BBVA Research

Market Comment | Global equity markets continue to recover across the board.

Global Financial Markets Unit
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- **In the US, 2Q15 GDP is unexpectedly revised upwards** (to 3.7% QoQ; consensus: 3.2%). The GDP price index was also raised more than expected (by 2.1%; consensus: 2.0%), while core PDE and personal consumption in 2Q15 were kept unchanged in line with expectations (1.8% QoQ and 3.1% respectively). On labour markets, jobless claims fell more than expected in the week ended 22 August (by 6K to 271K, consensus: 274K), yet continuing claims for the week ended 15 August rose unexpectedly (by 13K to 2,269K, consensus: 2,248K).

- **Dovish signal from the Fed.** William Dudley, the head of the New York branch of the Fed, said late yesterday that tightening monetary policy as early as September seemed “less compelling to me than it was a few weeks ago”, but he hopes that the Fed will raise interest rates this year. On China’s problems, he added that “this is very different to the financial crisis. The financial crisis was very much about us. This isn’t about us.” Treasury secretary Larry Summers and the hedge fund manager Ray Dalio have been calling for the Fed to restart itsquantitative easing programme, but Dudley responded that “I’m way far away from thinking about quantitative easing”.

- **In the eurozone, data are mostly in line with expectations.** French manufacturing confidence has risen in August (by only 1 point, to 103. Consensus: 102 points) while business confidence rose less than expected (also by 1 point to 100; BBVAe: 103, consensus: 99). Spanish GDP in 2Q15 rose in line with expectations (by 1.0% QoQ and 3.1% YoY). M3 money supply surged in July, slightly more than expected (M3 rose by 5.3%, BBVAe: 5.0% consensus: 4.9%).

- **Global equity markets continue to recover across the board**. Fueled by Dudley´s comments, interest rate futures discount only a 24% probability of a September lift-off and a more dovish Fed in the medium term. As a result, US equity markets surged yesterday evening, with global equity markets following suit today (Euro Stoxx: 3.6%, DAX: 3.4% IBEX: 3.2% S&P 500:1.6% Dow Jones: 1.8%). China´s equity markets also rose, helped by the intervention of the Chinese authorities (Shanghai: 5.34%, Shenzhen: 3.3%). On bond markets, both US Treasury yields (10Y:+1bp, 2Y:+3bp) and European core yields rose slightly (GER 10Y: +3bp, FRA 10Y: +2bp, UK 10Y: +2bp) while the periphery´s yields dropped, led by Greece (SPA 10Y: -6bp, ITA 10Y: -5bp, POR 10Y: -8bp, GRE 10Y: -19bp). On FX markets, the USD continues to rebound after Monday`s slump. The positive revision of US 2Q GDP accelerated its appreciation against other major currencies (EUR: -0.75%, GBP: -0.51%, JPY: -0.63%). EM currencies are also rebounding (RUB: +4.0%, MXN: +1.0%, BRL +1.3%, COP: +2.1%), especially those linked to commodity prices that are on the rise (Brent: +6.0% WTI: +6.2%, copper: +2.5%).

Table1

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

Debt markets *(changes in bp)*

Developed Markets

US 2-yr 0,7 (3) (5) (3) (4)
US 5-yr 1,51 (3) (4) (-8) (-14)
US 10-yr 2,18 (1) (12) (-7) (1)

Japan 10-yr 0,39 (2) (3) (-2) (6)

GER 2-yr -0,22 (1) (4) (1) (-12)
GER 5-yr 0,08 (1) (8) (1) (6)
GER 10-yr 0,74 (3) (15) (5) (20)

Belgium 10-yr 1,1 (1) (15) (11) (27)
France 10-yr 1,1 (2) (15) (12) (27)
Greece 10-yr 9,11 (-19) (-45) (-280) (-63)
Ireland 10-yr 1,41 (2) (13) (11)
Italy 10-yr 1,92 (-5) (10) (5) (3)
Netherlands 10-yr 0,93 (2) (15) (8) (25)
Portugal 10-yr 2,61 (-8) (2) (9) (-8)
Spain 10-yr 2,05 (-6) (6) (14) (44)

Emerging Markets

Brazil 10-yr 13,94 (-2) (13) (88) (158)
Chile 10-yr 4,51 (0) (-2) (9) (52)
Colombia 10-yr 8,22 (-1) (40) (107) (112)
Mexico 10-yr 6,08 (-3) (8) (0) (25)
Peru 10-yr 7,34 (7) (32) (59) (190)

