

Market Comment | Cautious mood in European financial markets

Global Financial Markets Unit
18 Jul 2016

- **Cautious sentiment in European financial markets today ahead of Thursday's ECB meeting**, but without significant movements in the major financial variables. This slightly risk-off mood in European markets has been triggered by the disruption caused by the failed military coup attempt in Turkey on Friday night. However, this event had a muted impact on the markets' global risk indicators, in fact they showed a mixed performance: gold prices (Gold -0.6%), slightly decreased while the US Bond yield (US 10Y yield +3bp) inched up and the Japanese yen depreciated (JPYUSD -1.16%). Moreover, despite the uncertainty about Turkey, the oil price fell significantly (-1.5%).
- Not surprisingly, **the exception was the Turkish stock market, which had its worst day since 2013** (BIST100, -7.08%). However, the Turkish lira rebounded today (+1.6%), after plunging (4.7% against the USD) on Friday evening. The 5Y CDS increased by 3 bps, after widening (+9 bps) on Friday night. The 10Y yield on lira-denominated bonds increased (+61 bps), while the 10Y yield PNL USD-denominated bonds climbed (+23 bps) and the 10Y German yield went down (-2 bps). The Turkish banking sector fell significantly, even though the Turkish Central Bank declared that it would provide "unlimited liquidity" to banks and take other measures to ensure the efficient functioning of the markets ([see](#)).
- In the equity markets, **European indices edged down** (Euro Stoxx, -0.3%; DAX, 0%;), while **US indices slightly increased** (S&P500, +0.2%), underpinned by fresh positive data from the Q2 earnings season.
- In the bond markets, there were no big changes either. **The most remarkable event was that the 10Y Government bond of Germany returned to negative yields** (-0.016%), after being positive on Friday (0.06%). Core bond yields inched up today (USA, +3 bps), while peripheral bonds showed a slightly mixed performances (ITA, 0 bps; SPA, +1 bps).
- **The Japanese yen continued its depreciatory trend** (-1.16%) against the USD, while the GBP extended its appreciation against the USD (+0.56%), recovering some of the ground lost after the Brexit outcome. The EUR also appreciated but in a lower proportion against the USD (+0.37%). EM currencies experienced a slight appreciation across the board against the USD (COP +0.1%, MXN +0.8%, CLP +0.6%, PLN +1.6%, TRY +1.6%).

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Table 1

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

Debt markets (changes in bps)

US 2yr	4.99 (2) (1) (0)
US 3yr	1.13 (2) (1) (0)
US 5yr	1.83 (2) (1) (0)
Japan 10yr	0.11 (0) (1) (4)
GER 2yr	4.45 (0) (0) (3)
GER 5yr	4.84 (0) (0) (4)
GER 10yr	4.69 (0) (0) (1)
Belgium 10yr	0.24 (1) (1) (2)
France 10yr	1.21 (0) (1) (1)
Greece 10yr	1.21 (0) (1) (1)
India 10yr	6.41 (0)
Italy 10yr	1.71 (0) (1) (2)
Netherlands 10yr	1.42 (0) (1) (1)
Portugal 10yr	3.10 (0) (1) (0)
Spain 10yr	1.89 (0) (1) (0)
UK 10yr	1.81 (0) (1) (1)
China 10yr	4.38 (0) (1) (1)
Colombia 10yr	8.98 (0) (1) (1)
Mexico 10yr	4.21 (0) (1) (1)
Peru 10yr	5.11 (0) (1) (1)
Israel 10yr	2.9 (0) (1) (1)
Russia 10yr	5.19 (0) (1) (1)
Turkey 10yr	6.81 (0) (1) (1)
India 10yr 3/2	14.12 (1) (1) (1)
Indonesia 10yr 7/4	14.12 (1) (1) (1)

Commodity risk (changes in bps)

1yr energy price: Agropar Germany	10.11 (1) (1) (1)
Energy 20	11.81 (2) (1) (1)
Energy 30	11.81 (2) (1) (1)
Energy 700	10.11 (1) (1) (1)
Energy 81	11.81 (2) (1) (1)
NY 100	11.81 (2) (1) (1)
Netherlands 10	11.81 (2) (1) (1)
Portugal 10	11.81 (2) (1) (1)
Spain 10	11.81 (2) (1) (1)
1yr energy price: Agropar Germany	10.11 (1) (1) (1)
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Portugal 10	11.81 (2) (1) (1)
Spain 10	11.81 (2) (1) (1)

Commodity risk (changes in bps)

Spr CO2 Europe	15.20 (1) (1) (1)
Spr CO2 France	16.01 (1) (1) (1)
Spr CO2 Germany	14.20 (1) (1) (1)
Spr CO2 Germany	15.20 (1) (1) (1)
Spr CO2 Mexico	17.01 (1) (1) (1)
Spr CO2 NY	16.01 (1) (1) (1)
Spr CO2 Netherlands	15.20 (1) (1) (1)
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Spr CO2 Argentina	15.20 (1) (1) (1)
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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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