

Market Comment | European Equity and bond markets rally on further ECB stimulus hopes

Global Financial Markets Unit 20 Nov 2015

- Draghi says that the bank will do what it must to boost inflation. The ECB President, Mario Draghi, said that "If we conclude that the balance of risks to our medium-term price stability objective is skewed to the downside, we will act by using all the instruments available within our mandate". He also added that "If we decide that the current trajectory of our policy is not sufficient to achieve our objective, we will do what we must to raise inflation as quickly as possible". In contrast, the ECB's Weidmann plays down the need for further easing. The governing council member, Jens Weidmann, said that "I see no reason to talk down the economic outlook and paint a gloomy picture". On the possibility of further measures, he said that "We should also not forget that the monetary policy measures already taken still need time to fully feed into the economy". He added that "The longer we stay in ultra-loose monetary policy mode, the less effective this policy will become and the more the attendant risks and side-effects will come into play".
- Mixed data in the Eurozone. Eurozone consumer confidence rose in November more than expected (by 1.6 points to -6.0; BBVAe: -7.9, consensus: -7.5). On another front, German PPI dropped in October more than expected (by -0.4% MoM and -2.3% YoY; consensus: -0.2% MoM and -2.0% YoY).
- Markets showed the remains quiet despite the terrorist threats. Europe's ongoing state of alert due to terrorist threats after the events in Paris has had only mild effects on markets (and these were focused on specific equity sectors, such as tourism), while more time will be needed to assess the impact on confidence indices. On another front, the release of ECB and Fed minutes confirmed the divergence between their respective monetary policies. Although discrepancies between Fed members suggest that the interest rate normalisation process would be very gradual, the ECB president, Mario Draghi, sounded more dovish this week, indicating that "we will do what we must to raise inflation as quickly as possible". Bond markets also reflected the divergences between monetary policies. The 2Y yield spread between the US and Germany widened by 7 bp to (127.5 bp), as a result of an increase of the 2Y US yield (+5bp) and the decline of the 2Y German yield to a new record low (-2 bp to -0.39%). On the other hand, longterm bond yields fell across the board. The sharp falls in European yields underscored the expectations of ECB's further easing (US 10Y: -3bp, GER 10Y: -11bp, FRA 10Y: -7bp, ITA 10Y: -8bp, SPA 10Y: -16bp, POR 10Y: -29bp). European peripheral risk premia narrowed, mainly in Portugal, offsetting last week's increase (SPA: -8bp, POR: -20.5bp). Lower yields boosted equity markets, which rose across the board (S&P 500: +3.6%, Nikkei: +1.4%, Euro Stoxx: +3.1%, IBEX-35: +2.4%, CAC: +2.5%, DAX: +4.2%). Nonetheless, concerns about further possible terrorist attacks had an effect, both travel and leisure sectors. On FX markets, the USD appreciated this week against other major currencies, especially the euro, underpinned by the aforementioned increase in the 2Y yield spread (EUR: -0.78%, JPY: -0.11%). However, EM currencies showed some relief, appreciating against the dollar (RUB: +3.1%, BRL: +3.6%, MXN: +1.2%, COP: +1.2%, TRY: +1.4%) and recovering slightly after last week's plunge. Meanwhile, commodity prices showed a mixed performance although they still draw a dismal picture, with the copper



price reaching its lowest level in six years (-3.6%) and some divergences in the oil price (Brent: +2.1%, but WTI: -1.0%), which was probably due to geopolitical factors.

