

Market Comment | Yields retreat ahead of FOMC meeting, while Italian assets surge

Global Financial Markets Unit
13 Dec 2016

- Financial markets turned more optimistic ahead of tomorrow's Fed meeting (in which the market expects an interest rate hike with 100% probability) underpinned by the recent rally in Italian banks and the higher oil prices. Moreover, European sovereign yields also declined ahead of the FOMC meeting, led by Italy, helping equity indices to extend gains. The major market sensitive events were the following:
- **Italian assets outperformed** as stock prices increased and sovereign bond yields also declined significantly. Italian banks triggered the market optimism as U **niCredit reported its plans to raise \$13.8bn** ([see](#)). The optimism on Italian assets also triggered a positive mood in most other European assets.
- **Greek assets**, on the other hand, suffered, bucking the trend, as the **IMF stated that Greece does not need further austerity measures** ([see](#)), revealing its differences with the EU over Greece's bailout, and raising doubts about joining the Greek programme.
- **Oil prices** remained at the recent high levels, supported by the report from the **IEA asserting that global oil inventories could decrease in the first half of 2017**([see](#)), due to the recent OPEC and non-OPEC agreement.

Update 18 CET 13 December, 2016
Table 1

Debt markets (10Y % changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
US (2-yr)	1.10	1.6	4.4	24	11
US	2.49	1.5	37	34	22
GER (2-yr)	0.75	-0.4	-5.3	-15	-40
Germany	0.36	-4.0	-1.4	5	-27
France	0.80	-7.3	-1.1	5	-19
Spain	1.43	-7.0	-6.3	-4	-34
Italy	1.87	-12.3	-7.1	-15	-29
Portugal	3.76	-7.2	12.3	28	124
Greece	6.80	7.6	5.9	-36	-149
Japan (2-yr)	0.18	0.4	1.5	6	-17
Japan	0.09	3.6	10.8	-18	-18
Emerging Markets					
Brazil	11.95	3.2	-22.0	-11	-456
Chile	4.43	0.0	-1.6	-10	-26
Colombia	7.28	0.0	8.1	-30	-137
Mexico	7.28	-0.2	1.4	3	102
Peru	6.29	0.4	-3.9	3	-118
Poland	3.56	-7.5	-6.6	22	62
Russia	8.44	-2.8	24.3	-49	-112
Turkey	11.17	-2.0	28.0	60	70
India	6.42	-2.2	21.6	-31	-134
Indonesia	7.74	-2.7	27.5	-15	-101
Country Risk (bp, changes in bp)					
	level	Daily	Weekly	Monthly	YTD
Developed Markets					
10-yr sovereign spread vs Germany					
France	44	-3.3	0.3	0	8
Italy	151	-8.3	-5.7	-20	55
Portugal	340	-3.2	13.7	22	151
Spain	107	-3.0	-4.9	-10	-7
2-yr sovereign spread vs Germany					
France	14	0.3	2.6	9	11
Italy	61	-2.2	0.1	8	29
Portugal	100	3.7	11.8	6	55
Spain	45	-0.7	-3.6	-3	10
Emerging Markets					
5-yr sovereign CDS*					
Brazil	286	-1	-13	-23	-206
Chile	78	0	-3	-25	-49
Colombia	166	-3	-18	-26	-73
Mexico	157	3	17	29	-13
Peru	106	-2	9	-14	-79
Venezuela	3,845	-31	-353	103	-2198
Poland	93	1	-2	0	9
Russia	190	-7	-23	-38	-112
Turkey	279	0	-13	-4	6
China	114	2	-1	-3	5
India	126	0	-6	-7	-22
Indonesia	158	3	-12	-11	-69
Risk indicators					
	level	Daily	Weekly	Monthly	YTD
Volatility indicators (%)					
VIX	13	2.2	10	9	-5
VST OXX	17	-0.4	-4	-23	-5
EM EFT volatility index	19	-2.2	-3	-33	-15
Dollars vs volatility	9	-2.4	-4	0	-4
EM FX volatility index	11	1.0	4	0	-1
Credit spread (BAA) (bps)	241	-1.5	-3	-17	-82
US bonds volatility index	76	-1.1	0	-2	13
Banking 5y CDS (bps)*					
