

Market Comment | Cautious market mood ahead of FOMC's expected announcement

Global Financial Markets Unit 15 Sep 2015

- Mixed data in the US. US retail sales rose less than estimated in August (0.2% MoM; consensus: 0.3% MoM), while retail sales ex autos also increased less than expected (by 0.1% MoM; consensus: 0.2%) and retail sales ex autos and gas rose less than estimated (by 0.3% MoM; consensus: 0.4%). On another front, empire manufacturing in September increased less than estimated (by 0.25pt to -14.67; consensus: -0.5pt). Meanwhile, industrial production dropped in August more than estimated (by -0.4% MoM; consensus: -0.2%) and capacity utilisation increased less than expectations (by 77.6%; consensus: 77.8%).
- Mixed data in Europe. Eurozone trade balance SA surplus increased in July more than estimated (by EUR0.5bn to EUR22.4bn; consensus: EUR21.4bn), due to the reduction in imports (by -1.1% MoM) and despite the decrease in exports (by -0.7% MoM). German ZEW survey expectations dropped more than expected in September (12.9 points to 12.1; BBVAe: 24.0, consensus: 18.3), due to lower expectations of doing business with EM. However, the ZEW survey for the current situation rose unexpectedly (by 1.8 to 67.5pt; BBVAe: 67.0, consensus: 64.0). On another front, the French CPI continued to slow down in August (0.1% YoY, consensus 0.2% YoY, previous month 0.2% YoY).
- Brazil's government announces an emergency package of budget cuts and tax increases. The
 government announced an emergency BRL65bn package, which includes spending cuts and tax
 increases, after last week's S&P downgrade of Brazil's credit rating to BB+ from BBB-. The package
 would deliver a primary fiscal surplus of 0.7% of GDP in 2016, said the finance minister, Joaquim Levy.
 "A lot of these measures require the co-operation of congress to be put into practice and all of them
 demand commitment from society." (see)
- The BoJ will not hesitate to deploy more support if needed. The BoJ said in its Tuesday meeting that it will continue with its JPY80trn (USD663bn) annual asset-buying to try to return inflation to 2%, which is dragged especially by losses in the commodities prices. The Bank of Japan's governor, Haruhiko Kuroda, said that "There's absolutely no change to our view that we won't hesitate to adjust monetary policy if there's a change in the price trend and we think (further action) is needed to swiftly achieve our price target."
- Cautious market mood across the board ahead of FOMC's expected announcement. Doubts concerning China's economic outlook continued to undermine Asian equity indices. Despite new measures adopted by authorities early this week, Chinese indices continued their negative trend today (Shanghai: -3.52%, Shenzhen: -4.97%), dragging down other Asian indices (Nikkei: +0.3%). Europe's equity markets opened in the red on the back of new falls in China, although there was a positive start for the US equity indices (S&P 500: +0.9%, Dow Jones: +0.9% at the time of writing). The macroeconomic data released European bourses to finish in positive territory (Euro Stoxx: +1.5%, CAC: +1.6%, DAX:



+1.0%, Ibex-35: +1.4%). On bond markets, yields in the US and European core countries rose, awaiting Thursday's FOMC meeting, (US10Y: +5bp, GER 10Y:+9bp FRA 10Y: +8bp). There was a mixed performance in peripherals' yields: while the Spanish 10 Y yield stayed flat, Italian and Portuguese yields inched up (ITA 10Y: +4bp, POR 10Y: +5bp) and this allowed a narrowing of Spain and Italy's yield differential. On FX markets, the USD appreciated against other major currencies (EUR: -0.35%, GBP: -0.44%). Among EM currencies, most appreciated against USD (RUB: +0.9%, TRY: +1.0%, CLP: +0.2%), whereas other EM currencies depreciated, dragged by idiosyncratic factors (BRL: -1.2%, MXN: -0.1%, IDR: -0.5%). Commodity prices recovered slightly after yesterday's falls (WTI: +1.3%, copper: +0.7%).

