

# FX & Markets Weekly

Week 22/2017

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## U.S. High-Yield funds see inflows again

A mutual fund data provider (Lipper) reported U.S. corporate high-yield fund inflows of USD 521m for the week ending May 31. That compares with outflows of USD 568m in the previous week. Furthermore, U.S. investment-grade fund inflows decreased to USD 981m from USD 2,1bn in previous week, also U.S. Treasury funds saw decreasing inflows of USD 131m, down from USD 185m. That was the 8<sup>th</sup> consecutive week of inflows.

## USD Libor rates rise on looming rate hike

As the June FOMC comes closer USD money market rates are also rising. The 3-month USD Libor was fixed at 1,2225, it's highest since March 2009. That was the 7<sup>th</sup> consecutive trading day of higher fixings, and the 3<sup>rd</sup> consecutive week of rising fixings. The ADP National Employment report overshot consensus estimates of 180K, and the previous number of 177K by a large margin to reach 253K in May. That release also boosted Federal Funds Future implied probabilities of a ¼ point hike on June 13-14 to 92,7% up from 85,1 on Friday May 26. Moreover, it was the USD 1 Month Libor that rose the most this week (+3,071% to 1,08617%) expanding its 1 month rising streak to 8,13%, and its 3 month performance to 32,734%.

## EUR Libor rates drop as excess liquidity rises

Euro area excess liquidity calculated as current account holdings + deposit facility - average reserve requirement rose to EUR 1,7trn as per June 1. As banks borrowed overnight from the ECB EUR 327m on June 1, up from EUR 177m on May 31. That lifted also the ECB's current account holding up to EUR 1,2trn, up from EUR 1,1trn on the previous day. Meanwhile the ECB's balance sheet grew to EUR 4,2trn. The 6-month Euribor dropped to a new record low of -0,255%. As did the 12-month Euribor (-0,131%). Also the ICE-fixed EUR Libor rates dropped across the board with new record lows at 0/N, 6-month, and 12-month tenors.

## GBP drops despite rising construction activity

This week showed British construction activity growing at its highest pace since YE2015 (Markit/CIPS Purchasing Manager index jumped to 56,0 from 53,1). At the same time, a political opinion poll showed Theresa May's party might miss a majority in upcoming June 8 elections. Furthermore, the latest Bank of England lending figures showed unsecured lending remains elevated representing a threat to financial stability. Our take is that appetite for unsecured loans is historically high, and is outpacing household income growth. An economic downturn could lead to rising loan defaults. The growth of household credit rose to 10,3% in April, up from a trailing 12-month average of 10,2%. In contrast, 5 years ago loan growth was less than 1%.



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## Economic Research and Development

