

FX & Markets Weekly

Week 28/2017

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EUR/USD remains above 1,14

The other week, ECB President Draghi sent euro and euro-area bond yields soaring with an apparent shift in his so far dovish tone. He said that reflationary pressures in the euro-area economy may create room to pull back on stimulus without tightening financial conditions. Along with the ECB minutes of the June 7-8 monetary policy committee that pledged to keep interest rates at present levels (skipped “or lower levels” phrase) this has been interpreted as the ECB would soon stop buying euro-area government and corporate bonds. EUR/USD climbed above 1,14 and reached a 14-month high. This week, on closing basis the rate remained between key chart-technical levels. 1,1380 as support and 1,1450 as resistance. Although during Tokyo trading hours it climbed to intraday highs, after London open it retreated below key resistance levels. 1,1489 has been seen on Wednesday in Tokyo, and 1,1371 on Wednesday in London. ECB fixings were 1,1387, 1,1405, 1,449, and 1,1417. Market’s focus was on Fed Chair Janet Yellen’s testimony before the House Financial Services Committee on Wednesday and before the Senate Banking Panel on Thursday. On Wednesday, she told the U.S. Congress “there was uncertainty about when and how much inflation will respond to tightening”. On Thursday she noted that risks to inflation are “two-sided”. While U.S. inflation numbers have been low for past several months, there is also a “quite tight” labor market that continues to strengthen, which may put pressure on wages. She probably referred to the surprisingly high nonfarm payrolls data (222K in June, from an upwardly revised 152K in May). But at the same time ADP employment change dropped below consensus estimates (158K in May, down from a downwardly revised 230K below consensus estimates of 188K. Regarding the U.S. economic expansion Yellen said: “I don’t see anything inherent in the nature of the expansion that suggests it will end anytime soon”.

BIST100 renews record highs

The main stock market index of the Borsa Istanbul rose the 5th day in a row after closing above 100K for the 2nd week in a row. This week it surged 4,42% to expand its year-to-date performance to over 33%. Currency adjusted, in EUR terms it rose by almost 22% year-to-date, but is still 35% below its all-time high on May 13, 2013. Back then EUR/TRY was at 2,36. Whereas in USD terms BIST100 is still down over 42% below its all-time high on May 8, 2013. Back then the USD/TRY exchange rate was at 1,7898. Considering that the majority of Borsa Istanbul stocks is held by non-residents the rally has still to go. Especially at these exchange rate levels.



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Economic Research and Development

