

# Market Comment | Financial markets continued with yesterday's positive tone

Global Financial Markets Unit  
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- **Germany CPI rise in March.** Germany CPI harmonised final data confirmed the improvement in March, increasing by 0.1%YoY (BBVA and consensus: 0.3%; previous: -0.2%). Food and services contributed to this increase (by 1.3%YoY and 1.6% respectively; previous: 0.8% and 0.9% respectively).
- **Financial markets continued with yesterday's positive tone supported by the increase in oil prices.** Financial variables highly correlated with the risk aversion mood, such as gold prices, JPY and the core yields (US and Germany) showed that the risk-off is fading (at least for the time being). The price of oil, which is currently one of the main market drivers, increased today helped by rumours about an agreement between Russia and Saudi Arabia for freezing oil production, even without a commitment from Iran to freeze its production. Moreover, Iraq has shown its support for freezing oil production in order to pursue oil price stability. However, not all market concerns have been averted: global growth concerns remain as the IMF downgraded its forecast for global growth to 3.2% in 2016 (-0.2%) and to 3.5% in 2017 (-0.1%). This was the result of worsening prospects for some major economies such as the US, the UK and the euro zone, which were not offset by the slight upward revision for the Chinese economy (from 6.3% to 6.5% in 2016). Stability in the euro zone banking sector is also a source of uncertainty and volatility. Yesterday an Austrian financial institution was recapitalized by means of a "bail in" mechanism. Furthermore, the Italian banking sector plunged again today, although the banks and the authorities reached an agreement to create a EUR5-6bn fund to 1) ensure the recapitalisation of the weakest Italian banks and 2) guarantee and support the proposed SPV scheme to reduce NPLs in the Italian banking sector. In this context the European equity markets suffered high volatility, ending the session with gains (Eurostoxx: +0.6% IBEX: +0.5% DAX: +0.8% CAC: +0.7%) underpinned by the energy sector. In the same vein, the US indices increased at the time of writing (S&P: +0.7% Dow: +0.8%). Asian markets showed a mixed performance, with the Nikkei increasing, helped by the yen's depreciation and offsetting part of the last few days' falls (Nikkei: +1.1% Shanghai: -0.3%). On bond markets, safe-haven yields increased, offsetting last week's movement (US 10Y: +4 bps GER 10Y: +5 bps), while European peripheral yields rose less than the German yields (ITA 10Y: +4 bps SPA 10Y: +3 bps POR 10Y: +3 bps). Furthermore, the Italian sovereign risk premium slightly narrowed despite Italian banks fell sharply. In Fx markets, the USD appreciated against other major currencies, especially the Japanese yen (EUR: -0.17% JPY: -0.6%). EM currencies appreciated against the US dollar (RUB: +1.5% COP: +0.9% CLP: +1.2% MXN: +0.8%) boosted by the improvement in commodity prices (Brent: +3.4% Wtx: +3.1% Copper: +1.6%).

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Table1



\*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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