

# Market Comment| Easing monetary stance and oil prices determined market performance today

Global Financial Markets Unit  
04 Feb 2016

- **BoE decided to keep the rates at 0.5% at least for a further year.** In today's meeting, the monetary policy committee voted nine to zero to keep the rates unchanged (previous meeting eight to one). The decision was driven by the downward revision in inflation - the members expect inflation to remain below 1% in 2016 - and the slowdown in domestic economic growth - 2.2% in 2016 from the previous 2.5%, and 2.4% in 2017 from 2.7%.
- **Disappointing data in the US.** US jobless claims increased against estimates of remaining unchanged in the week ended 30 January (285K; consensus: 278K), while continuing claims fell less than expected in the week ended 23 January (2,255K; consensus: 2,273K). On another front, there were falls in both factory orders (by -2.9% MoM ; consensus: -2.8%, previous -0.7%), and durable goods orders (by -5% MoM ; consensus: -4.5%), each more than expected, in December.
- **Mario Draghi: “the ECB will not surrender to low Inflation”.** The ECB's president showed his complete commitment to the goal of the institution: price stability. He said, “And if that were to happen (de-anchoring of expectations leading to persistently weaker inflation), we would need a much more accommodative monetary policy to reverse it. Seen from that perspective, the risks of acting too late outweigh the risks of acting too early”. He also pointed out that “there can be no doubt that if we needed to adopt a more expansionary policy, the risk of side-effects would not stand in our way”.
- **Downwards revision of Eurozone inflation and slightly increased growth in the European Commission's winter forecast.** The Eurozone's growth is projected to increase to 1.7% this year from 1.6% in the last forecast, and to climb to 1.9% in 2017. Pierre Moscovici, the Commissioner said: "The European economy is successfully weathering new challenges this winter, supported by cheap oil, the euro rate and low interest rates. Nonetheless, the weaker global environment poses a risk and means we must be doubly vigilant." The further decline in oil prices is temporarily driving inflation down; the Euro area's annual inflation is now forecast at only 0.5% for 2016 (from 1% in the previous forecast) and 1.5% for 2017 (from 1.6%).
- **Easing monetary stance and oil prices determined market performance today.** Increasing worries about the global outlook continued as the main driver in financial Markets, awaiting tomorrow's US employment data release. The market continued to price a very slow normalisation process in the US amid doubts about both internal and external growth dynamics. In line with these worries, the remaining developed countries' central banks continued with their accommodative tone. The BoE expects that UK rates are going to be unchanged for at least another year (33% of market is now pricing an interest rate cut as more likely than a hike in the next BoE change), and Draghi's speech again showed that it has not given up on the inflation target. With the dovish tone prevailing across central banks in developed

markets, G-7 currencies had a mixed performance against the USD, with the carry trade currencies (yen and euro) appreciating while the British pound fell slightly against the US dollar (EUR +0.8%, JPY +0.9% and GBP -0.1%). On the other hand, the dovish central bank tone in DM encouraged the appreciation in EM currencies against the US dollar (RUB: +0.4%, BRL: +0.3%, COP: +1.7%, CLP: +1.4%), while yesterday's increase in oil prices (around 8%) and today's relative stability (Brent: -0.4%, WTI: +0.5%) were underpinned by the possibility of an agreement between Russia and OPEC on an output cut, which also contributed to the positive trend in EM currencies. Yet, despite Mr. Draghi's dovish speech, the 10Y German bund inched up, underscoring a slight increase in risk taking, while peripheral spreads widen (GER 10Y: +3bp, FRA 10Y: +2bp, ITA 10Y: +8bp, SPA 10Y: +8bp, POR10Y: +8bp). Meanwhile, US treasury yields declined slightly in all tenors (2Y: -2bp, 10Y: -3bp). European equity markets recovered slightly in a high volatility session, with the exception of the DAX which was hampered by EUR appreciation (Euro Stoxx: +0.3%, IBEX: +1.7%, DAX: -0.5%). They were also helped by the positive opening by the US indices (S&P: +0.1%, Dow: +0.1%). Meanwhile, Asian markets showed a mixed performance, as the Nikkei fell (-0.9%) due to the yen's appreciation, while Chinese markets continued their recovery (Shanghai: +1.5%).