Exchange Rates	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities Energy Futures	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1460	0,44	1,57	7,84	WTI crude	46,62	5,40	3,69	-14,01
EUR/TRY	4,0553	1,90	-2,91	-2,24	BRENT crude	48,93	4,82	3,43	-14,01
EUR/CHF	1,1048	-0,48	-1,22	-3,33	GAS oil	448,50	4,85	6,79	-10,75
EUR/GBP	0,87698	0,70	0,29	-3,49	Heating oil	151,34	4,61	6,79	-9,63
EUR/JPY	128,74	0,95	-4,44	-10,36	Natural gas	2,98	3,98	0,75	-12,65
EUR/RUB	67,8634	1,68	-4,77	-11,87	Gold Spot	1.231,53	1,56	-3,49	-4,24
EUR/CNY	7,7612	-0,08	-1,23	-5,65	Silver Spot	16,06	2,73	-6,71	-13,54
USD/TRY	3,5377	2,35	-1,39	4,92	Platinum Spot	921,25	1,52	-2,95	-5,39
USD/JPY	112,34	1,36	-2,94	-3,34	Palladium Spot	861,93	2,52	-0,19	8,17
USD/RUB	59,2225	2,08	-2,90	-4,71	Copper	268,75	1,42	3,71	3,15
USD/CNY	6,7719	0,49	0,28	1,67	Stock Indices	Price as of 07/14/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
Sovereign Bonds 10Y	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Ask YTM	ATX	3.177	1,57	1,28	10,92
Austria	100,95	0,66	-2,26	0,65	BIST 100	104.961	4,63	5,09	16,26
Belgium	102,89	0,64	-2,46	0,67	CAC 40	5.230	1,55	-0,34	3,04
China	99,62	0,16	-0,37	3,50	DAX	12.621	1,69	-1,62	4,04
EFSF	116,37	0,09	-1,04	-0,10	Dow Jones	21.561	0,77	0,96	5,50
ESM	112,61	0,20	-1,45	0,12	Euro Stoxx 50	3.524	1,58	-0,79	2,05
France	95,37	0,86	-2,40	0,77	FTSE 100	7.410	0,73	-0,93	1,06
Germany	96,23	0,59	-2,55	0,43	HANG SENG	26.389	4,14	1,98	8,77
Greece	90,30	0,73	4,14	5,12	IBEX 35	10.667	1,58	-1,12	3,19
Japan	100,37	0,06	-0,21	0,05	MICEX	1.960	2,57	6,73	2,39
Portugal	100,25	0,25	-2,06	2,82	NASDAQ 100	5.806	2,79	1,52	8,61
Spain	98,32	0,90	-2,17	1,49	NIKKEI 225	20.119	0,95	1,18	9,73
Russia	103,80	0,93	-0,86	7,71	S&P 500	2.452	1,01	0,50	5,20
Switzerland	111,81	0,18	-1,81	-0,10	Interest Rate Futures	Price as of 07/14/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
Turkey	101,60	1,60	-0,29	10,43	Bobl	131,66	0,15	-1,14	-1,36
UK	102,54	0,19	-2,92	1,20	Bund	161,49	0,66	-2,36	-2,38
US	97,66	0,79	-1,84	2,29	Risk Sentiment	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Turkey related	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index (T-1)	888	7,11	2,66	-31,48
TRY Basket	3,7967	2,00	-2,40	1,16	VIX	9,94	-10,99	-6,39	-37,59
WAC of CBRT (T-1)	11,93	-0,17	-0,08	3,92	Turkey 5Y CDS (T-1)	188	-10,05	-4,33	-18,79
Gold TRY / gram	13995,00	-0,92	-2,11	-8,71	MSCI EM Index (T-1)	1.040,72	3,81	2,67	8,36
TR Gov. B. 2Y yield	11,37	-0,61	2,99	-0,79	USD Libor	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Euribor/Eonia	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N	1,177	0,38	26,55	27,23
Eonia (T-1)	-0,360	-0,28	-0,56	-0,56	USD Libor 1M	1,266	0,09	5,75	23,24
Euribor 1 Month	-0,373	-0,27	0,00	-0,27	USD Libor 3M	1,304	-0,04	4,66	12,53
Euribor 3 Month	-0,331	0,00	0,00	0,00	USD Libor 6M	1,456	-0,64	2,30	3,76
Euribor 6 Month	-0,273	-0,37	-0,74	-10,98	USD Libor 12M	1,740	-1,11	0,13	-1,91
Euribor 12 Month	-0,151	6,21	0,66	-25,83	TRY Libor	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor	Price as of 07/14/2017	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	12,564	0,00	0,16	4,53
EUR Libor O/N	-0,123	0,17	0,34	-0,10	TRY Libor 1M	12,670	0,12	0,32	5,23
EUR Libor 1M	-0,400	-0,36	0,53	-2,37	TRY Libor 3M	12,761	0,41	0,53	4,22
EUR Libor 3M	-0,376	0,72	-0,23	-4,03	TRY Libor 6M	12,808	0,00	0,32	4,15
EUR Libor 6M	-0,305	0,51	-2,29	-19,32	TRY Libor 12M	12,858	0,02	0,18	1,61
EUR Libor 12M	0,185	2,63	-2,46	-37,23					

