

# Market Comment | Market stresses ease at the beginning of the week

Global Financial Markets Unit  
03 Oct 2016

- Financial markets started the week in mildly positive mood. Concerns about Deutsche Bank eased following the surge in its stock late on Friday, as news suggested that the bank could settle with the US Department of Justice on a much lower fine (US\$5.4bn vs US\$14bn previously imposed). However, today's bank holiday in Germany (German Unity Day) may have also contributed to containing volatility. □

**Positive manufacturing PMI** data also influenced the market mood: Spain, Italy and France's manufacturing PMIs showed higher-than-expected figures in September, while the euro zone manufacturing PMI was in line with expectations (52.6, 52.6 consensus). Although the expansion of the US manufacturing sector resumed in September (ISM: 51.5; consensus 50.3), **the Atlanta GDPNow model forecast for 3Q16 GDP growth decreased** to 2.2% SAAR from 2.4% SAAR previously forecasted on September 30, dragged by the weaker construction spending, lower non-residential investment and government spending outlook (see). Nonetheless, a more complete picture of US economic activity in September will be laid out this week, with the release of non-manufacturing data (Wednesday) and US employment data (Friday). On the other hand, **concerns about Brexit may return to the spotlight after the British Prime Minister said that the UK would trigger Article 50 by March 2017.**
- Bond market prices showed slightly lower risk aversion today, with government **bond yields rose across the board** (10YUS +3 bps, 10YFRA +4 bps, 10YGER +3 bps). However, European peripheral bonds rose slightly more than core bonds (10YITA +8bps, 10YSPA +6bps, 10YPORT +6 bps).
- Despite the rebound in yields, equity markets were broadly unchanged today, following Friday's strong rebound in US equity indices (Euro Stoxx50 -0.1%). However, the European banking sector continued to underperform (-0.9%), led by the Italian banking sector. On the other hand, British stocks were the best performers (FTSE100 +1.2%), underpinned by sharp depreciation of sterling. In the US, markets inched down (S&P500 -0.5%) despite the encouraging ISM data, as investors are waiting for Friday's payroll figures and the 3Q16 US company earnings results kickoff. In Asia, Japanese shares rose (Nikkei +0.9%), -driven by a weaker Japanese yen, while Chinese stock markets were closed for this week's holiday (National Day).
- In FX markets, **the GBP depreciated significantly against its main peers (USD -1%, EUR -0.8%), reaching a three-year low against the EUR (1.15) and the lowest level since 1985 against the USD (1.28)**, after Theresa May said that the UK would trigger Article 50 by the end of March 2017. Meanwhile, the USD appreciated against its peers (EUR -0.2%, JPY -0.2%) supported by activity data. On the other hand, oil prices remained above US\$50 per barrel (+2.8%) after last week's sharp rebound, underpinned by the OPEC deal on a production freeze. Against this backdrop, EM currencies showed mixed performances (PLN -0.3%, MXN +0.4%, CLP -0.2%, TRY -0.8%). **The Colombian peso depreciated sharply (COP -1.8%), after the result of the referendum failed to support the peace deal with FARC.**