Exchange Rates	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities Energy Futures	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1263	0,77	3,33	7,26	WTI crude	47,28	-3,39	-1,56	-12,01
EUR/TRY	3,9687	-0,74	3,19	1,47	BRENT crude	49,53	-5,73	-2,48	-11,15
EUR/CHF	1,0892	0,06	0,54	2,31	GAS oil	437,50	-5,04	-2,83	-11,30
EUR/GBP	0,87455	0,18	3,63	2,11	Heating oil	147,72	-4,98	0,18	-8,41
EUR/JPY	124,71	0,21	1,99	3,72	Natural gas	3,03	-7,73	-7,70	-2,33
EUR/RUB	63,7122	0,92	2,55	3,32	Gold Spot	1.274,61	0,53	1,46	3,25
EUR/CNY	7,6774	0,16	2,10	6,00	Silver Spot	17,39	0,03	3,13	-2,30
USD/TRY	3,5226	-1,58	-0,14	-5,34	Platinum Spot	935,63	-2,67	1,18	-5,40
USD/JPY	110,72	-0,56	-1,27	-3,31	Palladium Spot	837,95	5,49	2,49	8,58
USD/RUB	56,5635	0,15	-0,74	-3,67	Copper	253,70	-2,31	-3,72	-6,17
USD/CNY	6,8145	-0,60	-1,18	-1,09	Stock Indices	Price as of 06/02/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
Sovereign Bonds 10Y	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Ask YTM	ATX	3.160	-1,43	5,01	12,49
Austria	102,60	0,35	0,29	0,46	BIST 100	98.409	0,85	4,25	9,37
Belgium	104,73	0,37	0,95	0,46	CAC 40	5.341	0,22	0,83	7,74
China	98,13	0,21	-1,07	3,55	DAX	12.806	1,73	2,50	6,31
EFSF	117,41	0,07	-0,02	-0,22	Dow Jones	21.144	0,63	0,93	0,67
ESM	113,82	0,13	0,05	-0,03	Euro Stoxx 50	3.594	0,54	0,57	6,32
France	96,45	0,42	1,05	0,63	FTSE 100	7.553	0,57	4,28	2,41
Germany	98,17	0,45	0,49	0,20	HANG SENG	25.924	1,14	4,97	9,25
Greece	85,03	-0,53	-0,13	5,91	IBEX 35	10.959	0,63	1,41	12,94
Japan	100,78	-0,01	-0,20	0,01	MICEX	1.866	-3,55	-7,96	-8,96
Portugal	101,15	0,96	4,31	2,70	NASDAQ 100	5.817	1,50	3,06	8,45
Spain	98,81	-0,24	0,86	1,42	NIKKEI 225	20.177	2,49	3,76	3,13
Russia	105,05	0,40	-0,06	7,54	S&P 500	2.430	1,07	1,63	2,02
Switzerland	113,95	0,44	0,67	-0,31	Interest Rate Futures	Price as of 06/02/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
Turkey	102,70	1,46	0,74	10,89	Bobl	132,31	0,28	0,39	0,14
UK	104,55	-0,29	0,38	0,98	Bund	162,68	0,50	0,56	0,74
US	98,56	0,69	na	2,17	Risk Sentiment	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Turkey related	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index (T-1)	850	-8,99	-20,78	-5,97
TRY Basket	3,7462	-1,32	1,60	-1,85	VIX	9,92	-1,30	-6,89	-16,51
WAC of CBRT (T-1)	11,96	0,25	1,36	15,22	Turkey 5Y CDS (T-1)	196,384	-0,39	-2,66	-19,42
Gold TRY / gram	144,36	-1,06	1,32	-2,27	MSCI EM Index (T-1)	1.008,47	-0,84	2,05	7,70
TR Gov. B. 2Y yield	11	-0,90	-4,01	-1,96	USD Libor	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Euribor/Eonia	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N (T-1)	0,931	0,12	0,48	36,37
Eonia (T-1)	-0,355	2,74	-1,14	-1,43	USD Libor 1M	1,086	3,97	9,41	30,86
Euribor 1 Month	-0,372	-0,27	0,54	0,00	USD Libor 3M	1,223	1,72	4,16	11,14
Euribor 3 Month	-0,329	0,00	0,00	0,00	USD Libor 6M	1,428	1,02	-0,29	0,86
Euribor 6 Month	-0,255	-0,39	-2,41	-7,14	USD Libor 12M	1,731	0,55	-2,78	-3,75
Euribor 12 Month	-0,131	-0,77	-8,26	-14,91	TRY Libor	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor	Price as of 06/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	12,554	1,20	0,88	14,06
EUR Libor O/N	-0,430	0,00	-1,35	-2,21	TRY Libor 1M	12,614	0,48	2,55	14,49
EUR Libor 1M	-0,401	-0,54	0,18	-1,63	TRY Libor 3M	12,649	0,36	2,39	12,20
EUR Libor 3M	-0,370	-0,19	-2,17	-4,23	TRY Libor 6M	12,712	0,38	1,30	9,79
EUR Libor 6M	-0,287	-0,75	-9,78	-16,11	TRY Libor 12M	12,809	0,00	0,32	6,84
EUR Libor 12M	-0,170	-9,10	-18,34	-46,00					