Update16.00 CET 20 November, 2015 Table1



(Current level and Changes at dally, weekly, more bett market (1970). Debt market (1970). D Ge H 1937 (J.A. (-1) (-9) (-10) (-7) Belgium 10-yr 0,77 (-1) (-7) (-10) (-4) Franca 10-yr 0,8 (-1) (-7) (-10) (-2) Greece 10-yr 7,90 (19) (-10) (-20) (-207) Belgium 10-yr 7,90 (19) (-10) (-207) Belgium 10-yr 0,8 (-7) (-7) (-7) (-7) Helbertondo 10-yr 0,8 (-7) (-7) (-7) (-7) Portugal 10-yr 2,47 (2) (-29) (-22) Spain 10-yr 1,83 (-8) (-10) (-12) (2) Spain 14-yr 1,82 (4); (16); (12); (2) Spain 14-yr 1,82 (4); (16); (17); (28)) Spain 15-yr 15, 19; (1); (16); (17); (28)) Colomba 16-yr 8, 15; (17); (18); (12); Mexico 10-yr 8, 15; (17); (18); (12); Mexico 10-yr 8, 10; (21); (22); (18); Pained 16-yr 2, 17; (17); (18); Spained 16-yr 8, 17; (17); (19); (19); Spained 16-yr 8, 17; (17); (19); (19); Turkey 10-yr 9, 94; (2); (1; (12); (17); (19); Turkey 10-yr 9, 94; (2); (1; (12); (17); (17); India 10-yr 7,7 (3) (5) (11) (-18) Indonesia 10-yr 8,65 (-1) (1) (-15) (82) Indicates (%)+(%) (%) (1/5) (%) Country risk (changes in be) Indicates (%) (1/5) (%) Indicates (%) (1/ Emerging Markets Syr sovereign COS Syr COS Brazil (28) (28) (38) (191) Syr COS Brazil (24) (25) (26) (27) Syr COS Chile (24 (4) (3) (3) (20) Syr COS Colorable (24 (4) (1) (4) (27) Syr COS Colorable (24 (4) (4) (47) Syr COS Part (76) (9)(1) (3) (89) Syr COS Part (76) (9)(1) (3) (89) Syr COS Part (76) (9)(1) (3) (89) 5-yr CDS Poland72 (-1) (-1) (-1) (2) 5-yr CDS Russia 250 (-2) (-26) (-43) (-226) 5-yr CDS Turkey 236 (-1) (-11) (-21) (56) Syr CDS China 95 (2) (4) (-13) (9) Syr CDS India 151 (-1) (-1) (-18) (-28) Syr CDS Indonesia 211 (3) (4) (-10) (55) Greek banks CDS 1399 (8) (102) (-1004) (515) Russian banks CDS 388 (2) (-7) (-50) (-221) Interbank markets (changes in bp) UEM OIS agread 3m 15 (1) (1) (6) (5) UEM OIS spread 12m 36 (1) (1) (7) (2) UEM TED spread 3m 29 (0) (-1,1) (-1) (5) US 016 spread 3m 11 (-1) (-2) (-4) (-3) US 016 spread 12m 46 (-1) (-3) (-6) (12) US 016 spread 12m 46 (-1) (-3) (-6) (12) US TED spread 3m 27 (-1) (-6) (-6) US TED spread 3m 11 (-9) (-0,7) (-7) (6) EONIA