

Market Comment | Concerns about global growth threaten an incipient rebound

Global Financial Markets Unit
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- **Negative PMI in China.** China's manufacturing PMI fell more than expected in January (by 0.3 points to 49.4; consensus: 49.6) remaining below the 50 points benchmark.
- **Disappointing macroeconomic data in the US.** ISM manufacturing in January rose less than expected (by 0.2 points to 48.2; consensus: 48.4), mainly due to the fall in the employment sub-index, while ISM prices paid remained surprisingly unchanged (at 33.5 points; consensus: 35.0) despite the new record low in oil prices. On another front, personal spending stayed stable in December against estimates of increasing (consensus: +0.1% MoM), while personal income increased slightly more than expected (by 0.3% MoM; consensus: 0.2%).
- **Eurozone Markit manufacturing PMI final data confirmed the drop in January** (by 0.9 points to 52.3). By country, in Germany it rose unexpectedly (by 0.2 points to 52.3; BBVAe and consensus: 52.1), while in French the manufacturing PMI remained unchanged, in line with estimates (at 50.0), whereas in Italy it dropped more than expected (by 2.4 points to 53.2; BBVAe: 55.8, consensus: 54.8). In addition, Spanish manufacturing PMI surged, surprising expectations (by 2.4 points to 55.4; consensus: 52.5).
- **Concerns about global growth threaten an incipient rebound in financial markets.** The worse-than-expected macroeconomic data in the main global economies fueled the doubts about the growth outlook and erased part of last Friday's rebound, which had been due to the BoJ's extra easing. Manufacturing PMI data in China showed how the ongoing deterioration in manufacturing sector has continued. Furthermore, there are reasonable doubts about whether the services sector is going to be able to cushion the manufacturing slowdown. On another front, the US ISM manufacturing prints also increased the uncertainty about the US economy, that increased last week due to worse-than-expected 4Q US GDP and the Fed's warning about risks to the recovery process. At this juncture, long-term market inflation expectations in both US and the Eurozone have decreased (EZ5x5fw: 1.5% at minimum level in one year and US5y5y fw at: 1.98%). Commodity prices - especially oil prices (Brent: -3.2%, WTI: -4.5%) - also reacted abruptly and contributed to the drag on the performance of risk assets globally. Against this backdrop, European equity markets dropped (Euro Stoxx: -0.9%, DAX: -0.5%, IBEX: -0.4%, CAC: -0.6%) hampered mainly by the Technology sector - due to the plunge by Nokia (-11% on the back of a smaller-than-expected compensation judgement in the patents dispute) - and also by the Energy and Financial sectors. In the same vein, US equity indices declined (S&P 500: -0.2%, Dow: -0.4%). Meanwhile, Asian markets showed a mixed performance, as the Nikkei increased (+2.14%), underpinned by last week's BoJ meeting, while Chinese indices dropped on the back of the disappointing activity prints (Shanghai: -1.78%). On bond markets, US treasury yields rose in all tenors (2Y: +3bp, 10Y: +4bp). Along the same lines, European yields increased, mainly in the periphery (GER 10Y: +3bp - although it reached its lowest level since April 2015, at 0.325%, FRA 10Y: +5bp, ITA 10Y: +5bp, SPA 10Y: +5bp, POR 10Y: +5bp). As a result, peripheral risk premia have increased (ITA, SPA and POR: +2bp). On FX markets, the USD depreciated against other major currencies (EUR: +0.5%, GBP: +0.81%). EM currencies depreciated

against the US dollar (RUB: -1.6%, COP: -1.4%, MXN: -0.9%, CLP: -0.1%), mainly those most linked to commodity prices.