Update 17.45 CET 3 October, 2016  
Table 1

Debt markets (10y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	0.79	3.2	6.0	1	-25
UK	1.62	2.6	3.7	5	65
GER (2-yr)	0.69	-0.5	0.5	-6	-34
France	-0.09	-2.6	2.3	-3	-72
Spain	0.23	4.1	4.4	5	-76
Italy	0.94	5.6	1.8	-12	-84
Portugal	1.27	7.8	8.2	9	-33
Japan (2-yr)	3.29	6.3	1.2	35	88
Greece	8.27	-1.0	-12.9	16	-2
Japan (2-yr)	-0.28	1.2	-4.8	9	-27
Japan	0.07	0.4	-2.0	-33	-33
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.52	-6.0	-36.6	-52	-459
Chile	4.17	0.0	-4.0	-32	-49
Colombia	7.16	15.4	5.3	-26	-150
Mexico	6.05	16.0	9.9	20	-21
Peru	5.77	0.0	-4.4	12	-154
Poland	2.89	-2.5	9.0	8	-5
Russia	8.11	-4.0	8.6	9	-144
Turkey	9.39	-10.0	-18.0	-25	-108
India	7.50	-0.5	1.0	4	-14
Indonesia	7.02	-3.3	10.6	-4	-173
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	1.5	2.1	8	-4
Italy	136	5.2	5.9	12	39
Portugal	349	3.7	-1.1	38	160
Spain	103	3.0	-0.5	-9	-11
2-yr sovereign spread vs Germany					
France	6	1.2	-1.1	2	3
Italy	58	1.1	1.3	2	27
Portugal	110	1.2	-4.9	-6	65
Spain	45	-1.8	-2.9	-4	10
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS					
Brazil*	268	-7	3	12	-224
Chile*	87	-2	2	11	-40
Colombia*	168	-5	-5	-2	-71
Mexico*	164	-8	-3	26	-6
Peru*	102	-2	-5	-11	-64
Venezuela*	3,039	-289	-561	-1273	-3004
Poland*	75	-1	4	-1	3
Russia*	217	7	8	-1	85
Turkey*	257	-6	12	14	-16
China*	104	0	0	4	-4
India*	138	1	3	6	10
Indonesia*	148	-3	1	1	-79
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	14	6.8	2	5	-4
VSTOXX	20	3.2	1	2	-2
EM EFT volatility Index	23	4.2	1	8	1
Dollar/euro volatility	7	1.8	6	-13	28
EM FX volatility index	10	0.8	1	5	8
Credit spread (BAA) (bps)	267	-2.6	-4	7	-56
US bonds volatility index	61	2.9	3	-14	-11
Bidding 5y CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US *	83	-3.9	6	10	8
EZ *	123	0.3	2	12	39
UK	104	0.4	8	14	26
Large Spanish *	133	0.1	3	15	-4
Medium Spanish *	164	5.6	7	14	7
Corporate 5y CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial *	196	-3.8	6	10	8
EZ Non-financial *	110	0.3	2	12	39
UK Non-financial *	139	0.2	1	5	-53
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
OMIA Index	0.33	0.00	1.6	0.9	-20.2
Euribor 3m	0.30	0.00	0.2	-0.2	-17.0
Euribor 12m	0.06	0.00	-0.4	-1.3	-12.4
Libor 3m	0.85	0.00	0.1	1.8	-24.1
Libor 12m	1.55	0.00	-0.3	-1.4	-37.4
EZ TED spread 3m	49.7	4.60	5.5	-10	8.9
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,157	-0.5	0.5	-1	6
Dow Jones	18,242	-0.4	0.8	-1	5
Nikkei	16,599	0.9	0.3	-2	-13