index -0,14 (0) (-0,5) (0) (-28) Euribot 3m -0,1 (0) (-1,2) (-4) (-17) Euribot 12m -0,07 (-1,4) (-1,6) (-50) Liber 3m 0,37 (0) (1) (5) (11) Liber 12m 0,94 (0) (0) (10) (31) AGE Alterno 69(3, 14,3)(15)(16,0) (20) Sanis Mackie US narios 197, (05,12)(9)(9) ME 05 (96) (15,4)(96) (9) CB 552, (22,13)(8,5)(2) MS 34,5(9)(7,1)(8,5)(1) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5)(8,5) MS 34,5(9)(7,1)(8,5(1)(8,5)(8,5)(8,5) MS 34,5(1)(8,5(1)(8,5(1)(8,5)(8,5)(8,5)(8,5) MS 34,5(1)(8,5(1)(8,5(1)(8,5)(8,5)(8,5)(8,5)(8,5) MS 34,5(1)(8,5(1)(Lloyds, 72 (+1,8) (+1) (-5,6) (-5) EMU banks, 114 (-4,9) (6,5) (-4,5) (14) 899 (-5,9) (-1) (-4,5) (2,7) (-3) Childs Agricole, 11,5 (-2,5) (-4,1) (-4,1) (6) Debtache Bank, 24,6 (-2,7) (-2,1) (-4) 809 (-1,2) (-4,9) (-4,7) (-2,1) (-2) 10 (-4,4) (-2,8) (-3,6) (-2,7) Université S, 5 (-4,4) (-1,8) (-2,8) (2) Large Spanish banks 87,3 (0,5) (4,1) (0,8) (-13) Santander 5,2 (0,6) (4,8) (3,6) (-25) BBNA 7,8 (0,4) (3,6) (-1,3) (8) Selfation 2, 24 (2) (14-10), 10 (1-10) Medium Topieris Baronic 803.1 (2-10) (2-3) (MSCI EM Europe 4569 (A,31) (2) (B,4) (B,1) Poland 2020 (6,5) (2,1) (-4) (-12,8) Micros Riussia) 1522 (6,7) (5,5) (8,6) (90,5) has 100 (Turkey) 20533 (6,3) (-1,5) (1,1) (-5,9) MSCI Ell Asia 677 (1,32) (-0,5) (-2,3) (-5,9) Shanghai Composite (China) 3631 (0,37) (1,4) (9,3) (12,2) Jakarta Composite (Indonesia) 4561 (0,9) (2) (-1) (-13) Bank stocks Turkish banks 52 (0,1) (-2,1) (2,3) (-17,7) Alchank T.A.S. 7 (-0,4) (-3,2) (-0,3) (-13,6) Geant I.B. (0,3) (-9,9) (6,9) (-15,3) Turkiye is Bankasi S (0,4) (-2,1) (1,8) (-24,2) Russian banks 154 (1,1) (8,8) (14) (54,1) Sberbank 107 (1,8) (14,3) (22,8) (94,5) VTB Bank 0,1 (0) (0,5) (1,6) (13,7) Currencies (in percentage, positive for dollar depreciation) DOWN 2012 (C.3.1)-6.3 (4-3)-1-60 Commod Rise (change in personlage) Breat 44.51 (3.7) (2.1) (-7) (-22.4) WTs 44.55 (-3.5) (-1) (-1.7) (-2.2.4) WTs 44.55 (-3.5) (-1) (-1.7) (-3.5) Copper 200. (3.7) (-3.6) (-1.4) (-3.6) Copper 200. (3.6) (-3.6) (-3.6) (-3.6) (-3.6) Copper 200. (3.6) (-3.6) (-3.6) (-3.6) (-3.6) Copper 200. (3.6) (-3.6) (

