

## Market Comment | Market awaiting Fed statement while oil price jumps due to inventory data

Global Financial Markets Unit 28 Oct 2015

- Consumer confidence falls in Germany and France, and increases in Italy. German consumer confidence dropped in November in line with expectations (by -0.2 points to 9.4). Meanwhile, French consumer confidence decreased in October against estimates of remaining unchanged (by 1 point to 96; BBVAe and consensus: 97). On the other hand, Italian consumer confidence in October rose unexpectedly (by 3.9 points to 116.9; BBVAe: 112.7, consensus: 112.2), and business confidence also increased more than our estimates (by 1.5 points to 105.9; BBVAe: 104.7, consensus: 103.9).
- Swedish central bank repeats DM central banks' dovishness. The Riksbank increased its asset purchases programme. Sweden's central bank increased its bond-buying programme by USD7.6bn. This decision was driven by the ECB's announcement about the possible expansion or extension of its QE in December. In the same vein, the remaining European central banks could follow the ECB, in order to maintain their competitiveness.
- Further fiscal deterioration in Brazil. The government eased its 2015 fiscal target, due to lower than expected public revenues, problems in cutting expenditure and the decision of its court of audit to reverse certain creative accounting practices. As a result, the public sector could post a primary deficit of up to 1.7% of GDP. The decision could trigger a second downgrade to high-yield sooner than expected. (see)
- · Market awaiting Fed statement while oil price jumps due to weekly inventory data. Global markets improved slightly, waiting for today's FOMC statement. The chances of a rate hike announcement are slim to none. Nonetheless, every reference to the external environment or about the labour market development could hint at the monetary authority path, that could have been influenced by the easing by central banks across the board (ECB, PBoC and maybe BoJ in its Friday meeting). On another front, the release of worse-than-expected US oil inventory data boosted oil prices, helping them to recover a small proportion of the last two weeks' cumulative fall. Against this backdrop, oil prices jumped (Brent: +4.7%, WTI: +5.8%) and contributed to appreciation of oil-related currencies against the USD, (RUB: +2.2%, COP: +1.0%, MXN: +0.6%, BRL: +0.7%). Awaiting the conclusions of the Fed's meeting, the USD depreciated against other major currencies (EUR: +0.14%, GBP: +0.14%). Developed equity markets rose slightly across the board (S&P 500: +0.7%, Euro Stoxx: +1.2%, DAX: +1.3%, IBEX-35: +0.9%, CAC: +0.9%). Volkswagen's quarterly results showed the damage of the diesel scandal, and recorded a loss for first time in 15 years. Nonetheless, the market received the figures well, judging from today's rebound in the price (3.33%). On bond markets, the US treasury and European core yields remained unchanged today. European periphery yields dropped, led by Portugal (ITA 10Y: -3bp, SPA 10Y: -2bp, POR 10Y: -9bp), contributing to a slight narrowing of the risk-premia (ITA: -3bp, SPA: -2bp, POR:-9bp).



Update 17.00 CET 28 October, 2015 Table1



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\*CDS, EMBI & MSCI indices with one day delay

\*\*Credit spread (BAA) with two days delay

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