

Market Comment | Mixed performance in developed market equity indices

Global Financial Markets Unit
18 Nov 2015

- **Mixed data in the US.** US housing starts in October dropped more than expected (by 131K to 1,030K; consensus: 1,160K). Meanwhile, building permits rose more than estimates (by 45K to 1,150K; consensus: 1,147K).
- **Fed members tilt towards a rate hike.** Atlanta Fed president Dennis Lockhart showed his preference for a rate hike. He stated that the FOMC's criteria for the labour market have met and the US economy is on a reasonable growth path, while he expects inflation to rise when oil and the US dollar stabilise. Furthermore, New York Fed president William Dudley said that the Fed lift-off would show confidence in the economy, while he also warned that the Fed does not know the impact of the rate hike on financial markets.
- **Mixed performance in developed market equity indices.** A lack of significant macroeconomic data in developed markets led investors to focus on today's upcoming release of the Fed's minutes for the **October** meeting. The minutes are expected to confirm the hawkish undertone that markets priced in at the end of the October meeting, when the consensus probability of a rate-hike in December rose from 30% to today's 70%. On another front, Europe's continuing state of alert due to terrorist threats has had only mild effects on markets (and those were only focused on certain sectors). In particular, European equity markets consolidated after two days of gains (Euro Stoxx: -0.7%, IBEX-35: -1.1%, CAC: -0.7%, DAX: -0.3%), yet **the tourist sector is again one of the most hampered sectors** on the back of the rising threat of new terrorist attacks. US equity indices rose today (S&P 500: +0.5%, Dow: +0.6%). On bond markets, US treasury yields rose slightly (2Y: +2bp, 10Y: +1bp), waiting for the FOMC minutes and underpinned by the hawkish tone of some Fed members. European safe-haven yields dropped slightly (GER 10Y: -2bp, FRA: -3bp). Similarly, peripheral yields fell, led by Portugal (ITA 10Y: -5bp, SPA 10Y: -4bp, POR 10Y: -10bp) and thus narrowing the Portuguese risk premium. On the FX markets, the USD stayed stable against other major currencies. Meanwhile, EM currencies showed a mixed performance (RUB: +0.1%, BRL: +0.8%, MXN: -0.2%, CLP: -0.5%, COP: -0.8%) despite the recovery in oil prices (Brent: +0.6%, WTI: +0.3%), which was helped by US inventories data (showing a reduction in the supply of oil reserves during last week). The price of copper fell close to the lowest level of the last six years (-0.9%).

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Table 1

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

Libor markets (changes in bp)

Unsecured

US 3m 4.88 (2) (9) (26) (2)

US 6m 3.80 (3) (4) (20) (2)

US 12m 2.30 (1) (4) (25) (1)

Japan 3m 0.65 (2) (3) (23) (3)

GER 3m 1.28 (0) (2) (17) (2)

GER 6m 1.24 (0) (1) (16) (1)

GER 12m 1.35 (2) (1) (18) (1)

Belgian 3m 0.8 (3) (8) (18) (3)

France 3m 0.82 (3) (1) (11) (3)

Greece 3m 0.75 (3) (5) (15) (2) (2)

India 3m 1.42 (5) (1) (2) (2)

Indonesia 3m 0.75 (2) (2) (18) (2)

Portugal 3m 0.7 (2) (1) (27) (8) (2)

Spain 3m 0.7 (2) (1) (19) (2)

Secured

Brazil 3m 4.41 (4) (4) (1) (30) (4)

China 3m 4.0 (4) (1) (1) (7) (4)

Colombia 3m 3.16 (4) (4) (9) (2) (2)

Hong Kong 3m 4.08 (2) (4) (2) (2)

Peru 3m 7.10 (2) (2) (2) (2)

Russia 3m 2.76 (2) (1) (7) (2)

Saudi 3m 1.05 (2) (1) (2) (1)

Suez 3m 1.42 (4) (1) (2) (2)

Taiwan 3m 0.6 (2) (1) (1) (1)

Uruguay 3m 0.8 (2) (1) (1) (2)

Venezuela 3m 1.77 (2) (1) (1) (2)

Secured

India 3m 7.08 (1) (1) (1) (3)

Indonesia 3m 1.81 (3) (1) (3) (3)

Country risk (changes in bp)

Top sovereign defaults (Agent Germany)

Belgium 26 (1) (2) (1)

France 18 (1) (2) (1)

Greece 68 (1) (4) (4) (2) (2)

Ireland 14 (2) (1) (4) (1)

Italy 101 (1) (1) (2) (2)

Netherlands 17 (0) (1) (1) (2)

Portugal 197 (4) (1) (1) (1) (1)

Spain 23 (2) (0) (1) (0)

Top sovereign spreads (Agent Germany)

