

**DenizBank AG** 



**FX & Markets Weekly**

**Week 2/2017**

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## TCMB stems lira's depreciation

Ever since the Central Bank of Turkey (TCMB) didn't follow market's expectations to hike interest rates on December 20, 2016 the TRY has depreciated against the EUR by over 10% and against the USD by over 7,60%. As the parliament started negotiating on constitutional reforms this Monday the daily depreciation exceeded 10 big figures for 2 consecutive days. The Central Bank reacted first by cutting the FX reserve requirement ratios of local lenders by 50bps for all maturities. That helped to limit daily depreciation to 5 big figures. Then the Central Bank decided to cancel daily 1-week repo auctions for 2 consecutive days starting Thursday. That move not only stemmed further depreciation but reversed the exchange rate. Thursday EUR/TRY opened at 4,0997, peaked at 4,1785 but closed at 4,0072. In fact the TCMB pushed local banks to borrow at the emergency lending window at 10%, which had the effect of a rate hike. The TRY tightening however, is an indication that further tightening potentially via interest rate hikes will be on the table when the TCMB monetary policy committee meets again on January 24, 2017.

## BIST bulls are back for now

Borsa Istanbul main index BIST100 closed flat Monday and Tuesday but Thursday the bulls came back to lift the index up by 5% back above levels not seen since July prior to the coup attempt. The 82K hurdle seems like easily cleared, the next 83K resistance will most likely hold as there is event risk looming in near term. January 24 the next MPC of TCMB, and January 27 the next Fitch review, where the outlook is currently negative.

## Russia RUB sovereign bonds outperform

Love comes another week from Russia, with 5-year yields declining by 21,5bps to 7,885%, or 10-year yields dropping by 28,5bps to 7,990%. That will be the 6<sup>th</sup> straight week of declining yields and rising bond prices. Furthermore, CPI (consumer price index; inflation) has been declining since peaking at 15,6% in 2015 to average 7,1% y/y in 2016, and is expected to average 5,0% in 2017. Going forward disinflation is supported by moderately tight monetary policy with 1<sup>st</sup> rate hike of the year likely in 2Q17. Moreover, European asset managers had their strongest weekly inflows into EM debt since start of 4Q16.

## USD Libor surge continues across the board

ICE (Intercontinental Exchange; U.S. Libor administration) fixed USD Libor rates higher than the previous day for the ninth consecutive day. The 3-month Libor rose the most this week (+1,239%) to 1,02317.



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## Economic Research and Development

Exchange Rates	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,0632	1,03	0,16	-3,61
EUR/TRY	4,0288	5,03	8,52	18,24
EUR/CHF	1,0726	0,11	-0,29	-1,59
EUR/GBP	0,87545	2,16	4,53	-2,83
EUR/JPY	122,37	-0,76	-0,14	6,91
EUR/RUB	63,2494	0,72	-1,73	-8,97
EUR/CNY	7,3422	0,48	0,05	-1,10
USD/TRY	3,789	3,94	8,38	22,75
USD/JPY	115,1	-1,78	-0,29	10,91
USD/RUB	59,4832	-0,34	-1,89	-5,56
USD/CNY	6,9004	-0,34	-0,03	2,57

Sovereign Bonds 10Y	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Ask YTM
Austria	102,22	0,28	0,78	0,51
Belgium	102,93	0,20	-0,15	0,67
China	96,40	-0,76	-1,27	3,19
EFSF	119,18	0,12	-0,03	-0,28
ESM	114,39	0,30	0,42	0,00
France	94,81	0,32	0,02	0,79
Germany	97,54	0,39	0,99	0,25
Greece	78,90	-0,74	-0,94	6,78
Japan	100,63	0,07	0,26	0,03
Portugal	92,03	1,16	-1,17	3,87
Spain	98,77	0,95	-0,04	1,43
Russia	102,05	1,77	3,15	7,98
Switzerland	114,52	0,52	1,60	-0,31
Turkey	97,03	-0,79	0,28	10,89
UK	101,39	0,41	0,92	1,33
US	96,61	0,35	na	2,38

