

DenizBank AG 



FX & Markets Weekly

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Austria sells EUR 2bn in 70-year bonds

Austria sold EUR 5bn of sovereign bonds on Tuesday, including EUR 2bn of securities due in 70 years. Austrian Treasury joined the ultra-long club to lock in historical low interest rates for a very long time. Predecessors in the ultra-long end had been Belgium and Ireland with EUR 100mn each for a century, but via private placements. The 70Y issue was priced to yield 53bps over a former 30Y issue and initially sold at 98,717/1,53. Although books exceeded EUR 7,7bn the security is currently trading at 94,971/1,62. The relatively low coupon and ultra-long maturity lead to a very high duration and mean its price will be more volatile than shorter maturities.

Stock market volatility measures rise

A bumpy road ahead as indicated by the VIX that rose by 15,29% this week. The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P500 stock index option prices. It fell a week before but rose for the 3 weeks prior to that. The European benchmark for near term stock market volatility, the VSTOXX rose also by 15,39% signalling European stock market volatility in near term, after declining the 2 previous weeks.

USD/TRY hits fresh record high

Being an emerging economy makes Turkey highly dependent on capital inflows. Capital inflows can be good for the economy because they bridge the gap between domestic investment and savings. They can be harmful to an economy though if they result in bubbles or when they reverse and that results in a depreciation of the currency. If that coincides with an economic downturn the impact is worse. Outflows from Emerging Markets due to the looming Fed rate hike are obvious but stronger in Turkey's case as October has seen several fresh record highs against TRY. This month TRY suffered most among EM currencies against USD (-4,3%). That is also true for the past 6-months (-9,9%). For further indications on the future spot FX rate we could look at Forwards that point to 3,15 per year-end and 3,21 in 1Q16. But forward rates are poor predictors of the future spot FX rates as the uncovered interest rate parity condition is often violated. This week the Central Bank released minutes of its last Monetary Policy Committee where it sounded more hawkish than expected. The statement included also the term "direction" of the next step. That was fresh news as the TCMB has been easing by a cumulative 250 bps since February. Also the Central Bank's Inflation Report was released. Accordingly the TCMB expects inflation at YE16 to be between 7-8% (with 70% probability).



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Economic Research and Development

Exchange Rates	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,0919	0,34	-2,57	-1,40
EUR/TRY	3,4066	1,58	1,79	1,90
EUR/CHF	1,0848	0,32	-0,38	-0,10
EUR/GBP	0,89809	0,93	4,25	6,59
EUR/JPY	114,95	1,76	1,94	-1,03
EUR/RUB	68,7741	1,35	-3,78	-7,01
EUR/CNY	7,4031	0,68	-0,91	0,30
USD/TRY	3,1191	1,22	4,47	3,38
USD/JPY	105,27	1,38	4,62	0,35
USD/RUB	62,9859	0,91	-1,25	-5,71
USD/CNY	6,7795	0,18	1,56	1,83

Sovereign Bonds 10Y	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Ask YTM
Austria	121,90	-0,77	-1,55	-0,20
Belgium	115,89	-0,94	-1,67	-0,13
China	108,83	-0,47	0,17	2,45
EFSF	120,42	-0,44	-1,11	-0,35
ESM	115,76	-0,71	-1,52	-0,12
France	114,41	-0,77	-1,50	-0,15
Germany	111,36	-0,81	-1,66	-0,29
Greece	74,82	0,24	-0,92	8,67
Japan	106,08	-0,06	-0,48	-0,18
Portugal	113,39	-0,93	-0,05	2,79
Spain	130,29	-0,66	-1,39	0,47
Russia	95,80	-0,65	-1,34	8,67
Switzerland	129,87	-0,43	-0,98	-0,68
Turkey	87,50	-1,13	-2,56	10,89
UK	105,58	-0,84	-2,87	0,77
US	100,47	-0,59	-1,30	1,54