Update 17.30 CET 03 February, 2015

Table1



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Fuente: BBVA Research

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

**Debt markets (changes in bp)**

**Government bonds**

US 2yr 0.71 (2) 1(1) (2) 1(3) (24)  
 US 5yr 1.24 (3) 1(6) 1(4) (22)  
 US 10yr 1.86 (3) 1(2) 1(6) (41)  
 Japan 10yr 0.11 (1) 1(1) (2) 1(2) (21)  
 GER 2yr 0.40 (2) 1(2) 1(1) 1(4) (2)  
 GER 5yr 0.24 (2) 1(2) 1(1) (22)  
 GER 10yr 0.31 (2) 1(2) 1(2) 1(22)  
 Belgium 10yr 0.76 (2) 1(1) 1(1) (21)  
 France 10yr 0.82 (2) 1(1) 1(2) (22)  
 Canada 5yr 0.40 (2) 1(1) 1(1) (22)  
 Russia 5yr 0.80 (1) 1(1) 1(1) 1(1)  
 Netherlands 10yr 0.41 (2) 1(2) 1(2) 1(26)  
 Portugal 5yr 0.11 (1) 1(1) 1(1) 1(1)  
 Spain 10yr 0.80 (1) 1(1) 1(1) (21)

**Emerging bonds**

Brazil 10yr 0.80 (1) 1(1) 1(1) 1(1)  
 China 5yr 0.40 (2) 1(1) 1(1) 1(1)  
 Colombia 5yr 0.40 (2) 1(1) 1(1) 1(1)  
 Mexico 5yr 0.80 (1) 1(1) 1(1) 1(1)  
 Peru 10yr 0.40 (2) 1(1) 1(1) 1(1)  
 Poland 10yr 0.10 (2) 1(2) 1(2) 1(2)  
 Russia 5yr 0.27 (1) 1(1) 1(1) 1(1)  
 Russia 10yr 0.14 (1) 1(1) 1(1) 1(1)  
 Turkey 10yr 0.37 (4) 1(2) 1(2) 1(2)

**Asia 10yr 1.84 (1) 1(1) 1(1) 1(1)**

**Indonesia 10yr 0.11 (1) 1(1) 1(1) 1(1)**

**C country risk (changes in bp)**

**10yr sovereign spreads (against Germany)**

Belgium 45 (2) 1(1) 1(1) 1(1)  
 France 32 (1) 1(1) 1(1) 1(1)  
 Greece 183 (3) 1(2) 1(2) 1(2)  
 Ireland 0 (1) 1(1) 1(1) 1(1)  
 Italy 71 (1) 1(1) 1(1) 1(1)  
 Spain 101 (2) 1(1) 1(1) 1(1)  
 Netherlands 11 (1) 1(1) 1(1) 1(1)  
 Portugal 278 (3) 1(2) 1(2) 1(2)  
 Spain 101 (2) 1(1) 1(1) 1(1)

**5yr sovereign spreads (against Germany)**

Belgium 11 (1) 1(1) 1(1) 1(1)  
 France 9 (1) 1(1) 1(1) 1(1)  
 Greece 120 (2) 1(2) 1(2) 1(2)  
 Ireland 0 (1) 1(1) 1(1) 1(1)  
 Italy 71 (1) 1(1) 1(1) 1(1)  
 Netherlands 11 (1) 1(1) 1(1) 1(1)  
 Portugal 278 (3) 1(2) 1(2) 1(2)  
 Spain 101 (2) 1(1) 1(1) 1(1)

**3yr sovereign spreads (against Germany)**

Belgium 11 (1) 1(1) 1(1) 1(1)  
 France 9 (1) 1(1) 1(1) 1(1)  
 Greece 120 (2) 1(2) 1(2) 1(2)  
 Ireland 0 (1) 1(1) 1(1) 1(1)  
 Italy 71 (1) 1(1) 1(1) 1(1)  
 Netherlands 11 (1) 1(1) 1(1) 1(1)  
 Portugal 278 (3) 1(2) 1(2) 1(2)  
 Spain 101 (2) 1(1) 1(1) 1(1)

**5yr sovereign CDS**

5yr CDS Belgium 39 (3) 1(1) 1(1) 1(1)  
 5yr CDS France 36 (2) 1(1) 1(1) 1(1)  
 5yr CDS Germany 26 (2) 1(1) 1(1) 1(1)  
 5yr CDS Greece 184 (3) 1(2) 1(2) 1(2)  
 5yr CDS Ireland 47 (2) 1(1) 1(1) 1(1)  
 5yr CDS Italy 132 (1) 1(1) 1(1) 1(1)  
 5yr CDS Netherlands 19 (1) 1(1) 1(1) 1(1)  
 5yr CDS Portugal 245 (3) 1(2) 1(2) 1(2)  
 5yr CDS Spain 87 (2) 1(1) 1(1) 1(1)  
 5yr CDS UK 28 (1) 1(1) 1(1) 1(1)  
 5yr CDS US 22 (1) 1(1) 1(1) 1(1)

