

# FX & Markets Weekly

Week 21/2017

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## Crude tumbles despite OPEC output cut extension

OPEC extended its 1,2mn barrel/day oil production limit by 9 months until March 2018. As a response WTI crude futures for July delivery dropped by 3,158%, and Brent futures for the same delivery by even more (-3,451%). The reason for unexpected market consequences was that OPEC was expected to agree on a bigger reduction at a time when U.S. crude oil inventories (excluding strategic reserves) just declined from a fresh record-high (535,543 bbls as per end of March 2017). Looking at the forward market we see that it pays off holding crude inventories. The higher oil forward price provides also new entries into the U.S. shale oil market. 711 current shale basins this week, up from 636 past week. Moreover, U.S. President Trump is proposing to sell half the U.S. strategic oil reserves (687,7 mn barrels) to reduce the nation's high national debt stock (over 100% of GDP). In terms of FX, these developments will not bode well for oil currencies such as CAD, NOK, RUB.

## FTSE100 rises to fresh record high on weaker GBP

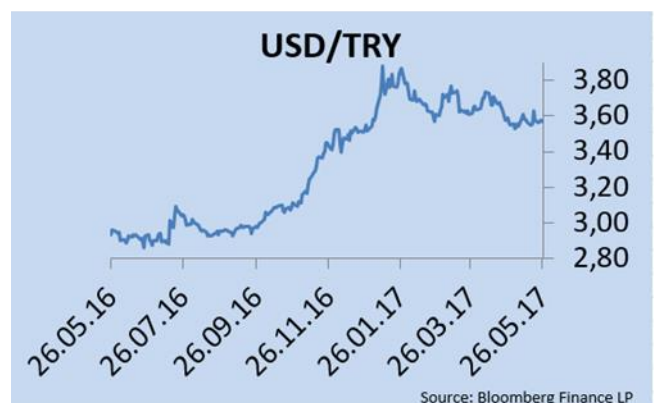
Another coward terror attack that lead PM May and main opposition leader Corbyn to pause campaigning for the June 8 elections sent also the GBP tumbling against all G10 peers. The main beneficiary was the NZD (+3,64%) followed by SEK (+2,2%), and CAD (+2,17%). Another beneficiary was the FTSE100 index that renewed its record high to 7552,42.

## U.S. 1Q17 GDP overshoots estimates

U.S. GDP grew at 1,2% pace in 1Q17, up from 0,7% q/q in the previous estimate of the U.S. Bureau of Economic Analysis, and topped even consensus estimates of 0,9%. As a result EUR/USD dropped below 1,12 again.

## Moody's downgrades China by 1 notch to A1

For the first time since 1989, Moody's downgraded China by 1 notch to A1, and revised the outlook up to 'stable' from 'negative'. The downgrade reflects the rating agency's expectation that the country's financial strength will erode due to rising economy-wide debt, slowing GDP growth, and consequent rising contingent liabilities of the government. Whereas, the stable outlook reflects the rating agency's assessment that risks are balanced at the A1 rating level. Initial market reaction on 5-year USD credit default swaps on the sovereign was muted as they rose to 82,9 up from 78,8; in contrast to 3-month average of 92,5. On the Shanghai stock market, the commercial index dropped 3,32%, as did the industrial index (-0,73%), and the utility index (-0,38%). While the conglomerate index rose by 3,38% week over week.





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## Economic Research and Development

| Exchange Rates | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|----------------|------------------------|-----------------|------------------|-------------------|
| EUR/USD        | 1,1178                 | -0,29           | 2,74             | 5,37              |
| EUR/TRY        | 3,9993                 | -0,24           | 2,40             | 4,70              |
| EUR/CHF        | 1,0901                 | -0,07           | 0,64             | 2,09              |
| EUR/GBP        | 0,87345                | 1,59            | 3,03             | 2,60              |
| EUR/JPY        | 124,38                 | -0,29           | 2,34             | 4,43              |
| EUR/RUB        | 63,5667                | -0,31           | 2,32             | 3,32              |
| EUR/CNY        | 7,6632                 | -0,63           | 2,17             | 5,09              |
| USD/TRY        | 3,5777                 | 0,08            | -0,30            | -0,61             |
| USD/JPY        | 111,27                 | 0,02            | -0,38            | -0,88             |
| USD/RUB        | 56,8674                | -0,01           | -0,40            | -1,94             |
| USD/CNY        | 6,8549                 | -0,44           | -0,55            | -0,23             |

