

# Market Comment | China's green shoots boost risk assets

Global Financial Markets Unit  
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- **Positive macroeconomic data in China.** China's exports surged in March above expectations (by +11.5% YoY; consensus: +10.0%; previous: -25.4%). This is the biggest increase in a year, while imports dropped less than expected (by -7.6%YoY; consensus: -10.1%; previous: -13.8%).
- **Worse-than-expected data in the US.** US retail sales dropped in March, surprising negatively relative to expectations (by -0.3% MoM; consensus: 0.1%). Ex auto and gas increased 0.1% MoM, whereas the consensus had expected 0.3%. Meanwhile, PPI final demand in March dropped, while the consensus had projected a slight increase (-0.1% MoM; consensus: +0.2%). Against this backdrop, Atlanta Fed revised upwards the GDPNow model for real GDP growth (seasonally adjusted annual rate) for 1Q16 (+0.2%) to 0.3 % from 0.1 percent on April 8.
- **Euro zone industrial production fell in February** almost in line with expectations (by -0.8% MoM; BBVAe: -0.6%, consensus: -0.7%) staying 1.1% above as regards 4Q15. On another front, French CPI harmonised final data for March remained unchanged, in line with forecasts (at -0.1% YoY), while Spanish CPI harmonised also remained unaltered in negative territory (at -1.0% YoY).
- **OPEC may cut oil demand forecast.** The organisation may cut its demand forecast by 50,000 b/d due to the slowdown in Latin American growth, warmer weather and the removal of fuel subsidies in the Middle East.
- **Positive mood remains in financial market supported by the better-than-expected macroeconomic data in China.** The improvement in cyclical risk helped to offset some volatility in oil prices today. Yesterday's oil prices rally halted today after Saudi Arabia's oil minister highlighted the difficulties in reaching an agreement on an oil production freeze this Sunday in Doha. Moreover, larger-than-expected oil inventories slightly weighed on oil prices too. Yet oil prices still remain hovering around US\$45 pb (Brent and Wtx: -0.6%), providing support to financial markets. The rebound in the banking sector, coupled with the positive trend in oil stocks also encouraged fresh gains in European equity indexes (Eurostoxx: +3.0% IBEX: +2.9% DAX: +2.5% CAC: +3.0% MIB: +3.8%). The European banking sector surged today, led by Italian banks, after Italy's economy minister Pier Carlo Padoan said that there was no risk that the bailout fund would be blocked by the European authorities. He also announced that next week the government would adopt new measures to remove bad loans from banks' balance sheets. Furthermore, better-than-expected JP Morgan 1Q results also boosted the US indices (S&P: +0.8% Dow: +0.9%). Asian markets improved across the board (Shanghai: +1.4% Nikkei: +2.8%) helped by Chinese export data and Japanese yen depreciation, after BoJ member Yutaka Harada, said that "If big risks materialise, it would be only natural to ease monetary policy right away". Despite the fresh increase in equity indices, safer bonds remained broadly unchanged or inched up, suggesting that risks still remain in places. US treasury yields remained unchanged. Meanwhile, European yields declined across the board led by peripherals (GER 10Y: -3 bps FRA 10Y: -5 bps ITA 10Y: -7 bps SPA 10Y: -7 bps POR 10Y:

-20 bps) narrowing their risk premiums (ITA: -4 bps SPA: -4 bps POR: -17 bps). In Fx markets, the USD appreciated against all major currencies (EUR: -0.98% GBP: -0.53% JPY: -0.77%). EM currencies showed a mixed performance against the US dollar (RUB: -0.6% BRL: -1.6% CLP: +0.6% COP: +0.4% MXN: -0.2%). Copper continue its positive movement (+1.3%).

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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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