Turkey related	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,9085	4,62	8,41	20,41
WAC of CBRT (T-1)	8,34	0,60	0,72	7,34
Gold TRY / gram	145,39	5,93	11,95	16,79
TR Gov. B. 2Y yield	11,21	3,99	0,54	25,25

Euribor/Eonia	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,353	0,28	-0,86	-1,73
Euribor 1 Month	-0,372	-0,81	-0,27	0,00
Euribor 3 Month	-0,327	-1,87	-3,48	-5,15
Euribor 6 Month	-0,236	-3,06	-8,26	-15,69
Euribor 12 Month	-0,094	-8,05	-16,05	-32,39

EUR Libor	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,411	0,00	-0,17	-0,95
EUR Libor 1M	-0,381	-0,37	0,56	-0,95
EUR Libor 3M	-0,341	0,00	-2,14	-5,10
EUR Libor 6M	-0,238	-0,66	-6,92	-10,60
EUR Libor 12M	-0,095	-3,92	-9,76	-16,51

Commodities Energy Futures	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	52,69	-2,35	-2,26	1,66
BRENT crude	55,78	-2,29	-1,06	3,81
GAS oil	491,50	-1,55	-0,61	3,86
Heating oil	166,70	-2,10	-1,44	2,08
Natural gas	3,40	3,84	-1,84	-6,65
Gold Spot	1.193,84	1,89	3,27	-4,88
Silver Spot	16,69	1,31	-1,03	-4,21
Platinum Spot	969,85	0,28	3,76	4,40
Palladium Spot	746,31	-1,40	2,15	17,27
Copper	265,25	4,12	2,02	24,17

Stock Indices	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	2.675	-0,79	2,06	12,23
BIST 100	81.278	5,46	5,61	5,87
CAC 40	4.910	-0,01	2,20	11,45
DAX	11.591	-0,06	2,72	11,31
Dow Jones (T-1)	19.891	-0,04	-0,10	9,90
Euro Stoxx 50	3.314	-0,21	2,39	11,40
FTSE 100	7.326	1,63	5,15	5,01
HANG SENG	22.937	1,93	2,19	-0,41
IBEX 35	9.490	-0,25	1,72	10,26
MICEX	2.177	-1,72	-3,17	10,09
NASDAQ 100 (T-1)	5.041	1,54	2,14	4,96
NIKKEI 225	19.287	-1,20	0,19	14,98
S&P 500 (T-1)	2.270	0,06	-0,06	6,47

Interest Rate Futures	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	133,45	0,11	0,42	0,13
Bund	163,62	0,49	1,19	-1,43

Risk Sentiment	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	892	-7,37	-15,21	0,79
VIX	11,5	1,59	-9,59	-31,10
Turkey 5Y CDS (T-1)	290,165	7,67	2,11	13,48
MSCI EM Index (T-1)	896,64	1,76	2,22	0,67

USD Libor	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N (T-1)	0,693	0,26	58,53	60,74
USD Libor 1M	0,768	0,66	9,15	43,73
USD Libor 3M	1,023	1,29	6,20	16,27
USD Libor 6M	1,332	0,55	2,57	5,49
USD Libor 12M	1,698	0,82	2,69	7,00

TRY Libor	Price as of 01/13/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	8,627	0,59	0,21	6,00
TRY Libor 1M	9,453	1,38	1,60	11,29
TRY Libor 3M	10,081	1,66	1,44	14,56
TRY Libor 6M	10,880	2,79	2,15	20,10
TRY Libor 12M	11,299	3,09	2,59	22,10

