

DenizBank AG 



FX & Markets Weekly

Week 3/2016

DenizBank AG
Economic Research
Vienna, Austria

Markets rebound on Draghi's easing pledge

In the inaugural monetary policy meeting of the ECB this year, the Governing Council decided to leave interest rates and quantitative easing measures unchanged. Mario Draghi hinted on further easing in March when ECB staff macroeconomic projections are available. In fact neither inflation, nor expectations of future inflation have improved remarkably. Draghi further stated that inflation reflected the sharp oil price drop, and that global uncertainty, geopolitical risks posed risks to GDP growth. His pledge to ease further if necessary drove market players into risk-on mode.

Crude oil drops below USD 28 but recoils

Brent as well as WTI dropped below USD 28 this week, as the U.S. oil rig count continued to decline, as well as the horizontal rig count in major U.S. shale basins. Shale oil has changed the drivers of oil prices, and its production in the U.S. is concentrated in a few basins. That's why investors look at their numbers. This week however, it was Draghi's pledge that drove also crude oil futures markets higher.

RUB reverses earlier losses

EURRUB started the week at 84,8724, peaked at 92,8234 but reversed as Draghi spoke and fell below 86 on Friday. The RUB is currently strongly correlated to crude oil prices. Bouncing as they bounce, falling as they fall. Russian Finance Minister Siluanov said that Russia is facing a test of endurance and is being forced into long-discussed structural reforms. He added that he does not see oil prices rebounding and must adjust the state budget to new conditions.

Brexit fears push GBP lower

GBPUSD fell to its lowest since March 2009 (1,4183) as Brexit (UK leaving the EU) fears were present. Premier Cameron took investor's focus on reforms and away from the Brexit. He said he is not in a hurry to get a EU deal or hold the referendum and stated that he made good progress in EU talks. The GBP is currently moving as a function of two questions. Will the Bank of England hike rates sooner than priced in? Will the UK vote for leaving the EU? On the first question, with crude oil prices at these levels inflation will not pick up soon. The earlier anticipated 2Q16 lift-off has just been postponed to 4Q16. On the 2nd question, opinion surveys suggest it will be a close call. Our base case is that it will not happen because of the complications with existing contracts and the associated costs. Other than that, Germany and France will concede to the UK to avoid the Brexit.



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Exchange Rates	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,0821	-0,86	-1,36	-2,83
EUR/TRY	3,2578	-2,12	1,38	1,97
EUR/CHF	1,0966	0,41	1,37	1,45
EUR/GBP	0,75511	-1,36	2,01	4,33
EUR/JPY	128	0,20	-3,60	-4,77
EUR/RUB	85,1793	0,65	9,12	22,19
EUR/CNY	7,1189	-1,23	0,68	-1,04
USD/TRY	3,0098	-1,14	2,77	5,00
USD/JPY	118,29	1,09	-2,26	-1,99
USD/RUB	78,7187	1,44	10,62	25,76
USD/CNY	6,5787	-0,09	1,55	3,47

Sovereign Bonds 10Y	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Ask YTM
Austria	121,51	0,37	0,52	0,21
Belgium	113,55	0,51	0,96	0,38
China	108,03	-0,17	0,92	2,75
EFSF	120,40	0,29	0,42	0,09
ESM	113,33	0,42	1,05	0,37
France	113,28	0,42	0,66	0,26
Germany	110,29	0,45	1,10	0,04
Greece	68,34	-4,05	-8,94	9,52
Japan	105,29	-0,08	0,10	0,03
Portugal	117,69	-0,32	-1,94	2,41
Spain	128,02	0,25	0,17	1,20
Russia	87,50	0,36	-2,35	10,55
Switzerland	132,45	0,28	0,58	-0,54
Turkey	82,00	0,92	-1,62	10,89
UK	102,28	-0,51	0,94	1,38
US	98,89	-0,16	1,63	1,80

Turkey related	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,1337	-1,75	2,05	3,40
WAC of CBRT	8,98	1,81	1,35	2,51
Gold TRY / gram	106,10	-0,39	4,99	-1,33
TR Gov. B. 2Y yield	11,06	-0,54	-0,18	9,18

