

DenizBank AG 



FX & Markets Weekly

Week 6/2016

**DenizBank AG
Economic Research
Vienna, Austria**

Riksbank cuts rates further down the path

Effective February 17, Sweden's central bank took rates further into negative territory this week. By 15bps to -0,5%, following the December 2015 move (-10bps to -0,35%). Sweden's economy is in an uncommon position of having strong GDP growth (3,9% in 3Q15 vs. 1,5% on average in Euro Area) but weak inflation. Policymakers led by Governor Stefan Ingves argued with persisting low inflation. This kind of monetary policy, often referred to as NIRP (negative-interest-rate-policy), is currently applied by the Euro Area (-0,3%), Japan (-0,1%), Switzerland (-0,75%), Denmark (-0,65%), and Sweden.

Equities crash another week

European, U.S., Asia/Pacific as well as most emerging markets equity indices extended their declines another week. Earnings season didn't start well, along with weak economic data and downwardly revised economic projections. Stock markets are crashing but stocks are still overvalued. In Italy the FTSE MIB which consists of the 40 most liquid and capitalized stocks listed on the Borsa Italiana has plunged over 23% year-to-date. But the price to earnings ratio of the index is still above 60. However, it is estimated to fall to 12 this year. Meanwhile also a Bloomberg index of global market capitalization has declined by 5,42% in 1 month, extending its year-to-date plunge to 13,27%.

Chinese hard-landing unlikely

The Chinese economy is rebalancing. It is in what the IMF called a triple transformation. A transformation from industry-driven to services, from export-orientation to domestic markets, and from investments to a consumption-driven economy. In the long run this will lead to more sustainable GDP growth. But in the short run it can slow down GDP growth and create spill-over effects through trade, and lower demand for commodities, that even might be amplified by financial markets. As long as consumer confidence is holding up well there will only be a soft-landing of the Chinese economy.

RUB underperforms

Options are becoming increasingly limited for Russia, as the geopolitical tensions restrict Foreign Direct Investment flows that would be required especially by infrastructure projects. The upcoming Duma elections in September are no motivation to tighten the fiscal stance although the state budget would require it. On the other hand the economy would need stimulus in a dampened investment climate. In sync with the crude oil price, the RUB is poised to depreciate.



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Economic Research and Development

Exchange Rates	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1244	0,81	3,77	4,35
EUR/TRY	3,2912	1,17	-0,02	6,35
EUR/CHF	1,0983	-0,55	1,03	1,80
EUR/GBP	0,77596	0,96	3,33	9,55
EUR/JPY	126,99	-2,68	-0,52	-4,09
EUR/RUB	88,9725	3,03	6,56	24,17
EUR/CNY	7,3964	1,09	3,67	8,04
USD/TRY	2,9271	0,29	-3,63	1,99
USD/JPY	112,95	-3,45	-4,13	-8,09
USD/RUB	79,1337	2,20	2,71	19,01
USD/CNY	6,5743	-0,03	0,90	3,60

Sovereign Bonds 10Y	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Ask YTM
Austria	122,35	-0,12	1,21	0,08
Belgium	114,79	0,03	1,89	0,21
China	107,81	-0,21	-0,79	2,92
EFSF	121,03	-0,00	0,81	-0,03
ESM	114,55	0,18	1,67	0,21
France	114,12	-0,01	1,37	0,13
Germany	111,74	0,46	2,23	-0,17
Greece	58,36	-13,69	-20,60	12,45
Japan	106,28	-0,34	0,92	-0,12
Portugal	109,22	-6,26	-7,90	3,53
Spain	127,74	-0,82	0,28	1,22
Russia	88,45	-0,45	1,08	10,34
Switzerland	132,86	0,29	0,91	-0,63
Turkey	83,25	-0,54	3,48	10,89
UK	104,68	1,06	2,45	1,00
US	101,34	0,87	2,86	1,41