**5yr sovereign CDS**

5yr CDS Brazil 485 (4) 1(1) 1(1) 1(1)  
 5yr CDS China 131 (4) 1(1) 1(1) 1(1)  
 5yr CDS Colombia 205 (3) 1(1) 1(1) 1(1)  
 5yr CDS Mexico 199 (4) 1(2) 1(2) 1(2)  
 5yr CDS Peru 211 (3) 1(1) 1(1) 1(1)  
 5yr CDS Venezuela 198 (4) 1(2) 1(2) 1(2)  
 5yr CDS Poland 12 (2) 1(2) 1(2) 1(2)  
 5yr CDS Russia 204 (1) 1(1) 1(1) 1(1)  
 5yr CDS Turkey 207 (3) 1(1) 1(1) 1(1)  
 5yr CDS China 140 (3) 1(1) 1(1) 1(1)  
 5yr CDS India 171 (2) 1(2) 1(2) 1(2)  
 5yr CDS Indonesia 242 (4) 1(1) 1(1) 1(1)

**C credit risk**

US bonds 10yr 1.86 (3) 1(2) 1(6) (41)  
 VIX 21.99 (1) 0.1 (1) 0.1 (1) 1(1)  
 VIX 5yr 16.92 (1) 0.1 (1) 0.1 (1) 1(1)  
 EUR EFT volatility index 32 (1) 1(1) 1(1) 1(1)  
 Detachment volatility 31 (2) 1(1) 1(1) 1(1)  
 EMI FX volatility index 13 (2) 1(2) 1(2) 1(2)  
 Credit spread (AAA) 126.4 (3) 1(2) 1(2) 1(2)  
 US bonds volatility index 80 (2) 1(2) 1(1) 1(1)

**Bank risk (changes in bp)**

US banks CDS 95 (2) 1(1) 1(1) 1(1)  
 EUR banks CDS 125 (2) 1(1) 1(1) 1(1)  
 UK banks CDS 119 (2) 1(1) 1(1) 1(1)  
 Large Spanish banks CDS 168 (3) 1(2) 1(2) 1(2)  
 Medium Spanish banks CDS 220 (3) 1(2) 1(2) 1(2)  
 Small banks CDS 142 (2) 1(1) 1(1) 1(1)  
 Russian banks CDS 491 (3) 1(2) 1(2) 1(2)

**Country risk (changes in bp)**

US Non-Ancora CDS 0 (1) 1(1) 1(1) 1(1)  
 S&P Non-Ancora CDS 0 (1) 1(1) 1(1) 1(1)  
 UK Non-Ancora CDS 0 (1) 1(1) 1(1) 1(1)

**Interbank markets (changes in bp)**

US 3m secured 3m 14 (1) 1(1) 1(1) 1(1)  
 US 6m secured 6m 4 (1) 1(1) 1(1) 1(1)  
 US 12m secured 12m 28 (1) 1(1) 1(1) 1(1)  
 US 3m unsecured 3m 23 (1) 1(1) 1(1) 1(1)  
 US 6m unsecured 6m 19 (1) 1(1) 1(1) 1(1)  
 US 12m unsecured 12m 37 (2) 1(1) 1(1) 1(1)  
 Spain Fed Spread 3m 14 (1) 1(1) 1(1) 1(1)  
 EONIA index 4.29 (1) 0.1 (1) 1(1) 1(1)  
 Euribor 3m 4.17 (1) 0.1 (1) 1(1) 1(1)  
 Euribor 6m 4.17 (1) 0.1 (1) 1(1) 1(1)  
 Libor 3m 4.62 (1) 1(1) 1(1) 1(1)  
 Libor 6m 4.13 (1) 1(1) 1(1) 1(1)

**Stock markets (Changes in percentage)**

**Major indices**

S&P500 1944.13 (1) 1(1) 1(1) 1(1)  
 Dow Jones 1828.81 (1) 1(1) 1(1) 1(1)  
 Nikkei 1914.82 (1) 1(1) 1(1) 1(1)  
 FTSE 100 5095.81 (1) 1(1) 1(1) 1(1)  
 Euro Stoxx 50 2964.81 (1) 1(1) 1(1) 1(1)  
 MSCI EAFE 3174.81 (1) 1(1) 1(1) 1(1)  
 DAX 8084.81 (1) 1(1) 1(1) 1(1)  
 CASAX 2.81 (1) 1(1) 1(1) 1(1)  
 ASI 19784.81 (1) 1(1) 1(1) 1(1)  
 ASI 19784.81 (1) 1(1) 1(1) 1(1)

