

FX & Markets Weekly

Week 4/2017

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BIST outperforms

With +4,3% week on week gain (by time of writing), Borsa Istanbul has outperformed all European, U.S., and Asian stock markets. 92 out of 100 stocks' surged led by Ihlas Holding (+26,47% w/w), Tat Gida (+16,29% w/w), and Izmir Demir Celik (+12,07% w/w). At 87500 points the main stock market index in Istanbul is comfortably above its 50-, 100-, and 200-day simple moving averages indicating a bullish trend. MACD indicates the rally has still room to go. Chart-technical resistances lie ahead at 88600 points and then above 91000. Currency adjusted week on week gains amount to +7,29% for EUR, and +7,74% for USD. Historically the BIST has around 60-65% held by investors abroad. As TRY depreciated recently to new record lows against majors, foreign institutional investors are looking for carry trades.

TRY outperforms despite Fitch downgrade

As widely expected Fitch downgraded Turkey's sovereign rating by 1 notch to BB+ with a "stable" outlook on January 17 after market's close. This week lira outperformed all majors, as the central bank tightened TRY liquidity by moving up 2 of its interest rates past week. In fact the weighted average cost of funding for local banks has climbed to 10,34% on Thursday. Back in May that was 7,73%. The worst performer of 2016 has still room to go as indicated by chart-technical indicators like MACD, and RSI. Year-to-date the lira is still down 7,87% against EUR, and -5,91% against USD. Forecasted total returns end of 2Q17 for TRY vs. EUR have risen to 9,61%.

Crude rises as Trump eyes new Iran sanctions

Since 1st of January the OPEC output freeze is in place. Surveys indicate that only 60% of planned cuts have been implemented as scheduled. Most countries are not fulfilling their quotes yet. On the other hand, U.S. stockpiles are rising continuously as the U.S. is expanding output. Total number of active rigs is up by 18 to 712 this week. Additionally shale oil companies are re-initiating production as crude prices move higher. Moreover, the U.S. is expected to announce new sanctions on Iran for supporting terrorism and missile launches. Crude oil futures are heading for their 3rd weekly gain, with WTI for March delivery up by 58 cents, and Brent for April delivery up by USD 1,09 per barrel.

Gold rises as uncertainty climbs

Trump is up and running to change essential multilateral trade deals (TPP, NAFTA, Mercosur,..). There is also the Brexit uncertainty and political uncertainty clouding Europe, as 2017 is an important elections year. Inflation is back on the horizon and gold shines again.



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Economic Research and Development

Exchange Rates	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,0741	0,39	3,01	-3,35
EUR/TRY	4,0139	-3,12	7,42	15,95
EUR/CHF	1,0697	0,06	0,05	-1,15
EUR/GBP	0,86092	0,90	1,15	-3,65
EUR/JPY	121,52	-1,32	-0,77	6,15
EUR/RUB	63,6603	-0,59	0,06	-10,16
EUR/CNY	7,3784	0,11	2,24	-1,64
USD/TRY	3,7359	-3,48	4,28	20,00
USD/JPY	113,14	-1,71	-3,67	9,82
USD/RUB	59,2688	-1,06	-2,85	-7,05
USD/CNY	6,8695	-0,21	-1,36	1,54

Sovereign Bonds 10Y	Price as of 03/02/2017	Change % 5 days	Change % 1 Month	Ask YTM
Austria	100,77	0,20	-1,69	0,66
Belgium	101,60	0,15	-1,65	0,82
China	94,68	-0,76	-1,27	3,30
EFSF	118,43	-0,04	-0,71	-0,18
ESM	113,44	0,04	-0,79	0,12
France	92,38	-0,43	-2,80	1,07
Germany	96,58	0,22	-0,97	0,36
Greece	76,04	-2,36	-3,49	7,33
Japan	100,14	-0,17	-0,57	0,08
Portugal	90,07	-0,50	-2,17	4,14
Spain	96,78	-0,76	-2,21	1,65
Russia	101,70	0,67	1,87	8,06
Switzerland	113,09	-0,26	-0,73	-0,18
Turkey	99,65	1,89	3,21	10,89
UK	100,99	0,70	-0,55	1,39
US	95,86	0,06	na	2,48

