

Market Comment | Risk-on mood on encouraging economic data and earnings results

Global Financial Markets Unit
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- **Financial markets showed lower volatility**, especially in Europe, due to encouraging confidence data and bullish corporate earnings. Moreover, VIX kept falling, heading to levels below 9. At the same time, investors will be closely watching tomorrow's FOMC meeting, although no changes in monetary policy stance are expected.
- **Sovereign bond yields rose across the board above 5 bps and European stocks rose appreciably, suggesting a decline in the EZ equity risk premium**, on the back of a strong July's **German IFO business climate**, which significantly exceeded expectations ([see](#)), confirming the positive trend of the EZ economy and increasing the chance of a monetary policy normalization process in the EZ. Moreover, positive corporate earnings results in the US also pushed up European stocks. The European banking sector outperformed today.
- **Greek sovereign bond yields were steady after Greece sold its first bond in the markets for three years** with a value of EUR 3 bn, with a lower than expected yield ([see](#)) and 2.1 bid-to-cover ratio.
- **Currency markets were wobbly** after the US President announced an upcoming Trade Deal with the UK and made accusations of protectionism against the EU ([see](#)). The US House of Representatives is expected to vote on Tuesday for a bill to include new sanctions on Russia ([see](#)). Moreover, the Senate would vote to begin debating the health care bill late today ([see](#)). Investors would be closely watching these events to reassess **Trump's ability to push legislative reforms, which may have an effect on the strength of the USD**.
- **Oil prices helped to underpin this positive sentiment**, as they rose significantly after Saudi Arabia and Nigeria showed willingness to reduce oil exports and output next month ([see](#)). Nonetheless, EM currencies were currently flat.

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Source: Bloomberg, Datastream and Haver

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* With one day delay

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