

Market Comment | Calm in global markets awaiting the release of Fed minutes.

Global Financial Markets Unit
08 Oct 2015

- **US jobless claims dropped more than expected in the week** ended 3 October (by 13K to 263K; consensus: 274K), whereas continuing claims for the week ended 26 September rose more than estimated (by 9K to 2,204K; consensus: 2,200K).
- **ECB Minutes: 3 September meeting.** The minutes confirm the dovish tone struck by the ECB's President at that meeting, highlighting that there was broad agreement that downside risks to the outlook for inflation and growth has increased. In this context, the Governing Council (GC) remained willing and able to act if necessary. In particular, the minutes revealed that there was also wide agreement for emphasising that the current programme would be fully implemented until the end of September 2016 and, in any case, until a sustained adjustment in the path of inflation would be achieved, below but close to 2%. Moreover, the minutes showed there was broad agreement on not taking further measures at the present meeting.
- **German exports fell sharply in August** (-5.2% MoM, consensus -0.9% MoM, previous +2.4% MoM), sparking concerns about the impact of China's slowdown on Germany's trade balance. Nonetheless, exports showed a healthy growth in annual terms (+5% YoY). German imports also fell (-3.1% MoM, consensus -0.6% MoM, previous month +2.2% MoM) but increased in annual terms (+4% YoY). As a result, Germany's trade balance dropped in August more than expected (by EUR9.7bn to EUR15.3bn; consensus: EUR19.0bn; previous month EUR25bn).
- **The Bank of England minutes of the MPC on 6 October suggest a more dovish tone.** In its monthly meeting, the BoE decided to maintain its monetary policy unchanged. Eight of the nine members voted in favour of maintaining the long-standing low interest rate. In the minutes, the BoE warned against any intensification of the Chinese slowdown, although it highlighted the eurozone as its main trading partner. However, the statement suggested that inflation would remain lower than previously expected: "core inflation remains subdued at around 1%, influenced both by restrained labour cost growth and by muted import cost growth, itself partly reflecting the continuing dampening influence of sterling's appreciation since mid-2013".
- **Steady markets ahead of today's Fed minutes and the US 3Q15 company earnings results.** Both the US and European equity markets were staying almost flat at the time of writing, despite the positive labour market data in the US and the worse-than-expected German trade balance. Nonetheless, European banks traded unevenly, with some of them (Credit Suisse -3%) dragged by expectations of capital increases due to regulatory changes. Analysts forecast a 5% fall in 3Q15 EPS for S&P 500 companies. Meanwhile, on bond markets, US treasury yields remained flattened today, awaiting the release of the most recent Fed meeting's minutes. In the same vein, European yields stayed almost

unchanged (GER 10Y: -1bp, FRA10Y: -1bp, ITA 10Y: -2bp, SPA 10Y: -1bp, POR 10Y: -1bp) on the back of there being no significant news in the ECB minutes. On FX markets, the USD depreciated against other major currencies (EUR: +0.36%, JPY: +0.12%) and also against the EM currencies (BRL: +1.3%, RUB: +0.8%, MXN: +0.7%, COP: +0.4%), especially against those most closely linked to oil prices, which took advantage of the ongoing rebound in commodity prices (Brent: +1.4%, WTI: +1.1%).

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Table1

C Current level and changes at daily, weekly, monthly and annual frequencies

D debt markets (changes in bp)

US Treasury

US 2 yr	0.64	(11.31) (-1.0)
US 5 yr	1.38	(11.32) (-1.42)
US 10 yr	2.07	(9) (-11.1)

Japan

Japan 10yr	0.33	(1) (-1) (-1)
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EM

BR 5yr	8.28	(3) (-1) (-4)
GR 5yr	3.81	(5) (-1) (-1)
ES 5yr	3.53	(1) (-1) (-1)

France

France 10yr	0.97	(-1) (-5) (-11)
France 10yr	0.96	(-1) (-5) (-11)
France 10yr	0.97	(-1) (-5) (-11)

Germany

Germany 10yr	0.7	(-1) (-1) (-1)
Germany 10yr	0.6	(-1) (-1) (-1)
Germany 10yr	0.6	(-1) (-1) (-1)

Italy

Italy 10yr	3.82	(-1) (-1) (-1)
Italy 10yr	3.82	(-1) (-1) (-1)
Italy 10yr	3.82	(-1) (-1) (-1)

Portugal

Portugal 10yr	2.52	(-1) (-1) (-1)
Portugal 10yr	2.52	(-1) (-1) (-1)
Portugal 10yr	2.52	(-1) (-1) (-1)

Spain

Spain 10yr	1.51	(-1) (-1) (-1)
Spain 10yr	1.51	(-1) (-1) (-1)
Spain 10yr	1.51	(-1) (-1) (-1)

UK

UK 10yr	1.48	(-1) (-1) (-1)
UK 10yr	1.48	(-1) (-1) (-1)
UK 10yr	1.48	(-1) (-1) (-1)

US

US 10yr	0.8	(-1) (-1) (-1)
US 10yr	0.8	(-1) (-1) (-1)
US 10yr	0.8	(-1) (-1) (-1)

C country risk (changes in bp)

EM

Brazil	37	(2) (-2) (-8)
France	37	(2) (-2) (-8)
Greece	119	(2) (-2) (-8)
Italy	9	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

FR

France	13	(1) (-1) (-1)
France	13	(1) (-1) (-1)
France	13	(1) (-1) (-1)

