

## Market Comment | Oil prices supported equity gains, amid decreasing yields

Global Financial Markets Unit 07 Jun 2016

- Eurozone GDP 1Q16 was revised up unexpectedly (at 0.6%QoQ; consensus: 0.5%) helped by contributions from consumption -supported by a weak euro and oil prices- and investment. On another front, German industrial production increased in April by more than expected (by 0.8%; consensus: 0.7%).
- Worse than expected foreign reserves in China. China's foreign reserves dropped in May more than
  expected (to USD3191.7bn from USD3219.0bn; consensus: USD3200.0bn, placing foreign reserves at
  their lowest level since December 2011.
- Oil prices supported equity gains, amid decreasing yields. Oil prices continued their ongoing rally today and reached their highest level since October 15 waiting for API crude inventories and supported by Nigerian oil supply disruptions. Moreover, the EIA has raised 2016 oil prices forecast (Brent to \$43.03B, previous \$40.52, and WTX to \$42.83/b, previous \$40.32, 2017: \$51.82b). Worries about oversupply in the longer term are fading, despite the lack of agreement at last week's OPEC meeting. (Brent: +1.1% Wtx: +0.8%). The equity market rebounded across the board supported by energy prices. European equity markets rose (Eurostoxx: +1.3% IBEX: +0.8% DAX: +1.6% CAC: +1.2%) while the US indices reached their maximum level since July 15. Despite the increases in equity markets, the bond markets also increased today across the board, extending sovereign yield falls. Both the 10Y US and German yields declined broadly in the same proportion (in Germany -4 bps and -3 bps in the US), with the implied probability of a Fed rate hike in June almost at zero. The US 10Y declined, returning to last Friday's level, although yesterday's Fed Chair speech was less dovish than the market had anticipated after the weak US May labour market report. Also, the 10Y German yield recorded a new low (0.049%), while the 5Y Germany yield fell below the ECB deposit rate (-0.4%). In the same vein, the rest of the European yields dropped, offsetting yesterday's increases (FRA 10Y: -5 bps ITA 10Y: -4 bps SPA 10Y: -5 bps POR 10Y: -7 bps). On the FX markets, the USD depreciated against other major currencies with the exception of the euro, which remained almost unchanged (JPY: +0.21% GBP: +0.86%). The British pound appreciated today recovering part of the recent declines, although uncertainty about the Brexit referendum continues in the markets, especially in fx volatility. EM currencies appreciated against the US dollar; those most linked to oil prices benefited most (RUB: +0.8% BRL: +0.9% CLP: +0.2% COP: +2.3% MXN: +1.3%). Meanwhile, in the commodity markets, the sharp rebound in oil prices -which topped 51 US pb- was not followed by others commodities such as metals as copper plunged (-3.2%) in line with silver (-0.5%).

