

## Market Comment | Quiet markets -some closed- at start of event-full week

Global Financial Markets Unit 30 May 2016

- Better-than-expected macroeconomic data in Europe. Euro zone consumer confidence final data showed an increase in May for the second month in a row, in line with estimates (to -7.0 points from -9.3), underpinned mainly by French confidence. On another front, German CPI harmonised improved in May by more than expected, to 0.0% YoY (previous: -0.3%). Meanwhile, French 1Q16 GDP was revised upwards unexpectedly (to 0.6% QoQ from 0.5%; consensus: 0.5%), helped by consumer spending. In addition, Spanish CPI harmonised in annualised terms rose slightly in May, although it continued in negative territory as expected (at -1.1% YoY; previous: -1.2%).
- · Low level of activity in global financial markets due to some of the most active markets remaining closed today (the US markets due to Memorial Day and UK due to the bank holiday). Federal Reserve Chair Janet Yellen sounded more hawkish in last Friday's speech: improvement in the U.S. economy would warrant raising interest rates in the coming months. However, the US bond markets reacted moderately on Friday, while the implied probability of a Fed hike in June remained broadly steady at 30%. Yet the US bond market closed early on Friday ahead of today's U.S. Memorial Day holiday, suggesting that the market might not have priced in Yellen's comments. Nonetheless, apart from the FX markets, with the euro extending its depreciation trend, the Fed chair's speech had a mild impact on financial markets. After the reinforcement of the hawkish tone by Janet Yellen in her last Friday's speech, the market focus will be on some global issues during this week. The ECB monetary policy meeting from which no major news is expected -, Thursday's OPEC meeting and the release of significant data in the US (payrolls) and China (PMI) could be the main drivers in upcoming sessions. Against this backdrop, European equity markets started the week in positive mood, underpinned, among others factors, by the better-than-expected macroeconomic data (EuroStoxx: +0.4%, Ibex: +0.2% DAX: +0.5%, CAC: +0.3%). In Asia, the Nikkei rose (+1.4%), favoured by the Japanese yen's depreciation against the US dollar. On bond markets, European yields inched up after the sharp drop during last week (GER 10Y: +3 bps, FRA 10Y: +3 bps, ITA 10Y: +1 bps, POR 10Y: +3 bps). In FX markets, the USD showed a mixed performance against other major currencies (EUR: +0.19%, JPY: -0.69%, GBP: +0.02%). EM currencies had varying responses against the US dollar (RUB: +0.1%, BRL: +0.5%, CLP: -0.7%, COP: +0.1%, MXN: 0%) in line with movements in commodity markets. Oil prices remained almost unchanged awaiting this week's OPEC meeting, which will take place on Thursday. Meanwhile, metals declined, with gold reaching its lowest level since February (gold: -0.4%, copper: -0.9%).