Poland 10-yr 2,95 (1) (25) (7) (43)
Russia 5-yr 11,83 (-19) (25) (64) (-237)
Russia 10-yr 11,54 (-17) (24) (60) (-147)
Turkey 10-yr 9,93 (-6) (-11) (35) (206)

India 10-yr 7,77 (-2) (2) (-4) (-11)
Indonesia 10-yr 8,87 (-14) (4) (34) (104)

Country risk *(changes in bp)*

Developed Markets

10-yr sovereign spreads *(against Germany)*
Belgium 36 (-2) (-1) (6) (7)
France 36 (-2) (0) (7) (8)
Greece 838 (-22) (-60) (-284) (-83)
Ireland 67 (-1) (-2) (6) (-4)
Italy 119 (-9) (-5) (0) (-16)
Netherlands 20 (-1) (-0,4) (3) (5)
Portugal 187 (-11) (-13,2) (4) (-28)
Spain 132 (-9) (-10) (9) (25)

5-yr sovereign spreads *(against Germany)*
Belgium 17 (-1) (0,6) (5) (2)
France 16 (0) (0) (5) (0)
Greece 1594 (-1) (-8) (-1) (462)
Ireland 32 (0) (-3) (0) (-8)
Italy 83 (-6) (0) (4) (-11)
Netherlands 5 (-1) (-1,4) (7) (-4)
Portugal 122 (-8) (-9) (0) (-21)
Spain 96 (-4) (0) (8) (10)

2-yr sovereign spreads *(against Germany)*
Belgium 7 (-1) (-1) (0) (1)
France 7 (-1) (-1,6) (2) (1)
Ireland 20 (-2) (-2) (0) (9)
Italy 41 (-2) (2) (6) (-22)
Netherlands 3 (-1) (-2) (1) (-4)
Portugal 62 (-5) (-4) (0) (11)
Spain 39 (-2) (-2) (3) (-11)

5-yr sovereign CDS
5-yr CDS Belgium 40 (0) (1) (-1) (-9)
5-yr CDS France 34 (0) (1) (0) (-13)
5-yr CDS Germany 14 (0) (0) (0) (-4)
5-yr CDS Greece 1605 (2) (61) (-408) (324)
5-yr CDS Ireland 54 (1) (2) (-2) (3)
5-yr CDS Italy 118 (0) (5) (-5) (-17)
5-yr CDS Netherlands 17 (0) (0) (0) (-3)
5-yr CDS Portugal 178 (1) (8) (-3) (-22)
5-yr CDS Spain 103 (-1) (4) (3) (7)
5-yr CDS UK 19 (0) (0) (-1) (-3)
5-yr CDS US 16 (0) (-1) (1) (-1)

Emerging Markets

5-yr sovereign CDS
5-yr CDS Brazil 336 (-10) (17) (39) (136)
5-yr CDS Chile 127 (-4) (11) (20) (33)
5-yr CDS Colombia 226 (-8) (11) (38) (87)
5-yr CDS Mexico 151 (-7) (5) (8) (47)
5-yr CDS Peru 179 (-4) (11) (27) (64)
5-yr CDS Venezuela 8106 (-37) (722) (1961) (3601)

5-yr CDS Poland75 (0) (5) (5) (5)
5-yr CDS Russia 414 (-7) (21) (66) (-62)
5-yr CDS Turkey 270 (-4) (-4) (31) (88)

5-yr CDS China 114 (-3) (7) (13) (28)
5-yr CDS India 189 (0) (8) (12) (18)
5-yr CDS Indonesia 231 (-6) (11) (49) (75)

Credit risk

Risk indicators *(changes in percentage except for BAA spreads, bp)*
VIX 26,34 (-13,1) (37,6) (96) (0)
VSTOXX 30,28 (-14,2) (18,8) (45,5) (-1)
EM EFT volatility Index 32 (-12) (8) (49) (45)
Dollar/euro volatility 12,2 (-3,8) (24,6) (18,8) (28)
EM FX volatility index 12 (0) (11) (36) (15)
Credit spread (BAA) 319,6 (-0,9) (13,4) (28,5) (55)
US bonds volatility index 92 (0) (9) (28) (33)

Bank risk *(changes in bp)*
US banks CDS 86 (-1) (9) (10) (16)
EMU banks CDS 96 (-1) (5) (6) (12)
UK banks CDS 85 (-1) (4) (9) (25)

