

Market Comment | Slight EUR appreciation after Draghi's remarks

Global Financial Markets Unit
09 Mar 2017

- As expected, at today's monetary policy meeting there were **no changes in the ECB's monetary policy stance** (key policy rate at 0.0% and the deposit rate at -0.4%), while the Governing Council (GC) confirmed the measures taken last December, and the monthly of Asset Purchase Programme pace will be reduced to EUR 60 bn from next month until December 2017. Moreover, the GC did not discuss another round of TLTROs, as they judge that at the current juncture it is not necessary. (see).
- The ECB is **more optimistic regarding the growth outlook** (see), as they see a more broad-based recovery at a steady and robust pace. More importantly, **while risks** continue to be tilted to the downside and relate predominantly to global factors, they are **seen as less pronounced** than three months ago. **The assessment on inflation remains unchanged**, as the underlying pressures remain subdued, although **inflation is revised significantly upwards this year** (by 0.4pp to 1.7% YoY) **on account of increasing energy and food prices**.
- Regarding the forward guidance, **they still maintain a dovish bias**. However, in line with a more benign growth outlook and the decreasing probability of negative scenarios, **a small tweak was introduced in the statement** as they drop the sentence "If warranted to achieve its objective, the Governing Council will act by using all the instruments available within its mandate" from the statement. Against this backdrop, the EUR appreciated and German government bond yields increased, while European stocks edged up, **led by the European banking sector**.
- **Oil prices** extended their significant decrease of yesterday on news that **US oil inventories had risen to a record high** (see). Under these circumstances, commodity currencies suffered a marked depreciation.
- Asian equities inched down after **China's prices data painted a mixed picture** (see). PPI beat expectations in February to 7.8%YoY, while CPI rose less-than-expected to 0.8%YoY.