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Table1

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

Table markets (changes in bps)

Germany

US 2yr 0.81 (2) (2) (26) (24)
 US 5yr 1.36 (5) (4) (28) (24)
 US 10yr 1.86 (8) (4) (31) (31)
 Japan 10yr 0.06 (0) (1) (-2) (-2) (-2)
 UK 5yr 0.47 (2) (2) (2) (2)
 UK 10yr 0.78 (5) (5) (5) (5)
 UK 30yr 1.38 (1) (1) (1) (2) (2)
 Belgium 10yr 0.81 (6) (1) (1) (4) (4)
 France 10yr 0.60 (2) (2) (2) (2) (2)
 Canada 10yr 0.20 (2) (2) (2) (2) (2)
 Mexico 10yr 0.47 (5) (5) (5) (5) (5)
 Netherlands 10yr 0.47 (4) (4) (4) (4) (4)
 Portugal 10yr 2.00 (5) (5) (5) (5) (5)
 Spain 10yr 1.00 (5) (5) (5) (5) (5)

Emerging Markets

India 10yr 8.01 (8) (8) (8) (8) (8)
 China 10yr 4.50 (5) (5) (5) (5) (5)
 Colombia 10yr 0.00 (1) (1) (1) (1) (1)
 Mexico 10yr 6.00 (2) (2) (2) (2) (2)
 Peru 10yr 1.00 (2) (2) (2) (2) (2)
 Poland 10yr 3.18 (4) (4) (4) (4) (4)
 Russia 10yr 8.00 (2) (2) (2) (2) (2)
 Russia 10yr 10.00 (1) (1) (1) (1) (1)
 Turkey 10yr 10.00 (6) (6) (6) (6) (6)

India 10yr 17.00 (1) (1) (1) (1) (1)
 Indonesia 10yr 8.14 (2) (2) (2) (2) (2)

Country risk (changes in bps)

Surveillance spreads (against Germany)

Belgium 40 (1) (1) (1) (1)
 France 32 (1) (1) (1) (1)
 Greece 302 (2) (2) (2) (2) (2)
 Ireland 60 (2) (2) (2) (2) (2)
 Italy 110 (2) (2) (2) (2) (2)
 Netherlands 2 (1) (1) (1) (1) (1)
 Portugal 257 (2) (2) (2) (2) (2)
 Spain 17 (2) (2) (2) (2) (2)

Surveillance spreads (against Germany)

Belgium 12 (1) (1) (1) (1)
 France 10 (1) (1) (1) (1)
 Greece 103 (1) (1) (1) (1) (1)
 Ireland 20 (1) (1) (1) (1) (1)
 Italy 70 (1) (1) (1) (1) (1)
 Netherlands 4 (1) (1) (1) (1) (1)
 Portugal 102 (2) (2) (2) (2) (2)
 Spain 78 (2) (2) (2) (2) (2)

Surveillance spreads (against Germany)

Belgium 8 (1) (1) (1) (1)
 France 6 (1) (1) (1) (1) (1)
 Italy 42 (1) (1) (1) (1) (1)
 Netherlands 1 (1) (1) (1) (1) (1)
 Portugal 45 (2) (2) (2) (2) (2)
 Spain 45 (2) (2) (2) (2) (2)

Surveillance CDS

Surveillance CDS Spain 28 (1) (1) (1) (1)
 Surveillance CDS France 27 (1) (1) (1) (1)
 Surveillance CDS Germany 40 (1) (1) (1) (1)
 Surveillance CDS Ireland 102 (1) (1) (1) (1) (1)
 Surveillance CDS Italy 110 (1) (1) (1) (1) (1)
 Surveillance CDS Netherlands 2 (1) (1) (1) (1) (1)
 Surveillance CDS Portugal 257 (1) (1) (1) (1) (1)
 Surveillance CDS Spain 17 (1) (1) (1) (1) (1)

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 Surveillance CDS Ireland 102 (1) (1) (1) (1) (1)
 Surveillance CDS Italy 110 (1) (1) (1) (1) (1)
 Surveillance CDS Netherlands 2 (1) (1) (1) (1) (1)
 Surveillance CDS Portugal 257 (1) (1) (1) (1) (1)
 Surveillance CDS Spain 17 (1) (1) (1) (1) (1)

Commodity changes in percentage except for L&A spreads, bps

WTI 20.24 (2) (2) (2) (2) (2)
 UK 20.24 (2) (2) (2) (2) (2)
 EUR FT commodity index 32 (2) (2) (2) (2) (2)
 US FT commodity index 32 (2) (2) (2) (2) (2)
 CRB energy index 12 (1) (1) (1) (1) (1)
 CRB metals index 24 (1) (1) (1) (1) (1)
 US bonds volatility index 74 (2) (2) (2) (2) (2)