Large Spanish banks CDS 117 (-3) (5) (16) (40)
Medium Spanish banks CDS 164 (-10) (7) (24) (50)

Greek banks CDS 2825 (5) (11) (-575) (1941)
Russian banks CDS 508 (-34) (18) (47) (-79)

Corporate risk *(changes in bps)*
#¡DIV/0!
EMU Non-financial CDS 125 (0) (7) (15) (18)
UK Non-financial CDS 156 (2) (8) (18) (37)

Interbank markets *(changes in bp)*

UEM OIS spread 3m 10 (0) (0) (0) (-1)
UEM OIS spread 12m 30 (0) (0) (0) (-9)
UEM TED spread 3m 29 (0) (1,1) (0) (5)

US OIS spread 3m 13 (-1) (0) (1) (-1)
US OIS spread 12m 48 (-2) (1) (6) (14)
US TED spread 3m 27 (0) (-4) (2) (5)

Spain Ted Spread 3m 3 (0) (-0,2) (-3) (-2)

EONIA Index -0,13 (0) (-1,1) (-2) (-27)
Euribor 3m -0,03 (0) (-0,3) (-1) (-11)
Euribor 12m 0,16 (0) (0) (-1) (-17)

Libor 3m 0,33 (0) (0) (3) (7)
Libor 12m 0,83 (0) (-3) (3) (20)

Stock markets *(Changes in percentage)*

Developed Markets

Main equity indices
S&P500 1971,2 (1,6) (-3,2) (-5,8) (-4)
DowJones 16572,1 (1,8) (-2,5) (-6) (-7)
Nikkei 18574,4 (1,1) (-7,3) (-8,6) (6)
FTSE 100 6177,9 (3,3) (-3) (-5,8) (-6)
EuroStoxx 50 3283,8 (3,6) (-2,1) (-7,6) (4)
IBEX10308 (3,2) (-2,6) (-8,4) (0)
DAX 10341,9 (3,4) (-0,9) (-7,4) (5)
CAC4664,1 (3,6) (-2,5) (-6,3) (9)
MIB 22150,7 (3,2) (-1) (-5) (17)
ASE Athens 627 (0,7) (-3,8) (-21,4) (-24)

Bank stocks
US banks 95 (1,5) (-4,2) (-9,4) (-5)
JPM 63,9 (1,6) (-3,1) (-6,1) (2)
Citi 53,1 (1,5) (-4,1) (-9,1) (-2)
BoA 16,3 (1,4) (-2,6) (-8,9) (-9)
MS 33,9 (1,7) (-6,4) (-13,8) (-13)
GS 187,3 (1,6) (-4,8) (-9,2) (-3)

UK banks 95,2 (3,6) (-1) (-7,3) (-5)
HSBC 518,3 (4,5) (-3,2) (-9,6) (-15)
RBS 334,5 (3,2) (0,8) (-4,9) (-15)
Barclays 262,9 (4,3) (-0,8) (-6) (8)
Lloyds 77,8 (2,3) (-0,7) (-8,6) (3)

EMU banks 119,6 (3,3) (-1) (-6,6) (20)
BNP 56,8 (3,2) (-1,7) (0,1) (15)
Crédit Agricole 12,3 (3,2) (0,1) (-14,2) (14)
Deutsche Bank 26,7 (3,7) (-2,6) (-10,9) (7)
ING 13,8 (4,2) (0,7) (-11,3) (27)
Intesa 3,3 (2,7) (1,1) (-3,8) (37)
SG 43,9 (3,7) (-3,4) (-1,2) (26)
Unicredito 5,9 (2,7) (-1,2) (-3,7) (11)

Large Spanish banks 92,6 (3,5) (-3,7) (-12,2) (-7)
Santander 5,5 (3,8) (-4,7) (-14,8) (-21)
BBVA 8,4 (3,3) (-3) (-10,1) (6)

Medium Spanish banks 92,6 (3,8) (-1,5) (-9,6) (-7)
Caixabank 3,9 (4,4) (-0,6) (-8,3) (-11)
Popular 3,8 (3,7) (-1,5) (-12,1) (-8)
Sabadell 1,9 (3,5) (-1,8) (-10,2) (-6)
Bankinter 6,7 (3,7) (-2,5) (-4,1) (0)
Bankia 1,1 (3,7) (-1,1) (-13,2) (-13)

