

Market Comment | Oil prices breach \$50 pb in the day but trim gains later

Global Financial Markets Unit 26 May 2016

- Positive macroeconomic data in the US. US jobless claims dropped by more than expected in the week ended 21 May (268K; consensus: 275K, previous: 278K). On another front, durable goods orders preliminary data showed a surge in April (by 3.4% MoM; consensus: 0.5%), while ex transportation also rose (by 0.4% MoM; consensus: 0.3%). In addition, pending home sales rose sharply above estimates in April (by 5.1% MoM; consensus: 0.7%). Atlanta Fed GDP "nowcast" confirmed the positive economic data and pointed to 2.9% growth in 2Q16, increasing from 2.5% forecast on May 17
- Spanish GDP final data confirmed the stabilisation in economic growth, which was 0.8% QoQ in 1Q16, as expected. This increase was supported mainly by the improvement in domestic demand (+1.0% QoQ) and despite the deterioration in foreign demand (-0.28% QoQ). (see)
- Bullard welcomed the realignment of market outlook with FOMC's forecast. Fed member James Bullard considers that the minutes helped investors to see the probability of a rate hike in June, which before the minutes they were completely excluding. He also insisted that the Fed path depends of macroeconomic data, "I'm keeping an open mind, I want to look at the data as it's available at the meeting," he said. As regards Brexit, he thinks that it is not a determinant issue for the FOMC, "I do not think Brexit is the global financial event that it's being made out to be," he added.
- Oil prices breach \$50 pb in the day but trim. Oil prices breached the US\$50 pb threshold during the session - reaching the highest level in seven months - underpinned by the better-than-expected US inventories data released this week, which helped to dissipate partially the concerns about global supply. This increase in oil price was one of the main drivers in financial markets, allowing main assets to maintain their current upward trend. European equity markets increased across the board, driven by the energy and basic resources sectors (EuroStoxx: +0.3%, IBEX: -0.5%, DAX: +0.7%, CAC: +0.7%). The exceptions were those indices in which the banking sector is high-weighted, especially IBEX 35 where the announcement of the increase of capital in a medium-size bank caused a sharp drop in its price (around 20%) and dragged the sector. The US indices remained almost unchanged despite the betterthan-expected macroeconomic data, suggesting profit-taking. On bond markets, the US sovereign yield curve declined across all tenors, led by shorter tranches (2Y: -4 bps, 10Y: -3 bps) awaiting tomorrow's speech by Janet Yellen - investors are expecting her monetary policy comments to include mention of a possible rate-hike in June or July. Meanwhile, European peripheral yields increased (ITA 10Y: +1 bp, SPA 10Y: +2 bps, POR 10Y: +5 bps, GRE 10Y: +6 bps) dragged down by IMF comments about the agreement between Greece and the Eurogroup. The IMF considers that the measures are still insufficient to transform the current country debt into a sustainable debt burden. In FX, the USD depreciated against other major currencies with the exception of the British pound, which depreciated after yesterday's movements (EUR: +0.25%, JPY: +0.36% GBP: -0.12%). EM currencies appreciated against the US dollar, with some exceptions such as the Russian Ruble (RUB: -0.3%, CLP: +0.8%, COP: +0.3%, MXN: +0.2%) underpinned by commodity prices (Brent: +0.3% Wtx: +0.2% Copper: +0.6%).



