

Market Comment | Downturn in oil prices hits risk assets, amid weak economic data

Global Financial Markets Unit 23 Feb 2016

- **Downbeat economic data in the US.** US consumer confidence fell more than expected in February (by 5.6 points to 92.2; consensus: 97.2), while the Richmond Fed manufacturing index decreased unexpectedly (by 6 points to -4; consensus: 2). On another front, existing home sales remained almost unchanged in January, against expectations of a decrease (to USD5.47m from USD5.45m; consensus: 5.33m).
- Business climate weakens in Germany and France in February. Germany's IFO business climate index deteriorated by more than expected in February (by 1.6 points to 105.7; BBVAe: 106.6, consensus: 106.8) dragged down by the unexpected plunge in IFO expectations (to 98.8 from 102.3) and reaching its lowest level since 2012. In France, business confidence also fell, against estimates of its remaining unchanged (by 2.0 points to 100). However, manufacturing confidence remained stable at 103.0. On the other hand, the German 4Q15GDP final data confirmed the increase in line with estimates (by 0.3%QoQ), underpinned by the improvement in domestic demand, as investment and public spending offset lower private consumption.
- · Volatility in oil prices continues as one of the main drivers in financial markets. Yesterday's strong rally in oil prices continued early this morning, despite fears about an oversupply in the short term (released in yesterday's IEA report). Nonetheless, after Iran's oil minister's intervention - calling last week's agreement between Russia and Saudi Arabia "ridiculous" - prices fell again. As expected, Iran will be the major obstacle to agreeing a coordinated action to cut supply. On another front, some analysts pointed out that US shale oil could "cover" any cuts that other producers might make. In addition to the uncertainty about oil prices, macroeconomic indicators released today - worse than expected - were not supportive, while the PBoC brought back uncertainties about RMB trends, after setting a weaker RMB today. Consequently, European equity markets dropped (Eurostoxx: -1.6% IBEX: -1.3% DAX: -1.6% CAC: -1.4%) offsetting part of vesterday gains, hampered by worse-than-expected IFO expectations and especially by the downturn in oil prices. Meanwhile, both US and Asian indices also decreased (S&P: -1.0% Nikkei: -0.4% Shanghai: -0.81%). In bond markets the main curves remained almost unchanged across the board. On FX markets, the USD showed a mixed performance, while the GBP continued its depreciation trend due to the uncertainty surrounding the Brexit issue, and the euro also depreciated due to negative macroeconomic data (GBP: -0.55% EUR: -0.1%). On the other hand the yen and the Swiss franc appreciated, underpinned by Thomas Jordan's speech (head of the Swiss National Bank) who sees certain limits to negative interest rate policy, (JPY: +0.66% CHF: +0.86%). EM currencies depreciated slightly against the US dollar (RUB: -1.2% BRL: -0.7% MXN: -0.6% COP: -0.4% CLP: -0.7%) dragged down by commodity price falls, especially in oil (Brent: -4.0% Copper: -1.1%).

