

Market Comment | Market sentiment improves slightly

Global Financial Markets Unit 29 Dec 2015

- Positive data in the US. Consumer confidence improved more than expected in December (96.5, consensus, 93.5, previous month 90.4); both the present situation and expectations sub-indices increased from previous month, while the survey also indicated a brighter labour market, with more people expecting more jobs in coming months, while those who anticipating fewer jobs declined. The S&P Case-Shiller home price index grew above expectations in October (0.9% MoM, consensus: 0.6% MoM, previous: 0.6% MoM), showing the highest increase since August 2014. Furthermore, the trade deficit narrowed in November (-USD60.5bn, consensus -USD6.7bn, previous month -USD61.2bn), with exports falling by 2% MoM (previously -2.4% MoM), while imports decreased by 1.8% MoM (previously -0.6% MoM).
- Consumer confidence moderated in December in Italy. Consumer confidence declined against our estimations of remaining unchanged (by 0.8 points to 117.6; BBVAe: 118.4, consensus: 117.0), with all components decreasing: economic, personal, current and future. Meanwhile, the composite business confidence climate index dropped (to 105.8 from 107.1). This moderation was due to the unexpected decrease in manufacturing confidence by (0.3 points to 104.1; BBVAe: 105.6, consensus: 104.4).
- Market sentiment slightly improve. Positive US economic data, coupled with the rebound in China's equity markets and commodity prices, have slightly boosted the risk-on mood in financial markets today. Bond markets declined across developed countries, with safe-haven bond yields showing the largest increases. The US Treasury yields rose slightly in all tenors (2Y: +6bp, 10Y: +4bp). In the same vein, European yields climbed, especially in core bonds (GER 10Y: +7bp, FRA 10Y: +8bp, ITA 10Y: +3bp, SPA 10Y: +1bp, POR 10Y: +1bp). As a result, peripheral risk premia narrowed (ITA: -4bp, SPA: -6bp, POR: -5bp). Despite the increase in yields, equity markets rose across the board, led by European indices (S&P n500: +0.9%, Euro Stoxx: +1.5%, IBEX: +1.0%, CAC: +1.5%, DAX: +1.6%), with cyclical sectors leading today's gains. Furthermore, the recovery in oil prices (Brent: +2.9% WTI: +2.6%) has also helped both the materials and energy sectors to gain some ground. FX markets also reflected the positive economic data and the recovery in oil prices. The USD appreciated against other major currencies (EUR: -0.52%, GBP: -0.6%, JPY: -0.05%), with the exception of G-10 currencies linked to oil prices, which appreciated against the USD after yesterday's losses (CAD: %, AUD: %, NOK: %). EM currencies showed a mixed performance against the US dollar (BRL: -0.2%, RUB: -0.1%, CLP: -0.2%, MXN: +0.1%, COP: +0.7%), despite the recovery in commodity markets (copper: +3.1%).

Updae 17.30 CET 29 December, 2015 Table1

Flash 1



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*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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Flash 3



Flash 4