

Market Comment | Calm in markets ahead of FOMC, while oil price volatility remains

Global Financial Markets Unit
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- **Euro zone M3 money supply rose in March in line with estimates** (by 5.0% YoY; previous 4.9%). Loans to non-financial corporates increased (by 0.8% YoY in March, 0.7% YoY in February) while loans to households kept growing at 2.2% YoY. On another front, German GfK consumer confidence increased in May unexpectedly (by 0.3 points to 9.7; consensus: 9.4), while French consumer confidence remained unchanged in April (at 94 points; consensus: 95) and in Italy it dropped, against estimates of an increase (by 0.7 points to 114.2; consensus: 115.0).
- **Next round of monetary policy meetings in main developed countries will be key to modulating market sentiment.** Ahead of today's Fed outcome and tonight's BoJ meeting, investors showed a cautious mood in bond markets, while equity markets benefited early this morning from increasing oil prices. Yesterday's US oil inventories data caused a sharp rebound in oil prices (+2.2%) and prices topped the maximum level since November 2015 (46.84 USD/b). Nonetheless, today's new US oil inventories data disappointed and contributed to turn down oil prices at the end of the European session to end almost unchanged (Brent:+0.8% Wtx:+0.5%). Against this backdrop European equity markets rose slightly (Eurostoxx: +0.1% IBEX: +0.3% DAX: +0.2% CAC: +0.5%) underpinned mainly by the energy sector, which benefited from higher oil prices (despite high volatility). In the US, equity markets dropped (S&P: -0.3 %), dragged down especially by some disappointing first quarter earnings reports. Asian markets dropped slightly (Nikkei and Shanghai: -0.4%) despite the National Bureau of Statistics of China (NBS) releasing an increase in industrial profits (by 11.1% YoY in March) which could diminish fears about a hard landing for the Chinese economy's slowdown process. On bond markets, US treasury yields declined in all its tenors (2Y: -1 bp 10Y: -3 bps) ahead of the FOMC meeting outcome. On the other hand, European core yields remained almost unchanged, while peripherals dropped, led by Portugal (ITA 10Y: -2bps SPA 10Y: -1bp POR 10Y: -4 bps). Meanwhile, the 10Y Greek yield surged (+39 bps) due to Greece's missing another deadline for striking a deal with its European creditors. The Eurogroup decided not to call an extraordinary meeting this Thursday, as it considered that more time was needed in order to strike a deal on the first Greek review and the contingency package. In FX markets, the USD remained almost unchanged against other major currencies (EUR: +0.13% GBP: -0.23% JPY: +0.02%) although this could change if the Fed strengthens its tone in today's meeting. EM currencies showed a mixed performance (RUB: -0.4% BRL: -0.3% CLP: +0% COP: +0.1% MXN: -0.1%) despite the high level in oil prices.

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Table 1

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

Libor markets (changes in bp)

US 3m 0.85 (1.0) (0.1) (20)
 US 6m 1.07 (1.0) (0.1) (20)
 US 12m 1.34 (0.9) (0.1) (27)
 Japan 3m 0.25 (0.2) (0.0) (10)
 GB 3m 0.49 (0.5) (0.1) (11)
 GB 6m 0.51 (0.5) (0.1) (12)
 GB 12m 0.58 (0.6) (0.1) (14)
 Belgium 3m 0.7 (1.1) (0.2) (27)
 France 3m 0.64 (0.7) (0.1) (20)
 Greece 3m 0.88 (0.8) (0.1) (11) (84)
 Korea 3m 0.97 (0.1) (0.1) (5)
 MY 3m 1.02 (1.0) (0.2) (20)
 Netherlands 3m 0.51 (0.6) (0.1) (14) (26)
 Portugal 3m 0.19 (0.4) (0.2) (27)
 Spain 3m 0.15 (0.3) (0.1) (5)

Country spreads

Amer 3m 0.72 (0.2) (0.2) (11) (200)
 China 3m 0.39 (0.2) (0.4) (27)
 Canada 3m 0.21 (0.1) (0.1) (14)
 Mexico 3m 0.3 (0.1) (0.1) (14)
 Peru 3m 0.39 (0.1) (0.1) (14)
 Korea 3m 1.07 (1.0) (0.1) (21)
 Russia 3m 1.04 (0.1) (0.1) (2)
 Russia 3m 1.04 (0.1) (0.1) (2)
 Turkey 3m 1.14 (0.1) (0.1) (14)
 India 3m 1.46 (1.2) (0.4) (30)
 Indonesia 3m 1.64 (1.2) (0.2) (11)

Country risk (changes in Sp)

1 yr sovereign spread (against Germany)
 Belgium 41 (2) (2) (7)
 France 31 (1) (1) (1)
 Greece 89 (2) (4) (1) (4)
 Ireland 8 (0) (2) (4) (16)
 Italy 12 (1) (1) (1) (26)
 Netherlands 22 (1) (1) (1) (5)
 Portugal 26 (2) (2) (1) (1)
 Spain 134 (6) (4) (1) (19)

5 yr sovereign spread (against Germany)
 Belgium 7 (0) (0) (0)
 France 18 (1) (0) (7)
 Greece 102 (1) (1) (0) (2)
 Ireland 7 (1) (0) (0)
 Italy 7 (0) (2) (0) (7)
 Netherlands 10 (0) (1) (0) (7)
 Portugal 22 (1) (0) (1) (13)
 Spain 11 (0) (0) (0) (0)

2 yr sovereign spread (against Germany)
 Belgium 4 (0) (0) (0)
 France 8 (1) (0) (0) (5)
 Ireland 7 (1) (0) (0) (0)
 Italy 4 (1) (0) (0) (0) (9)
 Netherlands 10 (1) (0) (1) (4)
 Portugal 19 (1) (0) (0) (7)
 Spain 4 (0) (0) (0) (1)

1 yr sovereign CDS
 1 yr CDS Belgium 0 (1) (0) (0) (0)
 1 yr CDS France 0 (0) (0) (0) (1)
 1 yr CDS Germany 0 (0) (0) (0) (0)
 1 yr CDS Greece 109 (9) (4) (0) (2)
 1 yr CDS Ireland 0 (0) (0) (0) (0)
 1 yr CDS Italy 108 (12) (1) (0) (0)
 1 yr CDS Netherlands 0 (0) (0) (0) (0)
 1 yr CDS Portugal 10 (1) (0) (0) (0)
 1 yr CDS Spain 10 (2) (1) (0) (1)
 1 yr CDS UK 0 (0) (0) (0) (0)
 1 yr CDS US 22 (0) (0) (0) (3)

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 5 yr CDS US 22 (0) (0) (0) (3)

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 1 yr CDS Canada 21 (0) (0) (0) (1)
 1 yr CDS Mexico 10 (1) (0) (0) (0)
 1 yr CDS Peru 10 (0) (0) (0) (0)
 1 yr CDS Venezuela 102 (4) (0) (0) (2) (6) (42)
 1 yr CDS Pakistan 11 (1) (0) (0) (0)
 1 yr CDS Russia 20 (1) (0) (0) (0)
 1 yr CDS Turkey 23 (0) (0) (0) (0)
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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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