorist attacks in Paris appeared to have been diluted today on the financial markets, judging by the turnaround in some financial variables (e.g. the gold price dropped by 0.7%). The macroeconomic figures released - especially the better than expected inflation prints in the US and UK - had an impact on some markets (FX and bonds). On equity markets, European equity indices surged strongly today (Euro Stoxx: +2.2%, IBEX-35: +2.1%, CAC: +2.3%, DAX: +2.0%). The partial recovery of the Tourism sector and stocks linked to commodity prices (despite a renewed fall in oil prices) encouraged the movement. On another front, despite Greece's agreement with its creditors, Greek banks reversed their earlier gains and have fallen by 7%, but this effect was not spread among the rest of the European banking sector. Meanwhile, the US indices remained broadly unchanged (S&P 500: +0.3%) On bond markets, core yields

rose today across the board. The US and UK yields increased (US10Y: +4bp, UK10Y: +4bp) on the back of the better-than-expected inflation figures, while European core yields remained flat. There was a mixed performance among peripheral yields; Greece's and Portugal's yields dropped sharply while the Spanish and Italian yields remained broadly unchanged (GRE 10Y: -18bp, POR 10Y: -11bp, SPA 10Y: -2bp, ITA 10Y: -0bp). On FX markets, the USD appreciated against other major currencies (EUR: -0.36%, JPY: -0.24%), and the only exception was GBP (+0.15%) on the back of unexpected inflation prints. EM currencies showed a mild recovery against USD (BRL: +0.5%, RUB: +0.1%, TRY: +0.5%, CLP: +0.6%), while most commodity prices continued last week's downwards trend, caused mainly by the US oil stocks being larger than expected (Brent: -1.0%, WTI: -1.1%) while the copper price was +0.1%.

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Table 1

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

Debt markets (changes in bp)

Government bonds

US 2yr 0.88 (0.11) (27) (20)
 US 5yr 1.70 (0.20) (5) (5)
 US 10yr 2.39 (0.19) (27) (14)

Japan 10yr 0.31 (0.12) (2) (3)
 GER 2yr -0.37 (1.12) (-114) (28)
 GER 5yr -2.13 (1.61) (-2) (14)
 GER 10yr -0.22 (0.49) (-2) (4)

Belgium 10yr 0.34 (0.14) (3) (1)
 France 10yr 0.88 (0.18) (4) (3)
 Greece 5yr 1.03 (0.86) (166) (178)
 Russia 10yr 1.01 (1.10) (1)

Italy 10yr 1.37 (0.12) (14) (32)
 Netherlands 10yr 0.71 (0.42) (2) (3)
 Portugal 10yr 2.27 (1.21) (12) (13) (-12)
 Spain 10yr 1.77 (0.42) (10) (19)

Emerging Markets

Brazil 10yr 15.46 (0.12) (24) (209)
 China 10yr 4.42 (0.11) (1) (1)
 Colombia 10yr 6.27 (0.10) (10) (17)
 Mexico 10yr 6.12 (1.21) (2) (2) (2)
 Peru 10yr 7.13 (0.11) (24) (16)

Poland 10yr 2.74 (0.48) (6) (2)
 Russia 5yr 0.97 (-2) (-2) (24) (42)
 Russia 10yr 0.72 (0.21) (2) (2) (2)

Turkey 10yr 9.72 (0.91) (-19) (18)
 India 10yr 8.07 (0.11) (1) (2)

Indonesia 10yr 8.64 (1.61) (4) (2) (8)

Country risk (changes in bp)

Europe

Belgium 31 (1) (1) (2)
 France 32 (0) (1) (4)
 Greece 344 (0.05) (184) (277)
 Ireland 0 (1) (1) (1) (1)
 Italy 14 (0) (1) (2) (2)

Netherlands 17 (0) (1) (2)
 Portugal 20 (1) (2) (1) (1)
 Spain 13 (-1) (-1) (2) (1)

Europe

Belgium 12 (1) (1) (1) (1)
 France 18 (0) (1) (4) (3)
 Greece 10 (0) (1) (1) (1)
 Ireland 2 (0) (1) (1) (1)
 Italy 20 (0) (1) (2) (2)

Netherlands 3 (0) (1) (1) (1)
 Portugal 1 (0) (1) (1) (1)
 Spain 7 (0) (1) (1) (1)

Europe

Belgium 7 (1) (1) (1) (1)
 France 7 (1) (1) (1) (1)
 Greece 2 (0) (1) (1) (1)
 Italy 20 (0) (1) (2) (2)

Netherlands 3 (1) (1) (1) (1)
 Portugal 1 (0) (1) (1) (1)
 Spain 6 (1) (1) (1) (1)