DE

Germany	13	(1) (-1) (-1)
Germany	13	(1) (-1) (-1)
Germany	13	(1) (-1) (-1)

IT

Italy	9	(1) (-1) (-1)
Italy	9	(1) (-1) (-1)
Italy	9	(1) (-1) (-1)

JP

Japan	13	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)

UK

UK	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)

US

US	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

C Credit risk

US

US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)

EM

Brazil	37	(2) (-2) (-8)
France	37	(2) (-2) (-8)
Greece	119	(2) (-2) (-8)
Italy	9	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

Interbank markets (changes in bp)

US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)

EM

Brazil	37	(2) (-2) (-8)
France	37	(2) (-2) (-8)
Greece	119	(2) (-2) (-8)
Italy	9	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

Stock markets (change in percentage)

US

S&P 500	3.5	(-1) (-1) (-1)
Dow Jones	3.5	(-1) (-1) (-1)
NASDAQ	3.5	(-1) (-1) (-1)

EM

Brazil	37	(2) (-2) (-8)
France	37	(2) (-2) (-8)
Greece	119	(2) (-2) (-8)
Italy	9	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

C Commodity (in percentage, positive for dir or depreciation)

US

US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)
US 10yr	1.48	(-1) (-1) (-1)

EM

Brazil	37	(2) (-2) (-8)
France	37	(2) (-2) (-8)
Greece	119	(2) (-2) (-8)
Italy	9	(1) (-1) (-1)
Japan	13	(1) (-1) (-1)
UK	13	(1) (-1) (-1)
US	13	(1) (-1) (-1)

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

Daily markets (changes in bps)

Table with 2 columns: Country and values. Includes data for US, Japan, UK, Belgium, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Czech Republic, Denmark, Greece, Hungary, Poland, Russia, Slovenia, Turkey, India, and Indonesia.

Country risk (changes in bps)

Table with 2 columns: Country and values. Includes data for Belgium, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, and various countries in the Eurozone, CIS, and emerging markets.

Comd risk

Table with 2 columns: Country and values. Includes data for US, UK, Eurozone, and various emerging markets.

Bank risk

Table with 2 columns: Country and values. Includes data for US, UK, Eurozone, and various emerging markets.

Stock markets (Change in percentage)

Table with 2 columns: Country and values. Includes data for Main equity indices, Europe, and various emerging markets.

Currencies (in percentage, positive for dollar depreciation)

Table with 2 columns: Country and values. Includes data for Eurozone, US, and various emerging markets.

Commodity prices (change in percentage)

Table with 2 columns: Commodity and values. Includes data for Brent, WTI, Copper, Gold, Oil, and Bauxite.

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

Debt markets (changes in bp)

Table with columns for Country, Frequency, and Value. Rows include US 2yr, US 5yr, US 10yr, Japan 10yr, Belgium 10yr, France 10yr, Greece 10yr, India 10yr, Italy 10yr, Netherlands 10yr, Portugal 10yr, Spain 10yr, Emerging Markets (Brazil, China, Colombia, Mexico, Russia, Turkey), and India 10yr.

Country risk (changes in bp)

Table with columns for Country, Frequency, and Value. Rows are grouped by region: Europe (Germany, France, Greece, Ireland, Italy, Netherlands, Portugal, Spain), Emerging Markets (Brazil, China, Colombia, Mexico, Russia, Turkey), and US (US 2yr, US 5yr, US 10yr).

Commodity risk (changes in bp)

Table with columns for Commodity, Frequency, and Value. Rows include US 2yr, US 5yr, US 10yr, and various commodity types like Energy, Metals, and Grains.

Credit risk

Table with columns for Country, Frequency, and Value. Rows include US 2yr, US 5yr, US 10yr, and various credit risk metrics for different countries and regions.

Stock markets (Change in percentage)

Table with columns for Country, Frequency, and Value. Rows include US 2yr, US 5yr, US 10yr, and various stock market indices for different countries and regions.

Emerging Markets

Table with columns for Country, Frequency, and Value. Rows include Brazil, China, Colombia, Mexico, Russia, Turkey, and India.

Commodity Risk (change in percentage)

Table with columns for Commodity, Frequency, and Value. Rows include US 2yr, US 5yr, US 10yr, and various commodity types like Energy, Metals, and Grains.

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

Debt markets (changes in bp)

Table with columns for country, maturity, and values. Includes entries for USA, Japan, G20, Belgium, France, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Emerging Markets, and India.

Country risk (changes in bp)

Table with columns for country, agency, and values. Includes entries for Belgium, France, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Eurozone, and various emerging market countries like Argentina, Brazil, Chile, etc.

Comd risk

Table with columns for country, agency, and values. Includes entries for USA, UK, Eurozone, and various emerging market countries.

Bank risk (changes in bp)

Table with columns for country, agency, and values. Includes entries for USA, Eurozone, UK, Spain, Czech, India, and various emerging market countries.

Interbank markets (changes in bp)

Table with columns for country, agency, and values. Includes entries for USA, Eurozone, UK, Spain, India, and various emerging market countries.

Stock markets (Change in percentage)

Table with columns for country, agency, and values. Includes entries for USA, Eurozone, UK, Spain, India, and various emerging market countries.

Commodity (in percentage, positive for dollar depreciation)

Table with columns for country, agency, and values. Includes entries for USA, Eurozone, UK, Spain, India, and various emerging market countries.

Commodity (change in percentage)

Table with columns for country, agency, and values. Includes entries for USA, Eurozone, UK, Spain, India, and various emerging market countries.

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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