

Market Comment | Policy meetings and oil volatility determined markets' performance

Global Financial Markets Unit
29 Apr 2016

- **Disappointing data in the US.** US personal spending rose in March below estimates (by 0.1% MoM; consensus: 0.2%), while personal income increased by more than expected (by 0.4% MoM; consensus: 0.3%). On another front, the Chicago purchasing managers' index fell in April by more than expected (by 3.2 points to 50.4; consensus: 52.6). In addition, the University of Michigan sentiment index declined in April unexpectedly (by 0.7 points to 89.0; consensus: 90.0)
- **Euro zone 1Q16 GDP preliminary data surprise positively,** increasing by more than expected (by 0.6% QoQ; BBVAe and consensus: 0.4%) ([see](#)). Meanwhile, CPI core decelerated in April (by 0.8% YoY; consensus: 0.9%) due mainly to the services slowdown ([see](#)). By country, French GDP improvement in 1Q16 (by 0.5% QoQ; BBVAe and consensus: 0.4%) underpinned especially by private consumption, while CPI harmonised remain in negative territory, in line with expectations (at -0.1% YoY). In Spain, the 1Q16 GDP improvement remained stable (by 0.8% QoQ; BBVAe: 0.8%, consensus: 0.7%) helped by domestic demand ([see](#)). Italian CPI harmonised preliminary data showed a deterioration in April by more than expected (by -0.3% YoY; consensus: -0.1%). On another front, Germany retail sales plunged in March unexpectedly (by -1.1% MoM; consensus: +0.4%).
- **Policy meetings and oil volatility determined markets' performance.** Markets halted in the recovery process during this week after last month's rebound in the main risky assets. The doubtful environment in financial markets early this week due to oil price volatility and disappointing macroeconomic data in Europe intensified at the end of the week on the back of disappointing monetary policy meetings, especially in Japan, and the weak 1Q16 US GDP, coupled with weak 1Q16 company results. As expected, the FOMC kept rates unchanged again ([see](#)). However, markets reacted modestly at the time the statement was released: (EURUSD: +0.1% S&P: +0.16%), with the exception of the US yield curve, which fell sharply (2Y: -8 bps 10Y: -9 bps) as the market had been expecting more explicit signals of further interest rate hikes. On the other hand the BOJ kept policy on hold, without taking any additional easing measures, disappointing markets expectations. Moreover, the central bank revised its forecast for both CPI and GDP growth downwards. ([see](#)). The Japanese yen reacted abruptly, with a sharp appreciation (JPY/USD: +2.9%), while Japanese equity markets fell sharply (Nikkei: -3.61%). At the end of the week, the 1Q16 US GDP release brought a further negative surprise, showing very modest growth ([see](#)). Despite weak economic data, oil prices rebounded in the week, amid high volatility, topping the highest price since late 2015, with Brent breaking 48 \$/b (Brent: +6.0% Wtx: +4.9%), led by the smaller-than-expected US oil inventories. The upward trend in oil prices seems finally to be nudging up long-term inflationary expectations in the euro zone (euro zone 5Y5Y forward inflation +8 bps).
- **However, the positive correlation between oil prices and equity performance has halted this week,** with the high volatility in oil prices weighing on it. The Nikkei plunged this week (-5.2%) due to the sharp appreciation of the Japanese yen, while US equities declined (S&P: -1.6% Dow: -1.9%) weighed by some disappointing company results. European equity markets also dropped (Eurostoxx: -3.4% IBEX: -2.1%)

DAX: -3.0% CAC: -3.0%) dragged down by disappointing company results and weak global equity markets performance.

- **In the bond markets, the hawkish undertone of the FOMC statement was not enough to offset disappointed expectations of greater change in the FOMC language**, dragging the US yield curve lower in all tenors (2Y -8bps and 10Y -9bps). Furthermore, weak 1Q16 US GDP and spending also weighed on US yields (-5 bps). On the other hand, European core yields increased (GER 10Y: +4 bps FRA 10Y: +7 bps) while peripheral yields remained almost unchanged with the exception of Portugal, whose bonds outperformed their peers (-12 bps), as the rating agency DBRS seems to be relatively optimistic ahead of today's review of Portuguese sovereign rating, narrowing its risk premium (-17 bps). Greek yields surged (+9 bps) as the authorities missed another deadline for striking a deal with the country's European creditors. Finally, the Eurogroup has set May 9 as a new deadline for reaching agreement on Greece's first review and the contingency package.
- **In FX markets, the US dollar depreciated** against other major currencies (EUR: +2.06% GBP: +1.62% JPY: +4.52%). The GBP was boosted by the decrease in the preference to leave the EU shown in the latest polls, while the Japanese yen was hampered by the absence of new measures in the BoJ meeting. The weak US dollar, lower US yields and the upward trend in oil markets has improved sentiment towards EM market currencies this week (RUB: +2.7% BRL: +2.8% CLP: +1.4% COP: +3.1% MXN: +1.5%). Moreover, EM bonds increased this week, and EM equities also outperformed DM ones. Nonetheless, the sharp increase in gold prices (+5.0%), suggests that markets remain cautious.