Greek banks 20,4 (-3) (-8,5) (-69,9) (-80)
Alpha Bank0,1 (2,2) (-5,1) (-70,8) (-80)
Pireus Bank0,1 (-4,3) (-8,3) (-78) (-90)
National Central Bank0,5 (-2,8) (-8,6) (-62,1) (-69)
Eurobank Ergasias0 (-7,1) (-11,4) (-72,9) (-79)

Emerging Markets

Main equity indices
MSCI Latam 61454 (1,88) (-2,4) (-5,3) (-8)
Ibovespa (Brazil) 47318 (2,8) (1,4) (-4,6) (-5,4)
Mexbol 42906 (1,4) (-0,3) (-3) (-0,6)

MSCI EM Europe 4308 (-0,01) (-3,1) (-3,5) (-2,8)
Poland 2118 (2,1) (-3,8) (-3,5) (-8,6)
Micex (Russia) 1691 (1,8) (-0,3) (5,4) (21,1)
Ise 100 (Turkey) 74813 (1,6) (0,2) (-4,1) (-12,7)

MSCI EM Asia 629 (-0,03) (-6,6) (-10,5) (-12,5)
Shanghai Composite (China) 3084 (5,34) (-15,8) (-15,8) (-4,7)
Jakarta Composite (Indonesia) 4431 (4,6) (-0,3) (-6) (-15)

Bank stocks
Turkish banks 76 (1,3) (1,1) (-5,7) (-23,6)
Akbank T.A.S. 7 (1,7) (1,8) (-5,7) (-21,8)
Garanti 7 (1,6) (1) (-5,4) (-21,4)
Turkiye Is Bankasi 5 (0,6) (0,4) (-6) (-27,6)

Russian banks 119 (2,1) (1,5) (1,6) (19,1)
Sberbank 74 (3,6) (2,1) (5,8) (34)
VTB Bank 0,1 (0,1) (0,6) (-3,3) (4,3)

Currencies *(in percentage, positive for dollar depreciation)*

Developed Markets

EURUSD 1,123 (-0,75) (-0,12) (1,5) (-7,2)
GBPUSD 1,54 (-0,51) (-1,95) (-1,5) (-1,3)
USDJPY 120,68 (-0,63) (2,2) (2,3) (-0,8)
DXY 95,87 (-0,8) (0,1) (0,9) (-6,2)

Emerging Markets

USDARS (Argentina) 9,28 (-0,1) (-0,3) (-1,2) (-9,7)
USDBRL (Brazil) 3,55 (1,3) (-2,6) (-5,7) (-33,5)
USDCLP (Chile) 695,9 (1,6) (-1,1) (-4,5) (-14,7)
USDCOP (Colombia) 3194,46 (2,1) (-4,3) (-11,7) (-34,4)
USDMXN (Mexico) 16,84 (1) (-0,2) (-3,5) (-14,2)
USDPEN (Peru) 3,28 (0,8) (-0,6) (-2,8) (-10,1)
LACI 67,84 (0,8) (-1,4) (-4,4) (-17,5)

USDPLN (Poland) 3,77 (-0,9) (-1,2) (-1,3) (-6,5)
USDRUB (Russia) 66,19 (4) (2,7) (-10,3) (-14,5)
USDTRY (Turkey) 2,91 (0,8) (0,3) (-5,4) (-24,7)

USDCNY (China) 6,41 (0,1) (-0,3) (-3,2) (-3,2)
USDINR (India) 66,05 (0,1) (-0,8) (-3,3) (-4,2)
USDIDR (Indonesia) 13990 (1) (-0,8) (-3,9) (-12,9)
ADXY 107,6 (0,2) (0,1) (-2,7) (-4,6)

Commodities *(change in percentage)*

Brent 45,74 (6) (-1,9) (-14,2) (-20,2)
WTx 41 (6,2) (-0,3) (-14,5) (-23)
Copper 230,75 (2,5) (-0,7) (-4) (-18,7)
Gold 1122,52 (-0,2) (-2,6) (2,5) (-5)
CRB Index 402,81 (0) (-2,1) (-2,1) (-8)
CRB (food) index 356,89 (0) (-1,9) (-1,6) (-3,4)
Baltic Dry Index 918 (0) (-9,5) (-16,1) (17,4)

Source: Bloomberg, Datastream and Haver

*CDS, EMBI & MSCI indices with one day delay
**Credit spread (BAA) with two days delay

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