US	75	-1.1	-2	4	0
EZ	120	-0.1	-12	1	37
UK	95	-0.4	-9	5	102
Large Spanish	129	-3.6	-14	-2	-8
Medium Spanish	158	2.5	8	-3	1
Government 5y CDS (bps)*					
US Non-financial	183	-1.1	-2	4	0
EZ Non-financial	104	-4.1	-12	1	37
UK Non-financial	125	0.0	-2	-11	-67
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EURIBOR					
EURONIA Index	-0.35	0.00	0.0	0.0	-0.2
EURBOR 3m	0.32	0.00	0.0	0.0	-0.2
EURBOR 12m	-0.08	0.00	0.0	0.0	-0.1
LIBOR 3m	0.96	0.00	0.0	0.1	0.3
LIBOR 12m	1.65	0.00	0.0	0.1	0.5
EZ TED spread 3m	60.4	-0.70	-0.5	4.6	19.6
Stock markets (%)					
	level	Daily	Weekly	Monthly	YTD
US indices					
S&P500	2,270	0.6	2.6	5	11
Dow Jones	19,885	0.4	3.3	6	14
Nikkei	19,251	0.5	4.8	11	1
FTSE 100	6,989	1.1	2.8	4	12
EuroStoxx 50	3,237	1.2	4.4	7	-1
IBEX	9,331	1.6	4.9	8	-2
DAX	11,285	0.8	4.7	6	5
CAC	4,894	0.9	3.7	7	4
MIB	18,828	2.5	6.0	12	-12
ASE Athens	640	-0.1	2.8	10	1
MSO Latam*					
Bovespa (Brazil)	71,985	-1.4	0.6	-1	21
Ibovespa	59,024	-0.3	3.4	0	36
Ibovd	46,422	-1.0	2.9	3	8
MSO EM Europe*					
Warsaw	4,910	0.7	3.0	7	16
Poland	1,919	2.0	2.3	7	3
Moscú (Russia)	2,247	0.9	4.4	11	28
Ne TO (Turkey)	76,995	1.0	2.1	2	7
MSO EM Asia*					
Hong Kong	699	-0.9	1.1	1	6
Shanghai Com (China)	3,155	0.1	-1.4	-1	-11
Jakarta (Indonesia)	5,294	-0.3	0.5	-3	15
Banking Sector					
	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	116.4	-0.9	1.2	14	24
Citi	84.2	-0.7	0.5	10	27
BofA	58.9	-1.1	1.7	11	14
Wells	22.4	-1.0	1.0	16	33
MS	42.6	-0.9	0.2	11	34
GS	236.3	-0.4	2.1	16	31
EZ banks					
BNP	101.4	-2.0	5.4	11	6
Crédit Agricole	59.7	0.9	2.7	9	14
Crédit Agricole	11.5	-0.4	2.2	8	6
Dresdner Bank	17.5	1.3	5.9	18	22
ING	13.6	-0.2	1.0	6	9
Intesa	2.4	3.8	6.6	9	-21
SG	46.6	1.1	7.6	17	9
RIS	76.6	1.4	6.9	13	1
Unicredit	2.8	15.9	23.7	23	-45
UK banks					
HSBC	85.3	1.6	2.7	9	-3
RBS	660.1	1.3	0.9	6	23
Barclays	215.5	2.6	5.0	9	-27
Barclays	230.1	1.1	1.5	14	5
Lloyds	62.6	1.9	5.2	5	-14
Large Spanish banks					
Santander	76.6	1.4	6.9	13	1
Santander	5.0	1.2	8.4	17	9
BBVA	6.5	1.6	5.7	9	-4
Medium Spanish banks					
Cajabank	72.6	1.0	5.6	9	-12
Cajabank	3.3	1.4	7.0	14	-2
Popular	1.0	-0.2	6.1	6	-63
Sabadell	1.4	0.5	6.2	5	-15
Bankinter	7.6	0.7	2.2	7	15
Banque	1.0	2.1	8.9	11	-9
Currencies (% ind for currency depreciation)					
	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.06	0.0	0.7	2.0	-2
GBPUSD	1.27	0.1	0.1	0.7	-14
USD JPY	115.25	-0.2	-1.1	8.1	-4
DXY	100.92	-0.1	0.4	-1.9	-2
Emerging					
USDARS (Argentina)	15.98	0.3	-0.4	-4.4	-24
USDBRL (Brazil)	3.33	0.3	2.4	2.2	16
USDCLP (Chile)	650.92	-0.2	1.4	2.9	8
USDCOP (Colombia)	2978	0.5	0.8	2.2	6
USDMXN (Mexico)	20.25	-0.2	0.7	2.9	-18
USDPER (Peru)	3.40	0.1	0.5	0.3	0
LUCE	62.45	0.0	1.2	2.1	0
USDRPL (Poland)	4.17	0.3	-0.4	-2.5	-6
USDRUB (Russia)	60.63	0.6	5.1	7.9	16
USDTRY (Turkey)	3.59	-1.0	-1.7	-7.8	20
USD CNY (China)	6.90	0.1	-0.3	-1.3	-6
USD INR (India)	67.54	-0.2	0.5	-0.4	-2
USDIDR (Indonesia)	13,325	0.0	0.3	0.4	3
ADXY	104.0	0.0	0.0	0.6	-2
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent					
WTI	55.5	-0.2	3.0	24	43
Copper	52.8	-0.1	3.6	22	42
Copper	25.8	-1.2	-3.4	3	21
Gold	1,137	-0.5	-1.1	-6	9
S&P Spot commodity *	396	1.4	2.4	13	27
S&P Brent Spot *	479	2.7	4.3	23	49
S&P Metals Spot *	317	-0.6	-0.8	4	25
S&P Agricultural *	297	0.3	0.1	-1	5