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## Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
01/03/2017 15:45	US	Markit US Manufacturing PMI	Dec F	54.2	54.3	54.2
01/03/2017 16:00	US	ISM Manufacturing	Dec	53.8	54.7	53.2
01/03/2017 16:00	US	Construction Spending MoM	Nov	0.5%	0.9%	0.5%
01/04/2017 13:00	US	MBA Mortgage Applications	Dec 30	--	0.1%	-12.1%
01/05/2017 14:15	US	ADP Employment Change	Dec	175k	153k	216k
01/05/2017 14:30	US	Initial Jobless Claims	Dec 31	260k	235k	265k
01/05/2017 14:30	US	Continuing Claims	Dec 24	2045k	2112k	2102k
01/05/2017 15:45	US	Markit US Services PMI	Dec F	53.4	53.9	53.4
01/06/2017 14:30	US	Trade Balance	Nov	-\$45.4b	-\$45.2b	-\$42.6b
01/06/2017 14:30	US	Change in Nonfarm Payrolls	Dec	175k	156k	178k
01/06/2017 14:30	US	Unemployment Rate	Dec	4.7%	4.7%	4.6%
01/09/2017 21:00	US	Consumer Credit	Nov	\$18.400b	\$24.532b	\$16.018b
01/10/2017 12:00	US	NFIB Small Business Optimism	Dec	99.5	105.8	98.4
01/10/2017 16:00	US	JOLTS Job Openings	Nov	5500	5522	5534
01/11/2017 13:00	US	MBA Mortgage Applications	Jan 6	--	5.8%	0.1%
01/12/2017 14:30	US	Initial Jobless Claims	Jan 7	255k	247k	235k
01/12/2017 20:00	US	Monthly Budget Statement	Dec	-\$26.0b	-\$27.5b	-\$136.7b
01/02/2017 10:00	EA	Markit Eurozone Manufacturing PMI	Dec F	54.9	54.9	54.9
01/04/2017 10:00	EA	Markit Eurozone Services PMI	Dec F	53.1	53.7	53.1
01/04/2017 11:00	EA	CPI Estimate YoY	Dec	1.0%	1.1%	0.6%
01/04/2017 11:00	EA	CPI Core YoY	Dec A	0.8%	0.9%	0.8%
01/05/2017 11:00	EA	PPI MoM	Nov	0.3%	0.3%	0.8%
01/05/2017 11:00	EA	PPI YoY	Nov	-0.1%	0.1%	-0.4%
01/06/2017 11:00	EA	Economic Confidence	Dec	106.8	107.8	106.5
01/06/2017 11:00	EA	Business Climate Indicator	Dec	0.47	0.79	0.42
01/06/2017 11:00	EA	Industrial Confidence	Dec	-0.4	0.1	-1.1
01/06/2017 11:00	EA	Consumer Confidence	Dec F	-5.1	-5.1	-5.1
01/06/2017 11:00	EA	Retail Sales MoM	Nov	-0.4%	-0.4%	1.1%
01/06/2017 11:00	EA	Retail Sales YoY	Nov	1.9%	2.3%	2.4%
01/09/2017 10:30	EA	Sentix Investor Confidence	Jan	12.8	18.2	10.0
01/09/2017 11:00	EA	Unemployment Rate	Nov	9.8%	9.8%	9.8%
01/12/2017 11:00	EA	Industrial Production SA MoM	Nov	0.6%	1.5%	-0.1%
01/12/2017 11:00	EA	Industrial Production WDA YoY	Nov	1.6%	3.2%	0.6%
01/02/2017 08:00	TR	Markit/ISO Turkey PMI Mfg	Dec	--	47.7	48.8
01/03/2017 08:00	TR	CPI MoM	Dec	0.90%	1.64%	0.52%
01/03/2017 08:00	TR	CPI YoY	Dec	7.60%	8.53%	7.00%
01/03/2017 08:00	TR	PPI MoM	Dec	--	2.98%	2.00%
01/03/2017 08:00	TR	PPI YoY	Dec	--	9.94%	6.41%
01/04/2017 12:30	TR	Effective Exchange Rate	Dec	--	92.16	95.24
01/09/2017 08:00	TR	Industrial Production YoY	Nov	3.6%	2.7%	2.0%
01/09/2017 08:00	TR	Industrial Production MoM	Nov	0.8%	0.0%	3.7%
01/11/2017 08:00	TR	Current Account Balance	Nov	-2.75b	-2.27b	-1.68b
01/12/2017 12:30	TR	Foreigners Net Bond Invest	Jan 6	--	\$269m	\$101m
01/12/2017 12:30	TR	Foreigners Net Stock Invest	Jan 6	--	-\$55m	-\$30m

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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.