

The background of the cover features a complex financial market chart. It includes a candlestick chart with green and red bars, a red line graph, and a blue line graph. Various numerical values are scattered across the chart, such as 1.7810, 1.7765, 1.7855, 1.7900, 11.12, 14.56, 19.00, 19.14, and 11.47. The overall color scheme is dark blue with green and red highlights.

FX & Markets Weekly

Week 8/2018

Mag. Ahmet Hüsrev BILGIN
Senior Economist
Vienna, Austria



High stock market volatility is over for now

Market’s focus was on FOMC and ECB minute releases this week. Both came as expected without surprises. Accordingly, the Fed sees U.S. economy gaining momentum and boosts the case for 3 rate hikes this year. The ECB sees an adjustment to its asset purchase program as too premature and wants to monitor the euro’s volatility. The VIX, a proxy for U.S. future stock market volatility has fallen by 2,8% to 18,49. It’s European equivalent VSTOXX has even declined by 8,9% to 18,54. Levels below 20 are for both considered as low future volatility. But in terms of valuations, this corrections was just the appetizer. The main course is still to come. The CBOE Skew index is confirming this view. It measures the tail risk of black swan events. In the past 5 years it has varied in a range of 111 to 154, around an average value of 128. Close to 150, the probability of a steep market decline is very high. It is currently at 134,31, and has risen by 5,06% this week.

U.S. 10 year yield hits 2,95% this week

The U.S. 10 year sovereign yield rose to levels not seen since January 2014, and touched 2,95% on Wednesday, but declined to 2,88. With German 10 year yields at 0,66% the spread is over 222bps. That is the highest since year-end 2016. The US-Japan 10 year spread is even 283bps. Still the USD is not getting support from these rising yield differentials, as the smart money focusses instead on the U.S.’ rising twin deficits. Namely the government budget deficit and the current account deficit, which are expected to worsen given Trump’s tax plans. But the rising UST yields pose also a threat for stock markets. As investors tend to rotate into fixed income instruments once yields get satisfactory.

EUR/USD 2 week option vols rise

At-the-money EUR/USD 2 week option vols now capture a couple of potential risk events, and have risen to the highest since April 2017. The Italian elections on March 3, the ECB monetary policy committee on March 8, and in Germany the SPD vote on the grand coalition. Of which, results will be released on March 4. EUR/USD 25 delta risk reversals indicate more demand for put options in the same period of 2 weeks.



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Economic Research and Development

Exchange Rates	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,2306	-0,80	0,23	3,87
EUR/TRY	4,6622	0,30	0,69	0,25
EUR/CHF	1,1510	0,03	-2,22	-0,99
EUR/GBP	0,87884	-0,55	0,09	-1,28
EUR/JPY	131,26	-0,45	-3,16	-0,36
EUR/RUB	69,4358	-0,82	0,16	0,35
EUR/CNY	7,8018	-1,18	-0,91	0,04
USD/TRY	3,7875	1,07	0,47	-3,41
USD/JPY	106,66	0,44	-3,39	-4,06
USD/RUB	56,4324	0,02	-0,07	-3,40
USD/CNY	6,3372	-0,07	-1,05	-3,74

Sovereign Bonds 10Y	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Ask YTM
Austria	100,65	0,33	-0,84	0,67
Belgium	102,60	0,27	-1,05	0,67
China	99,55	0,08	-0,46	3,87
EFSF	113,94	-0,02	-0,63	-0,05
ESM	110,57	0,13	-0,79	0,25
France	96,04	0,25	-0,95	0,72
Germany	96,01	0,45	-0,94	0,48
Greece	95,84	-0,25	0,52	4,24
Japan	100,82	0,12	0,20	0,00
Portugal	109,08	-0,32	-1,84	1,69
Spain	99,81	-0,33	-1,38	1,32
Russia	108,55	0,47	2,07	6,96
Switzerland	111,15	0,39	-0,60	-0,13
Turkey	93,90	0,05	-0,19	11,57
UK	100,62	0,42	-1,31	1,42
US	93,23	0,10	na	2,92

Turkey related	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	4,2245	0,64	0,62	-1,40
WAC of CBRT (T-1)	12,75	0,00	0,00	4,08
Gold TRY / gram	161,84	-0,25	-0,16	-0,55
TR Gov. B. 2Y yield	12,97	-0,31	-3,85	-8,73

