

FX & Markets Weekly

Week 36/2017

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Euro bets turn most bullish since 2009

The ECB left interest rates and QE-programme unchanged. Moreover, the ECB revised up its GDP growth forecast for the Eurozone, and its inflation forecast down. ECB President Draghi referred only to the euro's volatility, rather than explicitly commenting on current market pricing. Hence, option traders kept bidding risk reversals across the curve. Bullish bets on the six-month tenor surged to levels not seen since the global financial crisis in 2009. 6-month 25-delta risk reversals rose a seventh day to hit 23bps in favor of EUR calls. That is the most bullish sentiment for the common currency since September 2009. Moreover, calls are in premium up to nine months. Front-end implied vols rise as risks over the Korean peninsula remain strong.

Dollar index falls to lowest since 2015

The Bloomberg Dollar spot index, which tracks the greenback's performance against trade-weighted currencies, broke below its 2015-support level and touched its lowest since January 2015 following reports that North Korea had tested a hydrogen-bomb and is preparing to test an intercontinental ballistic missile. Year-to-date the Bloomberg Dollar spot index is down 11,06%. It recovered somewhat from recent levels after U.S. President Trump extended the U.S. debt limit and government spending by 3 months. The deal is extending government funding through December 15, 2017.

Gold hits highest in a year

Dollar drops-gold gets cheaper for overseas investors. Geopolitical risks arise-gold is a safe haven. Natural disasters are threatening the Americas-again gold is a safe haven. Additionally, global liquidity is provided by central banks, and will remain elevated. The only variable in this equation that could potentially dampen gold prices is the inflation component. The ECB does not expect to reach its inflation goal until YE2019. The Fed is running a dual mandate that also includes full employment. Hence, global liquidity will not be drained soon. Spot gold is up year-to-date by 17,96%. For EUR-earners, current levels (USD 1120 per troy ounce) are very interesting entry points. As the 12-month high was already USD 1210.



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Economic Research and Development

Exchange Rates	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,2061	1,69	2,62	7,57
EUR/TRY	4,1215	1,36	-0,70	4,16
EUR/CHF	1,1389	-0,39	-0,53	4,98
EUR/GBP	0,91246	-0,30	0,86	5,37
EUR/JPY	129,7	-0,84	-0,15	5,03
EUR/RUB	68,9091	1,05	-1,88	8,09
EUR/CNY	7,7929	0,10	-0,98	2,14
USD/TRY	3,4162	-0,36	-3,24	-3,12
USD/JPY	107,54	-2,49	-2,71	-2,36
USD/RUB	57,1348	-0,60	-4,40	0,47
USD/CNY	6,4615	-1,48	-3,65	-4,98

Sovereign Bonds 10Y	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Ask YTM
Austria	102,80	0,51	1,00	0,43
Belgium	104,68	0,47	1,16	0,45
China	99,19	0,25	0,41	3,60
EFSF	116,69	0,05	0,18	-0,28
ESM	113,59	0,18	0,63	-0,08
France	97,37	0,56	1,28	0,54
Germany	98,55	0,56	1,57	0,16
Greece	90,13	0,68	0,66	5,19
Japan	101,35	0,15	0,85	-0,05
Portugal	102,55	0,26	0,23	2,53
Spain	99,82	0,43	-0,02	1,31
Russia	105,16	1,13	1,57	7,49
Switzerland	113,41	0,28	0,59	-0,30
Turkey	101,30	-0,20	0,30	10,37
UK	105,09	0,47	1,21	0,89
US	99,70	1,04	na	2,03

Turkey related	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,7688	0,68	-1,86	0,73
WAC of CBRT (T-1)	12,01	-0,08	0,17	0,25
Gold TRY / gram	148,32	1,54	4,01	2,47
TR Gov. B. 2Y yield	11,65	0,52	0,00	5,62

Euribor/Eonia	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,357	-3,48	-1,13	1,38
Euribor 1 Month	-0,372	0,27	0,54	0,54
Euribor 3 Month	-0,331	-0,61	-0,92	-0,30
Euribor 6 Month	-0,275	-0,73	-2,23	-5,77
Euribor 12 Month	-0,166	-3,11	-9,21	-23,88

