

Market Comment | Positive mood in markets ahead of Brexit referendum results

Global Financial Markets Unit
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- **ECB reinstates waiver to use Greek bonds as collateral in Eurosystem monetary policy operations.** Greek bonds will be eligible as collateral in the next MRO settlement (29 June) although they will still be subject to special haircuts. Nonetheless, the waiver will allow Greek banks to finance more cheaply than through the ELA facility. The next milestone will be the examination of the possible purchases of Greek bonds under PSPP, conditional upon compliance with the conditions to ensure Greece's debt sustainability and other risk management considerations. ([see](#))
- **Positive mood in markets ahead of Brexit referendum results.** Positive mood in financial markets as the latest polls and bets showed a widening advantage for the "remain" option in the Brexit referendum than in previous days. Nonetheless, the high sensitivity of markets to the current flow of fresh news ensures that the high volatility in financial assets prices will last during the upcoming hours. According to the media publication of the first wave of official results will start at midnight, but the overall picture could be clear by around 3.30 a.m. local time when about 200 official results should be known. The expected high volatility even led major banks to limit electronic FX orders, and they warned investors about high dispersion in bid-ask prices in the expected environment.
- **Other events were relegated to the background**, such the release of worse-than-expected confidence data in the EZ. Euro zone Markit PMI (June preliminary results) surprised the consensus forecast negatively, falling to 52.8 from the May figure of 53.1, consensus 53.0). Manufacturing data improved (52.6 from 51.5 in May) while the Services indicator explained the downturn (to 52.4 from 53.3). According to Markit, "companies often citing worries about political change and rising economic uncertainty, albeit with few explicit references to a potential Brexit". Lower than expected US jobless claims (259 K) - near their historically lowest level - also passed unnoticed by markets.
- Against this backdrop, which benefited from improving sentiment about the UK referendum, **demand for risk assets increased sharply** early in the morning but they trimmed some of their gains during the session. The European equity indices led the gains (Euro Stoxx: +1.9% %, FTSE100: +1.2%, S&P: +1%), while sovereign curves moved in accordance with a decreasing risk perception: safe-haven demand decreased (US10Y: +4bp GER10Y:+3bps) while peripherals increased (SPA10Y: -3bps ITA10Y: -3bps). Commodity prices were also boosted by market sentiment ahead of Brexit results: gold prices remained unchanged while other commodities such as copper (+1.2%) and oil (Brent:+1.1% WTX:+1%) -which returned above US\$50 per barrel - increased. The diminishing risk perception as far as new flow of information coming to financial markets was concerned refuelled the recent positive trend of the GBP against the USD (+0.73%) and also contributed to the euro's appreciation (+0.65%). Consequently, demand for JPY as a safe haven currency diminished (-1.37%). EM FX appreciated today.

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Table 1

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

Debt markets (changes in bp)

US 2yr 0.27 (0.26) (1.29) (27)
US 5yr 1.25 (0.81) (0.84) (45)
US 10yr 1.72 (0.81) (1.11) (144)

Japan 10yr 0.44 (0.49) (0.91) (47) (47)
GSE 1yr 0.41 (0.61) (0.12) (20)
GSE 3yr 0.44 (0.61) (0.19) (19)
GSE 10yr 0.62 (0.12) (0.46) (64)

Belgium 10yr 0.48 (0.31) (0.16) (44)
France 10yr 0.45 (0.35) (0.14) (54)
Germany 10yr 0.77 (0.19) (0.60) (60)
Italy 10yr 0.77 (0.19) (0.58) (58)
Italy 10yr 1.4 (1.14) (2.1) (114)
Netherlands 10yr 0.71 (0.17) (0.14) (14)
Poland 10yr 0.39 (0.51) (0.23) (23)
Spain 10yr 0.47 (0.11) (0.17) (17)

Emerging Markets
Brazil 10yr 0.41 (0.11) (0.11) (26) (40)
China 10yr 0.24 (0.11) (0.12) (22)
Colombia 10yr 0.1 (0.1) (0.1) (10)
Mexico 10yr 0.08 (0.1) (0.1) (10)
Peru 10yr 0.01 (0.1) (0.1) (10)

Poland 10yr 0.31 (0.1) (0.1) (10) (10)
Russia 5yr 0.1 (0.1) (0.1) (10) (10)
Russia 10yr 0.48 (0.1) (0.1) (10) (10)
Turkey 10yr 0.24 (0.1) (0.1) (10) (10)

India 10yr 0.18 (0.1) (0.1) (10) (10)
Indonesia 10yr 0.21 (0.1) (0.1) (10) (10)

Country risk (changes in bp)

3-yr sovereign spreads (against Germany)
Belgium 29 (21) (21) (21)
France 36 (17) (17) (17)
Germany 775 (320) (36) (36) (36)
Ireland 60 (21) (21) (21)
Italy 21 (12) (12) (12) (12)
Netherlands 22 (11) (11) (11)
Poland 100 (14) (14) (14) (14)
Spain 102 (11) (11) (11)