Bank spreads (bps)

US banks CDS 88 (1) (1) (1) (1) (1)
 EU banks CDS 109 (6) (6) (6) (6) (6)
 UK banks CDS 106 (2) (2) (2) (2) (2)

Large Spanish banks CDS 102 (2) (2) (2) (2) (2)
Medium Spanish banks CDS 200 (1) (1) (1) (1) (1)

Czech banks CDS 102 (1) (1) (1) (1) (1)
Russian banks CDS 424 (1) (1) (1) (1) (1)

Commodity risk changes in bps

US Non-Renewable CDS 6 (2) (2) (2) (2) (2)
 EUR Non-Renewable CDS 6 (2) (2) (2) (2) (2)
 UK Non-Renewable CDS 6 (2) (2) (2) (2) (2)

Interest rate markets (changes in bps)

EUR 3m spread 3m 12 (2) (2) (2) (2) (2)
 EUR 6m spread 3m 46 (1) (1) (1) (1) (1)
 EUR 12m spread 3m 31 (1) (1) (1) (1) (1)

US 6m spread 3m 21 (1) (1) (1) (1) (1)
 US 9m spread 3m 25 (1) (1) (1) (1) (1)
 US 12m spread 3m 31 (1) (1) (1) (1) (1)

Spain Ted Spread 3m 17 (1) (1) (1) (1) (1)

UK 6m spread 3m 17 (1) (1) (1) (1) (1)
 UK 9m spread 3m 18 (1) (1) (1) (1) (1)
 UK 12m spread 3m 18 (1) (1) (1) (1) (1)

Libor 3m 5 (1) (1) (1) (1) (1)
 Libor 12m 1 (1) (1) (1) (1) (1)

Stock markets (changes in percentage)

Spain

IBEX 35 2024.4 (4) (4) (4) (4) (4)
 S&P500 2024.4 (4) (4) (4) (4) (4)
 Dow Jones 2024.4 (4) (4) (4) (4) (4)
 Nikkei 2024.4 (4) (4) (4) (4) (4)
 FTSE 100 2024.4 (4) (4) (4) (4) (4)
 Euro Stoxx 60 2024.4 (4) (4) (4) (4) (4)
 MSCI EAFE 2024.4 (4) (4) (4) (4) (4)
 MSCI ACWI 2024.4 (4) (4) (4) (4) (4)
 VIX 14.91 (1) (1) (1) (1) (1)
 CAC 40 2024.4 (4) (4) (4) (4) (4)
 DAX 2024.4 (4) (4) (4) (4) (4)
 CAC 40 2024.4 (4) (4) (4) (4) (4)
 CAC 40 2024.4 (4) (4) (4) (4) (4)

Bank stocks

US banks 75.8 (1) (1) (1) (1) (1)
 JPM 58.9 (2) (2) (2) (2) (2)
 Cit 42.1 (2) (2) (2) (2) (2)
 BofA 43.9 (1) (1) (1) (1) (1)
 WFC 28.8 (1) (1) (1) (1) (1)
 C 19.1 (1) (1) (1) (1) (1)
 GS 101.1 (1) (1) (1) (1) (1)

UK banks 75.8 (1) (1) (1) (1) (1)
 HSBC 48.4 (1) (1) (1) (1) (1)
 RBS 14.7 (1) (1) (1) (1) (1)
 Barclays 102.9 (1) (1) (1) (1) (1)
 Lloyds 46 (2) (2) (2) (2) (2)

