

Market Comment | Markets flatten ahead of FOMC, amidst renewed declines in oil prices

Global Financial Markets Unit

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- **Markets flatten ahead of FOMC meeting, amidst renewed declines in oil prices.** A rebound in the equity market flattened as oil prices weakened, increasing concerns about the recent recovery in oil. Nonetheless, markets are finding some support in recent bold ECB measures ahead of the two-day FOMC meeting starting tomorrow amidst a lack of relevant macroeconomic figures. There are still doubts about oil production freezes since Iran continues to be the main source of unease in the attempt to achieve agreement between OPEC and non-OPEC countries. The price of oil dropped sharply (Brent: -2.2% Wtx: -3.7%) despite the decrease in OPEC oil production last month (the increases in Iran's production were offset by reductions in Iraq, Nigeria and the UAE). Against this background, European equity markets inched up, weighed down by the energy sector. The sole exception was the DAX, which extended last week's gains (Eurostoxx+0.6% IBEX: +0.6% DAX: +1.6% CAC: +0.3%). The US indices remained almost unchanged, although they were also hit by the decline in oil prices (S&P: -0.1% Dow: +0.2%). Meanwhile, Asian markets rebounded today (Nikkei: +1.7% Shanghai: +1.7%), led by Friday's positive close in the US markets. On the bond markets, safe-haven bond yields remained almost unchanged pending this week's FOMC (US 10Y: -3 bps GER 10Y: +1 bps FRA 10Y: +1 bps SPA 10Y: -2 bps Portugal 10Y: -1bps). On the FX markets, the USD continued to be almost stable against other major currencies (EUR: -0.5% GBP: -0.4% JPY: +0.17%) while recording mixed performances against EM currencies. After last week's EM FX appreciation, the worst performers today are the currencies sensitive to oil prices (RUB: -1.3% BRL:-1.2% COP: -0.2% CLP: +0.2% MXN: -0.3% TRY: -0.2%).

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Table1

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

Libor markets (changes in bps)

US 3m	5.86 (0.05) (0.05)
US 6m	4.47 (0.04) (0.04)
US 12m	4.36 (0.04) (0.04)
Japan 3m	0.14 (0.01) (0.01)
EUR 3m	0.46 (0.01) (0.01)
EUR 6m	0.38 (0.01) (0.01)
EUR 12m	0.38 (0.01) (0.01)
Belgium 12m	0.86 (0.14) (0.21)
France 12m	0.87 (0.14) (0.21)
Greece 12m	8.74 (1.71) (3.63) (8)
Ireland 12m	0.85 (0.14) (0.21)
Italy 12m	1.71 (0.32) (0.61) (2)
Netherlands 12m	0.77 (0.12) (0.24)
Portugal 12m	0.75 (0.12) (0.24)
Spain 12m	0.77 (0.12) (0.24)

Country risk (changes in bps)

France 12m	1.24 (0.14) (0.21)
China 12m	4.44 (0.14) (0.21)
Canada 12m	0.46 (0.01) (0.01)
Mexico 12m	0.17 (0.01) (0.01)
Finland 12m	0.17 (0.01) (0.01)
Poland 12m	2.87 (0.17) (0.32)
Russia 12m	1.03 (0.18) (0.32)
Russia 6m	0.41 (0.12) (0.24)
Turkey 12m	0.41 (0.12) (0.24)
India 12m	0.41 (0.12) (0.24)
Korea 12m	0.41 (0.12) (0.24)

Country risk (changes in bps)

Belgium 12m	0.17 (0.01) (0.01)
France 12m	0.17 (0.01) (0.01)
Germany 12m	0.17 (0.01) (0.01)
Ireland 12m	0.17 (0.01) (0.01)
Italy 12m	0.17 (0.01) (0.01)
Netherlands 12m	0.17 (0.01) (0.01)
Portugal 12m	0.17 (0.01) (0.01)
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Country risk (changes in bps)

Belgium 6m	0.17 (0.01) (0.01)
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Fuente: BBVA Research

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*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day delay

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