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.16	1.6	4.4	24	11
US	2.49	1.5	0.7	34	22
GER (2-yr)	-0.75	-0.4	-5.3	-15	-40
Germany	0.36	-4.0	-1.4	5	-27
France	0.80	-2.3	-1.1	5	-19
Spain	1.43	-7.0	-6.3	-4	-34
Italy	1.87	-12.3	-7.1	-15	-28
Portugal	3.76	-2.2	12.3	28	124
Greece	6.80	7.6	5.9	-36	-149
Japan (2-yr)	-0.18	0.4	1.5	6	-17
Japan	0.02	3.6	10.5	-13	-38
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	11.95	1.3	-22.0	-11	-456
Chile	4.43	0.0	-1.6	-10	-26
Colombia	7.28	0.0	-8.1	-30	-137
Mexico	7.28	-3.2	1.4	3	102
Peru	6.29	0.4	-3.9	3	-118
Poland	3.56	-7.5	-6.6	22	62
Russia	8.44	-7.8	-24.3	-49	-112
Turkey	11.17	-2.0	28.0	60	70
India	6.42	-2.2	21.6	-31	-134
Indonesia	7.74	2.7	27.5	-15	-101
Country risk (bp changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	-3.3	0.3	0	8
Italy	151	-8.3	-5.7	-20	55
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Portugal	100	3.7	11.8	6	55
Spain	45	-0.7	-3.6	-3	-10
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5-yr sovereign CDS *					
Brazil	286	-1	-13	-23	-206
Chile	78	0	3	-25	-49
Colombia	166	-3	-18	-36	-73
Mexico	157	-3	-17	-29	-13
Peru	106	-2	-9	-14	-29
Venezuela	3,845	-31	-333	103	-2186
Poland	81	1	-2	0	9
Russia	190	-7	-23	-38	-112
Turkey	279	0	-13	-4	6
China	114	2	-1	-3	5
India	126	0	-6	-7	-22
Indonesia	150	3	-12	-11	-69
Risk indicators					
Volatility indicators (%)					
level	Daily	Weekly	Monthly	YTD	
VIX	13	2.2	10	-9	-5
VSTOXX	17	-0.4	-4	-23	-5
EM EFT volatility Index	19	-2.2	-3	-33	-15
Dollar/euro volatility	9	-3.4	-4	0	-4
EM FX volatility Index	11	1.0	4	0	-1
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level	Daily	Weekly	Monthly	YTD	
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EZ	120	-4.1	-12	1	37
UK	95	-0.4	-9	5	17
Large Spanish	129	-3.6	-14	-2	-8
Medium Spanish	158	2.5	8	-3	1
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	183	-1.1	-2	4	0
EZ Non-financial	104	-4.1	-12	1	37
UK Non-financial	125	-1.0	-2	-11	-67
Interbank market (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	-0.2
Euribor 3m	-0.32	0.00	0.0	0.0	-0.2
Euribor 12m	-0.08	0.00	0.0	0.0	-0.1
Libor 3m	0.96	0.00	0.0	0.1	0.3
Libor 12m	1.65	0.00	0.0	0.1	0.5
EZ TED spread 3m	60.4	-0.70	-0.5	4.6	19.6
Stock markets (%)					
Main indices					
level	Daily	Weekly	Monthly	YTD	
S&P500	2,270	0.6	2.6	5	11
Dow Jones	19,885	0.4	3.3	6	14
Nikkei	19,251	0.5	4.8	11	1
FTSE 100	6,969	1.1	2.8	4	12
EuroStoxx 50	3,237	1.2	4.4	7	-1
IBEX	9,331	1.6	4.9	8	-2