EUR banks 86.5 (1) (1) (1) (1) (1)
 BNP 82.1 (1) (1) (1) (1) (1)
 CNBS 86.5 (1) (1) (1) (1) (1)
 ING 82.1 (1) (1) (1) (1) (1)
 Intesa 82.1 (1) (1) (1) (1) (1)
 UniCredit 82.1 (1) (1) (1) (1) (1)
 Santander 82.1 (1) (1) (1) (1) (1)
 Deutsche 82.1 (1) (1) (1) (1) (1)
 BNP 82.1 (1) (1) (1) (1) (1)
 CNBS 86.5 (1) (1) (1) (1) (1)
 ING 82.1 (1) (1) (1) (1) (1)
 Intesa 82.1 (1) (1) (1) (1) (1)
 UniCredit 82.1 (1) (1) (1) (1) (1)
 Santander 82.1 (1) (1) (1) (1) (1)
 Deutsche 82.1 (1) (1) (1) (1) (1)

US banks 75.8 (1) (1) (1) (1) (1)
 HSBC 48.4 (1) (1) (1) (1) (1)
 RBS 14.7 (1) (1) (1) (1) (1)
 Barclays 102.9 (1) (1) (1) (1) (1)
 Lloyds 46 (2) (2) (2) (2) (2)

EUR banks 86.5 (1) (1) (1) (1) (1)
 BNP 82.1 (1) (1) (1) (1) (1)
 CNBS 86.5 (1) (1) (1) (1) (1)
 ING 82.1 (1) (1) (1) (1) (1)
 Intesa 82.1 (1) (1) (1) (1) (1)
 UniCredit 82.1 (1) (1) (1) (1) (1)
 Santander 82.1 (1) (1) (1) (1) (1)
 Deutsche 82.1 (1) (1) (1) (1) (1)

Commodity (in percentage, positive for dollar depreciation)

EURUSD 1.00 (1) (1) (1) (1) (1)
 USDJPY 1.48 (1) (1) (1) (1) (1)
 USDGBP 1.21 (1) (1) (1) (1) (1)
 USDCHF 0.91 (1) (1) (1) (1) (1)
 USDINR 75.8 (1) (1) (1) (1) (1)

Commodity

USDCOP Argentina 1.13 (1) (1) (1) (1) (1)
 USDCOP Brazil 1.13 (1) (1) (1) (1) (1)
 USDCOP Chile 1.13 (1) (1) (1) (1) (1)
 USDCOP Colombia 1.13 (1) (1) (1) (1) (1)
 USDCOP Ecuador 1.13 (1) (1) (1) (1) (1)
 USDCOP Mexico 1.13 (1) (1) (1) (1) (1)
 USDCOP Peru 1.13 (1) (1) (1) (1) (1)
 USDCOP Venezuela 1.13 (1) (1) (1) (1) (1)
 USDCOP Russia 1.13 (1) (1) (1) (1) (1)

Commodity (change in percentage)

WTI 20.24 (2) (2) (2) (2) (2)
 Brent 20.24 (2) (2) (2) (2) (2)
 Gas 20.24 (2) (2) (2) (2) (2)
 Gold 20.24 (2) (2) (2) (2) (2)
 Silver 20.24 (2) (2) (2) (2) (2)
 Copper 20.24 (2) (2) (2) (2) (2)
 Nickel 20.24 (2) (2) (2) (2) (2)
 Zinc 20.24 (2) (2) (2) (2) (2)
 Lead 20.24 (2) (2) (2) (2) (2)
 Tin 20.24 (2) (2) (2) (2) (2)
 Aluminum 20.24 (2) (2) (2) (2) (2)
 Iron Ore 20.24 (2) (2) (2) (2) (2)
 Coal 20.24 (2) (2) (2) (2) (2)
 Wheat 20.24 (2) (2) (2) (2) (2)
 Corn 20.24 (2) (2) (2) (2) (2)
 Soybean 20.24 (2) (2) (2) (2) (2)
 Sugar 20.24 (2) (2) (2) (2) (2)
 Cotton 20.24 (2) (2) (2) (2) (2)
 Rubber 20.24 (2) (2) (2) (2) (2)
 Palm Oil 20.24 (2) (2) (2) (2) (2)
 Cocoa 20.24 (2) (2) (2) (2) (2)
 Coffee 20.24 (2) (2) (2) (2) (2)
 Tea 20.24 (2) (2) (2) (2) (2)
 Wool 20.24 (2) (2) (2) (2) (2)
 Lumber 20.24 (2) (2) (2) (2) (2)

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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