FTSE 100	6,984	1.2	2.4	4	12
EuroStoxx 50	2,999	-0.1	0.8	-1	-8
IBEX	6,752	-0.3	0.5	0	-8
DAX	10,511	0.0	1.1	0	-2
CAC	4,454	0.1	1.0	0	-4
MIB	16,274	-0.8	0.5	-4	-24
ASE Athens	570	0.7	1.1	2	-10
MSCI Latam*	71,621	-0.4	-1.0	0	21
Bovespa (Brazil)*	58,367	0.0	-0.6	1	35
Moscow*	47,246	-0.9	-1.1	-1	10
MSCI EM Europe*	4,425	-1.3	-2.5	-1	-4
Poland*	1,710	-1.2	-3.0	-5	-8
Mircex (Russia)*	1,978	-0.9	-1.7	0	12
Iw 100 (Turkey)*	76,488	-0.8	-4.1	1	4
MSCI EM Asia*	717	-1.2	-1.6	1	9
Shanghai Com (China)*	3,005	0.2	-1.0	-3	-16
Jakarta (Indonesia)*	5,365	-1.2	-0.4	0	17
Bidding sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	84.9	-0.3	2.1	-6	-10
WFC	66.7	0.2	1.4	-1	1
CI	47.1	-0.3	2.6	-1	9
BuA	15.7	0.3	4.0	-2	-7
MS	31.8	-0.9	2.4	0	0
GS	160.7	-0.4	0.5	-5	-11
EZ banks					
BNP	75.1	-0.9	0.5	-5	-31
Crédit Agricole	45.6	-0.3	0.4	-3	-13
Deutsche Bank	8.8	0.0	1.7	3	-19
ING	11.6	0.0	0.7	-12	-40
Intesa	10.9	-1.0	0.5	-3	-13
SG	1.9	-2.3	-2.3	-9	-38
Unicredit	30.5	-1.0	1.6	-7	-28
UK banks	2.0	-1.9	-1.8	-13	-60
HSBC	70.8	0.7	1.5	-4	-19
RBS	587.6	1.5	3.2	3	10
Barclays	179.3	0.3	1.0	-11	-41
Lloyds	168.2	0.2	0.1	-2	-23
Large Spanish banks					
Santander	54.7	0.3	0.8	-10	-25
BBVA	61.9	-1.0	0.6	-4	-18
CaixaBank	3.9	-0.1	1.8	-2	-13
Popular	5.3	-1.7	-0.4	-6	-22
Medium Spanish banks					
Sabadell	58.1	-0.3	1.2	-7	-29
Banque	2.2	-0.6	1.1	-7	-30
Bankinter	1.1	0.1	-1.9	-9	-60
Banika	67.3	-1.7	-0.4	-6	-22
Banque	1.1	-0.3	1.3	-8	-30
Banque	6.3	-0.2	0.8	-5	-3
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.12	-0.2	0.4	0.1	3
GBPUSD	1.28	-1.0	-1.0	-3.2	-13
USDJPY	101.56	-0.2	-1.2	1.6	16
DXY	95.75	-0.3	-0.9	-0.1	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.18	0.9	0.4	-1.9	-17
USDZAR (Brazil)	3.23	1.0	0.3	0.8	18
USDCUP (China)	658.57	-0.2	0.5	3.2	7
USDCOP (Colombia)	2935	-1.8	0.4	1.9	8
USDMXN (Mexico)	19.32	0.4	2.8	-3.0	-12
USDPEN (Peru)	3.39	-0.3	-0.7	0.1	1
USDKI	64.37	0.5	1.0	-0.3	3
USDPLN (Poland)	3.83	-0.3	-0.3	1.5	2
USD RUB (Russia)	62.33	0.9	2.6	5.6	14
USDTRY (Turkey)	3.02	-0.8	-1.4	-2.1	-4
USDCNY (China)	6.67	0.0	0.0	0.0	-3
USDINR (India)	66.58	0.0	0.0	0.6	-1
USDIDR (Indonesia)	12,983	0.5	0.4	2.2	6
ADXY	107.3	-0.1	0.0	0.2	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent					
WTI	50.4	2.8	6.5	11	35
Copper	48.4	0.3	5.4	12	31
Gold	217	-1.2	0.7	5	2
S&P Spot commodity *	1,312	-0.3	1.9	0	24
S&P Metals Spot *	364	0.3	2.2	7	17
S&P Brent Spot *	427	0.8	4.7	10	33
S&P Metals Spot **	284	0.7	1.7	5	12
S&P Agricultural *	294	0.6	0.5	4	4