Europe

Belgium 34 (5) (1) (4) (14)
 France 26 (0) (1) (1) (1)
 Greece 25 (0) (1) (1) (1)
 Ireland 10 (0) (1) (1) (1) (1)

Italy 44 (0) (1) (1) (1) (1)
 Netherlands 18 (0) (1) (1) (1)
 Portugal 25 (0) (1) (1) (1) (1)

Spain 90 (0) (1) (1) (1) (1)
 UK 18 (0) (1) (1) (1) (1)
 US 21 (0) (1) (1) (1) (1)

Europe

Brazil 45 (1) (1) (1) (1)
 China 47 (0) (1) (1) (1)
 Colombia 15 (0) (1) (1) (1) (1)
 Mexico 15 (0) (1) (1) (1) (1)
 Peru 15 (0) (1) (1) (1) (1)

Venezuela 207 (-105) (142) (252) (2)

Russia 281 (0) (1) (1) (1) (1)
 Turkey 24 (0) (1) (1) (1) (1)

China 10 (-1) (1) (1) (1) (1)
 India 11 (-2) (1) (1) (1) (1)
 Indonesia 13 (0) (1) (1) (1) (1)

Global risk

VIX 17.06 (1.7) (16.5) (16.7) (14)
 VIX 20 (1.2) (1.7) (7) (7) (14)
 EIA FT commodity index 24 (1) (1) (1) (1)
 Deutsche property 15 (1) (1) (1) (1) (1) (1)

EIA FT commodity index 11 (0) (1) (1) (1) (1)
 Credit spread (Baa) 107.2 (14.1) (10) (4) (2) (8)
 US bonds volatility index 69 (0) (1) (1) (1) (1)

Real estate (changes in bp)

US banks CDS 74 (0) (1) (1) (1) (1)
 UK banks CDS 30 (0) (1) (1) (1) (1)
 UK banks CDS 42 (0) (1) (1) (1) (1)

Large Spanish banks CDS 129 (2) (0) (1) (1) (1)
 Italian Spanish banks CDS 127 (3) (0) (1) (1) (1)

Greek banks CDS 136 (2) (1) (1) (1) (1) (1)
 Russian banks CDS 20 (1) (1) (1) (1) (1) (1)

Commodity risk (changes in bp)

US Non-Accrual CDS 0 (0) (1) (1) (1) (1)
 EIA Non-Accrual CDS 0 (0) (1) (1) (1) (1) (1)
 UK Non-Accrual CDS 0 (0) (1) (1) (1) (1) (1)

Interest rate markets (changes in bp)

US 05 spread 3m 16 (1) (1) (1) (1) (1)
 US 05 spread 12m 27 (1) (1) (1) (1) (1)
 US 10 spread 3m 28 (1) (1) (1) (1) (1) (1)

US 05 spread 1m 11 (1) (1) (1) (1) (1) (1)
 US 05 spread 12m 47 (1) (1) (1) (1) (1) (1)
 US 10 spread 3m 24 (1) (1) (1) (1) (1) (1)

Spain 10 spread 3m 12 (0) (1) (1) (1) (1) (1)
 Eonia new 4.4 (0) (1) (1) (1) (1) (1)
 Eonia 3m -0.28 (1) (1) (1) (1) (1) (1)

Europe 12m 0.36 (0) (1) (1) (1) (1) (1)
 Libor 12m 5.22 (0) (1) (1) (1) (1) (1)

Stock markets (Changes in percentage)

Major stock indices

S&P 500 19.82 (0.10) (24.11) (3) (3)
 Dow Jones 17.66 (0.10) (11) (2) (1) (1)
 Nikkei 18.02 (0.12) (0.27) (3) (2) (2)
 FTSE 100 20.01 (0.10) (1) (1) (1) (1)

Euro Stoxx 10 24.06 (0.22) (1) (3) (2) (2)
 MSCI EAFE 21 (0) (1) (1) (1) (1)
 DAX 19.02 (0.10) (0) (1) (1) (1)
 CAC40 19.02 (0.10) (0) (1) (1) (1)

IBEX 35 19.02 (0.10) (0) (1) (1) (1)
 ASI 19.02 (0.10) (0) (1) (1) (1) (1)
 ASI 19.02 (0.10) (0) (1) (1) (1) (1)

Stocks

US banks 86 (0) (1) (1) (1) (1) (1)
 JPM 86 (0) (1) (1) (1) (1) (1) (1)
 C 82 (0) (1) (1) (1) (1) (1) (1)