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Associated and changes at daily, weekly, monthly and annual frequencies). Debt markets (changes in bp) 18 3 ye 8 in (10/27/20) 18 5 ye 8 in (10/27/20) 18 6 ye 25 in (10/27/20) 18 in (10/2 GER 2-yr -0,39 (-1) (-2) (-13) (-29) GER 5-yr -0,15 (-1) (-5) (-13) (-17) GER 10-yr -0,47 (-1) (-9) (-10) (-7) GE K 1947 (9.47 (-3) (-9) (-39) (-7) Belgium 10-yr (8.77 (-1) (-7) (-10) (-8) Franco 10-yr (8.67 (-1) (-7) (-10) (-2) Greece 10-yr (3.67 (-10) (-10) (-2) Experiment 10-yr (3.67 (-10) (-10) (-207) 149 (-10) (-10) (-10) (-10) (-10) (-10) Helbertondo 10-yr (3.67 (-10) (-10) (-2) Portugal 10-yr (-2.47 (-2) (-20) (-22) Spain 10-yr (-8.5 (-6) (-12) (-2) India 10-yr 7,7 (3) (5) (11) (-18) Indonesia 10-yr 8,65 (-1) (1) (-15) (82) Indocence 18-yr 8.6 (-1) (1) (-15) (82) Country risk (changes in bp) From Country risk (changes in bp) Brown 30 (0) (2) (-1) (1) Greece 661 (15) (-2) (-2) (-2) Brown 30 (0) (2) (-1) (1) Greece 661 (15) (-2) (-2) (-20) Brown 30 (-2) (-1) (-1) Bay 181 (-2) (-1) (-1) Bay 181 (-2) (-1) (-1) Frompor 180 (-1) (-2) Frompor 180 (-1) (-3) (-1) Spain 18 (-4) (-5) (-2) (-2) Emerging Markets Syr sovereign COS Syr COS Brazil 391 (-13) (-29) (-88) (191) Syr COS Brazil 391 (-13) (-29) (-88) (191) Syr COS Caller 124 (-1) (-3) (-3) (-3) Syr COS Caller 124 (-1) (-1) (-1) (-1) (-1) Syr COS Brazil 214 (-1) (-1) (-1) (-1) (-1) Syr COS Brazil 716 (-1) (-1) (-1) (-1) Syr COS Part 176 (-1) (-1) (-1) Syr COS Part 176 (-1) (-1) (-1) Syr COS Venezuelle 4726 (-292) (-53) (-627) (-221) 5-yr CDS Poland72 (-1) (-1) (-1) (2) 5-yr CDS Russia 250 (-2) (-35) (-33) (-226) 5-yr CDS Turkey 235 (-1) (-11) (-21) (56) Syr CDS China 95 (-2) (-6) (-13) (9) Syr CDS India 151 (-1) (-1) (-18) (-20) Syr CDS Indonesia 211 (3) (-6) (-10) (55) Greek banks CDS 1399 (8) (182) (-1004) (515) Russian banks CDS 388 (2) (-7) (-50) (-221) Corporate risk (changes in bps) US Non-financial CDS 0 (0) (0) (0) (-157) EMU Non-financial CDS 0 (0) (0) (0) (-107) UK Non-financial CDS 0 (0) (0) (0) (-113) Interbank markets (changes in bp) UEM OIS agread 3m 15 (1)(1)(6) (5) UEM OIS agread 12m 38 (1)(1)(7) (2) UEM TED spread 3m 29 (0) (-1,1) (-1) (5) US OIS spread 3m 11 (-1) (-2) (-4) (-3) US OIS spread 12m 46 (-1) (-3) (-6) (12 US OIS spread 12m 46 (-1) (-3) (-6) (12 US TED spread 3m 27 (-1) (5) (-4) (5) Spain Ted Spread 3m 11 (6) (-4,7) (7) (6) EONIA Index - 4,14 (0) (-4,5) (0) (-28) Eurillar (3m -0,1 (6) (-1,2) (-4) (-17) Eurillar (12m -0,07) (-1) (-1) (-4) (-30) Liber 3m 0,37 (0) (1) (5) (11) Liber 12m 0,94 (0) (0) (10) (31) Lloyds 72 (-1,8) (-1) (-5,6) (-5) ENU banks 114 (-0,9) (6,5) (-2,5) (14) ENV 555 (-1) (-2,5) (-2,7) (-1) Cristif Agricole 11,5 (-2,5) (-2,4) (-1,1) (5) ENG 512 (-6,9) (-2,7) (-1,1) (-2) ENG 512 (-6,9) (-2,7) (-2,1) (-2) ENG 512 (-6,9) (-2,7) (-2,7) (-2,7) ENG 512 (-6,9) (-2,7) (-2,7) (-2,7) ENG 512 (-2,7) (-2,7) (-2,7) ENG 512 (-2,7) (-2,7) (-2,7) ENG 512 (-2,7) (-2,7) (-2,7) (-2,7) (-2,7) ENG 512 (-2,7) (-2,7) (-2,7) (-2,7) (-2,7) (-2,7) ENG 512 (-2,7) (-measted 46817 (0.91,0.28) (1) (8) MSCI EM Europe 4699 (4,31) (2.9) (4) (6,1) Poised 2020 (6, 5)(2,1) (4) (4/2,8) Mices (Russa) 1023 (6,1) (5,5) (6,0) (5,5) Mices (Russa) 1023 (6,1) (5,5) (6,0) (5,5) MSCI EM Asia 677 (1, 22) (6,5) (4,7) (7,1) (4,9) MSCI EM Asia 677 (1, 22) (6,5) (4,7) (4,9) (7,2) Jakata Composite (Indonesia) 4591 (0,5) (2) (1/2,2) Russian benks 154 (1,1) (8,8) (14) (54,1) Sberbank 107 (1,8) (14,3) (22,8) (94,5) VTB Bank 0,1 (0) (0,5) (1,6) (13,7) Currencies (in percentage, positive for dollar depreciation) EXT 50.25 (4.3)(-4.5) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.4) (4.6) (4.6) (4.4) (4.6) (Commoditios (change in percentage) Breat 445 (7,17,11,17)-(22.4) WTs 435 (4,3)-(1,167)-(22.4) WTs 435 (4,3)-(1,167)-(22.4) WTs 435 (4,3)-(1,167)-(21.4) Graper 2001, 1971-(30.4) Graper 2001, 1971-(

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*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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