Euribor/Eonia	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,369	-1,65	-1,65	-3,07
Euribor 1 Month	-0,370	-0,27	-0,27	0,54
Euribor 3 Month	-0,328	0,00	0,00	0,30
Euribor 6 Month	-0,271	1,10	1,81	0,00
Euribor 12 Month	-0,191	0,52	0,00	-2,69

EUR Libor	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,444	-0,36	-0,52	-1,27
EUR Libor 1M	-0,403	-0,18	0,53	-0,46
EUR Libor 3M	-0,380	-1,06	0,75	-0,11
EUR Libor 6M	-0,327	-0,57	2,22	-3,44
EUR Libor 12M	-0,257	-0,22	1,91	-3,75

Commodities Energy Futures	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	63,28	3,30	-1,74	9,36
BRENT crude	66,88	3,01	-3,95	6,47
GAS oil	590,50	3,19	-4,46	5,03
Heating oil	196,06	3,46	-6,02	1,60
Natural gas	2,58	0,04	-15,07	-14,93
Gold Spot	1 329,26	-1,33	-0,65	2,93
Silver Spot	16,56	-0,60	-2,26	-3,23
Platinum Spot	995,15	-1,08	-0,94	6,33
Palladium Spot	1 047,06	-0,09	-4,01	3,37
Copper	322,45	-1,30	2,94	1,58

Stock Indices	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	3 405	-0,10	-7,71	2,97
BIST 100	117 522	0,87	-0,74	11,90
CAC 40	5 306	0,43	-4,17	-1,39
DAX	12 461	0,07	-8,10	-4,21
Dow Jones	25 096	-0,53	-4,37	6,55
Euro Stoxx 50	3 434	0,18	-6,52	-3,90
FTSE 100	7 222	-1,00	-6,60	-2,63
HANG SENG	31 267	2,46	-5,05	5,25
IBEX 35	9 794	-0,48	-7,77	-2,47
MICEX	2 337	3,15	1,65	8,76
NASDAQ 100	6 810	0,15	-2,27	6,56
NIKKEI 225	21 893	0,79	-9,25	-2,80
S&P 500	2 714	-0,58	-4,36	4,56

Interest Rate Futures	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,02	0,25	-0,20	-0,96
Bund	159,48	0,55	-0,82	-2,00

Risk Sentiment	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	1 167	7,16	0,86	-19,24
VIX	18,63	-2,88	67,39	88,06
Turkey 5Y CDS (T-1)	169,184	1,62	2,39	-18,95
MSCI EM Index (T-1)	1 200,90	0,10	-4,11	4,21

USD Libor	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	1,448	0,22	0,74	22,43
USD Libor 1M	1,631	2,35	4,47	22,77
USD Libor 3M	1,956	3,78	12,09	33,80
USD Libor 6M	2,182	3,60	13,14	32,07
USD Libor 12M	2,460	2,89	10,56	27,44

TRY Libor	Price as of 02/23/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	13,339	0,12	0,02	3,64
TRY Libor 1M	13,645	-0,01	-1,52	-0,30
TRY Libor 3M	13,958	0,14	-4,34	-2,15
TRY Libor 6M	14,430	0,01	-2,49	0,01
TRY Libor 12M	14,980	0,08	-0,97	1,64

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Economic Research and Development

