

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

Global Financial Markets Unit  
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- **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%).

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Table 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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