Update 17.00 CET 15 September, 2015 Table1



(Current level and Changes at dally, weekly, more bett markets (1974) and (2014) and (20 GEH 1947 U.N. (9) (4) (6) (2) Belgium 16-yr 1,107 (6) (6) (6) (6) (24) Franco 16-yr 1,14 (6) (4) (16) (51) Graco 16-yr 5,64 (6) (49) (41) (-111) Irland 16-yr 1,34 (7) (6) (6) (8) (8) (8) (9) (9) (9) Hethericodo 16-yr 0,92 (9) (5) (6) (23) Portugal 16-yr 2,71 (6) (6) (6) (23) Portugal 16-yr 2,71 (6) (7) (23) (2) Spain 16-yr 2,72 (9) (7) (71) (51) Spain 19-y-2, 12 (0) (7) (11) (51) Transpire Michael (27) (166) (209) Brasil 19-y-16, 27 (9) (27) (166) (209) Colles 19-y-16, 51 (9) (27) (91) Colles 19-y-16, 51 (9) (17) (17) Mexico 10-y-16, 51 (9) (17) (17) Perior 10-y-7, 57 (-8) (1) (86) (21) Perior 10-y-7, 57 (-8) (1) (86) (21) Perior 10-y-16, 51 (9) (26) (27) Transpire 10-y-16, 51 (9) (26) (27) Transpire 10-y-16, 52 (-7) (17) Transpire 10-y-16, 52 (-7) (17) Transpire 10-y-16, 52 (-7) (17) Transpire 10-y-16, 52 (-7) (18) (28) India 10-yr 7,76 (8) (-1) (1) (-12) Indonesia 10-yr 9,45 (12) (31) (73) (163) totoceois 16/y/ 4.65 (2) (30) (70) (180) Country risk (dhangas is by a totochoolise immercials (galest Germany) beigan 32 (1) (2) (3) (3) Pergan 32 (1) (2) (3) (3) Tranca 32 (1) (2) (3) (1) Greace 730 (14) (60) (69) (71) trained 39 (2) (7) (1) (1) (2) 8ay 115 (6) (1) (1) (2) Personal 36 (2) (1) (1) (3) Personal 37 (2) (1) (1) (1) (1) Spain 133 (4) (1) (1) (1) Spain 135 (4) (1) (1) (1) Spain 15 (4) (9) (1) (1) (1) Spain 15 (4) (9) (1) (1) (1) Spain 15 (4) (4) (4) (4) (4) Spain 15 (4) (4) (4) (4) Spain 15 (4) (4) Spain 15 (4) (4) (4) Spain 15 (4) (4) (4) Spain 15 (4) (4) (4) Emerging Markets Syr Sovereign COS Syr COS Read 390 (-41 (-1) (74) (181) Syr COS Read 390 (-41 (-1) (71) (1) (21) Syr COS Chile 115 (-5) (-11) (1) (21) Syr COS Colembar 211 (-4) (-4) (-6) (72) Syr COS Markets 211 (-4) (-4) (-6) (-6) Syr COS Paru 384 (-3) (-6) ((-6) (-186) (-1278) (1533) Syr COS Paru 384 (-3) (-6) (-186) (-1278) (1533) 5-yr CDS Poland?3 (-1) (-2) (4) (3) 5-yr CDS Russia 355 (-9) (-31) (-12) (-115) 5-yr CDS Turkey 250 (-3) (9) (35) (105) Syr CDS China 118 (-1) (-2) (15) (33) Syr CDS India 181 (-3) (-5) (-8) (9) Syr CDS Indonesia 238 (-1) (-10) (40) (83) Eyr (20 seberses 2011-1) (4(6) (60) (8)) Contail Init. 10 seberses 2011-1) (4(6) (60) (8)) 10 seberses 2011-1) (4(6) (60) (8)) 10 seberses 2011-1) (4(7) (7) (8) 10 seberses 2011-1) (7(7) (8) 10 seberses 2011-1) (8) 10 seber Greek banks CDS 2447 (2) (-411) (30) (1563) Russian banks CDS 501 (2) (-8) (-86) Corporate risk (changes in bps) US Non-financial CDS 9 (8) (-228) (-228) (-157) EMU Non-financial CDS 0 (8) (-124) (-113) (-167) UK Non-financial CDS 0 (8) (-133) (-128) (-113) Interbank markets (changes in bp) UEM OIS spread 3m 10 (8) (0) (0) (0) UEM OIS spread 12m 31 (8) (0) (1) (4) UEM TED spread 3m 34 (8) (4,6) (6) (19) US OIS spread 3m 12 (8) (-1) (1) (2) US OIS spread 12m 45 (-1) (-3) (-9) (1) US TED spread 12m 45 (-1) (-3) (-9) (1) US TED spread 3m 22 (-3) (-2) (-5) (-7) Spain Ted Spread 3m 4 (-9) (-9, 5) (-1) (-1) EONIA Index 4, 14 (-9) (-4, 5) (-1) (-25) Euribor 3m - -(-0.4 (-9) (-4, 1) (-1) (-17) Euribor 12m - -(-1, 16) (-9) (-1) (-17) Liber 3m 0,34 (0) (0) (1) (8) Liber 12m 0,85 (0) (0) (1) (23) The second secon The second between the second be Mexical 4954 (8,5) (4,0) (4,0) (4,2) MSCI EM Europe 446 (8,4) (1,2) (2,1) (8,2) Pointed 2186 (1,1) (2,4) (4,6) (5,6) Mices (Numary 1715 (4,0) (4,1) (4,7) Mices (Numary 1715 (4,0) (4,1) (4,7) MSCI EM Asia 455 (2,3) (1,6) (5,7) (4,8) MSCI EM Asia 455 (2,3) (1,6) (5,7) (4,9) MSCI EM Asia 455 (2,3) (1,6) (4,7) (4,9) MSCI EM Asia 455 (2,3) (1,6) (4,7) (4,7) Jakarta Composite (Indonoseijal 4947 (4) (8,7) (5,2) (4,7) Russian banks 120 (-0,3) (-0,3) (-0,3) (19,9) Sberbank 75 (-0,2) (-0,3) (0,4) (36,1) VTB Bank 0,1 (-0,5) (-0,3) (-1,2) (3,6) Currencles (in percentage, positive for dollar depreciation) Developed Nations: EURUSD 1,128 (-0.35) (0.66) (1,5) (-6.8) GBPUSD 1,54 (-0.44) (-0.24) (-1,8) (-1,5) USDJPY 120,18 (0,04) (-0.31) (1,3) (-0.4) DXY 95,46 (-0.2) (0,5) (1,1) (-5,6) GOY 54, 64, (27) (25), (1, (1), 63) "INTERNAL PRIMARY OF THE PRIM



*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive



any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.