Updat 17.30 CET 30 May, 2016 Table 1



## |Current level and changes at daily, Debt markets (changes in bp) | Developed Michell | US 2yr 9,91 (3) (1) (14) | US 5-yr 1,95 (3) (3) (3) | US 19-yr 1,85 (3) (2) (3) (42) GER 2-yr -0,52 (1) (-1) (-2) (-17) GER 5-yr -0,37 (2) (-2) (-6) (-32) GER 10-yr -0,17 (3) (-1) (-6) (-46) Designan (10-yr 0,17 (3)(-1)(-49)(-40)) Bergiann (10-yr 0,55 (3) (-2) (-12) (-44) Steece 19-yr 7,25 (-1) (-11) (-49) Steece 19-yr 7,25 (-1) (-1) (-167) (-103) Interiant (10-yr 0, 37 (2) (-4) (-15) Interious (10-yr 0, 37 (2) (-4) (-1) (-42) Metheriands (10-yr 0, 38 (3) (-2) (-1) (-42) Portugui (30-yr 0, 37 (3) (-4) (-10) (60) Spain (10-yr 1, 49 (0) (40) (-12) (-28) Spain Floyr 1, 49 (0) (49) (-12) (-28) Freezing Bladelau Free India 19-yr 7,46 (-1) (0) (2) (-30) Indonesia 19-yr 7,89 (4) (-4) (24) (-88) Spain as (-1) (-2) (-2) (-2) Delgum 3 (-1) (-1) (-1) (-1) Praces 6 (0) (-1,1(0) (-1) Praces 6 (0) (-1,1(0) (-1) Praces 6 (0) (-1,1(0) (-1) Praces 10 (-1,1(0) (-1) Praces 10 (-1,1(0) (-1) Praces 10 (-1,1(0) (-1) Praces 10 (-1,1(0) (-1) Spain 42 (-1) (2) (-1) (-1) Spain 42 (-1) (2) (-1) (-1) Syr CDS 92 22 (6) (2)(9)(4) Transpare (International Syr International Syr Internati 5-yr CDS China 123 (-1) (-2) (-3) (14) 5-yr CDS India 161 (1) (-5) (-1) (13) 5-yr CDS Indonesia 166 (-2) (-3) (0) (-39) Large Spanish banks CDS 125 (6) (-12) (7) (-12) Medium Spanish banks CDS 175 (0) (-14) (-6) (16) Greek banks CDS 1212 (55) (-149) (-375) (-440) Russian banks CDS 360 (-1) (-6) (6) (-22) Corporate risk (changes in 8ps) US Nes-financial CDS 225 (1) (-18) (-1) (-158) EMU Non-financial CDS 282 (1) (-4) (70) (109) UK Nes-financial CDS 172 (3) (-12) (8) (-20) US OIS apread 3m 20 (0) (-1) (-6) (-3) US OIS apread 12m 69 (0) (-1) (-4) (13) US TED apread 3m 36 (0) (2) (-7) (-9) Spain Ted Spread 3m 5 (0) (2) (7) (40) Spain Ted Spread 3m 6 (1) (6,5) (2) (2) EVMA Index -0,25 (0) (4,5) (-1) (-12) EVMOOR 12m -0,25 (0) (4,5) (-1) (-13) EVMOOR 12m -0,25 (0) (0) (0) (-6) Eiber 10,27 (0) (1) (4) (6) Eiber 12m 1,32 (0) (1) (6) 310(K. homework province) Labor people profiles 549999 2006; ((9),2,6) (1,1) 5400 2006; ((9),2,6) (1,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 5440 (10),2,6) (2,1) 805 - 445,5 (0)(15) (4) (16) 805 - 291,2 (0)(7,3)(2,6) (17) Bardoys, (03,2 (6)) (4) Bardoys, (03,2 (6)) (4) 810 (808) 83,4 (0)(3,6) (4) 810 (808) 83,4 (0,3) (4) 810 (80 Large Spanish banks 70.2 (0,3) (8,9) (-3,9) (-7) Sortander 4,4 (8,3) (8,4) (-4,6) (-3) BBVA (-6,1 (0,2) (9,4) (-3,4) (-10) 88 VA. 6.1 (6.2) (6.4) (3.4) (-10) Medium Spanish banks (68,4 (4,4) (4,5) (-8,1) (-17) Colvatents (2.5 (4.7) (2) (-6.2) (-20) Popular 1.4 (9.5) (62,5) (-15,5) (-47) Sabbodel 1.6 (-6,6) (-1,6) (-1,6) (-1) Bankister 6.9 (-3,0) (5.2) (-16,15) Bankiste 6.9 (-3,0) (5.2) (-16,15) Bankiste 9.8 (-4.7) (5,1) (-4.5) (-25) MSCIEM Europe 4515 (4,06) (1,7) (-2,5) (6,3) Poland 1842 (6,1) (1,5) (-3) (-4,9) Micox (Russia) 1955 (6,4) (2,6) (-1,5) (9,9) ise 100 (Turkey) 78535 (6,6) (2,3) (-4,1) (9,5) MSCI EM Asia 653 (1,04) (3,3) (-1,7) (-1,2) Shanghai Composite (China) 2822 (8,05) (-0,7) (-4,2) (-20,3) Jakarta Composite (indonesia) 4036 (0,4) (1,9) (-0,3) (5) Bank stocks Tarkish banks 50 (8,4) (3,7) (49,3) (8,2) Akbank T.A.S. 5 (3,6) (4,4) (7,2) (19,4) Gamel S (9,4) (2,4) (12,2) (5,3) Tarkiye is Bankasi 4 (3,2) (4,2) (4,6) (2,4) Russian banks: 175 (1,1) (6,1) (4,9) (15,2) Sberbank: 135 (1,1) (10,6) (6,2) (33) VTB Bank: 0,1 (1,1) (2,1) (-2,1) (-12,2) Currencies (in percentage, positive for dollar depreciation) EVIRISO 1.114 (0.9) (4.75)(.15) (2.5) GR9495 1.46 (0.0) (4.75)(.15) (2.5) GR9495 1.46 (0.0) (4.90) (2.7) (7.6) DOY 95.72 (4.75) (4.5) (2.7) (7.6) DOY 95.72 (4.75) (4.5) (2.7) (2.9) Imerging Machine USCAMS (Argentine) 13, 95 (-6, 1), 60, 51 (-6, 5), (-7, 7) USCAMS (Argentine) 13, 95 (-6, 5), (-6, 6), (-3), (-6, 5) USCOPE (Chine) 599, 22, (-4, 7), 0, 6) (-4, 5), (-6, 5), (-6, 5) USCOPP (Chine) 5096, 20, (-4, 7), 0, 6) (-4, 5), (-7, 6) USDPLN (Poland) 3,95 (0) (0,3) (-1,6) (-0,6) USDRUB (Russia) 65,95 (0,1) (1,9) (-1,7) (9,2) USDRY (Turkey) 2,95 (0,3) (1,5) (-4,9) (-1,2) USDCNY (China) 6,58 (4,3) (4,4) (-1,7) (-1,4) USDDN (India) 67,17 (-4,2) (6,5) (-1) (-1,5) USDDR (Indonesia) 13640 (-4,9) (-4,5) (-3,4) (1,1) 40X1 196,17 (-4,3) (-4,3) (-2,2) (-3,3) AGO 1961 (1 (4.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9) (2.9) (4.9)



\*CDS, EMBI & MSCI indices with one day delay
\*\*Credit spread (BAA) with two days delay
\*\*\*S&P GSCI with one day delay

## **DISCLAIMER**

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of



Spain with number 0182.