Update 17.30 CET 23 February, 2015 Table1



Debt markets (changes at daily, w Debt markets (changes in bp) Developed flat risks US 2-yr 0,74 (-1) (2) (-13) (-31) US 5-yr 1,22 (-1) (0) (-20) (-54) US 10-yr 1,74 (-1) (-3) (-31) (-63) GER 2-yr -0,53 (1) (-1) (-8) (-18) GER 5-yr -0,33 (1) (-3) (-10) (-28) GER 10-yr -0,18 (1) (-8) (-30) (-45) DER 1097 () 16 () (20) (49) Belgiam 19y () 86 () (-12) (23) (21) France 19y 624 (2) (-11) (-20) (-4) Grace 19y 7 (-4) (-4) (-2) (-2) Friand 19y 7 (-4) (-4) (-2) Friand 19y 7 (-4) (-4) (-7) Metherizade 19y 7 (-2) (1) (-10) (-20) (-47) Portugal (19y 7 (-3) (-2) (-12) (-10) (-5) Spain 19y 7 (-5) (-2) (-12) (-10) (-5) India 10-yr 7,82 (5) (4) (4) (6) Indonesia 10-yr 8,18 (2) (19) (-23) (-57) Country risk (changes in bp) Country Visis (consequence on popular *Lever sovereign general suggests Gentary) Berjam 48 (8) (4) (2) (14) France 38 (1) (-3) (4) (6) Greece (150 (-4) (4) (6) (2) Visitad 53 (3) (7) (5) (31) tally 155 (6) (-10) (33) Matheritards 14 (6) (-1,2) (2) (-3) Fortugal 235 (-3) (-2,7) (79) (150) Spain 145 (-3) (-3) (21) (21) Sey soverign spreads (against Gen Beigium 8 (-1) (2,1) (-6) (1) Fratice 16 (-1) (2) (-4) (3) Gleech 165 (-1) (3) (1) (28) Iridad 46 (3) (6) (7) (20) 148y 34 (9) (-4) (7) (20) Metherlands 1 (-1) (-2,6) (-4) (2) Portugal 277 (-9) (6) (5) (65) Spain 50 (3) (-6) (7) (18) squeme on (x0) (x0) (x1) (x3) 2) or scorrectings spanded (against Gerssany) (x1) (x1) (x1) (x1) (x2) (x3) (x2) (x3) (x3) (x3) (x3) (x2) (x3) (x3) (x3) (x3) (x3) (x4) (x3) (x3) (x4) (x4) (x3) (x3) (x4) Throughout Brishols Says asserting CSS Says asserting CSS Says asserting CSS Says CSS Brish 444 (22) (20) (41) (44) Says CSS Brish 444 (22) (20) (41) (44) Says CSS Brish 444 (22) (20) (41) (41) Says CSS Brishols (41) (41) (41) (41) (41) (41) Says CSS Brishols (41) (41) (41) (41) Says CSS Brishols (41) (41) (41) (41) Says CSS Brishols (41) (41) (41) (41) 5-yr CDS China 131 (-5) (-7) (5) (23) 5-yr CDS India 175 (5) (-2) (-1) (26) 5-yr CDS Indonesia 231 (-8) (-8) (-17) (4) To section the Configuration of the Configuration o Interbank markets (changes in bp) UEM OIS spread 3m 14 (-1) (-1) (1) (3) UEM OIS spread 12m 41 (-1) (0) (1) (7) UEM TED spread 3m 35 (0) (6) (4) (6) US OIS spread 3m 23 (0) (-1) (0) (0) US OIS spread 12m 71 (0) (-1) (5) (14) US TED spread 3m 30 (-2) (-3) (-2) (-15) Spain Ted Spread 3m 1 (-1) (-2,7) (-2 Liber 3m 0,62 (0) (1) (1) (1) Liber 12m 1,16 (0) (3) (0) (2) Stock markets (Changes in percents Developed Markets Barris stocks US barris 73 (-3,2) (-1,8) (-6,4) (-22) JPM 56,3 (-3,9) (-3,5) (-1,2) (-1,5) 01 30,3 (-3,1) (-1,5) (-6,7) (-26) BoA 12,2 (-4) (0,7) (-10,3) (-26) MS 23,8 (-3,1) (-3,3) (-7,1) (-25) 08 144,9 (-2,6) (-2,6) (-7,6) (-20) Legen 6(2) (4,3) (3,9) (4,9) (4,9) (4,9) (5,9) (4,9) (5,9) (4,9) (4,9) (5,9) (4,9) (Large Spenish banks 61,4 (2,3) (0,1) (7,8) (19) Santander 3,6 (-1,7) (0,2) (-10,2) (-21) 88 NA 5,6 (2,6) (4,3) (4,1) (-17) BBNA J6 (2.8) (4.3) (4.1) (47) Medium Spanish banks 6.8,6 (4.2) (4.1) (-10,5) (-20) Calcabank 2.2 (4.5) (-1,8) (-10,8) (-21) Popular 2.1 (-1,9) (-2,4) (-10,8) (-21) Sabadel 1.4 (-1,8) (-1,7) (-4,8) (-1) Bankiner 5.9 (-8) (-4) (-5,8) (-8) Bankiner 5.9 (-8) (-4) (-5,8) (-8) Bankiner 5.9 (-8) (-4,9) (-4) (-29) Greek banks 2.2 (0.9) (-10,1) (-31,5) (-51) Alpha Bankt, 3.(-1,5) (-13,9) (-27) (-45) Finsus Bankt, 1,15) (-13,9) (-27) (-45) Mational Central Bankt, 2, (-3,0) (-51) Mational Central Bankt, 2, (-6,0) (-3,0) (-50) Eurobank Erpseisad, 4 (5,6) (-1,5) (-40,9) (-55) Freezing Markets Market (1997) MSCI EM Asia 624 (8,35) (3,2) (5,6) (-6,6) Shanghai Composite (China) 2903 (-8,81) (2,4) (-0,5) (-18) Jakarta Composite (Indonesia) 4654 (-1,2) (-1,9) (4,4) (1) Blank docks Tarkish banks 78 (1.2) (8.5) (7) (5.7) Albank 1.A. S. 8 (1.9) (8.7) (10,0) (12,1) Albank 1.A. S. 8 (1.9) (8.7) (10,0) (12,1) Gasmil 6 (1.2) (7.3) (6.4) (5.5) Turkyle is Bankad 6 (4.4) (5.3) (3.2) (-1.3) Plussian banks 1.49 (9) (5.8) (9.9) (2) Soethank 1.00 (9) (9.3) (12,8) (1.9) VTS Bank 6,1 (9) (4) (5.3) (-4) VTB Sark 5,1 (6) (4) (5, 3), (4) Currence (in proceedings, positive for dollar depreciation) TURNS 1,100 (4) (4) (4,11) (2,1) (1,5) TURNS 1,100 (4) (4,11) (2,1) (1,5) TURNS 1,100 (4) (4,1) (4,4) TURNS 1,100 (4) (4,5) (4,6) Emerging Markets USDARS Urgentine) 15, 52 (+1,6) (+4,5) (+13,2) (20) USDARS Urgentine) 15, 52 (+1,6) (+4,5) (+13,2) (20) USDORL (Brazi) 37 (+0,7) (-2,3) (0) (+4,3) USDOCP (-5,6) (-6,6) (-2,7) (-5,6) (-2,7) (-4,7) USDOCP (-5,6) (-6,6) (-6,7) (-6,6) (-2,7) (-4,6) (-4,7) USDEN (-6,6) (-3,5) (-4,6) (-4,6) (-2,5) (-3,5) (-4,6) (-4,6) (-2,5) (-3,5) (-4,6) (-4,6) ADD/10.46.4 (4.2) (4.3), 0.1(1) Commodities (1.3), 0.1(1) Commodities (1.3), 0.1(1) Commodities (1.3), 0.1(1) Comparation (1.4), 0.1(1) Comparation (1.4), 0.1(1) Comparation (1.4), 0.1(1) Comparation (1.4), 0.1(1) SEP (0.1) (1.4), 0.1(1) SEP (0.1) (1.4), 0.1(1) SEP (0.1) (1.4), 0.1(1) SEP (0.1) (1.4), 0.1(1) SEP (0.1), 0.1(1), 0.1(1), 0.1(1) SEP (0.1), 0.1(1), 0.1(1), 0.1(1), 0.1(1) SEP (0.1), 0.1(1), 0.1



*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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