Turkey related	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,8753	-3,24	5,90	17,90
WAC of CBRT (T-1)	10,34	4,13	24,88	33,08
Gold TRY / gram	145,58	-1,79	8,76	11,83
TR Gov. B. 2Y yield	11,3	-0,62	3,48	21,64

Euribor/Eonia	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,351	0,28	1,40	-2,33
Euribor 1 Month	-0,373	-0,27	-0,81	0,00
Euribor 3 Month	-0,328	0,00	-2,82	-4,79
Euribor 6 Month	-0,244	-0,41	-10,41	-14,55
Euribor 12 Month	-0,101	0,00	-20,24	-42,25

EUR Libor	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,412	-0,35	-0,35	-1,40
EUR Libor 1M	-0,383	0,37	-1,05	-0,79
EUR Libor 3M	-0,344	0,33	-2,43	-6,50
EUR Libor 6M	-0,241	0,00	-5,76	-11,35
EUR Libor 12M	-0,106	-11,41	-22,64	-35,39

Commodities Energy Futures	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	53,68	1,00	0,77	15,41
BRENT crude	56,72	1,90	1,10	16,84
GAS oil	499,25	1,99	-0,50	15,22
Heating oil	164,96	1,01	-2,37	10,17
Natural gas	3,06	-8,96	-7,84	2,96
Gold Spot	1.212,04	1,74	4,28	-6,82
Silver Spot	17,35	1,18	5,89	-5,37
Platinum Spot	991,58	0,59	5,34	-0,34
Palladium Spot	749,44	1,12	5,61	21,32
Copper	265,40	-1,39	6,55	17,37

Stock Indices	Price as of 03/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	2.718	-0,53	1,25	10,10
BIST 100	87.821	4,77	14,62	14,53
CAC 40	4.834	-0,14	-1,35	9,56
DAX	11.653	-1,37	0,59	12,85
Dow Jones (T-1)	19.885	-1,07	0,02	10,90
Euro Stoxx 50	3.274	-0,91	-1,26	10,08
FTSE 100	7.170	-0,21	-0,11	5,58
HANG SENG	23.129	0,35	4,42	1,96
IBEX 35	9.452	-0,53	-0,43	6,46
MICEX	2.218	-2,07	-2,90	13,07
NASDAQ 100 (T-1)	5.148	-0,18	4,81	10,01
NIKKEI 225	18.918	-2,82	-1,03	10,41
S&P 500 (T-1)	2.281	-0,69	1,02	9,20

Interest Rate Futures	Price as of 03/02/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	133,12	0,26	-0,31	0,28
Bund	162,19	0,21	-0,62	-1,18

Risk Sentiment	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	770	-8,33	-19,20	-9,31
VIX	11,58	9,83	-9,57	-47,37
Turkey 5Y CDS (T-1)	258,99	-4,96	-6,61	-2,21
MSCI EM Index (T-1)	915,21	-0,08	5,39	3,42

USD Libor	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N (T-1)	0,693	0,40	-0,38	58,61
USD Libor 1M	0,776	-0,36	0,29	45,63
USD Libor 3M	1,034	-0,48	3,53	17,37
USD Libor 6M	1,350	-0,65	2,45	8,24
USD Libor 12M	1,713	-0,61	1,45	9,83

TRY Libor	Price as of 02/03/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	11,015	1,91	28,27	33,78
TRY Libor 1M	11,021	2,15	18,19	27,27
TRY Libor 3M	11,274	2,53	13,46	24,99
TRY Libor 6M	11,542	2,38	8,84	23,64
TRY Libor 12M	11,966	0,98	9,14	23,46

