

Market Comment|After uneventful FOMC, market's positive tone deflates ahead of BoJ meeting

Global Financial Markets Unit 28 Jul 2016

- Fed uses July statement to re-prime the policy normalization pump. Unprecedented for a tightening
 cycle, Fed delays rate increase for 5th consecutive meeting. Improvements in domestic conditions
 move committee closer to resuming normalization. Uncertainty and U.S. elections will complicate
 possibility of rate increases in September (see).
- As was expected, the FOMC maintained the recent stance in its last meeting and consequently it
 had a mild impact on financial markets, focused mainly on the US markets: 10Y US yields
 decreased by around 6 bps, while the USD depreciated against its main peers hours after the release.
 Despite the lack of tightening in the Fed's tone, coupled with tomorrow's expected easing by the BoJ (to
 reinforce the recent ambitious fiscal stimulus) markets opened today in a slightly risk-off mood: volatility
 increased (VIX, 3.3%). The recent downward trend in oil prices extended today (-1.6%) adding
 uncertainty to the current situation, hitting a 13-week low.
- Against this backdrop, global equity indices broke the recent positive trend after Japan's indices went down (Nikkei -1.1%), partially offsetting yesterday's rebound, while European and US indices dropped amid mixed results in 2Q earnings reports released (Euro Stoxx -1.1%; S&P500 -0.1%). Meanwhile, no significant movements in government yields across the board (10Y US +2 bps; 10Y UK -3 bps; 10Y GER -1 bps; 10Y Spain -1 bps) despite the patience shown by the Fed.
- The USD depreciated against the JPY (+0.5%) and the EUR (+0.28%), while appreciating against the GBP (+0.56%), EM currencies showed mixed performances (CLP +0.3%, COP -0.4%, MXN -0.5%, TRY +0.2, PLN +0.5). The positive effect of delaying interest rate hikes in the US for EM countries partly offset the negative effect of the current downward trend in oil prices.