D&M markets (10Y % changes in bp)					
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GER (2-yr)	0.69	0.5	0.5	6	34
Germany	0.99	2.6	2.3	3	72
France	0.23	4.1	4.4	5	76
Spain	0.94	5.6	1.8	-12	84
Italy	1.27	7.8	8.2	9	33
Portugal	3.39	6.3	1.2	35	98
Greece	8.27	-1.0	-12.9	16	-2
Japan (2-yr)	0.26	1.2	-4.8	9	-27
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level	Daily	Weekly	Monthly	YTD	
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Colombia	7.16	15.4	5.3	-26	-150
Mexico	6.05	0.8	-9.9	20	21
Peru	5.77	0.0	-4.4	12	-154
Poland	2.89	-2.5	9.0	8	-5
Russia	6.11	4.9	-6.6	9	-144
Turkey	9.39	-10.0	-18.0	-25	-108
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Credit spread (BAA) (bps)	267	-2.6	-4	7	56
US bonds volatility index	61	2.9	3	-14	-11
Banking by CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US*	83	-3.6	6	10	8
EZ*	123	0.3	2	12	39
UK*	104	0.4	8	14	26
Large Spanish*	133	0.1	3	15	4
Medium Spanish*	164	5.6	7	14	7
Corporate by CDS (bps)					
level	Daily	Weekly	Monthly	YTD	
US Non-financial*	196	-3.6	6	10	8
EZ Non-financial*	110	0.3	2	12	39
UK Non-financial*	139	0.2	1	5	53
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EOIA Index	-0.33	0.00	1.6	0.9	-20.2
Euribor 3m	-0.30	0.00	0.2	-0.2	-17.0
Euribor 12m	-0.06	0.00	-0.4	-1.3	-12.4
Libor 3m	0.85	0.00	0.1	1.8	24.1
Libor 12m	1.55	0.00	0.3	1.4	37.4
EZ TED spread 3m	49.7	4.60	5.5	-1.0	8.9
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,157	-0.5	0.5	-1	6
Dow Jones	18,242	-0.4	0.8	-1	5
Nikkei	16,599	0.9	0.3	-2	-13
FTSE 100	6,984	1.2	2.4	4	12
Euro Stoxx 50	2,999	-0.1	0.8	-1	-8
IBEX	8,752	-0.3	0.5	0	-8
DAX	10,511	0.0	1.1	0	-2
CAC	4,454	0.1	1.0	0	-4
MB	16,274	0.8	0.5	-4	-24
ASE Athens	970	0.7	1.1	2	10
MSCI Latam*	71,621	-0.4	-1.0	0	21
Ibovespa (Brazil)*	58,367	0.0	-0.6	1	35
Mexbol*	47,246	-0.9	-1.1	-1	10
MSCI Europe*	4,425	-1.3	-2.5	-1	4
Poland*	1,710	-1.2	-3.0	5	8
Mex (Russia)*	1,978	0.9	-1.7	0	12
Iw 100 (Turkey)*	76,488	-0.6	-1.1	1	4
MSCI Asia*	717	-1.2	-1.6	1	9
Shanghai Com (China)*	3,005	0.2	-1.0	-3	-16
Jakarta (Indonesia)*	5,365	-1.2	-0.4	0	17
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	84.9	-0.3	2.1	6	-10
CIT	66.7	0.2	1.4	-1	1
CE	47.1	-0.3	2.6	-1	9
BoA	15.7	0.3	4.0	2	-7
MS	31.8	-0.9	2.4	0	0
GS	160.7	0.4	-0.5	5	-11
EZ banks					
BNP	75.1	-0.9	0.5	-5	-31
Crédit Agricole	45.6	-0.3	0.4	-3	-13
Deutsche Bank	8.8	0.0	1.7	3	19
ING	11.6	0.0	9.7	12	49
Intesa	10.9	-1.0	0.6	-3	-13
SG	1.9	-2.3	-2.3	9	38
Unicredit	30.5	-1.0	-1.6	-7	-28
UK banks	2.0	-1.9	-1.8	-13	60
HSBC	70.8	0.7	1.5	-4	-19
RBS	567.6	1.5	3.2	3	10
Barclays	179.3	0.3	1.0	-11	41
Lloyds	168.2	0.2	0.1	-2	-23
Large Spanish banks					
Santander	61.8	-1.0	0.6	-4	18
BBVA	3.9	0.1	1.8	2	-13
Mediobanca	5.3	-1.7	-0.4	-6	-22
Medium Spanish banks					
CajaBank	56.1	-0.3	1.2	-7	-29
Popular	2.2	0.6	1.1	-7	-30
Sabadell	1.1	0.1	-1.9	-9	60
Banque	67.3	-1.7	-0.4	-6	-22
Banque	1.1	-0.3	1.3	8	30
Banque	6.3	-0.2	0.8	5	-3
Currencies (% red for currency depreciation)					
level	Daily	Weekly	Monthly	YTD	
Eurozone					
EURUSD	1.12	-0.2	-0.4	0.1	3
GBPUSD	1.28	-1.0	-1.0	-3.2	-13
USDJPY	101.56	-0.2	-1.2	1.6	16
DNV	95.75	-0.3	-0.5	0.1	3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.18	0.9	0.4	-1.9	-17
USDBRL (Brazil)	3.23	1.0	0.3	0.8	18
USDCUP (Cuba)	658.57	-0.2	0.5	3.2	7
USDCOP (Colombia)	2935	-1.8	0.4	1.9	8
USDMXN (Mexico)	19.32	0.4	2.8	-3.0	-12
USDPEN (Peru)	3.39	-0.3	-0.7	0.1	1
IACI	64.37	0.5	1.0	0.3	3
USDPIN (Poland)	3.83	-0.3	-0.3	1.5	2
USD RUB (Russia)	62.33	0.9	2.6	5.6	14
USDTRY (Turkey)	3.02	-0.3	-1.4	-2.1	-4
USDCNY (China)	6.67	0.0	0.0	0.0	-3
USDINR (India)	66.58	0.0	0.0	0.6	-1
USDIDR (Indonesia)	12,983	0.5	0.4	2.2	6
ADXY	107.3	-0.0	0.0	0.2	1
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	50.4	2.5	6.5	11	35
WTX	48.4	0.3	5.4	12	31
Copper	2.17	-1.2	-0.7	5	2
Gold	1,312	-0.3	-1.9	0	24
S&P Spot commodity*	364	0.3	2.2	7	17
S&P Brent Spot*	427	0.8	4.7	10	33
S&P Metals Spot*	284	0.7	1.7	5	12
S&P Agricultural*	294	0.6	0.5	4	4

Source: Bloomberg, Datastream and Haver

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