EUR Libor	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,424	1,17	1,00	1,49
EUR Libor 1M	-0,399	0,89	0,71	1,41
EUR Libor 3M	-0,375	-0,46	-0,61	-1,16
EUR Libor 6M	-0,308	-0,14	-2,28	-5,58
EUR Libor 12M	-0,213	-1,84	-9,38	-21,59

Commodities Energy Futures	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	49,03	3,81	-0,65	5,78
BRENT crude	54,68	3,66	4,77	11,91
GAS oil	530,00	4,12	9,50	23,10
Heating oil	179,14	2,84	9,69	23,20
Natural gas	2,96	-2,57	3,57	-3,80
Gold Spot	1.350,45	1,90	7,49	5,76
Silver Spot	18,16	2,38	10,59	4,04
Platinum Spot	1.016,89	0,87	4,70	8,22
Palladium Spot	942,86	-4,16	4,73	9,95
Copper	309,65	-0,15	4,42	17,44

Stock Indices	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	3.235	-0,76	-1,40	1,92
BIST 100	108.428	-1,84	-1,14	10,62
CAC 40	5.106	-0,39	-2,21	-3,05
DAX	12.306	1,33	0,10	-3,22
Dow Jones (T-1)	21.785	-0,49	-1,36	2,84
Euro Stoxx 50	3.446	0,03	-2,02	-3,34
FTSE 100	7.371	-0,97	-2,34	-1,12
HANG SENG	27.668	-1,02	-0,67	6,16
IBEX 35	10.121	-2,00	-5,74	-7,62
MICEX	2.030	0,93	2,02	8,30
NASDAQ 100 (T-1)	5.964	0,53	0,64	1,34
NIKKEI 225	19.275	-2,12	-3,61	-3,19
S&P 500 (T-1)	2.465	0,31	-0,40	1,29

Interest Rate Futures	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,84	0,26	0,84	0,15
Bund	163,02	0,65	1,74	0,65

Risk Sentiment	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	1.296	-3,11	24,86	57,28
VIX	10,1	14,64	10,77	19,49
Turkey 5Y CDS (T-1)	162,897	1,39	-5,11	-17,04
MSCI EM Index (T-1)	1.090,10	-0,12	1,07	6,97

USD Libor	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	1,177	0,00	-0,05	26,51
USD Libor 1M	1,236	0,45	0,45	10,65
USD Libor 3M	1,310	-0,44	0,07	6,69
USD Libor 6M	1,448	-0,39	-0,31	2,28
USD Libor 12M	1,695	-0,97	-2,02	-1,93

TRY Libor	Price as of 09/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	12,580	-0,06	-0,06	0,22
TRY Libor 1M	12,702	0,09	0,09	0,49
TRY Libor 3M	12,808	0,00	0,04	0,98
TRY Libor 6M	12,842	0,12	0,08	0,51
TRY Libor 12M	12,964	0,00	0,01	1,09