Turkey related	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,1092	0,67	-1,76	4,25
WAC of CBRT	8,99	0,33	0,22	3,81
Gold TRY / gram	116,25	5,55	9,53	16,49
TR Gov. B. 2Y yield	11,08	0,45	-1,16	8,41

Euribor/Eonia	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T -1)	-0,239	-3,46	-1,27	-82,44
Euribor 1 Month	-0,240	-2,56	-9,09	-76,47
Euribor 3 Month	-0,183	-9,58	-27,08	-125,93
Euribor 6 Month	-0,116	-11,54	-118,87	-954,55
Euribor 12 Month	-0,009	-350,00	-118,75	-110,71

EUR Libor	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,284	0,00	0,25	-54,48
EUR Libor 1M	-0,249	-3,57	-13,35	-68,11
EUR Libor 3M	-0,202	-7,37	-43,56	-119,23
EUR Libor 6M	-0,123	-7,10	-112,34	-421,26
EUR Libor 12M	-0,017	-110,25	-135,36	-123,69

Commodities Energy Futures	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	28,03	-9,42	-11,23	-37,53
BRENT crude	31,63	-7,16	-0,63	-33,46
GAS oil	301,25	-3,98	0,25	-32,19
Heating oil	102,76	-2,88	1,95	-29,55
Natural gas	2,00	-2,81	-11,32	-19,70
Gold Spot	1.235,27	5,25	13,68	14,23
Silver Spot	15,68	4,34	13,55	9,71
Platinum Spot	958,11	4,98	14,05	9,18
Palladium Spot	527,50	4,94	11,89	-5,84
Copper	203,55	-3,16	3,96	-6,65

Stock Indices	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	2.014	-5,54	-9,23	-15,87
BIST 100	71.388	-3,91	-0,61	-13,20
CAC 40	3.963	-5,91	-9,74	-18,62
DAX	8.927	-4,13	-10,84	-17,43
Dow Jones	15.660	-4,61	-5,18	-10,25
Euro Stoxx 50	2.735	-5,31	-11,04	-19,52
FTSE 100	5.653	-3,51	-4,83	-8,67
HANG SENG	18.320	-5,80	-7,06	-19,96
IBEX 35	7.874	-7,70	-12,01	-22,67
MICEX	1.729	-3,04	2,14	-0,78
NASDAQ 100	3.962	-4,93	-8,57	-13,66
NIKKEI 225	14.953	-12,28	-15,51	-24,07
S&P 500	1.829	-4,51	-5,65	-10,60

Interest Rate Futures	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	132,83	0,29	1,27	1,44
Bund	164,90	0,84	3,51	4,42

Risk Sentiment	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	290	-2,36	-27,86	-49,91
VIX	28,14	28,85	25,23	53,18
Turkey 5Y CDS (T -1)	310,09	7,18	1,49	23,46
MSCI EM Index (T-1)	713,04	-3,59	-1,41	-14,48

USD Libor	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	0,371	0,22	1,28	184,14
USD Libor 1M	0,431	0,37	1,41	118,53
USD Libor 3M	0,618	-0,24	-0,87	70,96
USD Libor 6M	0,858	-1,08	0,36	42,86
USD Libor 12M	1,116	-1,75	-3,50	19,62

TRY Libor	Price as of 02/12/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	11,015	0,00	0,00	0,00
TRY Libor 1M	11,619	-0,26	4,47	5,90
TRY Libor 3M	11,641	-0,09	3,15	5,62
TRY Libor 6M	11,734	0,01	2,53	5,87
TRY Libor 12M	11,784	0,01	2,69	5,98