Euribor/Eonia	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,240	0,00	-3,90	-76,47
Euribor 1 Month	-0,231	-4,53	-14,93	-95,76
Euribor 3 Month	-0,152	-7,04	-16,03	-186,79
Euribor 6 Month	-0,074	-37,04	-80,49	-489,47
Euribor 12 Month	0,032	-34,69	-46,67	-75,19

EUR Libor	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,283	0,50	-1,80	-54,69
EUR Libor 1M	-0,226	-0,96	-11,66	-70,81
EUR Libor 3M	-0,163	-10,68	-28,81	-208,10
EUR Libor 6M	-0,084	-29,68	-122,64	-595,82
EUR Libor 12M	0,024	-49,24	-60,25	-80,63

Commodities Energy Futures	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	31,48	-1,62	-14,76	-33,61
BRENT crude	31,49	9,12	-13,65	-37,14
GAS oil	284,75	2,24	-16,73	-38,11
Heating oil	97,05	-0,96	-13,28	-36,48
Natural gas	2,13	-0,33	9,05	-21,99
Gold Spot	1.096,53	0,77	2,17	-6,02
Silver Spot	14,17	1,85	-0,75	-10,70
Platinum Spot	836,83	0,81	-3,98	-17,34
Palladium Spot	507,04	2,45	-8,69	-26,09
Copper	201,55	2,00	-4,43	-15,60

Stock Indices	Price as of 01/22/2016	Change% 5 days	Change % 1 Month	Change % 3 Months
ATX	2.141	1,34	-9,46	-13,02
BIST 100	70.323	-1,07	-3,83	-12,40
CAC 40	4.353	3,44	-4,66	-9,31
DAX	9.789	2,62	-6,61	-6,64
Dow Jones	16.082	-1,97	-7,81	-8,19
Euro Stoxx 50	3.033	2,80	-5,57	-9,48
FTSE 100	5.900	1,69	-2,97	-7,44
HANG SENG	19.081	-2,26	-12,60	-16,48
IBEX 35	8.752	2,44	-7,04	-15,56
MICEX	1.713	6,37	-0,73	-0,07
NASDAQ 100	4.220	-1,42	-8,22	-6,46
NIKKEI 225	16.959	-1,10	-10,21	-8,01
S&P 500	1.869	-2,75	-8,34	-8,94

Interest Rate Futures	Price as of 01/22/2016	Change% 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,92	0,31	0,89	0,69
Bund	161,17	0,49	1,82	1,13

Risk Sentiment	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	355	-7,31	-25,11	-54,83
VIX	26,69	11,44	60,78	84,71
Turkey 5Y CDS (T-1)	301,594	-1,77	11,73	18,31
MSCI EM Index (T-1)	688,52	-2,91	-13,35	-19,77

USD Libor	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	0,366	-0,05	-0,41	177,20
USD Libor 1M	0,426	0,00	1,92	116,04
USD Libor 3M	0,619	-0,08	4,16	93,53
USD Libor 6M	0,865	1,88	5,55	63,70
USD Libor 12M	1,156	0,95	2,21	38,58

TRY Libor	Price as of 01/22/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	11,015	0,00	0,00	-0,02
TRY Libor 1M	11,632	-0,09	2,34	3,59
TRY Libor 3M	11,682	0,85	2,70	1,77
TRY Libor 6M	11,733	1,30	3,15	2,21
TRY Libor 12M	11,787	1,75	3,63	2,24

