

# FX & Markets Weekly

Week 43/2017

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## ECB announces another reduction to asset purchases

Accordingly, asset purchases will continue at current monthly pace of EUR 60bn until year end. From January 2018 on, the monthly purchased amount will be reduced to EUR 30bn until at least September 2018. Principal redemptions will be reinvested, so liquidity will not be drained. With exception of maturing LTROs, excess liquidity will continue to grow, albeit at a slower pace. On rates, Draghi commented a rate hike won't occur until „well past“ the end of quantitative easing. Market's perception of a 10bps hike to the overnight deposit rate moved forward by 9 months. EUR/USD fell as a response to the announcement by almost 2 big figures to its lowest level in 13 weeks.

## Lira dives as Central Bank holds rates

The Central Bank of Turkey kept its short term interest rates unchanged despite 11% TRY depreciation vs. USD since previous monetary policy committee (MPC) on September 14. Against the EUR, lira's depreciation was 8,66% in the same period. Consumer prices rose by 11,20% in September, and output prices hover above 16%. The quarterly inflation report will be watched closely on November 1, and focus will shift to next monetary policy committee on December 14. The central bank is continuing to fund local banks at around 11,96%.

## Trump's Fed Chair shortlist makes headlines

Current Fed Chair Yellen's term ends in February 2018. She is among the candidates, that range from former FOMC member Kevin Warsh, to current FOMC member Jerome Powell. There is one name that excites me though. That is John Taylor. The Stanford economics professor that established an economic model for monetary policy, the Taylor rule. Taylor recommends the real interest rate should be 1,5 times the inflation rate. Current Taylor rule estimate for the Fed rate is 3,74% in contrast to Federal Funds upper bound of 1,25%.

## Central Bank of Russia cuts Key rate by 25bps

Matching most forecasts the Central Bank of Russia continued its easing cycle in reducing the key rate by 25bps to 8,25%. Year-to-date cumulative easing on the key rate amounts to 175bps.



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## Economic Research and Development

Exchange Rates	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1600	-1,61	-1,34	-0,60
EUR/TRY	4,4408	2,66	5,88	7,66
EUR/CHF	1,1629	0,23	1,77	3,32
EUR/GBP	0,88657	-0,79	1,05	-0,73
EUR/JPY	132,58	-0,90	0,11	2,10
EUR/RUB	67,9915	0,52	-0,37	-1,92
EUR/CNY	7,7201	-1,09	-1,12	-1,91
USD/TRY	3,8271	4,34	7,33	8,37
USD/JPY	114,29	0,72	1,47	2,71
USD/RUB	58,6119	2,10	0,99	-1,33
USD/CNY	6,655	0,52	0,19	-1,31

Sovereign Bonds 10Y	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Ask YTM
Austria	102,22	0,32	0,43	0,49
Belgium	104,34	0,36	0,63	0,48
China	98,07	-0,67	-1,29	3,71
EFSF	116,14	0,04	0,01	-0,27
ESM	112,91	0,12	0,12	-0,02
France	97,06	0,35	0,86	0,58
Germany	97,74	0,27	0,46	0,26
Greece	89,82	0,07	1,31	5,28
Japan	100,62	0,07	-0,09	0,02
Portugal	107,15	0,98	1,84	1,95
Spain	99,61	0,75	0,50	1,34
Russia	104,45	-0,43	0,37	7,60
Switzerland	112,01	-0,00	0,05	-0,17
Turkey	92,95	-3,95	-5,05	11,82
UK	101,87	-0,35	-0,02	1,27
US	96,47	-0,59	-0,77	2,44

Turkey related	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	4,1341	3,38	6,57	8,01
WAC of CBRT (T-1)	11,96	0,00	-0,25	0,25
Gold TRY / gram	155,68	3,08	5,58	8,87
TR Gov. B. 2Y yield	12,97	5,20	8,55	12,51