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Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
02/05/2016 14:30	US	Trade Balance	Dec	-\$43.20b	-\$43.36b	-\$42.37b
02/05/2016 14:30	US	Change in Nonfarm Payrolls	Jan	190k	151k	292k
02/05/2016 14:30	US	Change in Private Payrolls	Jan	180k	158k	275k
02/05/2016 14:30	US	Change in Manufact. Payrolls	Jan	-2k	29k	8k
02/05/2016 14:30	US	Unemployment Rate	Jan	5.0%	4.9%	5.0%
02/05/2016 14:30	US	Change in Household Employment	Jan	--	615.0	485.0
02/05/2016 14:30	US	Labor Force Participation Rate	Jan	62.7%	62.7%	62.6%
02/09/2016 12:00	US	NFIB Small Business Optimism	Jan	94.5	93.9	95.2
02/09/2016 16:00	US	JOLTS Job Openings	Dec	5413	5607	5431
02/09/2016 16:00	US	Wholesale Inventories MoM	Dec	-0.2%	-0.1%	-0.3%
02/09/2016 16:00	US	Wholesale Trade Sales MoM	Dec	-0.4%	-0.3%	-1.0%
02/10/2016 13:00	US	MBA Mortgage Applications	Feb 5	--	9.3%	-2.6%
02/10/2016 20:00	US	Monthly Budget Statement	Jan	\$50.0b	\$55.2b	-\$17.5b
02/11/2016 14:30	US	Initial Jobless Claims	Feb 6	280k	269k	285k
02/11/2016 14:30	US	Continuing Claims	Jan 30	2245k	2239k	2255k
02/12/2016 14:30	US	Import Price Index MoM	Jan	-1.5%	-1.1%	-1.2%
02/12/2016 14:30	US	Import Price Index YoY	Jan	-6.8%	-6.2%	-8.2%
02/08/2016 10:30	EU	Sentix Investor Confidence	Feb	7.4	6.0	9.6
02/12/2016 11:00	EU	Industrial Production SA MoM	Dec	0.3%	-1.0%	-0.7%
02/12/2016 11:00	EU	Industrial Production WDA YoY	Dec	0.7%	-1.3%	1.1%
02/12/2016 11:00	EU	GDP SA QoQ	4Q A	0.3%	0.3%	0.3%
02/12/2016 11:00	EU	GDP SA YoY	4Q A	1.5%	1.5%	1.6%
02/08/2016 09:00	TR	Industrial Production MoM	Dec	1.2%	0.8%	-0.9%
02/08/2016 09:00	TR	Industrial Production YoY	Dec	3.6%	4.5%	3.5%
02/11/2016 09:00	TR	Current Account Balance	Dec	-5.00b	-5.07b	-2.11b
02/05/2016 09:00	RU	Money Supply Narrow Def	Jan 29	--	8.20t	8.31t
02/05/2016 14:00	RU	CPI MoM	Jan	1.0%	1.0%	0.8%
02/05/2016 14:00	RU	CPI YoY	Jan	9.9%	9.8%	12.9%
02/05/2016 14:00	RU	CPI YTD	Jan	1.0%	1.0%	12.9%
02/05/2016 14:00	RU	CPI Core MoM	Jan	0.8%	0.8%	0.6%
02/05/2016 14:00	RU	CPI Core YoY	Jan	10.7%	10.7%	13.7%
02/05/2016 14:00	RU	Official Reserve Assets	Jan	370.0b	371.6b	368.4b
02/08/2016 11:20	RU	Light Vehicle Car Sales YoY	Jan	-0,23	-0,29	-0,46
02/10/2016 14:00	RU	CPI Weekly YTD	Feb 8	--	1.2%	0.9%
02/10/2016 14:00	RU	CPI WoW	Feb 8	--	0.2%	0.2%
02/11/2016 12:00	RU	Budget Balance YTD	Jan	-210.0b	390.2b	-1945.1b
02/11/2016 14:00	RU	Gold and Forex Reserve	Feb 5	--	376.7b	371.3b
02/11/2016 14:00	RU	Exports	Dec	27.0b	28.4b	25.5b
02/11/2016 14:00	RU	Imports	Dec	16.9b	17.4b	16.4b
02/11/2016 14:00	RU	Trade Balance	Dec	10.0b	11.0b	9.1b
02/12/2016 09:00	RU	Money Supply Narrow Def	Feb 5	--	8.21t	8.20t

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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.