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Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
01/15/2016 14:30	US	Retail Sales Advance MoM	Dec	-0.1%	-0.1%	0.2%
01/15/2016 14:30	US	PPI Final Demand MoM	Dec	-0.2%	-0.2%	0.3%
01/15/2016 14:30	US	PPI Final Demand YoY	Dec	-1.0%	-1.0%	-1.1%
01/15/2016 14:30	US	Empire Manufacturing	Jan	-4.00	-19.37	-4.59
01/15/2016 15:15	US	Industrial Production MoM	Dec	-0.2%	-0.4%	-0.6%
01/15/2016 15:15	US	Capacity Utilization	Dec	76.8%	76.5%	77.0%
01/15/2016 16:00	US	U. of Mich. Sentiment	Jan P	92.9	93.3	92.6
01/15/2016 16:00	US	U. of Mich. Current Conditions	Jan P	--	105.1	108.1
01/15/2016 16:00	US	U. of Mich. Expectations	Jan P	--	85.7	82.7
01/19/2016 22:00	US	Total Net TIC Flows	Nov	--	-\$3.2b	\$68.9b
01/19/2016 22:00	US	Net Long-term TIC Flows	Nov	--	\$31.4b	-\$16.6b
01/20/2016 13:00	US	MBA Mortgage Applications	Jan 15	--	9.0%	21.3%
01/20/2016 14:30	US	Housing Starts	Dec	1200k	1149k	1173k
01/20/2016 14:30	US	Housing Starts MoM	Dec	2.3%	-2.5%	10.5%
01/20/2016 14:30	US	Building Permits	Dec	1200k	1232k	1289k
01/20/2016 14:30	US	Building Permits MoM	Dec	-6.4%	-3.9%	11.0%
01/20/2016 14:30	US	CPI MoM	Dec	0.0%	-0.1%	0.0%
01/20/2016 14:30	US	CPI Ex Food and Energy MoM	Dec	0.2%	0.1%	0.2%
01/20/2016 14:30	US	CPI YoY	Dec	0.8%	0.7%	0.5%
01/20/2016 14:30	US	CPI Ex Food and Energy YoY	Dec	2.1%	2.1%	2.0%
01/21/2016 14:30	US	Philadelphia Fed Business Outlook	Jan	-5.9	-3.5	-5.9
01/21/2016 14:30	US	Initial Jobless Claims	Jan 16	278k	293k	284k
01/21/2016 14:30	US	Continuing Claims	Jan 9	2247k	2208k	2263k
01/22/2016 14:30	US	Chicago Fed Nat Activity Index	Dec	-0.15	-0.22	-0.30
01/22/2016 15:45	US	Markit US Manufacturing PMI	Jan P	51.0	52.7	51.2
01/15/2016 08:00	EU	EU27 New Car Registrations	Dec	--	16.6%	13.7%
01/15/2016 11:00	EU	Trade Balance SA	Nov	21.0b	22.7b	19.9b
01/19/2016 10:00	EU	ECB Current Account SA	Nov	--	26.4b	20.4b
01/19/2016 11:00	EU	Construction Output MoM	Nov	--	0.8%	0.5%
01/19/2016 11:00	EU	Construction Output YoY	Nov	--	2.1%	1.1%
01/19/2016 11:00	EU	CPI MoM	Dec	0.0%	0.0%	-0.1%
01/19/2016 11:00	EU	CPI YoY	Dec F	0.2%	0.2%	0.2%
01/19/2016 11:00	EU	CPI Core YoY	Dec F	0.9%	0.9%	0.9%
01/19/2016 11:00	EU	ZEW Survey Expectations	Jan	--	22.7	33.9
01/21/2016 16:00	EU	Consumer Confidence	Jan A	-5.7	-6.3	-5.7
01/15/2016 09:00	TR	Unemployment Rate	Oct	10.3%	10.5%	10.3%
01/21/2016 09:00	TR	Consumer Confidence Index	Jan	--	71.62	73.58
01/15/2016 14:00	RU	Trade Balance	Nov	9.6b	9.1b	10.1b
01/15/2016 14:00	RU	Official Reserve Assets	Dec	370.0b	368.4b	364.7b
01/18/2016 14:00	RU	Current Account Balance	4Q P	12950m	13000m	7509m
01/21/2016 14:00	RU	Gold and Forex Reserve	Jan 15	--	368.3b	368.1b
01/22/2016 13:40	RU	Budget Balance YTD	Dec	-2100.0b	-1945.1b	-896.6b

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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.