Market Comment| Energy prices at multi-year lows determined financial markets' performance

Global Financial Markets Unit 14 Dec 2015

- Eurozone industrial production rose in October in line with our expectations (by 0.6% MoM; BBVAe: 0.5%, consensus: 0.3%) after the drop in the previous month (-0.3%). On another front, Italian CPI harmonised final data was revised up (by 0.2% YoY; consensus: 0.1%), while core CPI slowed in November (by +0.7% YoY; previous month: +1.0%).
- **Draghi reiterates the ECB's willingness to act if needed.** Mario Draghi, president of the ECB, said that "there is no doubt that, if we had to intensify the use of our tools to reach our target of price stability, we will do it".
- On Saturday, China's National Bureau of Statistics announced the improvement in the activity indicator in November. Industrial production surged, beating expectations (by 6.2% YoY; consensus: 5.7%; previous month: 5.6%), while retail sales also increased more than expected (by 11.2% YoY; consensus: 11.1%) with a surge in auto sales (by 9.0% YoY; previous month: 7.1%). In addition, urban total fixed asset investment growth remained stable at 10.2% YoY (consensus: 10.1% YoY; previous month: 10.2%). These macroeconomic data showed the positive effect in the consumer demand of the October tax cut on auto sales. With these results, the authorities could deploy more tax cuts to stimulate the economy. (see)
- New RMB FX index. On Friday, the PBoC announced the China Foreign Exchange Trade System, the new RMB index, which is composed of 13 currencies, led by USD with a weight of 26.40%. The PBoC's goal remains to achieve a free-floating exchange rate. (see)
- Energy prices at multi-year lows determined financial markets' performance. Oil prices continued falling to the lowest level in more than ten years (Brent: USD37.46/bbl, -1.2%). The recent OPEC meeting in Austria triggered the fall in oil prices, dragging down other commodity markets. The organisation's decision to maintain the existing level of oil production, in order to conserve market share, hampered more sensitive assets across the board during recent weeks, and today was not an exception. Emerging markets are again in the limelight: currencies exposed to commodities registered further depreciation: RUB: -0.5%, COP: -0.8%, BRL: -0.5%, CLP: -0.5%. Equity markets dropped across the board (S&P 500: -0.3%, Euro Stoxx: -0.9%, IBEX: -1.0%, CAC: -0.6%, DAX: -0.8%), dragged mainly by commodity-linked companies. On bond markets, US treasury yields increased in all tenors (2Y and 10Y: +6bp) awaiting this week's Fed meeting, at which the first lift-off is expected but maintaining a dovish tone. In the same vein, European yields rose, highlighted on the periphery (GER 10Y: +3bp, FRA 10Y: +5bp, ITA 10Y: +8bp, SPA 10Y: +9bp, POR 10Y: +6bp). As a result, peripheral risk premia increased today (ITA: +5bp, SPA: +5bp, POR: +3bp). Against the major currencies, the USD continued last week's



trend and depreciated, with the exception of GBP (EUR: +0.39%, JPY: +0.26%, GBP: -0.61%).

Update 17.0 CET 14 December, 2015 Table1

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| (Current level and changes at daily, weekly, monthly and annual frequencies) |
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BBVA Research

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

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