Turkey related	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,2626	1,27	3,04	2,60
WAC of CBRT (T-1)	7,76	-0,13	-0,26	-3,24
Gold TRY / gram	127,41	1,59	0,46	-1,56
TR Gov. B. 2Y yield	9,28	2,54	7,66	0,00

Euribor/Eonia	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T -1)	-0,354	-1,43	-3,21	-6,95
Euribor 1 Month	-0,373	-0,27	-0,54	-0,54
Euribor 3 Month	-0,313	-0,32	-3,64	-5,74
Euribor 6 Month	-0,212	-0,47	-4,95	-13,98
Euribor 12 Month	-0,069	6,76	-13,12	-40,82

EUR Libor	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,407	0,00	-0,68	-2,08
EUR Libor 1M	-0,379	0,15	-0,51	-2,95
EUR Libor 3M	-0,319	1,11	1,87	-5,42
EUR Libor 6M	-0,213	1,26	1,45	-11,77
EUR Libor 12M	-0,072	11,75	11,97	-11,77

Commodities Energy Futures	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	49,11	-3,24	3,25	13,60
BRENT crude	49,98	-3,28	1,71	13,38
GAS oil	458,50	-1,29	9,80	16,04
Heating oil	154,72	-1,50	3,66	15,18
Natural gas	3,08	-8,69	-4,06	-6,63
Gold Spot	1.270,65	0,38	-3,82	-4,77
Silver Spot	17,72	1,10	-7,15	-12,14
Platinum Spot	974,00	4,20	-4,83	-14,23
Palladium Spot	616,45	-1,41	-13,77	-11,86
Copper	217,60	4,17	-0,55	-1,92

Stock Indices	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	2.489	0,95	4,34	11,74
BIST 100	78.333	-0,65	0,84	4,11
CAC 40	4.540	0,12	2,46	2,73
DAX	10.672	-0,34	2,26	3,89
Dow Jones	18.170	0,04	-0,92	-1,55
Euro Stoxx 50	3.074	-0,11	2,78	3,65
FTSE 100	6.980	-0,58	1,91	3,85
HANG SENG	22.955	-1,80	-2,81	3,52
IBEX 35	9.184	0,91	5,07	8,30
MICEX	1.978	0,99	-0,18	1,16
NASDAQ 100	4.836	0,08	-0,80	2,44
NIKKEI 225	17.446	1,52	5,96	5,88
S&P 500	2.133	-0,39	-1,77	-1,71

Interest Rate Futures	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,12	-0,44	-0,87	-0,35
Bund	162,18	-1,30	-2,44	-1,58

Risk Sentiment	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	798	-6,01	-12,50	20,00
VIX	15,17	13,64	22,36	19,18
Turkey 5Y CDS (T -1)	252,124	1,96	-7,02	-7,90
MSCI EM Index (T-1)	905,31	-0,65	-0,75	3,40

USD Libor	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	0,435	0,51	3,52	4,70
USD Libor 1M	0,533	-0,25	1,58	7,85
USD Libor 3M	0,886	0,47	5,76	17,11
USD Libor 6M	1,258	0,09	1,99	15,20
USD Libor 12M	1,582	0,67	2,00	11,43

TRY Libor	Price as of 10/28/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	8,198	1,10	1,10	-8,45
TRY Libor 1M	8,648	2,09	1,69	-7,26
TRY Libor 3M	9,020	2,63	2,19	-7,15
TRY Libor 6M	9,325	3,27	2,85	-4,50
TRY Libor 12M	9,654	4,65	3,54	-1,88