Update 17.45 CET 28 July, 2016 Table 1



(Current level and changes at daily, weekly, monthly and annual frequencies) Debt markets (Phonges in bp) 18.3 or \$2.7 (2.7 (4) (11) (2.3)) 18.3 or \$2.7 (4) (11) (2.3) 18.4 or \$1.7 (1.3) (1.4) 18.5 or \$1.7 (1.4) (1.4) 18 Japan Edyn 4.27 (2) (5) (4) (4) 618 July 4.60 (1) (1) (4) (2) 618 July 4.60 (1) (1) (4) (2) 618 July 4.60 (1) (1) (4) (4) 618 July 4.60 (1) (1) (4) (4) Belgium 15 (yr. 0.15 (4) (4) (4) (4) Fanco 16 (yr. 0.15 (4) (4) (4) Belgium 15 (yr. 0.15 (4) (4) (4) Segun 15 (yr. 0.15 (4) (4) (4) Segun 15 (yr. 0.15 (4) (4) (4) (4) Spain 19-yr 1,10 (+1) (4) (+22) (+60) Erresting Micro (1) (5) (-12) (-458) Chie 10-yr 4,47 (1) (6) (-15) Colombia 93-yr 7 (2) (7) (-27) (-106) Mexico 10-yr 5,92 (1) (4) (-14) (-14) Peru 10-yr 5,72 (6) (6) (-56) (-158) India 10-yr 7.19 (4) (-7) (-28) (-57) Indonesia 10-yr 6.97 (4) (-7) (42) (-178) 5-yr CDS Poland88 (8) (-6) (-20) (16) 5-yr CDS Rassis 237 (6) (10) (-19) (-65) 5-yr CDS Turkey 273 (8) (-16) (14) (-1) 5-yr CDS China 112 (1) (2) (-20) (4) 5-yr CDS India 152 (-2) (-2) (-34) (4) 5-yr CDS Indonesia 165 (1) (5) (-32) (-61) Credit risk. Biss indica to re phaspas in percentage except for D VSTD0X.2399 (2.3) (4) (42.3) (4) VSTD0X.2399 (2.3) (4) (42.3) (4) VSTD0X.2399 (2.3) (5) (42.3) (4) El ET Totalith priora 30 (2) (2) (49) (41) Dobarison whether y T (4) (4.2) (4.3) (4.3) El T X volimity box 15 (2) (1.2) (4.3) (4.3) El TX volimity box 15 (4) (1.3) (4.3) (4.3) El TX volimity box 15 (4) (1.3) (4.3) (4.3) El TX volimity box 15 (4.3) (4.3) (4.3) (4.3) El Sandrá volimiting index of D (6) (7) (7) (7) (7) Sonk risk (changes in by) Sonk risk (changes in by) US banks CDS 78 (1) (4) (24) (3) EMU banks CDS 111 (2) (5) (41) (39) UK banks CDS 111 (2) (5) (41) (33) Large Spanish banks CDS 136 (-5) (0) (-54) (-1) Medium Spanish banks CDS 156 (-2) (-15) (-56) (6) Greek banks CDS 1133 (225) (188) (-388) (-519) Russian banks CDS 338 (3) (2) (-32) (-44) Cosporate (fisk (changes in bps) EMU Nan-Brancial CDS 107 (-1) (-2) (-242) (-86) UK Non-Brancial CDS 158 (0) (-2) (-29) (-34) Interbank markets (changes in bp) UEM 015 spread 3m 6 (1) (1) (-2) (-5) UEM 015 spread 12m 35 (-1) (0) (-4) (1) UEM TED spread 3m 45 (0) (1.8) (7) (4) Stock markets (Changes in per Developed Markets Non regist indices \$87992 2193,5 (0,1) (4,1) (8,3) (8) \$87992 2193,5 (0,1) (4,1) (8,5) (7) (8) Nakes 19402 8 (-1,1) (-2) (-5) (-13) FEE 100 621,1 (-2) (-5) (-13) Eurelson 50 28991 (-1,1) (6,1) (7,5) (4) EURELSON 50 28991 (-1,1) (6,1) (7,5) (4) EURELSON 50 28991 (-1,1) (6,1) (7,5) (4) EURELSON 50 (-1,2) (2,2) (2,1) EURELSON 50 (-1,2) (2,2) (2,1) AUX 10074 9 (-4,1) (-2,3) (-4,1) EURELSON 50 (-1,2) (-1,3) (-1,4) EURELSON 50 (-1,3) (-1,4) EURELSON 50 (-1,4) Senk docks JPM 615 (4.7) (0.3) (7.3) (3) C8I 43.9 (4.5) (4.4) (8.7) (15) SeA 14.6 (4.5) (2) (14.6) (14) MS 28.8 (4.9) (4.4) (16.9) (10) GS 500 (4.6) (0) (12.4) (11) Large Spanish banks 58.6 (-3.7) (-4) (6.8) (-22 Sentander 3.7 (-4) (-3.9) (10.5) (-19) 88VA 5 (-3.8) (-4) (3.9) (-25) 88VA 5 (3.8) (4) (3.9) (25) Medium Spanish banks 57.6 (2.8) (3.4) (4.4) (30) Colombras 2 2 (3.6) (4.1) (10) (30) Popular 1 2 (2.7) (4.9) (6.65) Sobades 1 2 (2.2) (7.2) (1) (30) Bankiss 9.1 (2.1) (4.1) (5.9) (6 Bankiss 9.7 (3.7) (4.6) (2.2) (37) Mexito1 48559 (-0.5) (-1.7) (x.1) (8.3) MSCIEM Europe 4411 (-0.91) (0) (-2.7) (3.8) Poland 1789 (-0.5) (-0.5) (-1.0) (-2.8) Nicos (Russon) 1964 (-0.8) (1.4) (6.2) (1.1) se 100 (Turkey) 75244 (0.2) (5.1) (-2.2) (4.9) MSCIEM Asia 693 (6.36) (8.0) (7.5) (5) Shanghai Composite (China) 2994 (0.03) (4.5) (2.8) (45.4) Jakarta Composite (Indonesia) 5299 (0.5) (1.6) (6.5) (1.5) Bank docks Turkish banks 75 (4.4) (4.5) (4.2) (5.3) Akbank T.A.S. 5 (4.7) (2.4) (7.4) (13.4) Gazzel T (4.1) (3.5) (5.5) (2.4) Turkiye is Bankssi 5 (4.2) (6.6) (2) (4.7) Russian banks 176 (4.2) (-0.6) (4.2) (15.7) Sterbank 137 (0) (-1.2) (5.6) (5.1) VTB Bank 0.1 (4.5) (9.9) (0.8) (-14.5) Currencies (n preventage, positive for dollar depreciation) Currencies (n preventage, positive for dollar depreciation) Currencies (n preventage) (n preve Emerging Markets WSDARS (Ingention) 15.64 (4.3) (4.3) (4.3) (4.1) (4.6.3) WSDRARS (Ingention) 27.04 (4.3) (4.1) (1.7) (4.6.3) WSDGRAL (Ingention) 27.04 (4.6.3) (4.2) (6.3) (4.1) (4.0) WSDCDP (Chine) 665.16 (6.3) (4.2) (6.3) (4.3) (4.6.3) (4.3) (4.0) WSDCDP (Chine) 5097.12 (4.6.3) (4.5) (4.6) (4.6) (4.9) WSDRAN (Ingention) 15.92 (4.5) (4.6) (4.0) (4.6) (4.9) USDRAN (Ingention) 15.92 (4.5) (4.6) (4.0) (4.6) (4.9) USDRAN (Ingention) 15.92 (4.5) (4.5) (4.6) (4.6) (4.9) USDRAN (Ingention) 15.92 (4.5) (4.5) (4.6) (4.6) (4.9) USDFLN (Foland) 3.93 (6.5) (6.6) (1.6) (-0.2) USDRNB (Russia) 66.68 (-1.3) (-3.7) (-3.6) (6.1) USDRNP (Turkey) 3.91 (6.2) (1.9) (-3.7) (-3.3) USDCRY (China) 6.66 (0.2) (8.3) (4.1) (-2.5) USDCRY (India) 6.704 (8.2) (8.2) (1.4) (-1.3) USDCR (Indianesia) 13956 (6.3) (6) (0.7) (5) AOXY 107.14 (8.2) (9.3) (6.7) (8.6)





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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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