

**DenizBank AG** 



**FX & Markets Weekly**

**Week 36/2016**

**DenizBank AG  
Economic Research  
Vienna, Austria**

## ECB surprises with hawkish stance

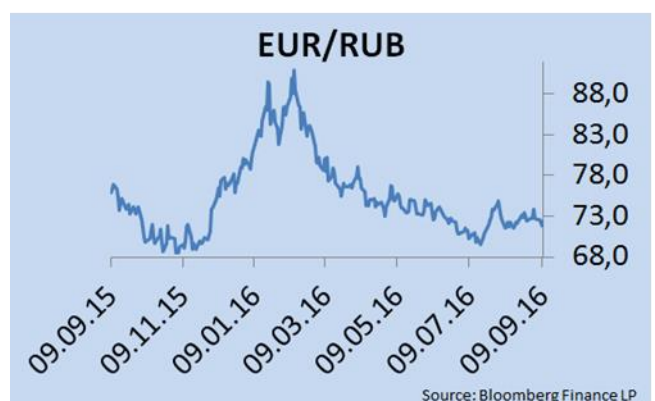
In September the ECB didn't change interest rates, or any parameter of its Quantitative Easing programme. ECB staff macroeconomic projections for the euro area have been released. Accordingly, euro area 2016 real GDP growth is expected at 1,7% (+1ppt to June forecast), but 2017 and 2018 forecasts have been revised down by 1ppt to 1,6% each, blaming lower foreign demand. Draghi thinks that this recovery is based on consumption, and is "firmer, more robust, unlike other recoveries that were based on exports". Going forward he expects EU government's fiscal stance to be expansionary. Additionally employment gains and the lower oil price should drive consumption. The rate (EUR/USD) had a rough ride on Tuesday when the U.S. ISM Services Index dropped to a 6-year low, and on Thursday as the ECB disappointed by not extending or expanding QE.

## EGBs drop as QE not extended or expanded

Euro area government bonds dropped with yields jumping, after the ECB didn't meet market's expectations of QE extension or expansion. In longer term, we are bullish on EGBs though, at least until the year-end. As the most important market driver is QE-adjusted net issuance, which will be negative by year end, and particularly strong in October.

## Turkey current account deficit narrows further

The Achilles heel of the Turkish economy, its current account deficit continues to improve as the gap narrowed to USD 2,6bn in July, down from USD 4,9bn in June or USD 3,1bn in July 2015. That figure was even below consensus estimates of USD 2,7bn, and brought the 12-month rolling deficit down to USD 28,9bn. Therein, the large improvement in the balance of payments (+USD 1,4bn) was partly offset by services. Turkish sovereign yields declined across the board with largest swings in the 4 - year sector (-24bps to 9,32%) followed by 7-years (-19bps to 9,45%). Moreover, the consumer price inflation had slowed down in August to -0,29% in monthly terms, negative for the first time since March. Down from 1,16% in July. The annual inflation rate fell to 8,05%, down from 8,79% in the previous month, and against 8,4% consensus expectations. Last but not least, the Central Bank of Turkey lowered its TRY reserve requirements for local banks across all maturities by 50bps. That should provide additional liquidity to the system of around USD 670bn and ease the pressure on TRY Libor rates. In fact the over-night TRY Libor rate fell below the Central Banks O/N lending rate again, for the first time since March 2015. Additionally, TRY Libor rates across all maturities but 6-months fell to fresh 2,5-year lows.



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## Economic Research and Development

