

# Market Comment | Improvement in market sentiment is helped by the PBoC

Global Financial Markets Unit  
15 Feb 2016

- **Today US markets are closed for Presidents' Day**
- **Draghi signals further easing if some key risks materialize.** In a speech to the European parliament, he said that the ECB is monitoring (and would not hesitate to act) if two particular risks materialize: reduced transmission of monetary impulses by the financial system (and in particular by banks) and a strong pass-through of low imported inflation to domestic wage and price formation and to inflation expectations (that would depend on the persistence of the fall in oil and commodity prices and the incidence of second-round effects on domestic wages and prices). He again emphasized that fiscal policies should support the economic recovery through public investment and lower taxation.
- **Japan's economy contracted in 4Q15.** According to preliminary data Japan's GDP 4Q15 decreased by more than expected ( -0.4% QoQ; consensus: -0.2%). The contraction in the Japanese economy was due mainly to household consumption decreasing by -0.8% QoQ, while external demand contributed positively.
- **Negative macroeconomic data in China.** China's exports fell more sharply in January than had been estimated (by -11.2% YoY; consensus: -1.8%; previous: -1.4%), while imports also plunged by more than expected (by -18.8% YoY; consensus: -3.6%; previous: -7.6%)
- **Improvement in market sentiment is helped by the PBoC.** Amid increasing doubts about the global economic outlook and the impact of central banks' negative interest rate policies, the PBoC acted to lift the CNY to its strongest level (against the USD) this year (6.5 CNY), helping to calm global financial markets. One of the biggest concerns nowadays is how China will manage its currency policy in a slowing economy (since August they have undertaken two sizeable depreciations against the USD). Today's appreciation - accompanied by the governor's declaration that there "is no basis for devaluation" - has helped reduce fears of a disorderly depreciation (and its potential ripple effects around the globe). News about the CNY appreciation has trumped the worse-than-expected macroeconomic data in Asia (Japan GDP and trade data in China). As a result, equity indices rose across the board, led by the Nikkei (+7.16%) and followed by major indices in developed markets (Eurostoxx: +2.9% IBEX: +3.3% DAX: +2.7% CAC: +3.0% MIB: +3.5%). The European banking sector rebounded (especially in Italy), contributing to underpin today's improved sentiment, which was also observed in bond markets: European yields fell slightly, with the exception of Portugal, which declined sharply after last week's surge (GER 10Y: -2bps FRA 10Y: -4bps ITA: -4bps SPA: -3bps POR: -19bps). On FX markets, the USD has appreciated against other major currencies (EUR: 0.93% GBP: 0.4% JPY: 1.18%) after last week's depreciation. EM currencies appreciated against the US dollar (RUB: +1.1%, BRL: +0.3%, CLP: +0.7%, MXN: +0.4%) mainly due to the increase in commodity prices (Brent: +0.8% Wtx: +1.3% Copper: +1.6%)

Update 17.30 CET 15 February, 2015  
Table1





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

**Debt markets (changes in bp)**

**US Treasury**

US 2yr	0.71 (0.51) (0.50)
US 3yr	1.21 (0.53) (0.50)
US 10yr	1.75 (0.71) (0.74) (0.72)

**Japan**

Japan 10yr	0.00 (0.00) (0.00) (0.00)
OECD 3yr	0.32 (1.11) (1.14) (0.81)
OECD 5yr	0.31 (1.21) (1.21) (1.21)
OECD 10yr	0.24 (1.21) (1.24) (1.24)

**Belgium**

Belgium 10yr	0.75 (4.13) (4.11) (4.22)
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**France**

France 10yr	0.62 (4.20) (4.20) (4.20)
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**Germany**

Germany 10yr	0.22 (0.22) (0.21) (0.22)
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**Italy**

Italy 10yr	1.44 (4.18)
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**Netherlands**

Netherlands 10yr	0.51 (4.21) (4.21)
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**Portugal**

Portugal 10yr	2.53 (4.21) (4.21) (4.21)
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**Spain**

Spain 10yr	1.71 (4.21) (4.21) (4.21)
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**Emerging Markets**

Brazil 10yr	4.42 (6.11) (6.11) (6.11)
China 10yr	2.42 (4.11) (4.11) (4.11)
Colombia 10yr	3.41 (4.11) (4.11) (4.11)
Korea 10yr	0.87 (4.11) (4.11) (4.11)
India 10yr	5.23 (6.11) (6.11) (6.11)
Poland 10yr	3.04 (4.11) (4.11) (4.11)
Russia 10yr	10.27 (6.11) (6.11) (6.11)
Turkey 10yr	10.33 (6.11) (6.11) (6.11)

**Country risk (changes in bp)**

**US government bonds (Agencies Germany)**

Belgium	32 (2) (1) (2)
France	32 (2) (1) (2)
Germany	100 (10) (10) (10)
Italy	12 (1) (1) (1)
Netherlands	11 (1) (1) (1)
Portugal	33 (4) (4) (4)
Spain	14 (1) (1) (1)

**US government bonds (Agencies Germany)**

Belgium	10 (2) (1) (1)
France	10 (2) (1) (1)
Germany	100 (10) (10) (10)
Italy	12 (1) (1) (1)
Netherlands	11 (1) (1) (1)
Portugal	10 (1) (1) (1)
Spain	14 (1) (1) (1)

