

## Market Comment | A tumultuous week comes to a close.

Global Financial Markets Unit 28 Aug 2015

- Data in the US in line with expectations. PCE rose in July in line with expectations (by 0.1% MoM and 0.3% YoY), and PCE core also increased in line with estimates (by 0.1% MoM), whereas PCE core increased less YoY than was expected (by 1.2% YoY; consensus: 1.3%). Meanwhile, US personal income in July rose as expected (by 0.4%), whereas personal spending rose slightly less (by 0.3%; consensus: 0.4%).
- Some mixed data in the eurozone. German CPI rose more than estimated in August (by 0.2% YoY; BBVAe: 0.2%, consensus: 0.1%) as CPI MoM remained unexpectedly unchanged (consensus: -0.1%). Spanish CPI in August surprised negatively (dropping by 0.4% YoY; consensus: -0.1%). The EU harmonised CPI also dropped more than expected (by -0.4% MoM; consensus: -0.1%). On another front, the Italian consumer confidence index surprised to the upside (by 2.3 points to 109; consensus: 107) whereas business confidence unexpectedly fell (by 1.0 point to 102.5; BBVAe: 103.2, consensus: 103.6).
- **Greece's electoral calendar is confirmed.** Greek President Prokopis Pavlopoulos signed the presidential decree for the dissolution of parliament and for elections to be held on 20 September.
- A tumultuous week comes to a close. An plunge in global markets, accompanied by high volatility (VIX) reached 50 points, to end the week at 26 points) was followed by a significant rebound later in the week. Uncertainty about China's growth and policy effectiveness triggered a local "Black Monday" that sent ripple effects across the globe. Most markets recovered in the second half of the week in response to more-dovish signals from the Fed (Dudley), positive data in the US (GDP 2Q15) and, to a lesser extent, an active response by China's authorities (monetary easing). As a result, most markets ended the week in the positive: S&P 500: +0.9%, Dow: +0.7%, Euro Stoxx: +0.4%, DAX: +1.1% IBEX-35: -0.2%, CAC: +0.2%, Nikkei -5.7% and the Shanghai: -7.9% (which ended at 3.200 points, far from June levels of over 5,000 points). The magnitude of the plunge led markets to reassess the Fed's next move, with the US curve flattening early in the week (US 10Y reached 1.92%) yet returning to last week's levels (at 2.14%) after the announced revision of the US 2Q15 GDP. On the other hand, European core yields surged early in the week and remained at those higher levels thereafter (GER: +14bp, FRA: +11bp). In the periphery, Greek yields fell on the back of last week's outline agreement, with little impact on other peripheral countries (GRE 10Y: -60bp, ESP: +4bp, ITA 10Y: +4bp). High volatility was also present on the FX markets. After depreciating strongly against other major currencies, the USD recovered all the lost ground by the end of the week (EUR: -1.16%, GBP: -2.15%). EM currencies also depreciated strongly against the USD, to then rebound later in the week, especially those linked to commodity prices and/or those with current cyclical/political vulnerabilities (RUB: +3%, CLP: +1%, MXN: +0.4%). Uncertainty about China had a direct impact on commodity prices. Oil prices ly fell to the year's lows (Brent USD42.23, WTI: USD37.75) yet they ended the week higher after yesterday's rally (WTX: +4.4%, Brent: +3.7% in the week). Markets are watching the start of the Fed's annual economic policy symposium in



Jackson Hole. Despite the absence of Janet Yellen and Mario Draghi, signs regarding future monetary action may be revealed. Next week, the ECB governing council meets once again.

