

# Market Comment | Financial markets surged, helped by oil prices rebounding ahead of FOMC

Global Financial Markets Unit  
15 Dec 2015

- **Positive data in the US.** US CPI increased in November more than estimated (by 0.5% YoY; consensus: 0.4%), while in monthly terms it remained stable in line with expectations. On another front, the Empire manufacturing index rose more than expected (by 6.15 points to -4.59; consensus: -7.00).
- **ZEW expectations improve in Europe.** Germany's ZEW expectations rose slightly above expectations (by 5.7 points to 16.1; BBVAe: 18.0; consensus: 15.0). The ZEW current situation index increased unexpectedly (by 0.6 points to 55.0; BBVAe: 54.0, consensus: 54.2).
- **Spanish CPI moderates its fall in November.** Spanish final CPI dropped in November, slightly surpassing expectations (by -0.3% YoY; BBVAe: -0.4%; consensus: -0.5%). The CPI moderated its fall due to the lower drop in energy prices and the marginal increase in core inflation (1.0% YoY; BBVAe and consensus: 0.9%). ([see](#))
- **Financial markets surged, helped by oil prices rebounding ahead of tomorrow's Fed meeting.** The evolution of oil prices continued as one of the main drivers in financial markets, in a week dominated by the FOMC meeting. The release of better-than-expected prices data in the US could give the Fed more confidence to raise interest rates tomorrow, which is widely expected; the markets are assigning a 78% probability of a 0.25bp rate-hike in the Fed Funds rate. Against this backdrop, US treasury yields rose in all tenors (2Y: +2bp, 10Y: +5bp), waiting for the FOMC decision. European yields rose, with a highlight on safe-haven bonds (GER 10Y: +9bp, FRA 10Y: +8bp, ITA 10Y: +6bp, SPA 10Y: +5bp, POR 10Y: +4bp). As a result, peripheral risk premia narrowed slightly (ITA: -3bp, SPA: -4bp, POR: -5bp). As for equities, European equity markets rebounded (Euro Stoxx: +3.3%, IBEX: +3.1%, CAC: +3.3%, DAX: +3.1%), helped by the recovery in oil prices, which arrested the falls of the last few days (Brent: +1.4%, WTI: +1.7%). In the same vein, US equity indices rose (S&P and Dow: +1.1%) On FX markets, the USD appreciated against major currencies (EUR: -0.64%, GBP: -0.6%, JPY: -0.57%), underpinned by the macroeconomic release in the US, while EM currencies appreciated against the US dollar (RUB: +0.5%, COP: +0.8%, CLP: +0.3%, MXN: +0.8%) due to the improvement in oil prices and despite the plunge in the copper price (-2.4%).

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Table1





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

**Daily markets (changes in bps)**

<b>US</b>	
US 2yr	6.87 (2) (4) (3) (26)
US 5yr	1.7 (0) (4) (0) (5)
US 10yr	2.39 (6) (9) (1) (7)
<b>Japan</b>	
Japan 10yr	0.3 (2) (4) (1) (2)
<b>Canada</b>	
CA 2yr	4.29 (1) (2) (4) (26)
CA 5yr	2.44 (6) (2) (7) (4)
CA 10yr	1.95 (9) (9) (1) (3)
<b>Germany</b>	
Germany 10yr	0.37 (7) (2) (3) (4)
<b>France</b>	
France 10yr	1.08 (12) (12) (7)
France 5yr	0.41 (2) (2) (1) (1)
France 3yr	0.1 (0) (0) (0)
Italy 10yr	1.69 (8) (14) (1) (2)
Netherlands 10yr	0.2 (0) (0) (0) (0)
Portugal 10yr	2.57 (4) (12) (4) (2)
Spain 10yr	1.7 (1) (1) (1) (1)
<b>Emerging Markets</b>	
Brazil 10yr	10.41 (10) (10) (7) (20)
China 10yr	4.4 (1) (1) (1) (1)
Colombia 10yr	8.7 (1) (2) (0) (0)
India 10yr	6.37 (1) (2) (0) (7)
Peru 10yr	11 (0) (0) (0) (0)
Russia 10yr	1.66 (14) (15) (26) (4)
Russia 5yr	10.35 (17) (15) (14) (4)
Russia 3yr	8.51 (15) (16) (22) (20)
Turkey 10yr	15.5 (4) (3) (7) (7) (2)
<b>India</b>	
India 10yr	7.79 (3) (1) (14) (4)
Indonesia 10yr	5.96 (1) (2) (4) (2) (2)

**Country risk (changes in bps)**

<b>US</b>	
<b>US government securities (against Germany)</b>	
Belgium	21 (1) (2) (3) (3)
France	34 (1) (2) (2) (1)
Germany	20 (2) (2) (1) (4) (2)
Italy	41 (2) (4) (1) (2)
Netherlands	16 (4) (2) (2) (1)
Portugal	181 (1) (1) (1) (2) (4)
Spain	112 (4) (8) (1) (2) (5)
<b>US government securities (against Germany)</b>	
Belgium	19 (0) (0) (1) (1)
France	19 (0) (0) (1) (1)
Germany	19 (0) (0) (1) (1)
Italy	19 (0) (0) (1) (1)
Netherlands	19 (0) (0) (1) (1)
Portugal	19 (0) (0) (1) (1)
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**Commodity**

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**Stock markets (Change in percentage points for dollar depreciation)**

<b>US</b>	
<b>US government securities (against Germany)</b>	
Belgium	21 (1) (2) (3) (3)
France	34 (1) (2) (2) (1)
Germany	20 (2) (2) (1) (4) (2)
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**Country risk (change in percentage)**

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\*CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

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