

Market Comment | European markets price-in new ECB measures in December

Global Financial Markets Unit
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- **Eurozone loans to the private sector increases by 1% vs 0.6%.** M3 increased against expectations of its moderation in October (5.3% YoY, consensus: 4.8%, previous month 4.9% YoY). Credit to the private sector rose, underpinned by household loans (+1.7% YoY from 1.6%) and the improvement in non-financial corporate loans (0.5% YoY from 0.1%).
- **Spanish GDP growth in the 3Q15 slightly moderates,** in line with preliminar estimations (by 0.8% QoQ). The domestic demand, which improved more than expected (by 1.1%; BBVAe: 0.8%) contributed to the increase in the economy, as did the negative external demand contribution (exports: 2.8% QoQ; imports: 4.0% QoQ). ([see](#))
- **European markets price-in new ECB measures in December.** With US markets closed today for the Thanksgiving holiday, European markets were focusing on the ECB meeting next week. Markets have already priced-in that the ECB will take new measures at the meeting. The Eonia rate has continued declining today, with the 1M Eonia swap rate dipping below -0.32%. Moreover, 18% of the current QE-eligible bonds are showing yields of -0.2%, while 10% of the QE-eligible bonds are below -0.3%. Against this backdrop, European bond yields remained unchanged after yesterday's falls following Vítor Constancio's speech. The exception was Portuguese yields, which continued dropping in line with the reduction in the political tensions (10Y: -8bp). Oil prices plunged again (Brent: -1.8%, WTI: -1.0%), slightly hampering the oil-linked currencies (Russian ruble: -0.7%, Colombian peso: -0.4%, Brazilian real: -0.1%, Australian dollar: -0.3%, Canadian dollar: -0.1%, New Zealand dollar: -0.12%). On the other hand, the euro depreciation continued, reaching the lowest level against the US dollar since April (at 1.061), underscored by divergence between the monetary policies of the ECB and the Fed. European equity markets continued rising today (Euro Stoxx: +1.0%, IBEX 35: +1.0%, CAC: +1.0%, DAX: +1.2%), underpinned by the possibility of increases in the ECB's stimulus.

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Table1

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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