| Sovereign Bonds 10Y | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Ask YTM |
|---------------------|------------------------|-----------------|------------------|---------|
| Austria             | 102,20                 | 0,23            | 0,15             | 0,50    |
| Belgium             | 104,32                 | 0,50            | 1,13             | 0,51    |
| China               | 92,79                  | -0,37           | -1,95            | 3,50    |
| EFSF                | 117,30                 | -0,01           | -0,02            | -0,18   |
| ESM                 | 113,64                 | 0,06            | 0,00             | -0,00   |
| France              | 96,00                  | 0,41            | 1,29             | 0,68    |
| Germany             | 97,70                  | 0,31            | 0,24             | 0,25    |
| Greece              | 85,65                  | -1,65           | 3,74             | 5,81    |
| Japan               | 100,79                 | 0,04            | -0,22            | 0,01    |
| Portugal            | 100,14                 | 0,14            | 3,31             | 2,83    |
| Spain               | 99,05                  | 0,34            | 1,40             | 1,40    |
| Russia              | 104,65                 | -0,74           | 0,84             | 7,59    |
| Switzerland         | 113,48                 | 0,16            | 0,35             | -0,26   |
| Turkey              | 101,23                 | 1,22            | -0,66            | 10,89   |
| UK                  | 104,88                 | 0,70            | 0,60             | 0,94    |
| US                  | 97,97                  | -0,02           | na               | 2,24    |

| Turkey related      | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------------|------------------------|-----------------|------------------|-------------------|
| TRY Basket          | 3,7883                 | -0,21           | 1,09             | 2,11              |
| WAC of CBRT (T-1)   | 11,93                  | 0,00            | 3,92             | 14,60             |
| Gold TRY / gram     | 145,73                 | 0,92            | -0,01            | -0,12             |
| TR Gov. B. 2Y yield | 11,1                   | -3,06           | -2,03            | -0,45             |

| Euribor/Eonia    | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|------------------|------------------------|-----------------|------------------|-------------------|
| Eonia (T-1)      | -0,365                 | -0,83           | -0,83            | -1,67             |
| Euribor 1 Month  | -0,371                 | 0,80            | 0,54             | 0,00              |
| Euribor 3 Month  | -0,329                 | 0,60            | 0,00             | 0,00              |
| Euribor 6 Month  | -0,254                 | -1,20           | -2,42            | -6,72             |
| Euribor 12 Month | -0,130                 | -0,78           | -7,44            | -15,04            |

| EUR Libor     | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------|------------------------|-----------------|------------------|-------------------|
| EUR Libor O/N | -0,430                 | -0,67           | -1,35            | -3,08             |
| EUR Libor 1M  | -0,399                 | 1,06            | -0,54            | -0,87             |
| EUR Libor 3M  | -0,369                 | 0,96            | -2,38            | -5,08             |
| EUR Libor 6M  | -0,285                 | -3,37           | -10,16           | -15,32            |
| EUR Libor 12M | -0,155                 | -4,32           | -9,02            | -38,25            |

| Commodities    | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|----------------|------------------------|-----------------|------------------|-------------------|
| Energy Futures |                        |                 |                  |                   |
| WTI crude      | 49,23                  | -2,96           | -1,58            | -10,21            |
| BRENT crude    | 51,70                  | -3,67           | -1,47            | -8,91             |
| GAS oil        | 461,50                 | -2,64           | -1,97            | -8,08             |
| Heating oil    | 155,41                 | -1,79           | 0,82             | -6,54             |
| Natural gas    | 3,18                   | -2,33           | -2,78            | 8,16              |
| Gold Spot      | 1.266,94               | 0,84            | 0,30             | 0,49              |
| Silver Spot    | 17,32                  | 2,67            | -0,52            | -5,89             |
| Platinum Spot  | 962,70                 | 2,44            | 1,68             | -7,15             |
| Palladium Spot | 789,92                 | 3,74            | -2,30            | 0,60              |
| Copper         | 256,95                 | -0,50           | -1,23            | -5,20             |

