

Market Comment | Financial markets in waitand-see mood

Global Financial Markets Unit 10 Dec 2015

- Negative labour market data in the US. US jobless claims increased in the week ended 5 December by more than estimates (by 13K to 282K; consensus: 270K), while continuing claims rose in the week ended 28 November, surprising expectations (by 88K to 2,243K; consensus: 2,155K). On another front, the import price index dropped in November less than expected (by -0.4% MoM; consensus: -0.8%).
- **CPI slowed in France.** French CPI harmonised slowed down unexpectedly in November (by +0.1% YoY; consensus: +0.2%; previous month: 0.2%), while CPI core remained unchanged (at 0.7% YoY). On another front, industrial production increased in October, surprising estimations (by 0.5% MoM; BBVA and consensus: 0.0%), and it surged in annual terms, beating expectations (by 3.6% YoY; consensus: 2.5%).
- Bank of England decided to keep the bank rate at 0.5%. In today's meeting, the Monetary Policy Committee voted eight to one to keep the rates unchanged. They argued that the inflationary pressures were not enough to justify a monetary tightening. They expect inflation to remain below 1% until late 2016, and as they pointed out in the minutes, the oil prices could cause a further downward revision of the bank's inflation forecast.
- · Financial markets in wait-and-see mood. Drivers that usually move financial market had no major impact today. On the one hand, the new drop in oil prices went unnoticed in sensitive markets amid high volatility in recent weeks. On the other hand, the BoE meeting also had only a mild impact on markets: both the GBP and UK yields reacted moments after the statement's release, but ended the day broadly unchanged. All in all, investors seem to be waiting for next week's Fed meeting, judging by the high intraday volatility. On bond markets, European yields edged down across the board, slightly offsetting yesterday's increases, with the exception of Spanish yields which have remained unchanged today (GER 10Y: -2bp, FRA 10Y: -2bp, ITA 10Y: -1bp, POR 10Y: -2bp). Meanwhile, US Treasury yields inched up (2Y and 10Y: +1bp), again waiting for next week's FOMC decision. The European equity markets continued to register high volatility; they opened with falls and offset them during the session, with the exception of the Ibex-35, which dropped again dragged mainly by Inditex (after the company released result in line with the expectations) and Telefónica (dragged by concerns about Brazil that would lose its investment grade by Moody) (Euro Stoxx: +0.3%, IBEX: -0.3%, CAC: +0.4%, DAX: +0.6%). In the US, equity indices also rose (S&P 500 and Dow: +0.7%). The USD appreciated against the EUR (-0.8%) while it remained unchanged against other major currencies. EM currencies showed a mixed performance against the US dollar (BRL: -0.5%, RUB: +0.7%, COP: +0.7%), despite the falls in commodity prices. Oil prices extended their falls, with now both Brent and West Texas Intermediate standing below USD40/bbl (Brent: -0.5%, WTI: -0.4%, copper: -0.2%). Recent reports showed the oil output increased to 31.7 million barrels a day in November from 31.5 million b/d the previous month, above OPEC's previous production target of 30 million b/d.



Update 17.0 CET 10 December, 2015 Table1

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*CDS, EMBI & MSCI indices with one day delay **Credit spread (BAA) with two days delay

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