Belgium 11 (0) (0) (1) (1)

France 8 (0) (1) (2) (0)

Greece 18 (0) (1) (2) (0)

Ireland 3 (1) (1) (1) (1)

Italy 11 (1) (1) (1) (1)

Netherlands 11 (1) (1) (1) (1)

Portugal 106 (1) (2) (2) (1) (1)

Spain 11 (1) (1) (1) (1)

Top sovereign defaults (Agent Germany)

Belgium 7 (0) (1) (2) (1)

France 1 (0) (1) (1) (1)

Greece 9 (1) (1) (1) (1)

Italy 10 (1) (1) (1) (1)

Netherlands 11 (1) (1) (1) (1)

Portugal 52 (1) (1) (1) (1) (1)

Spain 12 (1) (1) (1) (1)

Top sovereign spreads (Agent Germany)

Belgium 26 (0) (0) (1) (1) (1)

Spr CDS Belgium 26 (0) (0) (1) (1) (1)

Spr CDS Germany 26 (0) (0) (1) (1) (1)

Spr CDS Greece 67 (5) (1) (1) (2) (1)

Spr CDS Ireland 14 (0) (1) (1) (1)

Spr CDS Italy 101 (1) (1) (1) (1) (1)

Spr CDS Netherlands 17 (0) (1) (1) (1) (1)

Spr CDS Portugal 197 (4) (1) (1) (1) (1)

Spr CDS Spain 100 (2) (1) (1) (1) (1)

Spr CDS UK 17 (0) (1) (1) (1) (1)

Spr CDS US 21 (0) (1) (1) (1) (1)

Commodity markets

Commodity CDS

Spr CDS Brent 269 (1) (1) (1) (1) (1)

Spr CDS WTI 244 (1) (1) (1) (1) (1)

Spr CDS Gold 108 (0) (1) (1) (1) (1)

Spr CDS Iron Ore 141 (1) (1) (1) (1) (1)

Spr CDS Russia 219 (4) (1) (1) (1) (1)

Commodity CDS

Spr CDS Brent 269 (1) (1) (1) (1) (1)

Spr CDS WTI 244 (1) (1) (1) (1) (1)

Spr CDS Gold 108 (0) (1) (1) (1) (1)

Spr CDS Iron Ore 141 (1) (1) (1) (1) (1)

Spr CDS Russia 219 (4) (1) (1) (1) (1)

Credit risk

Global CDS

US AAA 0.07 (1) (1) (1) (1) (1)

VTOY24 86 (2) (1) (1) (1) (1)

EA EFT volatility index 24 (1) (1) (1) (1)

Duration volatility 17 (1) (1) (1) (1) (1)

Credit spread index 102 (1) (1) (1) (1) (1)

US bank volatility index 72 (1) (1) (1) (1)

Bank CDS

US bank CDS 76 (1) (1) (1) (1)

EU bank CDS 81 (1) (1) (1) (1)

UK bank CDS 74 (1) (1) (1) (1)

Large bank CDS

Large bank CDS 126 (1) (1) (1) (1) (1)

Medium bank CDS 168 (1) (1) (1) (1)

Small bank CDS 181 (2) (1) (1) (1) (1)

Russian bank CDS 276 (2) (1) (1) (1) (1)

Corporate risk (change in bp)

US Non-Financial CDS 9 (0) (1) (1) (1)

EU Non-Financial CDS 9 (0) (1) (1) (1)

UK Non-Financial CDS 9 (0) (1) (1) (1)

Interest rate (change in bp)

US 3m spread 3m 15 (1) (1) (1) (1)

UK 3m spread 3m 37 (0) (1) (1) (1)

US 6m spread 3m 46 (1) (1) (1) (1)

US 9m spread 3m 42 (0) (1) (1) (1)

US 12m spread 3m 48 (1) (1) (1) (1)

Spain 3m spread 3m 13 (1) (1) (1) (1)

FRBA index 43 (1) (1) (1) (1) (1)

London 3m 43 (0) (1) (1) (1) (1)

London 3m 50 (0) (1) (1) (1) (1)

Libor 3m 52 (0) (1) (1) (1) (1)

Libor 6m 52 (0) (1) (1) (1) (1)

Libor 12m 52 (0) (1) (1) (1) (1)

Stock markets (changes in percentage)

US equity

S&P500 1952.3 (1) (1) (1) (1) (1)

Nasdaq 3474.1 (1) (1) (1) (1) (1)

Russ 2012.1 (1) (1) (1) (1) (1)

DAX 10277.1 (1) (1) (1) (1) (1)

CAC40 4171.1 (1) (1) (1) (1) (1)

HK 22824.1 (1) (1) (1) (1) (1)

AEX 3892.1 (1) (1) (1) (1) (1)