Date	Country	Economic Release	Period	Consensus	Actual	Prior
02/21/2018 13:00	US	MBA Mortgage Applications	Feb 16	--	-6.6%	-4.1%
02/21/2018 15:45	US	Markit US Manufacturing PMI	Feb P	55.5	55.9	55.5
02/21/2018 15:45	US	Markit US Services PMI	Feb P	53.7	55.9	53.3
02/21/2018 15:45	US	Markit US Composite PMI	Feb P	--	55.9	53.8
02/21/2018 16:00	US	Existing Home Sales	Jan	5.60m	5.38m	5.57m
02/21/2018 16:00	US	Existing Home Sales MoM	Jan	0.5%	-3.2%	-3.6%
02/21/2018 19:00	US	Bloomberg Economic Expectations	Feb	--	54.5	52.5
02/21/2018 19:00	US	Bloomberg Consumer Comfort	Feb	--	56.6	57.0
02/22/2018 14:30	US	Initial Jobless Claims	Feb 17	230k	222k	230k
02/22/2018 14:30	US	Continuing Claims	Feb 10	1935k	1875k	1942k
02/22/2018 16:00	US	Leading Index	Jan	0.7%	1.0%	0.6%
02/22/2018 17:00	US	Kansas City Fed Manf. Activity	Feb	18	17	16
02/19/2018 10:00	EA	ECB Current Account SA	Dec	--	29.9b	32.5b
02/19/2018 10:00	EA	Current Account NSA	Dec	--	45.8b	37.8b
02/19/2018 11:00	EA	Construction Output MoM	Dec	--	0.1%	0.5%
02/19/2018 11:00	EA	Construction Output YoY	Dec	--	0.5%	2.7%
02/20/2018 11:00	EA	ZEW Survey Expectations	Feb	--	29.3	31.8
02/20/2018 16:00	EA	Consumer Confidence	Feb A	1.0	0.1	1.3
02/21/2018 10:00	EA	Markit Eurozone Manufacturing PMI	Feb P	59.2	58.5	59.6
02/21/2018 10:00	EA	Markit Eurozone Services PMI	Feb P	57.6	56.7	58.0
02/21/2018 10:00	EA	Markit Eurozone Composite PMI	Feb P	58.4	57.5	58.8
02/23/2018 11:00	EA	CPI Core YoY	Jan F	1.0%	1.0%	1.0%
02/23/2018 11:00	EA	CPI YoY	Jan F	1.3%	1.3%	1.4%
02/23/2018 11:00	EA	CPI MoM	Jan	-0.9%	-0.9%	0.4%
02/20/2018 08:00	TR	Consumer Confidence Index	Feb	--	72.25	72.33
02/21/2018 08:00	TR	Home Sales	Jan	--	97.0k	133.0k
02/21/2018 08:00	TR	Home Sales (YoY)	Jan	--	1.7%	-6.8%
02/22/2018 12:30	TR	Real Sector Confidence SA	Feb	--	110.8	110.9
02/22/2018 12:30	TR	Real Sector Confidence NSA	Feb	--	110.8	108.3
02/22/2018 12:30	TR	Capacity Utilization	Feb	--	77.8%	78.2%
02/22/2018 12:30	TR	Foreigners Net Bond Invest	Feb 16	--	-\$247m	-\$516m
02/22/2018 12:30	TR	Foreigners Net Stock Invest	Feb 16	--	-\$140m	-\$368m
02/19/2018 14:00	RU	Retail Sales Real YoY	Jan	2.4%	2.8%	3.1%
02/19/2018 14:00	RU	Real Disposable Income	Jan	-0.5%	0.0%	-1.8%
02/19/2018 14:00	RU	Unemployment Rate	Jan	5.3%	5.2%	5.1%
02/19/2018 14:00	RU	Real Wages YoY	Jan	5.0%	6.2%	4.6%
02/19/2018 14:00	RU	PPI MoM	Jan	1.3%	0.1%	1.2%
02/19/2018 14:00	RU	PPI YoY	Jan	6.4%	5.0%	8.4%
02/19/2018 14:00	RU	Cargo Shipments YoY	Jan	-1.3%	0.9%	-0.2%
02/19/2018 14:00	RU	Construction YoY	Jan	2.3%	0.2%	1.3%
02/21/2018 14:00	RU	CPI WoW	Feb 19	--	0.1%	0.1%
02/21/2018 14:00	RU	CPI Weekly YTD	Feb 19	--	0.5%	0.5%
02/22/2018 14:00	RU	Gold and Forex Reserve	Feb 16	--	454.0b	447.4b

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

Mag. Ahmet Hüsrev BILGIN, Economic Research

Tel: 0505105/2430

Email: ahmet.bilgin@denizbank.at

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DPR number: 0845981

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Members of the Management Board:

Ahmet Mesut Ersoy, Mehmet Ulvi Taner, Dr. Thomas Roznovsky, Tuncay Akdevelioglu, Cenk Izgi;

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Shareholder structure: Member of the Sberbank Group

Purpose of document: This report summarises the significant developments within the financial markets over the previous week and comments on their underlying background.