

## 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%).

Update 17.45 CET 18 July, 2016 Table 1



## (Current level and changes at daily, weekly, monthly and annual frequencies) Debt markets (Changes in bp) 12.2 or 80 (1) (1) (1) (1) 12.3 or 80 (1) (1) (1) (1) 13.4 or 80 (1) (1) (1) (1) 13.5 or 80 (1) (1) (1) (1) 14.5 or 80 (1) (1) (1) (1) (1) (1) 14.5 or 80 (1) (1) (1) (1) 14.5 or 80 (1) (1) (1) (1) (1) GER 2-yr -0.65 (8) (5) (-6) (-31) GER 5-yr -0.56 (-1) (5) (-6) (-62) GER 10-yr -0.016 (-2) (15) (1) (-65) GER 18-yr - 8-016 (2) (15) (1) (46) Beiglam 18-yr - 0.24 (-5) (7) (-00) (-73) Fance 10-yr - 0.21 (-5) (16) (-10) (-77) Gasce 10-yr - 0.22 (16) (16) (-10) (-77) Initial 10-yr - 0.40 (-1) (1) (-14) Inly 10-yr - 1.22 (15) (-20) (-75) Rotherlands 19-yr - 0.1 (-5) (7) (-15) Forbigal 10-yr - 1.3 (16) (2) (20) (25) Spain 10-yr - 1.24 (1) (9) (-30) (-50) Spain 15-yr 12-4 (1) (9) (-28) (-23) Errora (spain India 10-yr 7.3 (2) (4) (-21) (-47) Indonesia 10-yr 7.14 (-2) (4) (-48) (-161) The State of the S 2 yr sovereign spread is (igleins) 6 Redgian 10 (8) (-1) (-1) (6) Fance 11 (8) (-1) (-1) (6) Fance 11 (8) (-1) (-1) (6) reland 22 (-1) (6) (-1) (8) Retherlands (-1) (-1) (-2) (9) Portugal 135 (-2) (-6) (-10) (9) Spain 52 (-2) (-7) (-15) (16) Syr CDS PolandS0 (2) (7) (7) (10) Syr CDS Russia 222 (4) (-4) (37) (40) Syr CDS Turkey 223 (3) (-2) (-37) (-60) 5-yr CDS China 110 (8) (-10) (-19) (1) 5-yr CDS India 156 (2) (-21) (-15) (6) 5-yr CDS Indonesia 156 (8) (-20) (-29) (-69) Credit risk. Riss indica to re phaspas in percentage accept for D VSTD0X2044 (-0.4) + 7.5 (-0.5.3) (-0.5) VSTD0X2044 (-0.4) + 7.6 (-1.4.3) (-1.5) Ell CTT Voidably (-0.6.2) (-1.6.2) (-1.5) Colorison whether Q 2 (-0.6 (-0.6.2)) (-1.5) Ell TX Voidably (-0.6.3) (-1.6.2) (-1.5) Credit press (-0.4.3) (-0.6.2) (-0.6.2) (-1.5) Credit press (-0.4.3) (-0.6.2) (-0.6.2) (-1.5) Credit press (-0.4.3) (-0.6.2) (-1.6.2) (-1.5) Credit press (-0.4.3) (-0.6.2) (-1.6.2) (-1.5) Credit press (-0.4.3) (-0.6.2) (-0.6.2) (-1.6.2) (-0.6.2) Large Spanish banks CDS 0 (0) (-155) (-165) (-137) Medium Spanish banks CDS 0 (0) (-193) (-197) (-157) Greek banks CDS 864 (-25) (-282) (-352) (-688) Russian banks CDS 331 (8) (-23) (-37) (-51) Cosporate (4% (changes in bps) EMU Nan-Enancial CDS 108 (1) (4) (428) (45) UK Non-Enancial CDS 161 (3) (5) (-12) (-31) US DIS spread 3m 29 (0) (1) (2) (6) US DIS spread 12m 63 (-1) (6) (4) (27) US TED spread 3m 39 (0) (0) (0) (4) Liber 12m 1.31 (0)(e(17)(12) Stock markets (Changee in percent percen Sank stocks JPM 64.1 (4.1) (5) (5) (3) C81 44.9 (12) (5.1) (5.5) (-13) BoA 14.2 (3.9) (7.5) (6.6) (16) MS 28.1 (6.3) (6.2) (12.1) (12) GS 193.3 (1) (7.3) (11.3) (-6) GS 93.2 (17.13/10) (18.71 (18. Large Spanish banks 60.3 (-1.6) (4.5) (2) (-20 Santander 3.6 (-0.2) (6.6) (4) (-1.6) 88VA 5.2 (-2.6) (2.7) (0.4) (-2.3) 88VA 52 (2.8) (2.7) (0.4) (23) Medium Spanish banks: \$82.0(1) (6.5) (-1) (-29) Colombert 2.2 (0.7) (6.8) (6.1) (42) Popilar 1.3 (-0.1) (7.8) (6.6) (6.6) Sobardel 1.3 (0) (6.7) (6.5) (62) Bankitze 6 (6.4) (1.7) (-0) Bankitz 0.7 (0) (6.7) (-0.7) (-0.0) Emerging Mariets Main equity indices MSC(Laten 70166 (0.19) (3.2) (8.9) (18.3) Berespe (8/e2/) 96207 (0.1) (4.2) (13.8) (29.7) Mexicol 47032 (6.7) (1.9) (4) (9.4) MSCIEM Europe 4500 (8.2) (4) (9.6) (5.9) Poland 1788 (1.6) (2.4) (2) (3.6) Micex (Russia) 1906 (4.2) (1.2) (3.6) (8.9) ise 100 (Turkey) 78958 (7.1) (2.9) (2.1) (7.3) MSCIEM Asia 604 (8.38) (3.0) (4.0) (3.6) Shanghai Composite (China) 3644 (4.35) (1.6) (5.9) (14) Jakarta Composite (Indonesia) 5125 (0.3) (1.2) (6.5) (12) Russian banks 179 (1.1) (1.4) (8.8) (17.8) Sberbank 148 (1.3) (2) (10.1) (38.2) VTB Bank 0.1 (8.6) (-8.2) (-0.7) (-13.7) Currencies (in percentage, poetive for dollar depreciation) Euresco 1400 (3.27) (4.00 (-1.1) (2) GROUPS (3.10 (4.00 (-1.1) (2) GROUPS (3.10 (-1.0) (2.1) (-1.1) EUR (3.10 (-1.0) (3.1) (-1.1) EUR (3.10 (-1.1) (3.1) (-1.1) EUR (3.10 (-1.1) (3.1) (-1.1) Emerging Marietts WSDARS (Argentina) 15 15 (-1.4) (-3) (-9) (-17.2) WSDARS (Argentina) 25 10 (-9) (-17.2) (-17.6) (-17 USDPLN (Poland) 3.95 (1.6) (1.4) (-0.1) (-0.7) USDRUB Russia) 62.01 (1.4) (2.2) (4.4) (13.4) USDTRY (Turkey) 2.97 (1.6) (-2.1) (-1.2) (-1.7) USDCRY (China) 6.7 (4.2) (-0.1) (-1.7) (-3.2) USDRR (India) 67.2 (-6.2) (-0.1) (0.1) (-1.8) USDRR (India) 67.2 (-6.2) (-0.1) (0.2) (2.2) (5.1) ADXY 106.81 (8) (8.3) (0.0)





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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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