Bank stocks

US bank 103.0 (1) (1) (1) (1) (1)

JPM 66.0 (1) (1) (1) (1) (1)

C 54.0 (1) (1) (1) (1) (1)

Ba 77.1 (1) (1) (1) (1) (1)

W 33.3 (1) (1) (1) (1) (1)

GS 102.0 (1) (1) (1) (1) (1)

US bank 103.0 (1) (1) (1) (1) (1)

WBC 103.0 (1) (1) (1) (1) (1)

BS 148.0 (1) (1) (1) (1) (1)

Bankers 226.2 (1) (1) (1) (1) (1)

Lehman 33.0 (1) (1) (1) (1) (1)

EU bank

EU bank 114 (1) (1) (1) (1) (1)

BB 121 (1) (1) (1) (1) (1)

Charl Agri 114 (1) (1) (1) (1) (1)

Charles Bank 114 (1) (1) (1) (1) (1)

BS 113 (1) (1) (1) (1) (1)

Bank 113 (1) (1) (1) (1) (1)

SP 44 (1) (1) (1) (1) (1)

Large bank CDS

Large bank CDS 114 (1) (1) (1) (1) (1)

BBVA 77 (1) (1) (1) (1) (1)

Wobank 114 (1) (1) (1) (1) (1)

Commerz 114 (1) (1) (1) (1) (1)

Indulg 114 (1) (1) (1) (1) (1)

Bank 114 (1) (1) (1) (1) (1)

Bank stocks

Bank 114 (1) (1) (1) (1) (1)

BBVA 77 (1) (1) (1) (1) (1)

Wobank 114 (1) (1) (1) (1) (1)

Commerz 114 (1) (1) (1) (1) (1)

Indulg 114 (1) (1) (1) (1) (1)

Bank 114 (1) (1) (1) (1) (1)

Commodity

US 3m spread 3m 15 (1) (1) (1) (1)

UK 3m spread 3m 37 (0) (1) (1) (1)

US 6m spread 3m 46 (1) (1) (1) (1)

US 9m spread 3m 42 (0) (1) (1) (1)

US 12m spread 3m 48 (1) (1) (1) (1)

Spain 3m spread 3m 13 (1) (1) (1) (1)

FRBA index 43 (1) (1) (1) (1) (1)

London 3m 43 (0) (1) (1) (1) (1)

London 3m 50 (0) (1) (1) (1) (1)

Libor 3m 52 (0) (1) (1) (1) (1)

Libor 6m 52 (0) (1) (1) (1) (1)

Libor 12m 52 (0) (1) (1) (1) (1)

Commodity (in percentage, positive for dollar depreciation)

EURUSD 1.04 (1) (1) (1) (1) (1)

GBPUSD 1.31 (1) (1) (1) (1) (1)

USDJPY 122.06 (1) (1) (1) (1) (1)

DDP 99.79 (1) (1) (1) (1) (1)

USDCHF 0.90 (1) (1) (1) (1) (1)

USDNOK 6.62 (1) (1) (1) (1) (1)

USDCAD 1.34 (1) (1) (1) (1) (1)

USDCOR 1.07 (1) (1) (1) (1) (1)

USDRMX 16.75 (1) (1) (1) (1) (1)

USDINR 80.41 (1) (1) (1) (1) (1)

USDHKD 7.75 (1) (1) (1) (1) (1)

USDBRL 1.11 (1) (1) (1) (1) (1)

USDKRW 1,100 (1) (1) (1) (1) (1)

USDTW 20.7 (1) (1) (1) (1) (1)

USDTRY 24.74 (1) (1) (1) (1) (1)

USDZAR 15.7 (1) (1) (1) (1) (1)

Commodity

Gold 1937.5 (1) (1) (1) (1) (1)

Copper 3.48 (1) (1) (1) (1) (1)

Oil 106.65 (1) (1) (1) (1) (1)

Iron 36.08 (1) (1) (1) (1) (1)

Steel 1362.5 (1) (1) (1) (1) (1)

Coal 11.9 (1) (1) (1) (1) (1)

Natural Gas 3.46 (1) (1) (1) (1) (1)

Wheat 6.15 (1) (1) (1) (1) (1)

Soybean 13.4 (1) (1) (1) (1) (1)

Wheat 6.15 (1) (1) (1) (1) (1)

Soybean 13.4 (1) (1) (1) (1) (1)

Wheat 6.15 (1) (1) (1) (1) (1)

Soybean 13.4 (1) (1) (1) (1) (1)

Bank stocks (changes in percentage)

Bank 103.0 (1) (1) (1) (1) (1)

JPM 66.0 (1) (1) (1) (1) (1)

C 54.0 (1) (1) (1) (1) (1)

Ba 77.1 (1) (1) (1) (1) (1)