Update 17.50 CET 07 June, 2016 Table 1



## | Gurrent level and changes at daily, s | Debt markets (dhanges in bp) | | Investigated libraries | | US 3pt 9.77 (2) (40) (4 (27) | | US 5pt 12 (3) (45) (4) (44) | | US 10pt 1,71 (3) (44) (7) (56) | | Japan 10pt 4,12 (4) (4) (7) (30) GER 2-yr -0,54 (0) (-3) (-3) (-20) GER 5-yr -0,42 (-1) (-4) (-4) (-37) GER 10-yr -0,05 (-4) (-9) (-9) (-58) Designan (10-yr 0,44 (-4) (-6) (-5) (-50) Designan (10-yr 0,44 (-4) (-6) (-7) (-50) Greece (10-yr 0,44 (-5) (-7) (-11) (-50) Greece (10-yr 7,47 (-1) (-2) (-10-5) (-61) Hally (10-yr 1,43 (-4) (7) (-7) (-17) Midy (10-yr 1,43 (-4) (7) (-7) (-17) Midy (10-yr 1,43 (-4) (7) (-7) (-17) Midy (10-yr 1,43 (-4) (-7) (-7) (-17) Midy (10-yr 1,47 (-6) (-1) (-13) (-13) Spain (10-yr 1,47 (-6) (-1) (-13) (-31) India 10-yr 7,48 (1) (1) (5) (28) Indonesia 10-yr 7,68 (-12) (-10) (-106) Spain 30 (3) (5) (4) (13) 2-yr sovereign spreads (spaint Germany) beginn 5 (1) (2) (1) (1) France 30 (0) (3) (1) (8) edual (7 (6) (2) (1) (8) edual (7 (6) (4) (1) (8) Micheland (2) (4) (4) (4) (5) Micheland (3) (4) (4) (4) (5) Spain 44 (4) (4) (1) (8) Spain 44 (4) (4) (4) (5) Syr CDS 92 31 (6) (2) (1) (2) (magaza) Balandas Syr boerring CDS Syr DDS Small 232 (4) (23) (-16) (-172) Syr CDS Small 232 (4) (-16) (-172) Syr CDS Colled 21 (-12) (-16) (-16) (-23) Syr CDS Colled 21 (-12) (-16) (-16) (-23) Syr CDS Small 21 (-12) (-16) (-16) (-23) Syr CDS Small 24 (-16) (-16) (-16) (-23) Syr CDS Small 25 (-16) (-16) (-16) (-16) Syr CDS Small 25 (-16) (-16) (-16) (-16) Syr CDS Small 25 (-16) (-16) (-16) (-16) Syr CDS Small 26 (-16) (-16) (-16) (-16) 5-yr CDS China 121 (-1) (-2) (-7) (13) 5-yr CDS India 165 (-2) (6) (-2) (17) 5-yr CDS Indonesia 165 (-5) (-2) (-3) (-42) Large Spanish banks CDS 140 (-1) (14) (2) (3) Medium Spanish banks CDS 179 (2) (7) (-14) (22) Greek banks CDS 1225 (-15) (16) (-255) (-424) Russian banks CDS 350 (-3) (-10) (-17) (-32) Corporate risk (changes in 5ps) US Nes-financial CDS 222 (-4) (-3) (-28) (-159) EMU Non-financial CDS 298 (1) (17) (83) (126) UK Nes-financial CDS 168 (-4) (-3) (-16) (-24) UK Non-Snancai CDS 188 (-4) (-3) (-16) (-24) Interbank markets (changes in bp) UE II OIS spread 3m 8 (6) (6) (-1) (-2) UE II OIS spread 3m 8 (6) (6) (-1) (-1) UE II TED spread 3m 35 (6) (1,1) (-3) (-6) US OIS apread 3m 27 (b) (3) (2) (4) US OIS apread 12m 77 (1) (3) (2) (21) US TED apread 3m 40 (b) (b) (3) (5) Spain Ted Spread Sm. 5 (4) (1,0) (4) (9) Spain Ted Spread Sm. 5 (4) (1,0) (4) (9) EOMA Hodex -0,33 (9) (6, 7) (9) (-20) Eurobor 3m. -0,26 (9) (9) (-1) (-13) Eurobor 12m. -0,02 (9) (9) (-1) (-6) Eulor 12m. 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## | Garrent level and changes at daily, weekly, most | Debt markets (dranges in bp) | 15 5 29 0.77 (2) (40) (4) (27) | 15 5 29 1.22 (3) (40) (7) (40) | 15 9 1.22 (3) (40) (7) (40) | 15 9 1.22 (3) (40) (7) (40) | 15 9 1.22 (3) (40) (7) (40) | 16 9 1.22 (4) (7) (8) (30) GER 2-yr -0,54 (0) (-3) (-3) (-20) GER 5-yr -0,42 (-1) (-4) (-4) (-37) GER 10-yr -0,05 (-4) (-9) (-9) (-58) India 10-yr 7,48 (1) (1) (5) (28) Indonesia 10-yr 7,68 (-12) (-19) (-10) (-106) Country risk (changes in bp) Country risk (Amages in to) The second of t Syr CDS 2 (16) (42) (17) (2) THE TRIBUTE SHAPE 5yr CDS China 121 (-1) (-2) (-7) (13) 5yr CDS India 165 (-2) (4) (-2) (17) 5yr CDS Indonesia 165 (-5) (-2) (-3) (-42) Banik risk (zbanges in bp) US beriks CDS 80 (-1) (-1) (-5) (-5) EMU Baniks CDS 113 (-1) (7) (-5) (29) UK beriks CDS 113 (-1) (7) (-5) (29) UK beriks CDS 115 (9) (8) (-12) (7) Large Spanish banks CDS 140 (-1) (14) (2) (5) Medium Spanish