

Market Comment | Central bank's minutes go unnoticed in financial markets

Global Financial Markets Unit
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- Yesterday's release of the FOMC's minutes and today's ECB minutes did not bring significant fresh news, and accordingly financial markets did not react strongly. On the one hand the **FOMC's minutes seem to downplay expectations of an earlier interest rate hike in the US, triggered by the previous hawkish comments of some Fed members**. Although division was shown on the timing of the next interest rate rise, overall the stance was slightly dovish as FOMC members generally agreed that before raising interest rates again it was prudent to accumulate more economic data. The market reaction following the release was small, with slight drops in the USD, government bond yields (10Y US -2 bps) and prospects of an interest rate hike (22% from 24% for the September meeting; 48% from 51% for December meeting).
- On the other hand, the ECB's minutes hinted that **the ECB could extend its ultra-loose monetary policy in September**. They agreed that it was premature to discuss any change, given the lack of evidence of the consequences of Brexit. Also discussed were the concerns for the euro zone's banks, suffering due to the prolonged period of low interest rates. Markets trust that the most likely measures are the announcement of an extension of its QE programme beyond the current deadline and some fine-tuning to the purchase composition.
- Against this backdrop **equity markets welcomed the hint of loose monetary policy** for longer, and halted recent drops across the board (S&P500 +0.2%, Dax +0.6%, Euro Stoxx 50 +0.4%). In accordance, **bond markets showed lower yields across the board** in government bonds (10Y FRA -3 bps, 10Y GER -3 bps), with the Portugal sovereign yield bucking the trend (10Y POR +3 bps) for a third consecutive day, following the DBRS's warning on Portugal credit rating (BBB low).
- **The USD weakened slightly, driven by the FOMC's minutes** (EUR +0.42%, JPY +0.19%) and especially against the GBP (+0.87%), which appreciated significantly as July retail sales unexpectedly rose. Meanwhile EM currencies appreciated (COP +1.1%, CLP +0.4%, MXN +0.5%) as the oil price went up significantly (1.4%).

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Table 1

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

Debt markets (changes in bp)

US 2y 4.12 (1.2) (2) (2) (2)
 US 5y 4.13 (1.1) (1) (1) (1)
 US 10y 4.15 (1.1) (1) (1) (1)
 Japan 5y 0.81 (-0.1) (0) (0) (0)
 GER 5y 0.62 (-0.1) (0) (0) (0)
 GER 10y 0.52 (0) (0) (0) (0)
 GER 5y 0.82 (1.1) (1) (1) (1)
 Belgium 10y 0.12 (3) (1) (1) (1)
 France 10y 0.12 (1) (1) (1) (1)
 Greece 10y 4.83 (1) (1) (1) (1)
 Ireland 5y 0.19 (0) (0) (0) (0)
 Italy 10y 1.07 (4) (1) (1) (1)
 Netherlands 10y 0.25 (2) (1) (1) (1)
 Portugal 10y 0.13 (1) (1) (1) (1)
 Spain 10y 0.11 (0) (0) (0) (0)

Finland 10y 1.81 (1) (1) (1) (1)
 China 10y 4.38 (2) (1) (1) (1)
 Canada 10y 4.21 (1) (1) (1) (1)
 Mexico 10y 4.79 (2) (1) (1) (1)
 New Zealand 10y 1.18 (0) (0) (0) (0)
 Poland 10y 2.81 (4) (1) (1) (1)
 Russia 10y 6.15 (4) (1) (1) (1)
 Russia 10y 4.27 (1) (1) (1) (1)
 Turkey 10y 11.19 (2) (1) (1) (1)
 India 10y 7.14 (4) (1) (1) (1)
 Indonesia 10y 6.81 (2) (1) (1) (1)

Country risk (changes in bp)

1st sovereign spread (against Germany)
 Belgium 22 (0) (1) (1) (1)
 France 22 (0) (1) (1) (1)
 Greece 811 (4) (1) (1) (1)
 Ireland 47 (0) (0) (0) (0)
 Italy 116 (1) (1) (1) (1)
 Netherlands 31 (0) (0) (0) (0)
 Portugal 206 (4) (1) (1) (1)
 Spain 100 (1) (1) (1) (1)