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Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
10/24/2016 14:30	US	Chicago Fed Nat Activity Index	Sep	-0.13	-0.14	-0.55
10/24/2016 15:45	US	Markit US Manufacturing PMI	Oct P	51.5	53.2	51.5
10/25/2016 15:00	US	FHFA House Price Index MoM	Aug	0.4%	0.7%	0.5%
10/25/2016 16:00	US	Consumer Confidence Index	Oct	101.5	98.6	104.1
10/25/2016 16:00	US	Richmond Fed Manufact. Index	Oct	-4	-4	-8
10/26/2016 13:00	US	MBA Mortgage Applications	Oct 21	--	-4.1%	0.6%
10/26/2016 14:30	US	Advance Goods Trade Balance	Sep	-\$60.5b	-\$56.1b	-\$58.4b
10/26/2016 14:30	US	Wholesale Inventories MoM	Sep P	0.1%	0.2%	-0.2%
10/26/2016 14:30	US	Retail Inventories MoM	Sep	--	0.3%	0.6%
10/26/2016 15:45	US	Markit US Services PMI	Oct P	52.5	54.8	52.3
10/26/2016 15:45	US	Markit US Composite PMI	Oct P	--	54.9	52.3
10/26/2016 16:00	US	New Home Sales	Sep	600k	593k	609k
10/26/2016 16:00	US	New Home Sales MoM	Sep	-1.5%	3.1%	-7.6%
10/27/2016 14:30	US	Initial Jobless Claims	Oct 22	256k	258k	260k
10/27/2016 14:30	US	Continuing Claims	Oct 15	2052k	2039k	2057k
10/27/2016 16:00	US	Pending Home Sales MoM	Sep	1.0%	1.5%	-2.4%
10/27/2016 16:00	US	Pending Home Sales NSA YoY	Sep	4.0%	2.0%	4.0%
10/28/2016 14:30	US	GDP Annualized QoQ	3Q A	2.6%	2.9%	1.4%
10/28/2016 14:30	US	Personal Consumption	3Q A	2.6%	2.1%	4.3%
10/28/2016 14:30	US	Core PCE QoQ	3Q A	1.6%	1.7%	1.8%
10/24/2016 10:00	EA	Markit Eurozone Manufacturing PMI	Oct P	52.7	53.3	52.6
10/24/2016 10:00	EA	Markit Eurozone Services PMI	Oct P	52.4	53.5	52.2
10/24/2016 10:00	EA	Markit Eurozone Composite PMI	Oct P	52.8	53.7	52.6
10/27/2016 10:00	EA	M3 Money Supply YoY	Sep	5.1%	5.0%	5.1%
10/28/2016 11:00	EA	Economic Confidence	Oct	104.9	106.3	104.9
10/28/2016 11:00	EA	Business Climate Indicator	Oct	0.46	0.55	0.45
10/28/2016 11:00	EA	Industrial Confidence	Oct	-1.6	-0.6	-1.7
10/28/2016 11:00	EA	Services Confidence	Oct	10.0	12.0	10.0
10/28/2016 11:00	EA	Consumer Confidence	Oct F	-8.0	-8.0	-8.0
10/24/2016 09:00	TR	Home Sales (YoY)	Sep	--	17.8%	2.0%
10/25/2016 13:30	TR	Real Sector Confidence SA	Oct	106.9	103.8	107.1
10/25/2016 13:30	TR	Real Sector Confidence NSA	Oct	104.9	101.7	106.5
10/25/2016 13:30	TR	Capacity Utilization	Oct	76.9%	76.4%	76.6%
10/27/2016 09:00	TR	Economic Confidence	Oct	--	80.6	87.8
10/27/2016 10:00	TR	Foreign Tourist Arrivals YoY	Sep	--	-32.8%	-38.0%
10/27/2016 13:30	TR	Foreigners Net Stock Invest	Oct 21	--	\$284m	\$17m
10/27/2016 13:30	TR	Foreigners Net Bond Invest	Oct 21	--	-\$189m	-\$311m
10/27/2016 13:30	TR	House Price Index YoY	Aug	--	14.10%	13.98%
10/27/2016 13:30	TR	House Price Index MoM	Aug	--	0.98%	1.65%
10/27/2016 15:00	RU	Gold and Forex Reserve	Oct 21	--	391.3b	391.4b
10/28/2016 10:00	RU	Money Supply Narrow Def	Oct 21	--	8.66t	8.71t
10/28/2016 12:30	RU	Key Rate	Oct 28	10.00%	10.00%	10.00%

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Purpose of document: This report summarises the significant developments within the financial markets over the previous week and comments on their underlying background.