Update 17.30 CET 29 April, 2016

Table 1

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

Index markets (changes in bp)

Commodity Index

US 2yr	0.78 (0) (2) (27)
US 5yr	1.28 (0) (0) (147)
US 10yr	1.00 (0) (1) (111) (44)

Index

Index 10yr	0.08 (0) (0) (1) (24)
Oil	0.00 (0) (0) (1) (14) (4)
Oil 2yr	0.28 (0) (0) (1) (24)
Oil 5yr	0.08 (0) (0) (1) (14) (4)
Oil 10yr	0.08 (0) (0) (1) (14) (4)

Equity Index

Belgium 10yr	0.08 (0) (0) (1) (14) (4)
France 10yr	0.04 (0) (0) (1) (14) (4)
Germany 10yr	0.00 (0) (0) (1) (14) (4)
India 10yr	0.00 (0) (0) (1) (14) (4)
Italy 10yr	0.00 (0) (0) (1) (14) (4)
Japan 10yr	0.00 (0) (0) (1) (14) (4)
UK 10yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Emerging Markets

Brazil 10yr	0.00 (0) (0) (1) (14) (4)
China 10yr	0.00 (0) (0) (1) (14) (4)
India 10yr	0.00 (0) (0) (1) (14) (4)
Indonesia 10yr	0.00 (0) (0) (1) (14) (4)
Japan 10yr	0.00 (0) (0) (1) (14) (4)
South Africa 10yr	0.00 (0) (0) (1) (14) (4)
Taiwan 10yr	0.00 (0) (0) (1) (14) (4)
Turkey 10yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Country risk (changes in bp)

Country risk

Argentina	0.00 (0) (0) (1) (14) (4)
Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Country risk - Emerging Markets

Brazil	0.00 (0) (0) (1) (14) (4)
China	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Indonesia	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
South Africa	0.00 (0) (0) (1) (14) (4)
Taiwan	0.00 (0) (0) (1) (14) (4)
Turkey	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Country risk - Europe

Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Country risk - Asia

China	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Indonesia	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
South Korea	0.00 (0) (0) (1) (14) (4)
Taiwan	0.00 (0) (0) (1) (14) (4)
Turkey	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Commodity (changes in percentage, except for L&A spreads, bp)

Commodity

US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Bank (changes in bp)

Bank

US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)
US banks	0.00 (0) (0) (1) (14) (4)

Country risk (changes in bp)

Country risk

Argentina	0.00 (0) (0) (1) (14) (4)
Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Stock markets (changes in percentage)

Stock markets

US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Country risk (changes in bp)

Country risk

Argentina	0.00 (0) (0) (1) (14) (4)
Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Country risk (changes in bp)

Country risk

Argentina	0.00 (0) (0) (1) (14) (4)
Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

Commodity (changes in percentage, positive for dollar depreciation)

Commodity

US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Commodity (change in percentage)

Commodity

US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)
US 10yr	0.00 (0) (0) (1) (14) (4)
US 2yr	0.00 (0) (0) (1) (14) (4)
US 5yr	0.00 (0) (0) (1) (14) (4)
US 30yr	0.00 (0) (0) (1) (14) (4)

Country risk (changes in bp)

Country risk

Argentina	0.00 (0) (0) (1) (14) (4)
Belgium	0.00 (0) (0) (1) (14) (4)
France	0.00 (0) (0) (1) (14) (4)
Germany	0.00 (0) (0) (1) (14) (4)
India	0.00 (0) (0) (1) (14) (4)
Italy	0.00 (0) (0) (1) (14) (4)
Japan	0.00 (0) (0) (1) (14) (4)
UK	0.00 (0) (0) (1) (14) (4)
US	0.00 (0) (0) (1) (14) (4)

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

Debit markets (changes in bp)

EUR area

US 2 yr	0.78 (0.4) (2) (27)
US 5 yr	1.29 (0.6) (4) (45)
US 10 yr	1.80 (1.0) (6) (114)

Japan

10 yr	2.59 (0.8) (9) (134)
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OECD

US 2 yr	0.44 (0.1) (1) (14)
OE 5 yr	-2.28 (0.5) (5) (24)
OE 10 yr	0.26 (0.4) (1) (21)

Belgium

10 yr	0.66 (0.7) (0) (26)
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France

10 yr	0.64 (0.7) (0) (26)
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Germany

10 yr	0.54 (0.5) (0) (18)
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Italy

10 yr	0.89 (0.7) (0) (26)
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Spain

10 yr	0.88 (0.5) (0) (26)
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UK

10 yr	0.64 (0.7) (0) (26)
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Emerging Markets

Brazil 10 yr	12.01 (1.7) (2.36) (116) (201)
China 10 yr	4.41 (0.7) (1) (46) (207)
Colombia 10 yr	3.80 (0.7) (0) (18) (147)
Vietnam 10 yr	8.38 (1.6) (1) (48) (141)
Peru 10 yr	0.58 (0.1) (0) (16) (144)

Poland

10 yr	1.09 (1.4) (0) (24)
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Russia

5 yr	8.89 (2.3) (1) (82) (40)
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Russia 10 yr

10 yr	5.79 (2.2) (0) (30) (170)
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Turkey

10 yr	9.84 (4.4) (1) (22) (142)
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Indonesian

10 yr	1.44 (0.1) (0) (10)
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Indonesia

10 yr	7.74 (0) (1) (1) (118)
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Country risk (changes in bp)

EUR area

Belgium	40 (1) (2) (6)
France	30 (1) (2) (5)
Germany	30 (0) (1) (1) (6)
Italy	20 (1) (2) (7)
Netherlands	30 (1) (2) (7)
Poland	20 (1) (2) (7)
Portugal	20 (1) (2) (7)
Spain	10 (1) (2) (5)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

Country risk (changes in bp)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
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EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
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Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
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Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

Country risk (changes in bp)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
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EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

Country risk (changes in bp)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
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EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
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Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
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Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

Country risk (changes in bp)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

Country risk (changes in bp)

EUR non-area

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

EUR non-area (against Germany)

Belgium	14 (2) (1) (2)
France	18 (1) (0) (1)
Germany	10 (1) (1) (1)
Italy	20 (1) (1) (1)
Netherlands	20 (1) (1) (1)
Poland	20 (1) (1) (1)
Portugal	20 (1) (1) (1)
Spain	10 (1) (1) (1)

*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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