| Stock Indices | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------|------------------------|-----------------|------------------|-------------------|
| ATX           | 3.209                  | 3,76            | 8,82             | 16,54             |
| BIST 100      | 97.830                 | 2,68            | 3,36             | 10,70             |
| CAC 40        | 5.333                  | 0,09            | 0,78             | 9,98              |
| DAX           | 12.592                 | -0,40           | 0,92             | 6,64              |
| Dow Jones     | 21.074                 | 1,32            | 0,50             | 1,24              |
| Euro Stoxx 50 | 3.576                  | -0,37           | -0,13            | 8,17              |
| FTSE 100      | 7.551                  | 1,03            | 3,55             | 4,19              |
| HANG SENG     | 25.639                 | 1,84            | 4,32             | 6,98              |
| IBEX 35       | 10.868                 | 0,27            | 0,94             | 14,93             |
| MICEX         | 1.934                  | -1,41           | -4,54            | -7,56             |
| NASDAQ 100    | 5.788                  | 2,43            | 4,47             | 8,34              |
| NIKKEI 225    | 19.687                 | 0,49            | 2,06             | 2,09              |
| S&P 500       | 2.415                  | 1,40            | 1,16             | 2,02              |

| Interest Rate Futures | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|-----------------------|------------------------|-----------------|------------------|-------------------|
| Bobl                  | 131,91                 | 0,18            | 0,26             | -0,63             |
| Bund                  | 161,76                 | 0,29            | 0,30             | -0,73             |

| Risk Sentiment         | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|------------------------|------------------------|-----------------|------------------|-------------------|
| Baltic Dry Index (T-1) | 918                    | -4,08           | -19,97           | 4,91              |
| VIX                    | 10,38                  | -18,60          | -9,68            | -14,56            |
| Turkey 5Y CDS (T-1)    | 198,264                | -5,71           | -8,62            | -16,44            |
| MSCI EM Index (T-1)    | 1.014,55               | 1,90            | 3,26             | 7,53              |

| USD Libor           | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------------|------------------------|-----------------|------------------|-------------------|
| USD Libor O/N (T-1) | 0,930                  | 0,12            | -0,03            | 36,21             |
| USD Libor 1M        | 1,045                  | 2,71            | 5,23             | 33,84             |
| USD Libor 3M        | 1,202                  | 1,29            | 2,56             | 14,02             |
| USD Libor 6M        | 1,414                  | -0,10           | -1,21            | 3,90              |
| USD Libor 12M       | 1,721                  | -0,10           | -3,46            | -1,05             |

| TRY Libor     | Price as of 05/26/2017 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------|------------------------|-----------------|------------------|-------------------|
| TRY Libor O/N | 12,405                 | -0,25           | 3,15             | 12,79             |
| TRY Libor 1M  | 12,553                 | 0,46            | 4,13             | 13,90             |
| TRY Libor 3M  | 12,604                 | 0,49            | 2,92             | 11,79             |
| TRY Libor 6M  | 12,664                 | 0,09            | 2,97             | 9,37              |
| TRY Libor 12M | 12,809                 | 0,00            | 1,23             | 6,86              |

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## Economic Research and Development