Table1



## Current level and changes at daily, we Debt markets (changes in hp) \*\*Executional Statistic US 3rg (08(4)08)(30(1) US 3rg (24(4)08)(45(4)) US 3rg (24(4)08)(45(4)08) US Gels (Lay 10, 14) (16) (2) (16) Beigian 10-yr 1,06 (4) (11) (3) (23) France 10-yr 1,06 (4) (11) (5) (23) Genco 10-yr 3,15 (4) (11) (5) (23) Felson 10-yr 3,15 (4) (10) (4) Felson 10-yr 1,36 (4) (10) (4) Felson 10-yr 1,36 (4) (10) (1) Felson 10-yr 1,36 (4) (10) (1) Felson 10-yr 2,6 (2) (4) (1) (2) (7) (21) Spain 10-yr 2,05 (4) (4) (9) (44) India 10-yr 7,78 (1) (-1) (-4) (-10) Indonesia 10-yr 8,79 (-8) (-15) (21) (97) Spain 12 (0) (4) (0) (1) (20) Spain 12 (0) (4) (1) (1) (2) Spain 12 (1) (4) (2) Spain 14 (1) (4) (2) Spain 14 (1) (4) (2) Spain 14 (1) (4) (4) Spain 15 (1) (4) (4) Spain Emerging Markets Says osceretion CSS Says OSC Read 319 (-17) (-7) (35) (119) Says CDS Chile 119 (-7) (0) (19) (25) Says CDS Chile 119 (-7) (0) (19) (25) Says CDS Contents 200 (-7) (-12) (20) (70) Says CDS Mexico 140 (-11) (-6) (9) (97) Says CDS Power (46 (-65)) (-7) ((94) (-69)) (1002) (2572) Says CDS Power (46 (-65)) (-7) (19) (-690) (1002) (2572) 5-yr CDS Poland?3 (-2) (2) (4) (3) 5-yr CDS Russia 373 (-42) (-26) (28) (-104) 5-yr CDS Tutkey 255 (-14) (-16) (17) (74) 5-yr CDS Chine 110 (-4)(3)(12)(24) 5-yr CDS India 196 (-3)(3)(8)(14) 5-yr CDS Indonesia 223 (-8)(4)(45)(67) Large Spenish banks CDS 112 (4) (4) (9) (34) Medium Spanish banks CDS 157 (-7) (-6) (15) (43) Oreek: banks: CDS 2823 (-2) (9) (-877) (1940) Russian banks: CDS 529 (21) (34) (84) (-88) Corporate risk (charges in Apra) US Non-francial CDS 239 (41) (3) (406) (92) EMU Non-francial CDS 120 (6) (9) (11) (13) UK Non-francial CDS 133 (4) (1) (11) (20) Interbank markets (changes in bp) UEM OCS spread 3m 10 (0) (4) (0) (4) UEM OCS spread 12m 30 (0) (0) (0) (4) UEM OCS spread 3m 20 (0) (0) (0) (6) US OFS spread On 12.8) (-1) (1) (-1) (1) (-1) US OFS spread 12n 40.8) (1) (6) (15) US 1E D spread 2n 27 (0) (-4) (-7) (-5) Spain Ted Spread 3n 2.41) (-1) (-2) (-3) E-ONA Index 4.0 (-3.0) (0.8) (-1) (-27) E-ONA Index 4.0 (-3.0) (0.9) (-2) (-1) (-1) E-Uribor 2n -0.08 (0.9) (-9) (-1) (-15) Libor 3rs 0,32 (0) (0) (3) (7) Libor 12rs 0,04 (0) (4) (4) (21) Section (1987) (1986) (4.7) (4.3) (4.8) (4 AGE Minnes 682 (0.0) (11.(21.1) (24.1 Loyer 7,3 (4,5) (1,5) (4,5) (37) (25) EMU Banks 1177 (-1,1) (1,1) (-7,5) (18) EMU Banks 1177 (-1,1) (1,1) (-7,5) (18) EMU Banks 112, (-2,0), (-1,0), (-1,4), (-1,6), (-1,4), (-1,6), ( Unicodit 5,8(-1,2) (6,1)-(2,3) (8) Large Sporish breits S2,1 (4,6)-(1,1)-(1,2,9)-(8) Sentender 5,5 (1,1)-(1,6)-(1,5)-(2) BDVA 5,5 (2,9)-(1,9)-(1,1)-(5) Median Sporish breits S2,1 (2,0)-(1,1)-(4,4)-(4) Contables 3,9 (4,9)-(5,1)-(6,7)-(1,2) Popular 3,6 (3,9)-(1,1)-(1,1)-(1,2) Soboled 1,9 (4,9)-(5,1)-(9,6) Breishire 8,7 (4,1)-(6,1)-(9,6) Breishire 8,7 (4,1)-(4,1)-(1,1)-(1,2) Breishire 1,1 (0) (1,1)-(1,1)-(1,2) Berkin 1,1 (0) (1) (-11,1) (-12) Greek banks 21,5 (5,0) (1,0) (460,0) (-76) Alaha Bank0,1 (0) (2,2) (-70,0) (-60) Piecus Brah0,1 (0) (-10,2) (-78) (-50) National Central Bank0,5 (12,3) (9) (-57,4) (-55) Eurobank Engasied (2,5) (-4,5) (-72,2) (-79) Mestod 4492 (f) (7,1) (2,7) (6,7) MSCI EM Europe 417 (2,5) (2,5) (1,7) (d,4) Poland 218 (6) (2,6) (4) (2,8) Mices (fluxing) (730 (9,0) (2,9) (2,4) Mices (fluxing) (730 (9,0) (2,6) (2,5) MSCI EM Asia-647 (2,5) (2,5) (7,0) (40) MSCI EM Asia-647 (2,5) (2,5) (7,0) (40) Shenghia Composite (chem) 3222 (4,6) (4,7) (4,1) Johann Composite (missincesis) 4446 (6,4) (2,5) (5,5) (15) Bank Hocks Turkish banks: 76 (-1)(1,4) (-7,7) (-24,4) Albank: T.A.S. 7 (-0,3) (-3,2) (-6,4) (-32,1) Gwest 7 (-7,5) ((3)(-7,3)) (-22,5) Turkiye is Benkosi 5 (-1,2) ((1) (-9,6) (-28,5) Russian banks 119 (-0,1) (3,8) (0,4) (19,3) Sbettenk 74 (-0,2) (5,4) (3,4) (34,2) VTB Stack 0,1 (0,1) (1,6) (-3,3) (4,4) Currencies (in percentage, positive for dollar deprecision) Executive Manufacture (in percentage, positive for dollar deprecision) Executive Manufacture (in percentage) Executive ( DOM SERI (A.2) (4,9) (4,9) (2,9) (1,2) (4,1) (4,7) (4,9) (4,

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Fuente: BBVA Research



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Fuente: BBVA Research

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

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