DAX	11,285	0.8	4.7	6	5
CAC	4,804	0.9	3.7	7	4
MBI	18,828	2.5	6.0	12	-12
ASE Athens	640	-0.1	2.8	10	1
MSCI Latam *	71,985	-1.4	0.6	-1	21
Bovespa (Brazil)	59,024	-0.3	3.4	9	36
Moodi	46,422	-1.0	2.9	3	8
MSCI EM Europe *	4,910	0.7	3.0	7	16
Poland	1,919	2.0	2.3	7	3
Mixc (Russia)	2,247	0.9	4.4	11	28
Ise 100 (Turkey)	76,995	1.0	2.1	2	7
MSCI EM Asia *	699	-0.9	1.1	-1	6
Shanghai Com (China)	3,155	0.1	-1.4	-1	-11
Jakarta (Indonesia)	5,294	-0.3	0.5	-3	15
Banking sector					
level	Daily	Weekly	Monthly	YTD	
US banks	116.4	-0.9	1.2	14	24
JPM	84.2	-0.7	0.5	10	27
Citi	98.9	-1.1	1.7	11	14
BoA	22.4	-1.0	1.0	18	33
MS	42.6	-0.9	0.2	11	34
GS	236.3	0.4	2.1	16	31
EZ banks	101.4	2.0	5.4	11	-6
BNP	59.7	0.9	2.7	9	14
Credit Agricole	11.5	-0.4	2.2	8	6
Deutsche Bank	17.5	1.3	5.0	18	-22
ING	13.6	-0.2	1.0	6	9
Intesa	2.4	3.8	6.6	9	-21
SG	46.6	1.1	7.6	17	9
Unicredit	2.8	15.9	23.7	23	-45
UK banks	85.3	1.6	2.7	9	-3
HSBC	660.1	1.3	0.8	6	23
RBS	219.5	2.6	5.0	9	-27
Barclays	230.1	1.1	1.5	14	5
Lloyds	62.6	1.9	5.2	5	-14
Large Spanish banks	76.6	-1.4	6.9	13	1
Santander	5.0	1.2	8.4	17	9
BBVA	6.5	1.6	5.7	9	-4
Medium Spanish banks	72.8	1.0	5.6	9	-12
Cabotank	3.3	1.4	7.0	14	2
Popubir	1.0	-0.2	6.1	6	-63
Sabadell	1.4	0.5	6.2	5	-15
Banquepar	7.6	0.7	2.2	7	16
Bankia	1.0	2.1	8.9	11	-9
Currencies (% red for currency depreciation)					
Developed					
level	Daily	Weekly	Monthly	YTD	
EURUSD	1.06	0.0	0.7	2.0	-2
GBPUSD	1.27	0.1	0.1	0.7	-14
USDJPY	115.25	-0.2	-1.1	8.1	-4
DKY	100.92	-0.1	0.4	-1.0	-2
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	15.98	0.3	-0.4	-4.4	-24
USD BRL (Brazil)	3.33	0.3	2.4	2.2	16
USD CLP (Chile)	650.92	-0.2	1.4	2.8	8
USD COP (Colombia)	2918	0.5	0.8	2.2	6
USD MXN (Mexico)	20.25	-0.2	0.7	2.9	-18
USD PEN (Peru)	3.40	0.1	0.5	0.3	0
LACI	62.45	0.0	1.2	2.1	0
USD PLN (Poland)	4.17	0.3	-0.4	-2.5	-6
USD RUB (Russia)	60.63	0.6	5.1	7.9	16
USD TRY (Turkey)	3.50	-1.0	-1.7	-7.8	-20
USD CNY (China)	6.80	0.1	0.3	-1.3	-6
USD INR (India)	67.54	-0.2	0.5	-0.4	-2
USD IDR (Indonesia)	13,325	0.0	0.3	0.4	3
ADXY	104.0	0.0	0.0	-0.6	-2
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	55.5	-0.3	3.0	24	49
WTX	52.8	-0.1	3.6	22	42
Copper	258	-1.2	-3.4	3	21
Gold	1,157	-0.5	-1.1	-6	9
S&P Spot commodity *	396	1.4	2.4	13	27
S&P Brent Spot *	479	-2.7	-4.3	-23	-69
S&P Metals Spot *	317	-0.6	-0.8	4	25
S&P Agricultural *	297	0.3	0.1	-1	5

Source: Bloomberg, Datastream and Haver

* With one day delay

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