

Market Comment | Risk-off sentiment fades with encouraging company earnings

Global Financial Markets Unit 20 Jul 2016

- Financial markets recovered the risk-on mood of last week, with major risk asset prices showing healthy gains across the board, while safe-haven assets were less in demand: gold (-0.9%), US 10Y yield (+4 bps), dragged down by today's better-than-expected reported earnings for companies.
- The major indices all rose. Positive earnings reports from US companies today triggered the rise in the major US indices (S&P500 +0.5%). Moreover, the positive opening of the US equity markets drove European equity indices higher (Euro Stoxx, +1.2%; Dax, +1.6%; Ibex35; +1.1%). Most Italian bank stocks performed positively, except for Monti dei Paschi (MPS), as the government is addressing new formulas to deal with MPS' NPL problem that would not require pre-approval from Brussels, such as buying out MPS' bad loans at favourable rates with money from private institutions (using the existing Atlante fund, increasing it by €4.25bn). Even so, MPS has to raise €7bn in new capital, which might be too demanding given the current situation.
- In line with the lower risk aversion, s afe-haven yields of 10Y Government bonds increased across the board (US +4 bps, Germany +2 bps, UK +3 bps), whereas European peripheral bonds benefited from the search for yield strategies, with 10Y Government bond yields declining, especially in Spain, underpinned by the announcement of details of the new fiscal measures to cope with the deficit, aiming to avoid the fine by EU authorities to be announced next week (Spain -3 bps; Portugal, -1 bps).
- In FX markets the **US dollar depreciated against the British pound** (+0.47%) but appreciated against the euro (-0.15%) and against the Japanese yen (-0.48%). EM currencies experienced mixed performances, with no big movements against the USD (COP +0.3%, MXN -0.5%) despite the increase in oil prices (+1.6%), underpinned by the bigger-than-expected fall in inventories.
- S&P downgraded Turkey's rating to BB from BB+, with negative outlook, pushing it further into speculative grade, adding to pressure on Turkish assets. Turkey's 10Y yield rose (+32 bps to 9.92%), the 5-year CDS increased (+30 bps), the Turkish lira dropped again sharply (-1.28%) and the equity index ended the day lower (BIST100 -1.67%).