| Date Time        | Country | Economic Release                  | Period | Consensus | Actual   | Prior    |
|------------------|---------|-----------------------------------|--------|-----------|----------|----------|
| 05/22/2017 14:30 | US      | Chicago Fed Nat Activity Index    | Apr    | 0.11      | 0.49     | 0.08     |
| 05/23/2017 15:45 | US      | Markit US Manufacturing PMI       | May P  | 53.0      | 52.5     | 52.8     |
| 05/23/2017 15:45 | US      | Markit US Services PMI            | May P  | 53.3      | 54.0     | 53.1     |
| 05/23/2017 15:45 | US      | Markit US Composite PMI           | May P  | --        | 53.9     | 53.2     |
| 05/23/2017 16:00 | US      | New Home Sales                    | Apr    | 610k      | 569k     | 621k     |
| 05/23/2017 16:00 | US      | New Home Sales MoM                | Apr    | -1.8%     | -11.4%   | 5.8%     |
| 05/23/2017 16:00 | US      | Richmond Fed Manufact. Index      | May    | 15        | 1        | 20       |
| 05/24/2017 13:00 | US      | MBA Mortgage Applications         | May 19 | --        | 4.4%     | -4.1%    |
| 05/24/2017 15:00 | US      | FHFA House Price Index MoM        | Mar    | 0.5%      | 0.6%     | 0.8%     |
| 05/24/2017 16:00 | US      | Existing Home Sales               | Apr    | 5.65m     | 5.57m    | 5.71m    |
| 05/24/2017 16:00 | US      | Existing Home Sales MoM           | Apr    | -1.1%     | -2.3%    | 4.4%     |
| 05/25/2017 14:30 | US      | Advance Goods Trade Balance       | Apr    | -\$64.5b  | -\$67.6b | -\$64.8b |
| 05/25/2017 14:30 | US      | Wholesale Inventories MoM         | Apr P  | 0.2%      | -0.3%    | 0.2%     |
| 05/25/2017 14:30 | US      | Retail Inventories MoM            | Apr    | --        | -0.3%    | 0.4%     |
| 05/25/2017 14:30 | US      | Initial Jobless Claims            | May 20 | 238k      | 234k     | 232k     |
| 05/25/2017 14:30 | US      | Continuing Claims                 | May 13 | 1925k     | 1923k    | 1898k    |
| 05/26/2017 14:30 | US      | GDP Annualized QoQ                | 1Q S   | 0.9%      | 1.2%     | 0.7%     |
| 05/26/2017 14:30 | US      | Personal Consumption              | 1Q S   | 0.4%      | 0.6%     | 0.3%     |
| 05/26/2017 14:30 | US      | GDP Price Index                   | 1Q S   | 2.3%      | 2.2%     | 2.3%     |
| 05/26/2017 14:30 | US      | Core PCE QoQ                      | 1Q S   | 2.0%      | 2.1%     | 2.0%     |
| 05/26/2017 14:30 | US      | Durable Goods Orders              | Apr P  | -1.5%     | -0.7%    | 0.9%     |
| 05/26/2017 14:30 | US      | Durables Ex Transportation        | Apr P  | 0.4%      | -0.4%    | 0.0%     |
| 05/26/2017 14:30 | US      | Cap Goods Orders Nondef Ex Air    | Apr P  | 0.5%      | 0.0%     | 0.5%     |
| 05/26/2017 14:30 | US      | Cap Goods Ship Nondef Ex Air      | Apr P  | 0.5%      | -0.1%    | 0.5%     |
| 05/23/2017 10:00 | EA      | Markit Eurozone Manufacturing PMI | May P  | 56.5      | 57.0     | 56.7     |
| 05/23/2017 10:00 | EA      | Markit Eurozone Services PMI      | May P  | 56.4      | 56.2     | 56.4     |
| 05/23/2017 10:00 | EA      | Markit Eurozone Composite PMI     | May P  | 56.7      | 56.8     | 56.8     |
| 05/23/2017 13:30 | TR      | Real Sector Confidence SA         | May    | --        | 104.8    | 106.3    |
| 05/23/2017 13:30 | TR      | Real Sector Confidence NSA        | May    | --        | 109.2    | 111.2    |
| 05/23/2017 13:30 | TR      | Capacity Utilization              | May    | --        | 78.8%    | 78.4%    |
| 05/24/2017 09:00 | TR      | Home Sales                        | Apr    | --        | 114.4k   | 128.9k   |
| 05/24/2017 09:00 | TR      | Home Sales (YoY)                  | Apr    | --        | 7.6%     | 10.0%    |
| 05/25/2017 13:30 | TR      | Foreigners Net Bond Invest        | May 19 | --        | \$491m   | \$263m   |
| 05/25/2017 13:30 | TR      | Foreigners Net Stock Invest       | May 19 | --        | \$14m    | \$223m   |
| 05/26/2017 09:00 | TR      | Economic Confidence               | May    | --        | 100.5    | 99.5     |
| 05/22/2017 17:30 | RU      | Unemployment Rate                 | Apr    | 5.4%      | 5.3%     | 5.4%     |
| 05/22/2017 17:30 | RU      | Real Disposable Income            | Apr    | -1.8%     | -7.6%    | -2.5%    |
| 05/22/2017 17:30 | RU      | Real Wages YoY                    | Apr    | 1.9%      | 2.5%     | 1.5%     |
| 05/22/2017 17:30 | RU      | Retail Sales Real MoM             | Apr    | -1.0%     | -1.3%    | 7.9%     |
| 05/22/2017 17:30 | RU      | Retail Sales Real YoY             | Apr    | -0.1%     | 0.0%     | -0.4%    |
| 05/24/2017 15:00 | RU      | CPI WoW                           | May 22 | --        | 0.0%     | 0.1%     |
| 05/24/2017 15:00 | RU      | CPI Weekly YTD                    | May 22 | --        | 1.5%     | 1.5%     |
| 05/25/2017 15:00 | RU      | Gold and Forex Reserve            | May 19 | --        | 405.0b   | 399.7b   |
| 05/26/2017 10:00 | RU      | Money Supply Narrow Def           | May 19 | --        | 9.10t    | 9.06t    |

**Should you have any queries, please contact me as follows:**

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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.