Update 18 CET 09 March, 2017
Table 1

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	1.36	0.8	5.4	20	15
US	2.58	2.2	10.4	19	14
GER (2-yr)	0.85	-1.2	2.7	-8	-8
Germany	0.43	5.6	10.9	8	15
France	1.08	6.1	15.6	-3	27
Spain	1.84	2.8	10.7	7	41
Italy	2.31	5.8	17.3	6	44
Portugal	4.03	4.2	7.7	-21	13
Greece	7.20	1.1	16.4	-63	32
Japan (2-yr)	0.26	2.5	2.8	-4	-7
Japan	0.10	2.7	-1.2	3	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.40	2.4	3.7	-6	-101
Chile	4.20	0.0	1.0	5	-12
Colombia	2.14	-0.2	2.3	40	5
Mexico	7.38	5.3	3.9	-2	-26
Peru	6.15	2.2	-3.0	2	-32
Poland	3.73	-0.1	-0.8	-9	-1
Russia	8.28	2.9	-2.2	1	-17
Turkey	11.05	2.0	27.0	33	5
India	6.86	0.2	1.6	43	48
Indonesia	7.50	2.8	1.0	5	-34
Country Risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	66	0.5	4.7	-11	12
Italy	189	0.2	6.4	-13	29
Portugal	360	-1.4	-3.2	-29	-2
Spain	141	-2.8	-5.2	-1	26
2-yr sovereign spread vs Germany					
France	37	-2.0	1.4	14	26
Italy	87	4.8	5.0	7	26
Portugal	90	-2.1	2.5	5	9
Spain	75	2.7	-0.9	22	27
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS*					
Brazil	232	14	21	-2	-39
Chile	76	5	7	-1	-6
Colombia	139	8	5	-5	-24
Mexico	138	8	5	-18	-18
Peru	102	5	6	-2	-6
Venezuela	3,265	126	-38	-132	-640
Poland	65	1	-2	-5	10
Russia	166	6	0	-9	-11
Turkey	233	3	8	-9	-39
China	90	1	0	-15	-27
India	101	0	1	-12	-26
Indonesia	130	4	4	-12	-26
Risk indicators					
Volatility indicators (%)	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.1	0	5	0
VST OXX	15	1.6	0	-10	-1
EM EFT volatility index	18	1.2	-6	3	-12
Dollar Euro volatility	7	-1.8	-9	-9	-21
EM FX volatility index	9	1.4	-3	-9	-15
Credit spread (BAA) (bps)	214	-2.2	-3	-9	-13
US bonds volatility index	67	0.9	-4	-2	-13
Banking 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US	60	0.5	3	-7	-12
EZ	108	1.1	-2	-6	0
UK	73	0.7	-1	-10	-17
Large Spanish	107	1.4	1	-2	-10
Medium Spanish	161	2.8	-1	6	9
Corporate 5y CDS (bps)*	level	Daily	Weekly	Monthly	YTD
US Non-financial	141	0.5	3	-7	-12
EZ Non-financial	96	1.1	-2	-8	0
UK Non-financial	112	0.4	0	-6	-13
Interbank markets (% changes in bp)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0.00	0.0	0.0	0.0
Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.11	0.00	0.0	0.1	0.1
Libor 12m	1.80	0.00	0.0	0.1	0.1
EZTED spread 3m	56.2	-3.00	4.0	7.5	-16.2
Stock markets (%)					
Indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,286	0.1	0.7	3	4
Dow Jones	20,864	0.0	0.7	4	5
Nikkei	19,319	0.3	1.3	2	-1
FTSE 100	7,315	-0.3	-0.9	-2	2
EuroStoxx 50	3,410	0.6	0.7	5	3
IBEX	9,998	1.5	2.9	7	6
DAX	11,578	0.1	-0.7	4	3
CAC	4,982	0.4	0.4	5	2
MIB	19,571	0.5	0.7	5	0
ASE Athens	649	-0.1	-1.1	4	-1
MSCI Latam*	75,914	0.9	2.0	1	4
Ibovespa (Brazil)	64,500	-0.3	2.1	0	5
MoBIOD	47,255	-0.6	0.1	1	1
MSCI EM Europe*	4,856	0.0	1.6	-3	-4
Poland	2,190	-1.1	-2.9	5	9
Micex (Russia)	1,974	-2.5	-3.6	-11	-13
Ne 100 (Turkey)	89,003	-0.5	-1.0	2	17
MSCI EM Asia*	744	0.2	0.5	2	7
Shanghai Com (China)	3,217	-0.7	-0.4	2	2
Jakarta (Indonesia)	5,402	0.0	0.7	0	7
Banking Sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	126.6	0.7	0.9	7	6
Citi	91.9	0.8	-0.3	6	6
Bak	61.9	1.2	2.0	8	1
Wells	25.4	0.6	0.7	11	11
MS	46.8	0.9	1.1	4	7
GS	251.3	0.4	0.1	5	3
EZ banks					
BNP	103.8	2.2	3.7	6	-2
Crédit Agricole	60.8	2.4	5.4	6	-3
Diéschle Bank	12.4	2.7	4.5	6	1
Industrie Bank	17.9	1.4	7.8	-2	-2
ING	14.3	2.1	6.2	5	3
Intesa	2.4	2.5	4.4	12	-6
SG	46.8	2.1	6.0	7	-3
Unicredit	13.8	0.9	2.4	13	1
UK banks					
HSBC	89.2	0.2	0.2	2	2
RIS	667.6	0.0	0.5	-3	0
Barclays	242.5	0.9	-1.0	8	3
Barclays	232.2	0.0	1.2	3	-1
Lloyds	68.6	0.4	0.5	4	6
Large Spanish banks					
Santander	82.9	-3.1	6.4	10	6
Santander	5.5	2.5	4.7	7	7
BBVA	6.9	3.8	7.9	13	6
Medium Spanish banks					
Cáscas Bank	75.6	2.4	4.7	6	3
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Populr	0.9	2.5	3.9	6	-9
Sabadell	1.6	2.0	7.5	9	15
Bankinter	7.5	1.9	2.1	3	-1
Bankia	1.0	1.9	3.6	5	-3
Currencies (% ind for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	0.4	0.7	-1.0	1
GBPUSD	1.22	-0.1	0.9	-2.8	-1
USD JPY	114.78	-0.4	0.3	2.1	-2
DOX	101.92	-0.1	0.3	-1.2	-1
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.61	0.2	-1.3	0.5	3
USDBRL (Brazil)	3.18	-0.2	0.7	-1.8	1
USDCLP (Chile)	665.04	-0.4	1.6	2.7	1
USDCOP (Colombia)	2999	-0.1	-0.6	-5.1	-1
USDMXN (Mexico)	19.79	-0.6	1.0	4.0	8
USDPEN (Peru)	3.30	0.0	-0.5	0.0	3
USCNY (China)	63.87	-0.2	0.2	0.1	1
USDRPLN (Poland)	4.09	0.0	0.1	-1.4	2
USD RUB (Russia)	59.31	-0.7	-0.8	0.3	2
USDTRY (Turkey)	3.77	0.6	1.1	0.6	6
USDCNY (China)	6.91	0.0	-0.3	-0.4	0
USDINR (India)	66.72	0.0	0.0	1.0	2
USDIDR (Indonesia)	13,390	-0.3	0.2	-0.5	0
ADXY	104.2	-0.1	0.3	0.4	1
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	51.9	-2.2	-5.8	-6	-8
WTX	49.1	-2.4	-6.7	-6	-8
Copper	257	-1.0	-4.3	-2	1
Gold	1,203	-0.4	2.5	-2	3
S&P Spot commodity*	388	-2.5	-2.1	-2	-2
S&P Brent Spoz*	453	-4.9	-3.4	-3	-6
S&P Metals Spot*	322	-0.1	-2.4	0	6
S&P Agricultural*	303	-0.7	-2.0	-1	1