W 33.3 (1) (1) (1) (1) (1)

GS 102.0 (1) (1) (1) (1) (1)

US bank 103.0 (1) (1) (1) (1) (1)

WBC 103.0 (1) (1) (1) (1) (1)

BS 148.0 (1) (1) (1) (1) (1)

Bankers 226.2 (1) (1) (1) (1) (1)

Lehman 33.0 (1) (1) (1) (1) (1)

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

Debt markets (changes in bp)

US Treasury bills

US 2yr	6.88	(2)	(25)	(21)
US 5yr	4.82	(14)	(20)	(2)
US 10yr	2.28	(1)	(16)	(17)

Japan

02R 10yr	1.51	(13)	(13)	(13)	
02R 2yr	4.38	(8)	(2)	(11)	(20)
02R 5yr	2.14	(6)	(1)	(14)	(15)
02R 10yr	3.25	(2)	(11)	(14)	(14)

Belgium

10yr	5.9	(2)	(4)	(4)	(3)
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France

10yr	5.52	(2)	(1)	(1)	(1)
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Germany

10yr	3.8	(1)	(6)	(4)	(1)
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Italy

10yr	3.8	(4)	(1)	(1)	(1)
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Spain

10yr	5.2	(5)	(1)	(1)	(1)
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UK

10yr	2.4	(2)	(2)	(1)	(1)
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US Treasury notes

02R 10yr	1.44	(14)	(14)	(14)
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US Treasury bonds

02R 10yr	1.44	(14)	(14)	(14)
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US Treasury bills

02R 10yr	1.44	(14)	(14)	(14)
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Country risk (changes in bp)

US sovereign bonds (against Germany)

Belgium	29	(1)	(2)	(1)
France	32	(1)	(4)	(2)
Germany	32	(1)	(4)	(2)
Italy	32	(1)	(4)	(2)
Spain	32	(1)	(4)	(2)
UK	32	(1)	(4)	(2)

US sovereign bonds (against Germany)

Belgium	11	(1)	(7)	(1)
France	18	(8)	(2)	(3)
Germany	18	(8)	(2)	(3)
Italy	18	(8)	(2)	(3)
Spain	18	(8)	(2)	(3)
UK	18	(8)	(2)	(3)

US sovereign bonds (against Germany)

Belgium	7	(1)	(2)	(2)
France	8	(1)	(2)	(2)
Germany	8	(1)	(2)	(2)
Italy	8	(1)	(2)	(2)
Spain	8	(1)	(2)	(2)
UK	8	(1)	(2)	(2)

US sovereign bonds (against Germany)

Belgium	35	(8)	(1)	(5)	(4)
France	35	(8)	(1)	(5)	(4)
Germany	35	(8)	(1)	(5)	(4)
Italy	35	(8)	(1)	(5)	(4)
Spain	35	(8)	(1)	(5)	(4)
UK	35	(8)	(1)	(5)	(4)

US sovereign bonds (against Germany)

Belgium	10	(1)	(2)	(2)
France	10	(1)	(2)	(2)
Germany	10	(1)	(2)	(2)
Italy	10	(1)	(2)	(2)
Spain	10	(1)	(2)	(2)
UK	10	(1)	(2)	(2)

Commodity risk

US commodity prices (percentage change for CMAI against US)

US 10yr	1.44	(14)	(14)	(14)
US 5yr	1.44	(14)	(14)	(14)
US 2yr	1.44	(14)	(14)	(14)
US 10yr	1.44	(14)	(14)	(14)
US 5yr	1.44	(14)	(14)	(14)
US 2yr	1.44	(14)	(14)	(14)

Bank assets (changes in bn)

US banks

US banks	156	(1)	(1)	(1)
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European banks

European banks	156	(1)	(1)	(1)
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Asian banks

Asian banks	156	(1)	(1)	(1)
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Latin American banks

Latin American banks	156	(1)	(1)	(1)
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Stock markets (Change in percentage)

US stocks

US S&P 500	156	(1)	(1)	(1)
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European stocks

EURO STOXX 50	156	(1)	(1)	(1)
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Asian stocks

Nikkei 225	156	(1)	(1)	(1)
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Latin American stocks

Brazil Ibovespa	156	(1)	(1)	(1)
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Commodity prices (percentage change for dollar depreciation)

US commodity prices (percentage change for dollar depreciation)

US 10yr	1.44	(14)	(14)	(14)
US 5yr	1.44	(14)	(14)	(14)
US 2yr	1.44	(14)	(14)	(14)

Commodity prices (change in percentage)

US commodity prices (change in percentage)

US 10yr	1.44	(14)	(14)	(14)
US 5yr	1.44	(14)	(14)	(14)
US 2yr	1.44	(14)	(14)	(14)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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