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## Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
05/30/2017 14:30	US	Personal Income	Apr	0.4%	0.4%	0.2%
05/30/2017 14:30	US	Personal Spending	Apr	0.4%	0.4%	0.0%
05/30/2017 14:30	US	Real Personal Spending	Apr	0.2%	0.2%	0.3%
05/30/2017 16:00	US	Conf. Board Consumer Confidence	May	119.5	117.9	120.3
05/30/2017 16:00	US	Conf. Board Present Situation	May	--	140.7	140.6
05/30/2017 16:00	US	Conf. Board Expectations	May	--	102.6	106.7
05/30/2017 16:30	US	Dallas Fed Manf. Activity	May	15.0	17.2	16.8
05/31/2017 13:00	US	MBA Mortgage Applications	May 26	--	-3.4%	4.4%
05/31/2017 15:45	US	Chicago Purchasing Manager	May	57.0	59.4	58.3
05/31/2017 16:00	US	Pending Home Sales MoM	Apr	0.5%	-1.3%	-0.8%
05/31/2017 16:00	US	Pending Home Sales NSA YoY	Apr	--	-5.4%	0.5%
06/01/2017 13:30	US	Challenger Job Cuts YoY	May	--	71.4%	-42.9%
06/01/2017 14:15	US	ADP Employment Change	May	180k	253k	177k
06/01/2017 14:30	US	Initial Jobless Claims	May 27	238k	248k	234k
06/01/2017 14:30	US	Continuing Claims	May 20	1920k	1915k	1923k
06/01/2017 15:45	US	Markit US Manufacturing PMI	May F	52.5	52.7	52.5
06/01/2017 16:00	US	ISM Manufacturing	May	54.8	54.9	54.8
06/01/2017 16:00	US	ISM Prices Paid	May	67.0	60.5	68.5
06/01/2017 16:00	US	ISM New Orders	May	--	59.5	57.5
06/01/2017 16:00	US	ISM Employment	May	--	53.5	52.0
06/01/2017 16:00	US	Construction Spending MoM	Apr	0.5%	-1.4%	-0.2%
06/02/2017 14:30	US	Change in Nonfarm Payrolls	May	182k	138k	211k
06/02/2017 14:30	US	Two-Month Payroll Net Revision	May	--	-66k	--
06/02/2017 14:30	US	Unemployment Rate	May	4.4%	4.3%	4.4%
06/02/2017 14:30	US	Labor Force Participation Rate	May	62.9%	62.7%	62.9%
06/02/2017 14:30	US	Trade Balance	Apr	-\$46.1b	-\$47.6b	-\$43.7b
05/29/2017 10:00	EA	M3 Money Supply YoY	Apr	5.2%	4.9%	5.3%
05/30/2017 11:00	EA	Economic Confidence	May	110.0	109.2	109.6
05/30/2017 11:00	EA	Business Climate Indicator	May	1.11	0.90	1.09
05/30/2017 11:00	EA	Industrial Confidence	May	3.1	2.8	2.6
05/31/2017 11:00	EA	Unemployment Rate	Apr	9.4%	9.3%	9.5%
05/31/2017 11:00	EA	CPI Estimate YoY	May	1.5%	1.4%	1.9%
05/31/2017 11:00	EA	CPI Core YoY	May A	1.0%	0.9%	1.2%
06/01/2017 10:00	EA	Markit Eurozone Manufacturing PMI	May F	57.0	57.0	57.0
06/02/2017 11:00	EA	PPI MoM	Apr	0.2%	0.0%	-0.3%
06/02/2017 11:00	EA	PPI YoY	Apr	4.5%	4.3%	3.9%
05/29/2017 13:30	TR	House Price Index YoY	Mar	--	13.34%	13.29%
05/29/2017 13:30	TR	House Price Index MoM	Mar	--	1.12%	1.07%
05/30/2017 10:00	TR	Foreign Tourist Arrivals YoY	Apr	--	18.1%	-4.0%
05/31/2017 09:00	TR	Trade Balance	Apr	-4.90b	-4.95b	-4.49b
06/01/2017 09:00	TR	Markit/ISO Turkey PMI Mfg	May	51.4	53.5	51.7
06/01/2017 13:30	TR	Foreigners Net Bond Invest	May 26	--	\$472m	\$491m
06/01/2017 13:30	TR	Foreigners Net Stock Invest	May 26	--	\$134m	\$14m
06/01/2017 08:00	RU	Markit Russia PMI	May	50.8	52.4	50.8
06/01/2017 15:00	RU	Gold and Forex Reserve	May 26	--	406.1b	405.0b

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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.