Updat 17.30 CET 26 May, 2016 Table 1



Debt markets (changes at delly, y Debt markets (changes in bp) Developed flavors US 2-yp 0.65 (4) (9) (2) (16) US 5-yr 1.75 (3) (4) (3) (30) US 16-yr 1.56 (3) (4) (4) (4) Japan 10-yr 8.12 (4) (4) (2) (38) GER 2-yr -0.52 (-1) (-1) (-3) (-17) GER 5-yr -0.38 (-1) (-2) (-9) (-33) GER 10-yr -0.14 (-1) (-3) (-16) (-49) Belgium 19-yr 0.14 (-1) - (-3) (-10) (-40) Belgium 19-yr 0.52 (6) (-3) (-17) (-45) France 19-yr 0.46 (0) (-3) (-16) (-61) Grance 10-yr 7.2 (6) (-20) (-141) (-109) Hadro 19-yr 6.78 (6) (-7) (-20) Hadro 19-yr 6.78 (6) (-7) (-20) Metherlands 10-yr 0.35 (-1) (-4) (-16) (-44) Portugal (10-yr 3.01 (6) (-3) (-21) (60) Spain 10-yr 1.5 (2) (-10) (-14) (-28) Spain 1997 1.2 (2) (-19) India 10-yr 7.47 (0) (0) (0) (29) Indonesia 10-yr 7.9 (3) (2) (27) (-85) Country risk (changes in bp) Sustainty TISE (changes in bp) Threshood large spreads (ageinst Germany) 18-yr sovereign spreads (ageinst Germany) Brighin 30 (16-10-14) France 34 (1)-6(1-4)-6(1) France 34 (1)-6(1-6)-6(1) Header 150 (1)-6(1-6)-6(1) Header 150 (10-6)-6(1)-6(1) Matheritads 21 (0)-6(2)-6(0) Spain 150 (2)-6(7)-6(1)-6(0) Spain 150 (2)-6(7)-6(1)-6(0) apain 136 (J) (F) (Z) (Z1) Syr sovereign spreads (against G beigins f (J) (6.5) (+1) (2) France 19 (1) (+1) (9) (6) Greece 18 (0) (1) (2) (9) (33) Ireland 32 (1) (-3) (9) (7) May 67 (1) (-3) (9) (7) Metherlands - 2 (9) (4.7) (6) (73) Spain 66 (Z) (6) (4) (14) Spain 66 (Z) (6) (4) (14) spann as (2) (0) (19) 2) or soversings passeds (opsiset Sexsary) belgiam 4 (3) (6) (9) (9) related 5 (4) (4) (1) (5) related 5 (2) (4) (1) (1) trated 5 (2) (4) (1) (1) Metherlands 6 (0) (-1) (-1) (2) Portugal 130 (1(-11) (-14) (5) Spain 41 (2) (-1) (4) (5) 5-yr CDS China 122 (-2) (-6) (-6) (13) 5-yr CDS India 161 (-5) (-1) (-4) (13) 5-yr CDS Indonesia 167 (-3) (-6) (-9) (-40) Sept CLUS PROCESSES (17 (-)) (6) (9) (40) [Final shifts have placed by the processing except for BAA spreads, 5g/9 K1 378 (-1) (-517, (-51.4) (-) VST00XXXX (0; (-1), (-14.4)) (-2) (-1) Distribution shifts (1, (-1), (-1), (-1), (-1) Distribution shifts (1, (-1), (-1), (-1), (-1) Clevil symmat (5744, (-2), (-1), (-1), (-1), (-1) Clevil symmat (5744, (-2), (-1), (-1), (-1), (-1) Clevil symmat (5744, (-2), (-1 Corporate risk (changes in bps) US Non-financial CDS 229 (4) (-12) (-1) (-153) ENU Non-financial CDS 282 (4) (4) (8) (110) UK Non-financial CDS 171 (-8) (-5) (-4) (-21) Interbank markets (changes in bp) UEM OIS spread 3m 9 (0) (0) (4) (-2) UEM OIS spread 12m 37 (0) (1) (-1) (0) UEM TED spread 3m 35 (0) (0.3) (-1) (-6) US OIS spread 3m 21 (0) (0) (4) (2) US OIS spread 12m 72 (1) (2) (0) (16) US TED spread 3m 38 (4) (3) (-1) (-7) Spain Ted Spread 3m 8 (-1) (-5.6) (4) (3 E ONA Index -0.34 (8) (-0.2) (9) (-22) Euribor Ser. -0.25 (9) (9) (-1) (-13) Euribor 12m. -0.01 (9) (9) (7) Euribor (2m 4-01 (0) (0) (0) (7) Liber 3m 0.67 (0) (1) (3) (5) Liber 12m 1.32 (0) (2) (8) (14) Stock markets (Changes in percent Developed Markets Earnic stocks: US banks: 85.1 (-1) (2.7) (-1.1) (-8) JPM: 65.2 (-0.5) (2.8) (1.9) (-1) CB: 46.3 (-1.4) (2.7) (-1.7) (-1) BoA: 41.8 (-1) (-7) (-2.1) (-12) WS: 27.5 (-1.1) (2.2) (-0.3) (-14) GS: 156.9 (-0.8) (3.4) (-3.8) (-11) HSBC 446 (4.1) (4.5) (6.) (17) RSS 246 (4.2) (9.6) (4.1) (18) Burday (9.6) (4.1) (19.) Burday (9.6) (4.1) (19.) EVI basis (9.7) (9.6) (19.) EVI basis (9.7) (19.6) (19.) EVI basis (19.6) (19.6) (19.) Treatment Markets (School Control Con MSCI EM Asia 645 (1.64) (1.4) (-2.6) (-2.3) Shanghai Composite (China) 2622 (0.26) (0.6) (-4.6) (-20.3) Jakarta Composite (indonesia) 4765 (0.2) (1.7) (-0.6) (4) Blank abouts Turkish banks 79 (4.1) (2.1) (9.5) (7.6) Abbank T.A. S. 8 (4.5) (2.3) (7.9) (7.9) Abbank T.A. S. 8 (4.5) (2.3) (7.9) (7.9) Turkye is Banksof 5 (9.7) (2.7) (9.5) (4.2) Russian banks 72 (2.7) (7.2) (7.7) (3.5) Siberbank 12 (3.5) (8.6) (10.4) (9.5) VTB Bank 0.1 (4.4) (2.1) (4.9) (4.2.7) Emerging Marketis USGARS (Argentina) 14, 12 (0.5) (0.2) (1.3) (4.2) USGARS (Argentina) 15, 97 (0.5) (4.5) (9.5) USGGAR (Argan) 35, 97 (0.5) (4.5) (9.5) USGGCOP (Citedina) 3053 (1.6) (1.7) (3.3) (3.8) USGGCOP (Citedina) 3053 (1.6) (3.3) (3.8) USGGCOP (Citedina) 3053 (1.6) (2.7) (2.7) (2.7) USGGCOP (Citedina) 34, 44 (0.7) (0.7) (1.7) LACI 63.17 (8) (9) (2.9) (8.9)



*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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