**US government bonds (Agencies Germany)**

Belgium	10 (2) (1) (1)
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Portugal	10 (1) (1) (1)
Spain	14 (1) (1) (1)

**US government CDS**

US CDS Belgium	36 (3) (3) (3)
US CDS France	36 (3) (3) (3)
US CDS Germany	25 (1) (1) (1)
US CDS Italy	105 (10) (10) (10)
US CDS Japan	105 (10) (10) (10)
US CDS Korea	105 (10) (10) (10)
US CDS Netherlands	24 (1) (1) (1)
US CDS Portugal	34 (4) (4) (4)
US CDS Spain	18 (1) (1) (1)
US CDS UK	38 (3) (3) (3)
US CDS US	23 (0) (0) (0)

**US government CDS**

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US CDS UK	38 (3) (3) (3)
US CDS US	23 (0) (0) (0)

**Credit risk**

**Risk indicators (percentage in percentage except for BAA spread, bp)**

VIX 2x	6 (2) (1) (1)
EDF	17 (1) (1) (1)
EDF volatility index	37 (5) (5) (5)
Delinquency ratio	117 (4) (4) (4)
EDF volatility index	37 (5) (5) (5)
Credit spread (BAA)	35 (3) (3) (3)
US bonds volatility index	34 (3) (3) (3)

**Risk indicators (percentage in bp)**

US banks CDS	105 (10) (10) (10)
US CDS	105 (10) (10) (10)
UK banks CDS	105 (10) (10) (10)

**Large Spanish banks CDS**

Large Spanish banks CDS	105 (10) (10) (10)
Medium Spanish banks CDS	205 (20) (20) (20)
Small banks CDS	102 (10) (10) (10)
Russian banks CDS	105 (10) (10) (10)

**Country risk (changes in bp)**

US CDS spread 2m	14 (1) (1) (1)
US CDS spread 3m	4 (1) (1) (1)
US CDS spread 5m	3 (1) (1) (1)
US CDS spread 7m	3 (1) (1) (1)
US CDS spread 1m	3 (1) (1) (1)
US CDS spread 3m	3 (1) (1) (1)
US CDS spread 5m	3 (1) (1) (1)
US CDS spread 7m	3 (1) (1) (1)
US CDS spread 1m	3 (1) (1) (1)

**US CDS spread 2m**

EDF	17 (1) (1) (1)
EDF volatility index	37 (5) (5) (5)
Delinquency ratio	117 (4) (4) (4)
EDF volatility index	37 (5) (5) (5)
Credit spread (BAA)	35 (3) (3) (3)
US bonds volatility index	34 (3) (3) (3)

**Stock markets (Change in percentage)**

**US public markets**

S&P 500	104 (10) (10) (10)
NASDAQ	104 (10) (10) (10)
Dow Jones	104 (10) (10) (10)
Nikkei	104 (10) (10) (10)
FTSE 100	104 (10) (10) (10)
Euro Stoxx 50	104 (10) (10) (10)
Russiatex	104 (10) (10) (10)
MSCI EAFE	104 (10) (10) (10)
MSCI EM	104 (10) (10) (10)
MSCI ACWI	104 (10) (10) (10)

**US public markets**

US Banks	72 (8) (8) (8)
JPM	37 (5) (5) (5)
Chf	37 (5) (5) (5)
Boa	12 (1) (1) (1)
Wf	21 (1) (1) (1)
GS	14 (1) (1) (1)

**US public markets**

UK banks	72 (8) (8) (8)
USDC	47 (5) (5) (5)
WFS	24 (3) (3) (3)
Barclays	10 (1) (1) (1)
Lloyds	10 (1) (1) (1)

**US public markets**

EMU banks	81 (1) (1) (1)
BHF	43 (3) (3) (3)
Comptoir	3 (1) (1) (1)
ING	10 (1) (1) (1)
BNP	10 (1) (1) (1)
Unicredit	3 (1) (1) (1)

**US public markets**

Large Spanish banks	81 (1) (1) (1)
Banque	3 (1) (1) (1)
Banque	3 (1) (1) (1)

**US public markets**

Medium Spanish banks	81 (1) (1) (1)
Caixa	15 (1) (1) (1)
Caixa	15 (1) (1) (1)
Caixa	15 (1) (1) (1)
Caixa	15 (1) (1) (1)

**US public markets**

US CDS	105 (10) (10) (10)
US CDS	105 (10) (10) (10)
US CDS	105 (10) (10) (10)
US CDS	105 (10) (10) (10)
US CDS	105 (10) (10) (10)

**US public markets**

Turkish banks	72 (8) (8) (8)
Avni	1 (1) (1) (1)
Avni	1 (1) (1) (1)
Avni	1 (1) (1) (1)
Avni	1 (1) (1) (1)

**US public markets**

Russian banks	105 (10) (10) (10)
Bank	105 (10) (10) (10)
Bank	105 (10) (10) (10)

**US public markets**

US CDS	105 (10) (10) (10)
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\*CDS, EMBI & MSCI indices with one day delay

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

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