Exchange Rates	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities Energy Futures	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1225	0,63	1,11	-0,82	WTI crude	46,46	7,81	6,97	-10,74
EUR/TRY	3,3353	1,36	1,15	1,65	BRENT crude	48,76	4,25	7,65	-7,89
EUR/CHF	1,0951	0,18	0,40	0,36	GAS oil	428,25	3,56	7,52	-8,68
EUR/GBP	0,84564	0,79	-0,88	8,10	Heating oil	145,76	5,62	7,68	-7,74
EUR/JPY	115,12	-0,60	1,83	-4,45	Natural gas	2,83	1,25	6,32	1,29
EUR/RUB	72,5189	-0,18	0,95	-0,14	Gold Spot	1.334,80	0,76	-0,36	5,24
EUR/CNY	7,5026	0,73	1,48	0,92	Silver Spot	19,42	-0,15	-2,10	12,35
USD/TRY	2,9709	0,72	0,05	2,56	Platinum Spot	1.073,71	0,89	-7,16	7,19
USD/JPY	102,55	-1,19	0,72	-3,66	Palladium Spot	680,42	0,09	-1,94	21,39
USD/RUB	64,605	-0,76	-0,14	0,70	Copper	209,05	0,79	-3,24	1,90
USD/CNY	6,6838	0,05	0,43	1,85	Stock Indices	Price as of 09/09/2016	Change% 5 days	Change % 1 Month	Change % 3 Months
Sovereign Bonds 10Y	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Ask YTM	ATX	2.393	1,07	5,27	7,13
Austria	123,22	-0,26	-0,80	-0,31	BIST 100	77.200	0,38	-1,71	-0,69
Belgium	117,19	-0,06	-0,59	-0,27	CAC 40	4.501	-0,87	0,78	2,21
China	108,28	-0,09	-0,49	2,65	DAX	10.598	-0,78	-0,86	5,08
EFSF	121,65	-0,04	-0,30	-0,47	Dow Jones	18.324	-0,40	-1,02	2,00
ESM	117,02	-0,10	-0,27	-0,24	Euro Stoxx 50	3.058	-0,63	1,02	2,38
France	115,62	-0,11	-0,43	-0,28	FTSE 100	6.791	-1,49	-0,87	8,98
Germany	112,53	-0,12	-0,44	-0,42	HANG SENG	24.100	3,58	7,27	13,16
Greece	75,90	-0,84	0,26	8,31	IBEX 35	9.043	1,56	4,41	3,17
Japan	106,11	-0,00	-0,23	-0,17	MICEX	2.033	1,50	3,96	5,12
Portugal	114,73	-0,08	-1,96	2,63	NASDAQ 100	4.766	-0,30	-0,54	5,70
Spain	131,02	-0,14	-0,50	0,45	NIKKEI 225	16.966	0,24	1,20	1,78
Russia	97,81	0,57	1,30	8,15	S&P 500	2.159	-0,51	-1,01	2,09
Switzerland	130,61	-0,17	-0,97	-0,69	Interest Rate Futures	Price as of 09/09/2016	Change% 5 days	Change % 1 Month	Change % 3 Months
Turkey	88,50	0,06	0,06	10,89	Bobl	131,58	-0,01	-0,07	0,70
UK	108,02	-0,30	-0,88	0,39	Bund	163,90	-0,24	-0,52	1,16
US	101,20	-0,18	-0,76	1,42	Risk Sentiment	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Turkey related	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index (T-1)	792	11,24	25,52	29,62
TRY Basket	3,1535	0,97	0,62	2,08	VIX	14,27	5,56	22,04	-2,80
WAC of CBRT	7,9	0,13	-1,62	-6,18	Turkey 5Y CDS (T-1)	236,516	-3,62	-3,85	-4,73
Gold TRY / gram	127,51	1,49	-0,30	7,94	MSCI EM Index (T-1)	927,29	3,08	3,06	10,78
TR Gov. B. 2Y yield	9	-0,88	-2,60	-2,07	USD Libor	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
Euribor/Eonia	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N	0,422	0,27	0,66	9,33
Eonia (T-1)	-0,337	0,30	1,46	0,00	USD Libor 1M	0,527	0,22	2,68	17,86
Euribor 1 Month	-0,369	1,07	0,00	-5,13	USD Libor 3M	0,852	2,05	4,44	29,90
Euribor 3 Month	-0,301	0,00	-1,01	-14,89	USD Libor 6M	1,250	0,24	4,50	32,43
Euribor 6 Month	-0,198	-2,59	-5,88	-24,53	USD Libor 12M	1,557	-0,17	2,25	22,17
Euribor 12 Month	-0,057	-9,62	-21,28	-216,67	TRY Libor	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor	Price as of 09/09/2016	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	8,485	-0,58	-5,01	-12,84
EUR Libor O/N	-0,401	-0,18	-0,18	-1,26	TRY Libor 1M	8,740	-0,00	-6,22	-10,89
EUR Libor 1M	-0,373	0,30	-0,39	-4,40	TRY Libor 3M	9,128	-0,13	-5,26	-7,24
EUR Libor 3M	-0,319	2,19	-0,04	-13,36	TRY Libor 6M	9,443	0,01	-2,49	-5,59
EUR Libor 6M	-0,206	-0,56	-4,49	-23,12	TRY Libor 12M	9,580	-0,03	-2,58	-4,63
EUR Libor 12M	-0,077	-1,90	-7,60	-194,03					