Bank 17 (0) (1) (1) (1) (1) (1) (1)
 W 34 (0) (1) (1) (1) (1) (1) (1)
 GS 192 (0) (1) (1) (1) (1) (1) (1)

UK banks 16 (1) (1) (1) (1) (1) (1) (1)
 HSBC 16 (1) (1) (1) (1) (1) (1) (1)
 BSI 17 (1) (1) (1) (1) (1) (1) (1)

Barclays 23 (0) (1) (1) (1) (1) (1) (1)
 Lloyds 17 (1) (1) (1) (1) (1) (1) (1)

EU banks 14 (1) (1) (1) (1) (1) (1) (1)
 BNP 14 (1) (1) (1) (1) (1) (1) (1)
 Credit Agricole 14 (1) (1) (1) (1) (1) (1) (1)

Deutsche bank 14 (1) (1) (1) (1) (1) (1) (1)
 ING 14 (1) (1) (1) (1) (1) (1) (1)
 Intesa 14 (1) (1) (1) (1) (1) (1) (1)

SG 14 (1) (1) (1) (1) (1) (1) (1)
 Unicredit 14 (1) (1) (1) (1) (1) (1) (1)

Large Spanish banks 85 (4) (2) (1) (1) (1) (1) (1)
 Santander 5 (1) (1) (1) (1) (1) (1) (1)
 BBVA 7 (1) (1) (1) (1) (1) (1) (1)

Italian Spanish banks 87 (1) (1) (1) (1) (1) (1) (1)
 Carifondo 3 (0) (1) (1) (1) (1) (1) (1)
 Fiminvest 14 (0) (1) (1) (1) (1) (1) (1)

Santander 17 (1) (1) (1) (1) (1) (1) (1)
 Bancoit 6 (0) (1) (1) (1) (1) (1) (1)
 Banca 12 (0) (1) (1) (1) (1) (1) (1)

Greek banks 14 (1) (1) (1) (1) (1) (1) (1)
 Alfa Bank 1 (1) (1) (1) (1) (1) (1) (1)
 Piraeus Bank 1 (1) (1) (1) (1) (1) (1) (1)

Argem Group Bank 1 (1) (1) (1) (1) (1) (1) (1)
 Eurobank Ergasias 1 (1) (1) (1) (1) (1) (1) (1)

Emerging Markets

MSCI Latin America 21 (0) (1) (1) (1) (1) (1) (1)
 Brazil 21 (0) (1) (1) (1) (1) (1) (1)
 Russia 21 (0) (1) (1) (1) (1) (1) (1)

MSCI E Europe 432 (0) (1) (1) (1) (1) (1) (1)
 Poland 208 (1) (1) (1) (1) (1) (1) (1)
 Korea 192 (0) (1) (1) (1) (1) (1) (1)

MSCI E Asia 66 (1) (1) (1) (1) (1) (1) (1)
 Japan 66 (1) (1) (1) (1) (1) (1) (1)
 Japan Composite (Inclusion) 457 (1) (1) (1) (1) (1) (1) (1)

Real estate

Turkish banks 0 (0) (1) (1) (1) (1) (1) (1)
 Allianz 1 (0) (1) (1) (1) (1) (1) (1)
 Generali 1 (0) (1) (1) (1) (1) (1) (1)

Turkish Banks 1 (0) (1) (1) (1) (1) (1) (1)
 Russian banks 15 (4) (1) (1) (1) (1) (1) (1)
 Sberbank 10 (1) (1) (1) (1) (1) (1) (1)

VTB Bank 1 (0) (1) (1) (1) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.08 (0.26) (0.72) (0.16) (1) (2)
 GBPUSD 1.52 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 DXY 90.84 (0.14) (0.16) (0.16) (0) (1)

Currencies (in percentage)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

USDCHF 1.00 (0.01) (0) (1) (1) (1) (1)
 USDJPY 123 (1) (0) (2) (0) (1) (1) (1)
 USDGBP 1.52 (0.01) (0) (1) (1) (1) (1)

Commodity Risk (change in percentage)

WTI 44 (2) (1) (1) (1) (1) (1) (1)
 WTI 44 (2) (1) (1) (1) (1) (1) (1)
 Copper 12 (0) (1) (1) (1) (1) (1) (1)

Gold 187 (4) (1) (1) (1) (1) (1) (1)
 CRB Index 10 (0) (1) (1) (1) (1) (1) (1)
 Bauxite Index 10 (0) (1) (1) (1) (1) (1) (1)

Bauxite Index 10 (0) (1) (1) (1) (1) (1) (1)
 Bauxite Index 10 (0) (1) (1) (1) (1) (1) (1)

Source: Bloomberg, Thomson and IHS

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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