2nd sovereign spread (against Germany)
 Belgium 7 (0) (0) (0) (0)
 France 11 (0) (0) (0) (0)
 Greece 188 (2) (1) (1) (1)
 Ireland 12 (0) (0) (0) (0)
 Italy 74 (1) (1) (1) (1)
 Netherlands 10 (0) (0) (0) (0)
 Portugal 233 (6) (2) (1) (1)
 Spain 63 (1) (1) (1) (1)

3rd sovereign spread (against Germany)
 Belgium 11 (0) (0) (0) (0)
 France 5 (0) (0) (0) (0)
 Ireland 30 (1) (1) (1) (1)
 Italy 33 (0) (1) (1) (1)
 Netherlands 4 (0) (0) (0) (0)
 Portugal 116 (3) (1) (1) (1)
 Spain 45 (1) (1) (1) (1)

1st sovereign CDS
 Sfr CDS Belgium 30 (0) (1) (1) (1)
 Sfr CDS France 29 (0) (1) (1) (1)
 Sfr CDS Germany 17 (0) (1) (1) (1)
 Sfr CDS Greece 874 (27) (1) (1) (1)
 Sfr CDS Ireland 60 (1) (1) (1) (1)
 Sfr CDS Italy 104 (2) (1) (1) (1)
 Sfr CDS Netherlands 21 (0) (1) (1) (1)
 Sfr CDS Portugal 21 (0) (1) (1) (1)
 Sfr CDS Spain 81 (2) (1) (1) (1)
 Sfr CDS UK 24 (0) (1) (1) (1)
 Sfr CDS US 27 (0) (1) (1) (1)

Emerging Markets

Sfr CDS Argentina 262 (3) (1) (1) (1)
 Sfr CDS Brazil 243 (1) (1) (1) (1)
 Sfr CDS China 49 (1) (1) (1) (1)
 Sfr CDS Colombia 157 (5) (1) (1) (1)
 Sfr CDS Mexico 133 (4) (1) (1) (1)
 Sfr CDS Peru 101 (1) (1) (1) (1)
 Sfr CDS Venezuela 227 (4) (1) (1) (1)
 Sfr CDS Russia 222 (2) (1) (1) (1)
 Sfr CDS Turkey 243 (1) (1) (1) (1)

Sfr CDS China 100 (0) (1) (1) (1)
 Sfr CDS India 141 (4) (1) (1) (1)
 Sfr CDS Indonesia 141 (0) (1) (1) (1)

Credit risk

US 10y 4.41 (4) (1) (1) (1)
 VIX 18.23 (1.4) (1) (1) (1)
 EM EPT volatility index 19 (4) (1) (1) (1)
 EM volatility index 21 (0) (1) (1) (1)
 EM FT volatility index 18 (0) (1) (1) (1)
 Credit spread 2044 270 (4) (1) (1) (1)
 US Treasury yield 4.42 (0) (1) (1) (1)

Bank risk (changes in bp)

US banks CDS 19 (0) (0) (0) (0)
 EM banks CDS 115 (4) (1) (1) (1)
 UK banks CDS 31 (0) (1) (1) (1)
 Large Spanish banks CDS 27 (0) (0) (0) (0)
 Medium Spanish banks CDS 154 (3) (1) (1) (1)
 Greek banks CDS 153 (5) (1) (1) (1)
 Russian banks CDS 25 (0) (0) (0) (0)

Corporate risk (changes in bp)

EM MNC financial CDS 8 (0) (0) (0) (0)
 UK Non-financial CDS 6 (0) (0) (0) (0)

Interbank markets (changes in bp)

LIBOR 3m spread 3m 120 (0) (0) (0) (0)
 LIBOR 6m spread 3m 30 (0) (0) (0) (0)
 LIBOR 12m spread 3m 52 (0) (0) (0) (0)
 US 3m spread 3m 38 (0) (0) (0) (0)
 US 6m spread 3m 70 (0) (0) (0) (0)
 US 12m spread 3m 52 (1) (1) (1) (1)
 Spain 12m spread 3m 3 (0) (1) (1) (1)

EDM 1m 34 (0) (0) (0) (0)
 Euler 1m 41 (0) (0) (0) (0)
 Euler 3m 41 (0) (0) (0) (0)
 Libor 3m 0.81 (0) (1) (1) (1)
 Libor 6m 1.22 (0) (1) (1) (1)

Stock markets (Changes in percentage)

