## Market Comment | New low in oil prices dissolves early rebound in equity markets

Global Financial Markets Unit 11 Jan 2016

**BBVA** Research

- Inflation data in China disappoint. December's industrial price index released over the weekend continued to trend down (at a rate of -5.9% YoY) amid depreciatory pressures on the CNY. On the bright side, both inflation and core inflation remained stable in December, as expected (at 1.6% and 1.5% YoY, respectively).
- New record-lows in commodity prices dissolved earlier rebound in equity markets, in which volatility remains high after last week's plunge. Commodities plunged once again amid misgivings about the global economy, with oil prices falling to their lowest levels since 2004 (Brent: USD31.73/bbl, WTI: USD31.59/bbl) while the price of copper falling to a six-year low (-2.1%). European equity markets managed to maintain early gains over most of today's session and despite another slump in China's equity indices (CSI 300 -5%). Yet the fall in oil prices dragged them down, ending the session with losses across Europe (Euro Stoxx: -0.2%, DAX: -0.2%, IBEX-35: -0.3%, CAC: -0.5%). Meanwhile, US equity remains stable ahead of the start of the 4Q15 corporate earnings report season, which begins this afternoon with Alcoa. On bond markets, US treasury yields increased (10Y: +3bp). In the same vein, European yields rose, notably in the periphery (GER 10Y: +3bp, FRA 10Y: +4bp, ITA 10Y: +6bp, SPA 10Y: +9bp, POR 10Y: +4bp). As a result, peripheral risk premia increased, led by Spain (ITA: +3bp, SPA: +6bp, POR: +1bp). The 10Y yield spread between Spain and Italy has widened by 3bp today. On FX markets, the USD showed a mixed performance against other major currencies, reversing the trend of the last few days (EUR: -0.35%, JPY: -0.19%, GBP: +0.21%). Meanwhile, EM currencies depreciated against the US dollar (RUB: -1.6%, BRL: -0.6%, CLP: -0.5%, MXN: -0.1%), continuing last week's trend, conditioned by the deterioration in commodity prices.

Updae 17.30 CET 11 January, 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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