Euribor/Eonia	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,364	-1,11	-1,39	-0,83
Euribor 1 Month	-0,372	0,27	0,00	-0,27
Euribor 3 Month	-0,331	-0,61	-0,61	-0,61
Euribor 6 Month	-0,275	-0,37	-0,73	-1,10
Euribor 12 Month	-0,184	-0,55	-7,60	-20,26

EUR Libor	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,440	-1,05	-1,52	-2,53
EUR Libor 1M	-0,401	0,88	0,35	-0,90
EUR Libor 3M	-0,379	-0,34	-0,26	-0,34
EUR Libor 6M	-0,322	-2,78	-5,23	-7,08
EUR Libor 12M	-0,232	-5,26	-5,60	-23,62

Commodities Energy Futures	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	52,41	1,04	-0,10	5,95
BRENT crude	58,94	2,03	2,34	13,64
GAS oil	533,75	1,14	-0,19	13,27
Heating oil	183,64	1,70	-0,17	13,60
Natural gas	2,81	-3,81	-8,40	-9,02
Gold Spot	1.265,21	-1,22	-1,63	0,45
Silver Spot	16,64	-2,37	-1,29	0,07
Platinum Spot	916,54	-0,84	-0,82	-1,10
Palladium Spot	964,88	-1,08	3,97	9,86
Copper	310,10	-2,02	5,87	7,00

Stock Indices	Price as of 10/27/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
ATX	3.386	0,47	2,84	4,37
BIST 100	107.771	-0,61	6,53	-0,52
CAC 40	5.501	2,33	4,08	5,98
DAX	13.238	1,80	4,49	8,30
Dow Jones (T-1)	23.401	1,03	4,75	7,36
Euro Stoxx 50	3.661	1,45	2,88	4,71
FTSE 100	7.501	-0,36	2,49	0,71
HANG SENG	28.439	-0,17	2,88	4,82
IBEX 35	10.236	-0,02	-1,43	-3,61
MICEX	2.061	-0,48	-0,93	6,00
NASDAQ 100 (T-1)	6.038	-0,90	1,69	2,04
NIKKEI 225	22.008	2,57	8,59	9,61
S&P 500 (T-1)	2.560	-0,07	2,13	3,43

Interest Rate Futures	Price as of 10/27/2017	Change% 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,62	0,24	0,34	0,87
Bund	161,98	0,39	0,65	1,72

Risk Sentiment	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	1.555	-1,71	8,82	65,07
VIX	9,89	9,33	10,44	7,81
Turkey 5Y CDS (T-1)	189,111	9,08	-1,47	3,40
MSCI EM Index (T-1)	1.108,17	-1,03	2,74	3,67

USD Libor	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	1,184	0,00	0,38	0,61
USD Libor 1M	1,242	0,36	0,59	0,68
USD Libor 3M	1,380	1,12	3,55	5,26
USD Libor 6M	1,573	1,14	4,57	8,13
USD Libor 12M	1,848	0,91	3,50	6,84

TRY Libor	Price as of 10/27/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	12,898	0,02	0,02	0,23
TRY Libor 1M	13,203	0,65	1,45	1,73
TRY Libor 3M	13,419	1,62	2,29	2,73
TRY Libor 6M	13,460	1,68	2,49	2,60
TRY Libor 12M	13,560	1,71	2,13	2,72