Major equity indices

S&P500 2162.22 (2) (1) (1) (1)
 Dow Jones 18688.02 (2) (1) (1) (1)
 Nikkei 24461.16 (1) (1) (1) (1)
 FTSE 100 6886.01 (1) (1) (1) (1)
 Euro Stoxx 50 2959.24 (1) (1) (1) (1)
 ASI 1620.61 (1) (1) (1) (1)
 DAX 10880.81 (1) (1) (1) (1)
 CAC40 7111.12 (1) (1) (1) (1)
 Nikkei 24461.16 (1) (1) (1) (1)
 ASI 1620.61 (1) (1) (1) (1)

Bank stocks

JP Morgan 118.8 (0) (0) (0) (0)
 Cit 107.0 (0) (0) (0) (0)
 Bank of America 112.2 (0) (0) (0) (0)
 Wells Fargo 105.5 (0) (0) (0) (0)
 HSBC 145.1 (0) (1) (1) (1)
 RBS 184.3 (1) (1) (1) (1)
 Deutsche 100.8 (0) (1) (1) (1)
 Lloyds 133.8 (0) (1) (1) (1)

EDM 1m 34 (0) (0) (0) (0)
 BPM 4.4 (4) (1) (1) (1)
 Credit Europe 9 (0) (1) (1) (1)
 Deutsche Bank 12 (0) (0) (0) (0)
 ING 16.1 (1) (1) (1) (1)
 Intesa 11 (0) (0) (0) (0)
 UniCredit 2 (0) (0) (0) (0)
 Large Spanish banks 18 (0) (1) (1) (1)
 Santander 3 (0) (1) (1) (1)
 BBVA 1 (0) (0) (0) (0)

Medium Spanish banks 58 (0) (1) (1) (1)
 Credit 23 (0) (0) (0) (0)
 Popular 1.2 (1) (1) (1) (1)
 Caixa 7.3 (0) (1) (1) (1)
 Bankia 4.2 (0) (0) (0) (0)
 Bankia 17 (0) (0) (0) (0)

Greek banks 2.6 (0) (0) (0) (0)
 Alpha Bank 1.7 (0) (0) (0) (0)
 Piraeus Bank 1.2 (0) (0) (0) (0)
 Eurobank Ergasias 1 (0) (0) (0) (0)

Minor equity indices

MSCI Latin America 210 (0) (0) (0) (0)
 MSCI Europe 4452 (0) (0) (0) (0)
 MSCI EM Europe 4452 (0) (0) (0) (0)
 MSCI Asia 111 (0) (0) (0) (0)
 MSCI Emerging Markets 111 (0) (0) (0) (0)

Bank stocks

Turkish banks 43 (0) (0) (0) (0)
 Akbank 1.6 (0) (0) (0) (0)
 Garanti 0.6 (0) (0) (0) (0)
 Turkey 1.6 (0) (0) (0) (0)
 Russian banks 175 (4) (1) (1) (1)
 Sberbank 17 (0) (0) (0) (0)
 VTB Bank 0 (0) (0) (0) (0)

Currencies (in percentage, positive for dollar depreciation)

EURUSD 1.05 (0) (0) (0) (0)
 GBPUSD 1.35 (0) (0) (0) (0)
 USDJPY 108 (0) (0) (0) (0)
 CHF 0.92 (0) (0) (0) (0)
 USDINR 14.93 (1) (1) (1) (1)
 USDZAR 15.12 (1) (1) (1) (1)
 USDHKD 7.75 (0) (0) (0) (0)
 USDGBP 0.75 (0) (0) (0) (0)
 USDCHF 0.92 (0) (0) (0) (0)
 USDJPY 108 (0) (0) (0) (0)
 USDINR 14.93 (1) (1) (1) (1)
 USDZAR 15.12 (1) (1) (1) (1)
 USDHKD 7.75 (0) (0) (0) (0)
 USDGBP 0.75 (0) (0) (0) (0)
 USDCHF 0.92 (0) (0) (0) (0)

Commodities (change in percentage)

Oil 102.1 (0) (0) (0) (0)
 Copper 2.6 (0) (0) (0) (0)
 Gold 1200.0 (0) (0) (0) (0)
 Wheat 1.2 (0) (0) (0) (0)
 Soybean 1.2 (0) (0) (0) (0)
 Natural Gas 1.2 (0) (0) (0) (0)

Source: Bloomberg Intelligence

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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