Update 17.45 CET 20 July, 2016 Table 1



Japan 15-yi - 42.2 (-) (5) (4) (-50) (68.2 yi - 4.8) (1) (5) (4) (-28) (68.5 yi - 46.7) (15) (4) (-48) (68.5 yi - 46.7) (15) (4) (-45) (68.5 yi - 46.7) (15) (-40) India 10-yr 7.27 (-1) (-1) (-22) (-49) Indonesia 10-yr 7.02 (-3) (-19) (-81) (-172) Spain 73 (-3) (-10) (-21) (1) 2.yr sovereign speed di-applied : Bedgium to (13) (2) (0) (5) France 11 (8) (-1,1) (-2) (8) Ireland 22 (-1,1) (-2) (-1) (8) Ireland 22 (-1,1) (-2) (-1) (8) Ireland 23 (-1,1) (-1,1) (-1) Irelandadd 6 (-1) (1) (-1) (9) Portugal 132 (-2) (-7) (-2) (87) Spain 49 (-2) (-4) (-4) (14) 5-yr CDS Poland92 (8) (-1) (8) (20) 5-yr CDS Russia 230 (4) (15) (-29) (-71) 5-yr CDS Turkey 274 (29) (58) (14) (1) 5-yr CDS China 111 (1) (0) (-16) (3) 5-yr CDS India 152 (-3) (-19) (-25) (4) 5-yr CDS Indonesia 162 (4) (-1) (-31) (-64) Syr CDS (Informatia SEZ (x) (x) (x)) (24). Final finite Not Distington on percentage except for it. Final finite Not Distington on percentage except for it. Final finite Not Distington on percentage except for it. Final finite Not Distington on the information of it. Finite Company on the information of it. Finite Co Large Spanish banks CDS 0 (8) (8) (-162) (-137) Medium Spanish banks CDS 0 (8) (8) (-169) (-157) Greek banks CDS 945 (0) (2003) (3.77) (-707) Russian banks CDS 356 (3) (-7) (-80) (-46) Composite (fisi, (changes in bop) EMU Nan-financial CDS 110 (2) (1) (-200) (-63) UK Nan-financial CDS 160 (0) (6) (-15) (-32) Interbank markets (changes in bp) UEM 015 spread 3m 6 (-2) (-1) (-3) (-5) UEM 015 spread 12m 35 (-1) (-2) (-2) (-2) UEM TED spread 3m 45 (0) (-0.8) (9) (4) Stock markets (Changes in per Developed Markets Sank stocks JPM 64.1 (8.3) (1.5) (2.7) (3) C81 44.4 (8.2) (2.5) (5.5) (-14) BoA 14.4 (8.9) (7.1) (6.3) (14) MS 28.6 (2.2) (6.1) (11.2) (4) GS 161.4 (0) (2.2) (9.2) (-10) GS 914 (0)(2.1)(2.2)(10) SSS (14.7)(2.1)(2.2)(4) SSS (14.7)(2.2)(4.1)(3.5) Sorting 110 (4.14)(4.14)(5)(1) ENU bases 7.3 (1.2)(3.7)(7.4)(3.2) SSS (12.2)(3.1)(7.4)(3.2) SSS (2.2)(3.1)(7.2)(3.7) Cried Appriet 7.3 (3.1)(2.1)(3.5)(2.7) Occasion Bases 1.15 (3.1)(4.1)(4.2)(4.3) SSS (1.3)(4.2)(4.3)(4.3) SSS (1.3)(4.2)(4.3)(4.3) SSS (1.3)(4.2)(4.3)(4.3) SSS (1.3)(4.2)(4.3)(4.3) SSS (1.3)(4.3)(4.3)(4.3) SSS (1.3)(4.3)(4.3)(4.3) Vincensis 2.3 (7.7)(1.5)(4.7)(4.6) Large Spanish banks 68.3 (1.1) (8.6) (6.2) Santander 3.6 (1.3) (2.3) (-3.7) (-16) 88VA 5.2 (1) (4.7) (-8.4) (-23) 88VA 5.2 (1) (4.7) (4.4) (23) Medium Spanish banks (94.4(2.3) (7.1) (5) (-28) Colombert 2.2 (9.5) (7.8) (4.1) (4.1) Popilar 1.3 (4.1) (4.1) (4.2) (4.4) Sobarde 1.3 (1.4) (4.2) (4.5) (4.5) Bankitz (4.2) (5.5) (4.3) (3.3) (4) Bankitz (4.7) (5.5) (4.7) (4.2) M SCI EM Asia 685 (-0.14) (1.3) (5.0) (3.8) Shanghai Composite (China) 3636 (-0.29) (-1.1) (4.8) (-14.4) Jakarta Composite (Indonesia) 5243 (1.4) (2.1) (7.6) (1.4) Bank slocks Turkish banks 76 (-2.9) (-11.1) (-4.4) (5.3) Akbank T.A.S. 6 (-3.3) (-12.7) (-6) (15.1) Gazzel 7 (-2.7) (-11.1) (-5.9) (2.5) Turkiye is Bankssi 4 (-2.6) (-5.6) (-6.4) (-2.6) Russian banks 176 (-0.5) (-0.7) (2.1) (16.1) Sberbank 139 (-0.6) (-0.6) (4.9) (36.6) VTB Bank 0.1 (-1) (-0.9) (-4.4) (-16.1) Currencies (n/percentage, positive for dollar depreciation) Eurosi 1, 16, 15, 6, 72, (2.7) (1.3) Garuso 1, 12, 9, 47, 92, (1.6) Garuso 1, 12, 9, 47, 92, (1.6) Supply (164), 94, 94, (2.5) (2.6) (1.3) DOY 77, 11 (0) (4.9) (3.7) (1.5) Emerging Markets WSDARS (Argemine 15 (8) (3) (7.9) (-16) WSDARS (Argemine 15 (8) (3) (7.9) (-16) WSDBRL (Brazz) 255 (0.1) (6.5) (4.3) (18) WSDCLP (Chine) 655 26 (9) (6.5) (4.3) (18) WSDCLP (Chine) 655 26 (9) (6.5) (6.1) (1.5) (7.7) WSDMM) Blackcol 16.59 (-2.5) (-2.5) (-2.5) (-1.4) WSDMM) Blackcol 16.59 (-2.5) (-2.5) (-2.5) (-3.2) LAC165 23 (6.1) (-3.2) (-7.7) (-4.3) USDPLN (Poland) 3.98 (0) (-0.1) (-2.5) (-1.4) USDRUB (Russia) 63.71 (-0.3) (0.4) (1) (12.1) USDTRY (Turkey) 3.98 (-1.1) (-6) (-5.8) (-5.4) USDRY (Turkey) 3.86 (-1.1) (-6) (-5.8) (-5.4) USDRY (Inhia) 6.66 (0.3) (8.2) (-1.5) (-2.6) USDRR (Inhia) 67.2 (-6.1) (-6.2) (-2.7) (-1.6) USDRR (Inhia) 67.2 (-6.1) (-6.2) (-2.7) (-1.7) (-4.9) ADXY 106.71 (8.1) (0) (-0.4) (0.2)





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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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