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Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
10/23/2017 14:30	US	Chicago Fed Nat Activity Index	Sep	-0.13	0.17	-0.31
10/24/2017 15:45	US	Markit US Manufacturing PMI	Oct P	53.4	54.5	53.1
10/24/2017 15:45	US	Markit US Services PMI	Oct P	55.2	55.9	55.3
10/24/2017 16:00	US	Richmond Fed Manufact. Index	Oct	17	12	19
10/25/2017 13:00	US	MBA Mortgage Applications	Oct 20	--	-4.6%	3.6%
10/25/2017 14:30	US	Durable Goods Orders	Sep P	1.0%	2.2%	2.0%
10/25/2017 14:30	US	Durables Ex Transportation	Sep P	0.5%	0.7%	0.5%
10/25/2017 14:30	US	Cap Goods Orders Nondef Ex Air	Sep P	0.3%	1.3%	1.1%
10/25/2017 14:30	US	Cap Goods Ship Nondef Ex Air	Sep P	0.1%	0.7%	1.1%
10/25/2017 15:00	US	FHFA House Price Index MoM	Aug	0.4%	0.7%	0.2%
10/26/2017 14:30	US	Initial Jobless Claims	Oct 21	235k	233k	222k
10/26/2017 14:30	US	Continuing Claims	Oct 14	1890k	1893k	1888k
10/26/2017 14:30	US	Advance Goods Trade Balance	Sep	-\$64.0b	-\$64.1b	-\$62.9b
10/26/2017 14:30	US	Wholesale Inventories MoM	Sep P	0.4%	0.3%	0.9%
10/26/2017 14:30	US	Retail Inventories MoM	Sep	--	-1.0%	0.7%
10/26/2017 17:00	US	Kansas City Fed Manf. Activity	Oct	17	23	17
10/27/2017 14:30	US	GDP Annualized QoQ	3Q A	2.6%	3.0%	3.1%
10/27/2017 14:30	US	Personal Consumption	3Q A	2.1%	2.4%	3.3%
10/23/2017 11:00	EA	Govt Debt/GDP Ratio	2016	--	88.9%	89.2%
10/23/2017 16:00	EA	Consumer Confidence	Oct A	-1.1	-1.0	-1.2
10/24/2017 10:00	EA	Markit Eurozone Manufacturing PMI	Oct P	57.8	58.6	58.1
10/24/2017 10:00	EA	Markit Eurozone Services PMI	Oct P	55.6	54.9	55.8
10/24/2017 10:00	EA	Markit Eurozone Composite PMI	Oct P	56.5	55.9	56.7
10/26/2017 10:00	EA	M3 Money Supply YoY	Sep	5.0%	5.1%	5.0%
10/26/2017 13:45	EA	ECB Main Refinancing Rate	Oct 26	0.000%	0.000%	0.000%
10/26/2017 13:45	EA	ECB Marginal Lending Facility	Oct 26	0.250%	0.250%	0.250%
10/26/2017 13:45	EA	ECB Deposit Facility Rate	Oct 26	-0.400%	-0.400%	-0.400%
10/23/2017 09:00	TR	Consumer Confidence Index	Oct	67.70	67.30	68.70
10/24/2017 09:00	TR	Home Sales	Sep	--	140.3k	120.2k
10/24/2017 09:00	TR	Home Sales (YoY)	Sep	--	28.8%	4.7%
10/25/2017 13:30	TR	Capacity Utilization	Oct	79.0%	79.7%	79.0%
10/26/2017 13:00	TR	Benchmark Repurchase Rate	Oct 26	8.00%	8.00%	8.00%
10/26/2017 13:00	TR	Overnight Lending Rate	Oct 26	9.25%	9.25%	9.25%
10/26/2017 13:00	TR	Overnight Borrowing Rate	Oct 26	7.25%	7.25%	7.25%
10/26/2017 13:00	TR	Late Liquidity Lending Rate	Oct 26	12.25%	12.25%	12.25%
10/26/2017 13:30	TR	Foreigners Net Bond Invest	Oct 20	--	\$141m	-\$601m
10/26/2017 13:30	TR	Foreigners Net Stock Invest	Oct 20	--	-\$14m	\$5m
10/27/2017 13:30	TR	House Price Index YoY	Aug	--	11.31%	11.60%
10/26/2017 15:00	RU	Gold and Forex Reserve	Oct 20	--	425.6b	427.0b
10/27/2017 10:00	RU	Money Supply Narrow Def	Oct 20	--	9.36t	9.39t
10/27/2017 12:30	RU	Key Rate	Oct 27	8.25%	8.25%	8.50%



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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.