**Bank stocks**

US banks 77 (2) 1(1) 1(1) 1(1)  
 JPW 58 (1) 1(1) 1(1) 1(1)  
 Cit 41 (1) 1(1) 1(1) 1(1)  
 Bank 13 (1) 1(1) 1(1) 1(1)  
 WEL 24 (2) 1(1) 1(1) 1(1)  
 GS 106 (4) 1(2) 1(2) 1(2)  
 UK banks 72 (1) 1(1) 1(1) 1(1)  
 HSBC 45 (4) 1(2) 1(2) 1(2)  
 NBS 242 (4) 1(2) 1(2) 1(2)  
 Barclays 174 (1) 1(1) 1(1) 1(1)  
 Lloyds 47 (2) 1(2) 1(2) 1(2)  
 EMI 84 (2) 1(1) 1(1) 1(1)  
 BNP 41 (1) 1(1) 1(1) 1(1)  
 Citigroup 8 (2) 1(2) 1(2) 1(2)  
 CIB 10 (1) 1(1) 1(1) 1(1)  
 BNP 10 (1) 1(1) 1(1) 1(1)  
 BNP 10 (1) 1(1) 1(1) 1(1)  
 BNP 10 (1) 1(1) 1(1) 1(1)  
 BNP 10 (1) 1(1) 1(1) 1(1)

**Large Spanish banks**

BBVA 82 (1) 1(1) 1(1) 1(1)  
 Santander 77 (2) 1(1) 1(1) 1(1)  
 Caixa 37 (1) 1(1) 1(1) 1(1)

**Medium Spanish banks**

Wells Fargo 72 (1) 1(1) 1(1) 1(1)  
 Citigroup 71 (2) 1(1) 1(1) 1(1)  
 PNC 31 (1) 1(1) 1(1) 1(1)  
 Sun Life 18 (2) 1(1) 1(1) 1(1)  
 Bancor 12 (2) 1(1) 1(1) 1(1)  
 Bank 12 (2) 1(1) 1(1) 1(1)

**Small banks**

Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)

**Emerging banks**

Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)  
 Bank 2.8 (1) 1(1) 1(1) 1(1)

**Bank stocks**

Turkish banks 19 (2) 1(1) 1(1) 1(1)  
 A.S. 1 (2) 1(1) 1(1) 1(1)  
 Genent 7 (1) 1(1) 1(1) 1(1)  
 Turkish Banks 15 (1) 1(1) 1(1) 1(1)

**Russian banks**

Russian banks 142 (3) 1(2) 1(2) 1(2)  
 Sberbank 80 (2) 1(1) 1(1) 1(1)  
 VTB Bank 61 (2) 1(1) 1(1) 1(1)

**Currencies (in percentage, positive for dollar depreciation)**

EURUSD 1.19 (0) 0 (3) 1(1) 1(1)  
 GBPUSD 1.46 (4) 0 (1) 1(1) 1(1)  
 USDJPY 118.6 (8) 0 (1) 1(1) 1(1)  
 USDCHF 0.71 (1) 1(1) 1(1) 1(1)  
 USDCHF 0.71 (1) 1(1) 1(1) 1(1)

**USDP (in percentage)**

USDP (Brazil) 14 (2) 1(1) 1(1) 1(1)  
 USDP (China) 139 (3) 1(2) 1(2) 1(2)  
 USDP (Colombia) 182 (3) 1(2) 1(2) 1(2)  
 USDP (Mexico) 152 (4) 1(2) 1(2) 1(2)  
 USDP (Peru) 140 (3) 1(2) 1(2) 1(2)  
 USDP (Venezuela) 140 (3) 1(2) 1(2) 1(2)  
 USDP (Poland) 139 (3) 1(2) 1(2) 1(2)  
 USDP (Russia) 174 (4) 1(2) 1(2) 1(2)  
 USDP (Turkey) 139 (3) 1(2) 1(2) 1(2)  
 USDP (China) 139 (3) 1(2) 1(2) 1(2)  
 USDP (India) 139 (3) 1(2) 1(2) 1(2)  
 USDP (Indonesia) 139 (3) 1(2) 1(2) 1(2)  
 USDP (South Korea) 139 (3) 1(2) 1(2) 1(2)

**Commodity prices (change in percentage)**

Oil 104.14 (1) 1(1) 1(1) 1(1)  
 WTI 104.14 (1) 1(1) 1(1) 1(1)  
 Copper 3.10 (1) 1(1) 1(1) 1(1)  
 Gold 1934.14 (1) 1(1) 1(1) 1(1)  
 S&P 500 1944.13 (1) 1(1) 1(1) 1(1)  
 S&P 500 (spot commodity index) 2964.81 (1) 1(1) 1(1) 1(1)  
 S&P 500 (nearby spot) 2964.81 (1) 1(1) 1(1) 1(1)  
 S&P 500 (futures spot) 2964.81 (1) 1(1) 1(1) 1(1)  
 S&P 500 (agreements) 2964.81 (1) 1(1) 1(1) 1(1)

**Stock financing (Debt and net)**

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Fuente: BBVA Research

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

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

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