Source: Bloomberg, Datastream and Haver

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Euribor 3m	-0.33	0.00	0.0	0.0	0.0
Euribor 12m	-0.11	0.00	0.0	0.0	0.0
Libor 3m	1.11	0.00	0.0	0.1	0.1
Libor 12m	1.80	0.00	0.0	0.1	0.1
EZ TED spread 3m	56.2	3.00	4.0	7.5	-10.2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,366	0.1	-0.7	3	4
Dow Jones	29,864	0.0	0.7	4	5
Nikkei	19,319	0.3	-1.3	2	-1
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Bovespa (Brazil)	64,500	-0.3	-2.1	0	5
Moodi	47,255	-0.6	-0.1	1	1
MSCI EM Europe *	4,856	0.0	-1.6	-3	-4
Poland	2,190	-1.1	-2.9	5	9
Misc (Russia)	1,974	-2.5	-3.6	-11	-13
Ise 100 (Turkey)	89,003	-0.5	-1.0	2	17
MSCI EM Asia *	744	0.2	0.5	2	7
Shanghai Com (China)	3,217	-0.7	-0.4	2	2
Jakarta (Indonesia)	5,402	0.0	0.7	0	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	126.6	0.7	0.9	7	6
JPM	91.9	0.0	-0.3	6	6
Citi	61.9	1.2	2.0	8	1
BoA	25.4	0.6	0.7	11	11
MS	46.8	0.9	1.1	4	7
GS	251.3	0.4	0.1	5	3
EZ banks	103.8	2.2	3.7	6	-2
BNP	60.8	2.4	5.4	6	-3
Credit Agricole	12.4	2.7	4.5	6	1
Deutsche Bank	17.9	1.4	7.8	-2	-2
ING	14.3	2.1	6.2	5	3
Intesa	2.4	2.5	4.4	12	-6
SG	46.8	2.1	6.0	7	3
Unicredit	13.8	0.9	2.4	13	-1
UK banks	89.2	0.2	0.2	2	2
HSBC	667.6	0.0	0.5	-3	6
RBS	242.5	0.9	-1.0	8	3
Barclays	232.2	0.0	1.2	3	-1
Lloyds	68.6	0.4	-0.5	4	6
Large Spanish banks	82.9	3.1	6.4	10	6
Santander	5.5	2.5	4.7	7	7
BBVA	6.9	3.8	7.9	13	6
Medium Spanish banks	75.6	2.4	4.7	6	3
Cajabank	3.6	3.9	6.9	7	11
Popular	0.9	2.5	3.9	6	-9
Sabadell	1.6	2.0	7.5	9	15
Bankinter	7.5	1.9	2.1	3	-1
Bankia	1.0	1.9	3.5	5	-3
Commodities (%)					
level	Daily	Weekly	Monthly	Year	
Brent	51.9	-2.3	5.8	-6	-8
WTI	49.1	-2.4	6.7	-6	-8
Copper	257	-1.0	-4.3	-2	1
Gold	1,203	-0.4	-2.5	-2	-3
S&P Spot commodity *	388	-2.5	-2.1	-2	-2
S&P Brent Spot *	453	-4.9	-3.4	-3	6
S&P Metals Spot *	322	-0.1	-2.4	0	6
S&P Agricultural *	303	-0.7	-2.0	-1	1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	Year
EURUSD	1.06	0.4	0.7	-1.0	1
GBPUSD	1.22	-0.1	-0.9	-2.8	-1
USDJPY	114.78	-0.4	-0.3	2.1	-2
DKX	101.92	-0.1	0.3	-1.7	1
Emerging	level	Daily	Weekly	Monthly	Year
USDARS (Argentina)	15.61	0.2	-1.3	0.5	3
USD BRL (Brazil)	3.18	-0.2	-0.7	-1.8	1
USD CLP (Chile)	665.04	-0.4	-1.6	-2.7	1
USD COP (Colombia)	2969	-0.1	-0.6	-1.1	1
USD MXN (Mexico)	19.79	-0.6	1.0	4.0	8
USD PEN (Peru)	3.30	0.0	-0.5	0.0	3
LACI	63.97	-0.2	0.2	0.1	4
USD PLN (Poland)	4.09	0.0	0.1	-1.4	2
USD RUB (Russia)	59.31	-0.7	0.8	0.3	2
USD TRY (Turkey)	3.77	-0.6	-1.1	-0.6	-6
USD CNY (China)	6.81	0.0	-0.3	0.4	0
USD INR (India)	66.72	0.0	0.0	1.0	2
USD IDR (Indonesia)	13,390	-0.3	-0.2	-0.5	0
ADXY	104.2	-0.1	-0.3	-0.4	1

Source: Bloomberg, Datastream and Haver

* With one day delay

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