banks CDS 179 (2) (7) (-14) (22) Greek banks CDS 1228 (-15) (16) (-255) (-424) Russian banks CDS 350 (-3) (-10) (-17) (-32) Corporate risk (changes in bps) US Non-financial CDS 222 (-4) (-3) (-26) (-159) ENU Non-financial CDS 286 (1) (17) (63) (129) UK Non-financial CDS 168 (-4) (-3) (-16) (-24) Interbank markets (changes in bp) UEM OIS agreed 3m 8 (0) (0) (1) (-2) UEM OIS agreed 12m 36 (0) (0) (-1) (0) UEM TED agreed 3m 36 (0) (1,1) (-3) (-6) US OIS spread 3m 27 (0) (3) (2) (4) US OIS spread 12m 77 (1) (3) (2) (21) US TED spread 3m 40 (8) (8) (3) (5) Spain Ted Spread 3m . 5 (-1) (-1,8) (4) (4) EONAA index -0,33 (0) (-0,7) (0) (-20) Euribor 3m . 4-,25 (0) (0) (-1) (-13) Euribor 12m . 4-,02 (0) (0) (-1) (-4) Liber 3m 0,66 (0) (-3) (3) (5) Liber 12m 1,29 (0) (-5) (6) (11) Stock markets (Changes in percent Database St. (1964) (19 Barris stocks: US banks: 83,9 (4,2) (-1,5) (2,9) (-11) JPM 65,4 (0,1) (6,2) (6,1) (-1) GH 45,9 (9,3) (-1,4) (-1,4) (41) BoA 11,5 (4,4) (-2,2) (2,5) (-14) MS 28,7 (-4,5) (-2,4) (1,6) (-15) GS 159 (-0,7) (-2,2) (-1,8) (-13) Large Spanish banks: 66,1 (6,7) (-3,6) (1,9) (-12) Santander: 4,1 (1,4) (-3,5) (1,9) (-9) BBNA: 5,7 (0,2) (-3,6) (1,9) (-15) 88 VA. 5,7 (6,2) (3,8) (1,9) (15) Medium Sprainh banka 65,5 (4,1) (1,6) (2,9) (49) Caixabank (2,4 (1) (-1,1) (6) (24) Popular 15, (2,3) (3,1) (21,6) (46) Sabdell 15 ((5,5) (4,2) (2,0) (4) Bankiner 68,6 (0,27) (4,7) (2) Bankiner 68,6 (0,27) (4,7) (2) Bankiner 68,6 (3,4) (2) (1,8) (49) Service 8, 18, 12, 43, (4, 5), (4, 5), (4, 5), (4, 6), Transmitted Matthews MSCL 1997 (6072) (11.5) (4.65) (11.1) MSCL 1997 (6072) (4.1) (1.5) (4.65) (11.1) MSCL 1997 (6072) (4.1) (2.1) (15.6) Medical 46126 (4.6) (1.5) (2) (7.3) MSCL 181 Europe 4484 (4.6) (4.1) (4.7) (5.5) MSCL 181 Europe 4484 (4.6) (4.1) (4.7) (5.5) MSCL 181 Europe 4484 (4.6) (5.6) (4.6) (6.6) MSCL 181 Europe 4484 (4.6) (6.6) (6.6) (6.6) MSCL 181 Europe 4484 (6.6) (6.6) (6.6) (6.6) MSCL 181 Europe 4484 (6.6) (6.6) (6.6) (6.6) (6.6) MSCL 181 Europe 4484 (6.6) (6.6) (6.6) (6.6) (6.6) MSCL 181 Europe 4484 (6.6) (6.6) (6.6) (6.6) (6.6) (6.6) MSCL 181 Europe 4484 (6.6) MSCI EM Asia 882 (8,39) (1) (3,1) (8,2) Shanghai Composite (China) 2936 (8,67) (6,7) (8,8) (-17) Jakarta Composite (Indonesia) 4934 (0,6) (2,9) (2,3) (7) Blank abouts Turkish banks 79 (1.2) (4.4) (2.9) (7.7) Abbank T.A. S. 8 (4.2) (1.1) (4.4) (7.8) Gashti 8 (-1) (2.9) (1.6) (8.5) Turkiye is Banksis 4 (9) (4.4) (3.7) (2.4) Russian banks 180 (-1) (4.8) (1.5) (1.5) Siberbank 1.40 (4.4) (5.5) (15.9) (8.1) VTB Bank 9,1 (1.6) (3.2) (2.3) (-1).4) Vite Bank 3.1 (3) (3.2) (3.2) (7.4) Currence (in proceedings, poolsive for dollar depreciation) Elements 1.55 (4.6) (4.5) (4.5) (4.5) Elements 1.55 (4.6) (4.5) (4.5) (4.5) (4.5) Emerging Markets USDARS (Argentine) 13, 82 (-0,3) (1,2 (2,7) (4,9) USDARS (Argentine) 13, 82 (-0,9) (4,2) (12,7) USDOR (L Braigh, 346) (6,9) (-2,1 (2,7) USDOCP) (Exhelis 977,83 (12) (16,9) (2,1 (4,9) USDOCP) (Exhelis ) 246,94 (1,2 (4,5) (6,3) (7,1) USDARS (4,6) (1,3) (1,3) (2,2 (-2,2) (7,1) USDARS (4,6) (3,3) (3,3) (2,2 (-2,6) (3,3) LACI 64,38 (3,5) (2,3) (-0,6) (2,6) USDPLN (Poland) 3,63 (0,3) (2,6) (1,5) (2,4) USDRUB (Russia) 64,77 (0,6) (2,9) (2,1) (10,7) USDTRY (Turkey) 2,9 (2,2) (1,6) (1) (6,7) AGOY 103.54 (2.1), 11,41 (1.6). Commod Bites (change in percentage) The Strict (1.1), 2.0 (12.7), 20.7) Copper 35.11 (1.1), 2.0 (12.7), 20.7) Copper 35.4 (3.7) (3.3), 4.7) (3.4). Gast 124.0, 6.6 (3.2), 6.6 (1.7), 7.8 Feb. 124.0, 6.7 Feb. 124.0



\*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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