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Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
07/10/2017 21:00	US	Consumer Credit	May	\$13.500b	\$18.410b	\$8.197b
07/11/2017 12:00	US	NFIB Small Business Optimism	Jun	104.4	103.6	104.5
07/11/2017 16:00	US	JOLTS Job Openings	May	5950	5666	6044
07/11/2017 16:00	US	Wholesale Inventories MoM	May F	0.3%	0.4%	0.3%
07/11/2017 16:00	US	Wholesale Trade Sales MoM	May	--	-0.5%	-0.4%
07/12/2017 13:00	US	MBA Mortgage Applications	Jul 7	--	-7.4%	1.4%
07/13/2017 14:30	US	Initial Jobless Claims	Jul 8	245k	247k	248k
07/13/2017 14:30	US	Continuing Claims	Jul 1	1950k	1945k	1956k
07/13/2017 14:30	US	PPI Final Demand MoM	Jun	0.0%	0.1%	0.0%
07/13/2017 14:30	US	PPI Final Demand YoY	Jun	1.9%	2.0%	2.4%
07/13/2017 20:00	US	Monthly Budget Statement	Jun	-\$38.0b	-\$90.2b	\$6.3b
07/14/2017 14:30	US	CPI MoM	Jun	0.1%	0.0%	-0.1%
07/14/2017 14:30	US	CPI Ex Food and Energy MoM	Jun	0.2%	0.1%	0.1%
07/14/2017 14:30	US	CPI YoY	Jun	1.7%	1.6%	1.9%
07/14/2017 14:30	US	CPI Ex Food and Energy YoY	Jun	1.7%	1.7%	1.7%
07/14/2017 14:30	US	Real Avg Weekly Earnings YoY	Jun	--	1.1%	0.6%
07/14/2017 14:30	US	Real Avg Hourly Earning YoY	Jun	--	0.8%	0.6%
07/14/2017 14:30	US	Retail Sales Advance MoM	Jun	0.1%	-0.2%	-0.3%
07/14/2017 14:30	US	Retail Sales Ex Auto MoM	Jun	0.2%	-0.2%	-0.3%
07/14/2017 14:30	US	Retail Sales Ex Auto and Gas	Jun	0.4%	-0.1%	0.0%
07/14/2017 14:30	US	Retail Sales Control Group	Jun	0.3%	-0.1%	0.0%
07/14/2017 15:15	US	Industrial Production MoM	Jun	0.3%	0.4%	0.0%
07/14/2017 15:15	US	Capacity Utilization	Jun	76.8%	76.6%	76.6%
07/14/2017 15:15	US	Manufacturing (SIC) Production	Jun	0.2%	0.2%	-0.4%
07/10/2017 10:30	EA	Sentix Investor Confidence	Jul	28.1	28.3	28.4
07/12/2017 11:00	EA	Industrial Production SA MoM	May	1.0%	1.3%	0.5%
07/12/2017 11:00	EA	Industrial Production WDA YoY	May	3.5%	4.0%	1.4%
07/14/2017 08:00	EA	EU27 New Car Registrations	Jun	--	2.1%	7.6%
07/14/2017 11:00	EA	Trade Balance SA	May	20.2b	19.7b	19.6b
07/14/2017 11:00	EA	Trade Balance NSA	May	--	21.4b	17.9b
07/10/2017 09:00	TR	Industrial Production MoM	May	-0.2%	-1.5%	2.3%
07/10/2017 09:00	TR	Industrial Production YoY	May	5.0%	3.5%	6.7%
07/13/2017 09:00	TR	Current Account Balance	May	-4.98b	-5.24b	-3.62b
07/13/2017 13:30	TR	Foreigners Net Bond Invest	Jul 7	--	-\$222m	\$188m
07/13/2017 13:30	TR	Foreigners Net Stock Invest	Jul 7	--	\$48m	\$48m
07/11/2017 15:00	RU	Current Account Balance	2Q P	3200m	-300m	23300m
07/12/2017 15:00	RU	CPI WoW	Jul 10	--	0.1%	0.4%
07/12/2017 15:00	RU	CPI Weekly YTD	Jul 10	--	2.7%	2.5%
07/12/2017 15:00	RU	Trade Balance	May	8.8b	8.5b	8.0b
07/12/2017 15:00	RU	Exports	May	26.8b	28.2b	26.1b
07/12/2017 15:00	RU	Imports	May	18.0b	19.7b	18.1b
07/13/2017 15:00	RU	Gold and Forex Reserve	Jul 7	--	410.9b	412.2b
07/14/2017 10:00	RU	Money Supply Narrow Def	Jul 7	--	9.18t	9.07t

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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.