5-yr sovereign spreads (against Germany)
Belgium 20 (7) (7) (7) (7)
France 21 (10) (10) (10)
Germany 168 (1) (1) (1) (1)
Ireland 44 (1) (1) (1) (1)
Italy 31 (1) (1) (1) (1)
Netherlands 19 (2) (2) (2) (2)
Poland 144 (1) (1) (1) (1)
Spain 91 (4) (4) (4) (4)

3-yr overnight spreads (against Germany)
Belgium 10 (5) (5) (5) (5)
France 12 (4) (4) (4) (4)
Germany 22 (1) (1) (1) (1)
Ireland 11 (1) (1) (1) (1)
Italy 11 (1) (1) (1) (1)
Netherlands 1 (0) (0) (0) (0)
Poland 110 (1) (1) (1) (1)
Spain 55 (2) (2) (2) (2)

5-yr overnight CDS
5-yr CDS Belgium 54 (1) (1) (1) (1)
5-yr CDS Germany 21 (1) (1) (1) (1)
5-yr CDS France 21 (1) (1) (1) (1)
5-yr CDS Italy 59 (1) (1) (1) (1)
5-yr CDS Ireland 47 (1) (1) (1) (1)
5-yr CDS Spain 101 (1) (1) (1) (1)
5-yr CDS Netherlands 27 (1) (1) (1) (1)
5-yr CDS Portugal 202 (1) (1) (1) (1)
5-yr CDS Spain 102 (1) (1) (1) (1)
5-yr CDS UK 30 (1) (1) (1) (1)
5-yr CDS US 21 (1) (1) (1) (1)

1-yr sovereign CDS
5-yr CDS Argentina 430 (2) (2) (2) (2) (1987) (1987)
5-yr CDS Brazil 200 (1) (1) (1) (1) (170)
5-yr CDS China 100 (1) (1) (1) (1) (27)
5-yr CDS Colombia 276 (1) (1) (1) (1) (22)
5-yr CDS Denmark 10 (1) (1) (1) (1) (2)
5-yr CDS France 144 (1) (1) (1) (1) (42)
5-yr CDS Germany 102 (1) (1) (1) (1) (100)

5-yr CDS Pakistan 1 (1) (1) (1) (1) (1)
5-yr CDS Russia 241 (1) (1) (1) (1) (242)
5-yr CDS Turkey 212 (1) (1) (1) (1) (212)

5-yr CDS China 127 (1) (1) (1) (1) (127)
5-yr CDS India 176 (1) (1) (1) (1) (176)
5-yr CDS Indonesia 147 (1) (1) (1) (1) (147)

Credit risk

100-day delinquency rate in asset-backed securitization for AAA spreads, %
VIA 17 (7) (6) (1) (6) (2) (2) (2)
VTDUSA 22 (8) (1) (1) (1) (1) (1)
EMBTI volatility index 21 (1) (1) (1) (1) (1)
CDS volatility index 11 (1) (1) (1) (1) (1)
CDS volatility index 11 (1) (1) (1) (1) (1)
US Treasury volatility index 10 (1) (1) (1) (1) (1)

Bank risk changes in bp
US banks CDS 81 (1) (1) (1) (1) (1)
EMU banks CDS 118 (1) (1) (1) (1) (1)
UK banks CDS 100 (1) (1) (1) (1) (1)

Large Spanish banks CDS 146 (1) (1) (1) (1) (1)
Medium Spanish banks CDS 117 (1) (1) (1) (1) (1)
Greek banks CDS 100 (1) (1) (1) (1) (1)
Russian banks CDS 100 (1) (1) (1) (1) (1)

Corporate risk changes in bp
EMU Non-Financial CDS 34 (2) (1) (1) (1) (1)
UK Non-Financial CDS 146 (2) (1) (1) (1) (1)

Interbank markets (changes in bp)
EUR spread 3m 0 (0) (0) (0) (0) (0)
EUR CDS spread 3m 30 (1) (1) (1) (1) (1)
EUR CDS spread 6m 30 (1) (1) (1) (1) (1)
EUR CDS spread 1yr 30 (1) (1) (1) (1) (1)

LIBOR spread 3m 26 (1) (1) (1) (1) (1)
LIBOR spread 6m 26 (1) (1) (1) (1) (1)
LIBOR spread 12m 26 (1) (1) (1) (1) (1)
LIBOR spread 18m 26 (1) (1) (1) (1) (1)
LIBOR spread 24m 26 (1) (1) (1) (1) (1)

Spain Tel Spread 3m -14 (0) (0) (0) (0) (0)
EDHEC Index 0.34 (0) (0) (0) (0) (0)
Eurosto 3m 0.27 (0) (0) (0) (0) (0)
Eurosto 12m -0.2 (0) (0) (0) (0) (0)

Libor 3m 0.64 (0) (0) (0) (0) (0)
Libor 6m 0.2 (0) (0) (0) (0) (0)

Stock markets (changes in percentage)