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Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
09/05/2017 16:00	US	Factory Orders	Jul	-3.3%	-3.3%	3.0%
09/05/2017 16:00	US	Factory Orders Ex Trans	Jul	--	0.5%	-0.2%
09/05/2017 16:00	US	Durable Goods Orders	Jul F	-2.9%	-6.8%	-6.8%
09/05/2017 16:00	US	Durables Ex Transportation	Jul F	--	0.6%	0.5%
09/05/2017 16:00	US	Cap Goods Orders Nondef Ex Air	Jul F	--	1.0%	0.4%
09/05/2017 16:00	US	Cap Goods Ship Nondef Ex Air	Jul F	--	1.2%	1.0%
09/06/2017 13:00	US	MBA Mortgage Applications	Sep 1	--	3.3%	-2.3%
09/06/2017 14:30	US	Trade Balance	Jul	-\$44.7b	-\$43.7b	-\$43.6b
09/06/2017 15:45	US	Markit US Services PMI	Aug F	56.9	56.0	56.9
09/06/2017 16:00	US	ISM Non-Manf. Composite	Aug	55.6	55.3	53.9
09/07/2017 14:30	US	Initial Jobless Claims	Sep 2	245k	298k	236k
09/07/2017 14:30	US	Continuing Claims	Aug 26	1945k	1940k	1942k
09/07/2017 14:30	US	Unit Labor Costs	2Q F	0.3%	0.2%	0.6%
09/04/2017 10:30	EA	Sentix Investor Confidence	Sep	27.0	42794	42943
09/04/2017 11:00	EA	PPI MoM	Jul	0.1%	0.0%	-0.1%
09/04/2017 11:00	EA	PPI YoY	Jul	2.1%	2.0%	2.5%
09/05/2017 10:00	EA	Markit Eurozone Services PMI	Aug F	54.9	54.7	54.9
09/05/2017 11:00	EA	Retail Sales MoM	Jul	-0.3%	-0.3%	0.5%
09/05/2017 11:00	EA	Retail Sales YoY	Jul	2.6%	2.6%	3.1%
09/06/2017 10:10	EA	Markit Eurozone Retail PMI	Aug	--	50.8	51.0
09/07/2017 11:00	EA	Gross Fix Cap QoQ	2Q	1.0%	0.9%	1.3%
09/07/2017 11:00	EA	Govt Expend QoQ	2Q	0.5%	0.5%	0.4%
09/07/2017 11:00	EA	Household Cons QoQ	2Q	0.5%	0.5%	0.3%
09/07/2017 11:00	EA	GDP SA QoQ	2Q F	0.6%	0.6%	0.6%
09/07/2017 11:00	EA	GDP SA YoY	2Q F	2.2%	2.3%	2.2%
09/07/2017 13:45	EA	ECB Main Refinancing Rate	Sep 7	0.000%	0.000%	0.000%
09/07/2017 13:45	EA	ECB Marginal Lending Facility	Sep 7	0.250%	0.250%	0.250%
09/07/2017 13:45	EA	ECB Deposit Facility Rate	Sep 7	-0.400%	-0.400%	-0.400%
09/07/2017 13:45	EA	ECB Asset Purchase Target	Sep	EU60b	EU60b	EU60b
09/05/2017 09:00	TR	CPI MoM	Aug	0.13%	0.52%	0.15%
09/05/2017 09:00	TR	CPI YoY	Aug	10.24%	10.68%	9.79%
09/05/2017 09:00	TR	CPI Core Index YoY	Aug	9.78%	10.16%	9.60%
09/05/2017 09:00	TR	PPI MoM	Aug	0.75%	0.85%	0.72%
09/05/2017 09:00	TR	PPI YoY	Aug	16.00%	16.34%	15.45%
09/05/2017 09:00	TR	Markit/ISO Turkey PMI Mfg	Aug	--	55.3	53.6
09/06/2017 13:44	TR	Effective Exchange Rate	Aug	--	89.71	89.39
09/07/2017 13:30	TR	Foreigners Net Bond Invest	Aug 31	--	\$105m	-\$213m
09/07/2017 13:30	TR	Foreigners Net Stock Invest	Aug 31	--	\$133m	\$220m
09/08/2017 09:00	TR	Industrial Production MoM	Jul	0.8%	2.3%	-0.4%
09/08/2017 09:00	TR	Industrial Production YoY	Jul	9.7%	14.5%	3.4%
09/05/2017 08:00	RU	Markit Russia PMI Services	Aug	53.9	54.2	52.6
09/05/2017 15:00	RU	CPI MoM	Aug	-0.2%	-0.5%	0.1%
09/05/2017 15:00	RU	CPI YoY	Aug	3.7%	3.3%	3.9%
09/07/2017 15:00	RU	Official Reserve Assets	Aug	420.0b	424.0b	418.4b
09/07/2017 15:00	RU	Gold and Forex Reserve	Sep 1	--	423.1b	420.5b

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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.