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Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
01/30/2017 16:30	US	Dallas Fed Manf. Activity	Jan	15.0	42757	42870
01/31/2017 15:45	US	Chicago Purchasing Manager	Jan	55.0	50.3	54.6
02/01/2017 13:00	US	MBA Mortgage Applications	Jan 27	--	-3.2%	4.0%
02/01/2017 14:15	US	ADP Employment Change	Jan	168k	246k	153k
02/01/2017 15:45	US	Markit US Manufacturing PMI	Jan F	55.1	55.0	55.1
02/01/2017 16:00	US	ISM Manufacturing	Jan	55.0	56.0	54.7
02/02/2017 14:30	US	Unit Labor Costs	4Q P	1.9%	1.7%	0.7%
02/02/2017 14:30	US	Initial Jobless Claims	Jan 28	250k	246k	259k
02/02/2017 14:30	US	Continuing Claims	Jan 21	2063k	2064k	2100k
02/03/2017 14:30	US	Change in Nonfarm Payrolls	Jan	180k	227k	156k
02/03/2017 14:30	US	Change in Private Payrolls	Jan	175k	237k	144k
02/03/2017 14:30	US	Change in Manufact. Payrolls	Jan	5k	5k	17k
02/03/2017 14:30	US	Unemployment Rate	Jan	4.7%	4.8%	4.7%
02/03/2017 14:30	US	Labor Force Participation Rate	Jan	--	62.9%	62.7%
01/30/2017 11:00	EA	Economic Confidence	Jan	107.8	107.9	107.8
01/30/2017 11:00	EA	Business Climate Indicator	Jan	0.80	0.77	0.79
01/30/2017 11:00	EA	Industrial Confidence	Jan	0.2	0.8	0.1
01/30/2017 11:00	EA	Services Confidence	Jan	12.7	12.9	12.9
01/30/2017 11:00	EA	Consumer Confidence	Jan F	-4.9	-4.9	-4.9
01/31/2017 11:00	EA	Unemployment Rate	Dec	9.8%	9.6%	9.8%
01/31/2017 11:00	EA	GDP SA QoQ	4Q A	0.5%	0.5%	0.3%
01/31/2017 11:00	EA	GDP SA YoY	4Q A	1.7%	1.8%	1.7%
01/31/2017 11:00	EA	CPI Estimate YoY	Jan	1.5%	1.8%	1.1%
01/31/2017 11:00	EA	CPI Core YoY	Jan A	0.9%	0.9%	0.9%
02/01/2017 10:00	EA	Markit Eurozone Manufacturing PMI	Jan F	55.1	55.2	55.1
02/02/2017 11:00	EA	PPI MoM	Dec	0.5%	0.7%	0.3%
02/02/2017 11:00	EA	PPI YoY	Dec	1.2%	1.6%	0.1%
02/03/2017 10:00	EA	Markit Eurozone Services PMI	Jan F	53.6	53.7	53.6
01/30/2017 08:00	TR	Economic Confidence	Jan	--	85.7	70.5
01/31/2017 08:00	TR	Trade Balance	Dec	-5.60b	-5.60b	-4.11b
01/31/2017 09:00	TR	Foreign Tourist Arrivals YoY	Dec	--	-11.1%	-21.4%
02/01/2017 08:00	TR	Markit/ISO Turkey PMI Mfg	Jan	--	48.7	47.7
02/02/2017 12:30	TR	Foreigners Net Bond Invest	Jan 27	--	-\$322m	-\$157m
02/02/2017 12:30	TR	Foreigners Net Stock Invest	Jan 27	--	\$33m	\$456m
02/03/2017 08:00	TR	CPI MoM	Jan	1.76%	2.46%	1.64%
02/03/2017 08:00	TR	CPI YoY	Jan	8.60%	9.22%	8.53%
02/03/2017 08:00	TR	CPI Core Index YoY	Jan	7.60%	7.74%	7.48%
02/03/2017 08:00	TR	PPI MoM	Jan	2.14%	3.98%	2.98%
02/01/2017 07:00	RU	Markit Russia PMI Mfg	Jan	53.1	54.7	53.7
02/01/2017 14:00	RU	Annual GDP YOY	2016	-0.5%	-0.2%	-3.7%
02/02/2017 10:30	RU	Reserve Fund	Jan	--	\$16.2b	\$16.0b
02/02/2017 10:30	RU	Wellbeing Fund	Jan	--	\$72.5b	\$71.9b
02/02/2017 14:00	RU	Gold and Forex Reserve	Jan 27	--	392.5b	385.9b
02/03/2017 07:00	RU	Markit Russia PMI Services	Jan	55.8	58.4	56.5

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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.