Major equity indices
S&P500 218 (1) (1) (1) (1) (1)
Dow Jones 1796 (2) (1) (1) (1) (1)
Nikkei 1033 (1) (1) (1) (1) (1)
FTSE 100 624 (1) (1) (1) (1) (1)
HangSeng 306 (1) (1) (1) (1) (1)
BSESENSEX 11 (1) (1) (1) (1) (1)
CAC 40 124 (1) (1) (1) (1) (1)
ASX 100 1 (1) (1) (1) (1) (1)
MSCI indices 117 (1) (1) (1) (1) (1)

Stock spreads
JPM 34 (2) (2) (2) (2) (2)
Citi 41 (2) (2) (2) (2) (2)
Bank 14 (2) (2) (2) (2) (2)
MS 21 (2) (2) (2) (2) (2)
GS 16 (2) (2) (2) (2) (2)

HSBC 43 (2) (2) (2) (2) (2)
BISF 20 (1) (1) (1) (1) (1)
Becton 10 (2) (2) (2) (2) (2)
Lloyds 22 (2) (2) (2) (2) (2)

EMU banks 84 (4) (4) (4) (4) (4)
JPB 7 (1) (1) (1) (1) (1)
Credit Agricole 6 (1) (1) (1) (1) (1)
Cassa di Risparmio 2 (1) (1) (1) (1) (1)
ING 11 (3) (3) (3) (3) (3)
Intesa 3 (1) (1) (1) (1) (1)
Santander 3 (1) (1) (1) (1) (1)
UniCredit 2 (1) (1) (1) (1) (1)

Large Spanish banks 67 (3) (3) (3) (3) (3)
Santander 2 (2) (2) (2) (2) (2)
Banco 1 (2) (2) (2) (2) (2)

Medium Spanish banks 41 (2) (2) (2) (2) (2)
Caixa 2 (1) (1) (1) (1) (1)
Popular 1 (1) (1) (1) (1) (1)
Santitas 1 (1) (1) (1) (1) (1)
Banco 4 (2) (2) (2) (2) (2)
Bankia 7 (2) (2) (2) (2) (2)

Greek banks 4 (1) (1) (1) (1) (1)
Alpha 1 (1) (1) (1) (1) (1)
Piraeus 2 (1) (1) (1) (1) (1)
National Commercial Bank 2 (1) (1) (1) (1) (1)
Eurobank Ergasias 2 (1) (1) (1) (1) (1)

Major equity indices
MSCI Latin America 4 (1) (1) (1) (1) (1)
Russell 2000 2 (1) (1) (1) (1) (1)
Russell 2000 2 (1) (1) (1) (1) (1)
Russell 2000 2 (1) (1) (1) (1) (1)

MSCI EM Asia 662 (1) (1) (1) (1) (1)
Shanghai Composite 2002 (1) (1) (1) (1) (1)
Japan Composite 1000 474 (1) (1) (1) (1) (1)

Turkish banks 11 (1) (1) (1) (1) (1)
Akbank 7 (1) (1) (1) (1) (1)
Ziraat 1 (1) (1) (1) (1) (1)
Tebrikat Bankasi 1 (1) (1) (1) (1) (1)

Russian banks 17 (1) (1) (1) (1) (1)
Sberbank 13 (1) (1) (1) (1) (1)
VTB Bank 4 (1) (1) (1) (1) (1)

Currencies (in percentage, positive for dollar depreciation)
EURUSD 1.17 (1) (1) (1) (1) (1)
GBPUSD 1.48 (1) (1) (1) (1) (1)
USDJPY 100 (1) (1) (1) (1) (1)
USDCHF 0.91 (1) (1) (1) (1) (1)

Commodity prices (changes in percentage)
Silver 10.61 (1) (1) (1) (1) (1)
Wti 49.63 (1) (1) (1) (1) (1)
Copper 1.16 (1) (1) (1) (1) (1)
Gold 107.24 (1) (1) (1) (1) (1)
Brent Crude 101.05 (1) (1) (1) (1) (1)
S&P 500 Spot Commodity Index 277.027 (1) (1) (1) (1) (1)
S&P 500 Index 2012.22 (1) (1) (1) (1) (1)
S&P 500 Index Spot 181.01 (1) (1) (1) (1) (1)
S&P 500 Index Futures 117.12 (1) (1) (1) (1) (1)

Stock returns (calendar and year)
S&P 10.61 (1) (1) (1) (1) (1)
Wti 49.63 (1) (1) (1) (1) (1)
Copper 1.16 (1) (1) (1) (1) (1)
Gold 107.24 (1) (1) (1) (1) (1)
Brent Crude 101.05 (1) (1) (1) (1) (1)
S&P 500 Spot Commodity Index 277.027 (1) (1) (1) (1) (1)
S&P 500 Index 2012.22 (1) (1) (1) (1) (1)
S&P 500 Index Spot 181.01 (1) (1) (1) (1) (1)
S&P 500 Index Futures 117.12 (1) (1) (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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