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## Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
09/06/2016 16:00	US	Labor Market Conditions Index Change	Aug	0.0	-0.7	1.0
09/06/2016 16:00	US	ISM Non-Manf. Composite	Aug	54.9	51.4	55.5
09/06/2016 16:00	US	IBD/TIPP Economic Optimism	Sep	48.1	46.7	48.4
09/07/2016 13:00	US	MBA Mortgage Applications	Sep 2	--	0.9%	2.8%
09/07/2016 16:00	US	JOLTS Job Openings	Jul	5630	5871	5624
09/08/2016 14:30	US	Initial Jobless Claims	Sep 3	265k	259k	263k
09/08/2016 14:30	US	Continuing Claims	Aug 27	2151k	2144k	2159k
09/08/2016 21:00	US	Consumer Credit	Jul	\$16.000b	\$17.713b	\$12.320b
09/09/2016 16:00	US	Wholesale Inventories MoM	Jul F	0.1%	0.0%	0.0%
09/09/2016 16:00	US	Wholesale Trade Sales MoM	Jul	0.2%	-0.4%	1.9%
09/05/2016 10:00	EU	Markit Eurozone Services PMI	Aug F	53.1	52.8	53.1
09/05/2016 10:00	EU	Markit Eurozone Composite PMI	Aug F	53.3	52.9	53.3
09/05/2016 10:30	EU	Sentix Investor Confidence	Sep	5.0	5.6	4.2
09/05/2016 11:00	EU	Retail Sales MoM	Jul	0.5%	1.1%	0.0%
09/05/2016 11:00	EU	Retail Sales YoY	Jul	1.8%	2.9%	1.6%
09/06/2016 10:10	EU	Markit Eurozone Retail PMI	Aug	--	51.0	48.9
09/06/2016 11:00	EU	GDP SA QoQ	2Q F	0.3%	0.3%	0.3%
09/06/2016 11:00	EU	GDP SA YoY	2Q F	1.6%	1.6%	1.6%
09/06/2016 11:00	EU	Gross Fix Cap QoQ	2Q	-0.1%	0.0%	0.8%
09/06/2016 11:00	EU	Govt Expend QoQ	2Q	0.2%	0.1%	0.4%
09/06/2016 11:00	EU	Household Cons QoQ	2Q	0.3%	0.2%	0.6%
09/08/2016 13:45	EU	ECB Main Refinancing Rate	Sep 8	0.000%	0.000%	0.000%
09/08/2016 13:45	EU	ECB Deposit Facility Rate	Sep 8	-0.400%	-0.400%	-0.400%
09/08/2016 13:45	EU	ECB Marginal Lending Facility	Sep 8	0.250%	0.250%	0.250%
09/08/2016 13:45	EU	ECB Asset Purchase Target	Sep	EU80b	EU80b	EU80b
09/05/2016 09:00	TR	CPI MoM	Aug	0.05%	-0.29%	1.16%
09/05/2016 09:00	TR	CPI YoY	Aug	8.40%	8.05%	8.79%
09/05/2016 09:00	TR	CPI Core Index YoY	Aug	8.55%	8.41%	8.70%
09/05/2016 09:00	TR	PPI MoM	Aug	0.55%	0.08%	0.21%
09/05/2016 09:00	TR	PPI YoY	Aug	3.60%	3.03%	3.96%
09/08/2016 09:00	TR	Industrial Production MoM	Jul	-1.0%	-7.0%	-1.4%
09/08/2016 09:00	TR	Industrial Production YoY	Jul	1.3%	-4.9%	1.1%
09/09/2016 09:00	TR	Current Account Balance	Jul	-2.70b	-2.60b	-4.94b
09/09/2016 09:00	TR	GDP YoY	2Q	3.7%	3.1%	4.8%
09/09/2016 09:00	TR	GDP SA/WDA QoQ	2Q	0.5%	0.3%	0.8%
09/05/2016 08:00	RU	Markit Russia PMI Services	Aug	53.5	53.5	55.0
09/05/2016 15:00	RU	CPI MoM	Aug	0.0%	0.0%	0.5%
09/05/2016 15:00	RU	CPI YoY	Aug	6.9%	6.9%	7.2%
09/05/2016 15:00	RU	CPI Core MoM	Aug	0.4%	0.4%	0.3%
09/05/2016 15:00	RU	CPI Core YoY	Aug	7.0%	7.0%	7.4%
09/06/2016 10:20	RU	Reserve Fund	Aug	--	\$32.2b	\$38.2b
09/06/2016 10:20	RU	Wellbeing Fund	Aug	--	\$72.7b	\$72.2b
09/07/2016 15:00	RU	Official Reserve Assets	Aug	397.0b	395.2b	393.9b
09/08/2016 15:00	RU	Gold and Forex Reserve	Sep 2	--	394.3b	396.9b
09/09/2016 15:00	RU	GDP YoY	2Q P	-0.6%	-0.6%	-0.6%
09/09/2016 15:00	RU	Trade Balance	Jul	7.2b	6.5b	8.1b

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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.