

The background of the cover features a complex financial market chart. It includes a candlestick chart with green and red bars, overlaid with a blue line graph and a red 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, and 1.7765. The overall color scheme is dark blue with green and red highlights.

# FX & Markets Weekly

**Week 44/2018**

**Mag. Ahmet Hüsrev BILGIN**  
Chief Economist  
Vienna, Austria



**USD/TRY closes below 5,50**

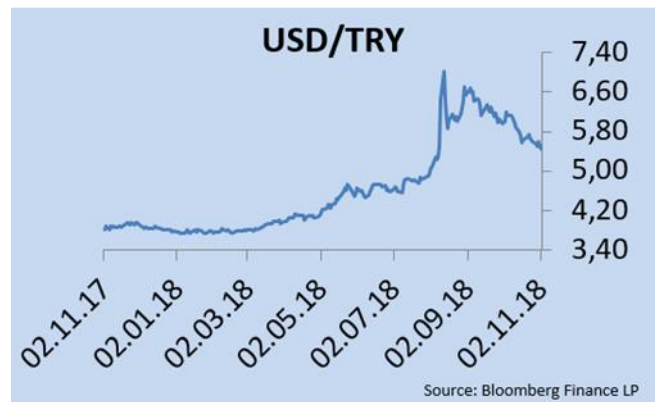
The 5,50 level held for long as it was important from two perspectives. It is a psychological level, as well as from a chart-technical view because it served once as a resistance (August 9), and twice as a support (October 30, 31). It is broken now, as the exchange rate closed below 5,50 on 2 days this week. In fact USD depreciated by over 2% against TRY this week. It was the 4<sup>th</sup> consecutive week where the TRY regained some of its earlier losses. In the last month TRY appreciated by 9,38% against the USD. Year-to-date TRY is still down 30,52%, indicating that the rally has even more room to go.

**U.S. stock market volatility declines**

This week a measure of stock market volatility in the U.S., the VIX declined by over 22% (by the time of writing) to 18,50. Dow Jones Industrial Average gained 1,58%, S&P500 gained 1,29%, and NASDAQ rose by 0,75%. In 1 month horizon, all 3 indices are still down by at least 5%.

**EUR/USD dives to fresh 3-month low but recovers**

What a week, in terms of political black swan events. First Angela Merkel announces leaving the party leadership this December, following another bad election outcome for her CDU-CSU alliance, this time in Hessen. Then Donald Trump is said to have ordered his cabinet to draft a possible trade deal with China to be signed at the G-20 summit in Argentina later this month. And the EUR/USD experiences another pretty volatile week. In fact the exchange rate is currently less driven by macroeconomic data, then by political developments. From a monetary policy perspective, the divergence is obvious. The U.S. is in a rate hiking cycle, as the euro area is still far away from it. This indicates a bear market for the exchange rate. From a chart-technical perspective, the exchange rate is below 50-, 100- and 200 day simple moving averages, indicating a bear market. From an option market perspective, the exchange rate is also in a bear market, as 25 delta risk reversals are negative up to 12 months. The hedge-fund world is short the EUR, and long the USD as is seen by net positioning. All wrapped up, the EUR/USD exchange rate is poised to decline further.



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## Economic Research and Development

Exchange Rates	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1411	0,04	-1,25	-1,74
EUR/TRY	6,2241	-2,48	-10,01	5,81
EUR/CHF	1,1423	0,40	0,37	-1,08
EUR/GBP	0,87835	-1,15	-1,28	-1,37
EUR/JPY	128,85	0,96	-1,93	-0,59
EUR/RUB	75,363	0,71	-0,13	2,35
EUR/CNY	7,8679	-0,51	-1,02	-1,05
USD/TRY	5,4512	-2,59	-8,89	7,75
USD/JPY	112,92	0,91	-0,69	1,17
USD/RUB	66,0424	0,75	1,12	4,15
USD/CNY	6,895	-0,71	0,37	0,75

Sovereign Bonds 10Y	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Ask YTM
Austria	102,47	-0,29	0,14	0,42
Belgium	103,58	-0,22	0,03	0,52
China	94,42	0,24	0,82	3,42
EFSF	112,01	-0,13	-0,25	-0,20
ESM	110,13	-0,19	-0,14	0,09
France	98,01	-0,27	0,03	0,50
Germany	98,59	-0,50	0,07	0,18
Greece	96,95	0,14	0,10	4,29
Japan	100,61	-0,10	0,22	0,02
Portugal	109,64	0,17	0,20	1,53
Spain	100,23	-0,00	-0,18	1,26
Russia	98,15	0,03	-0,95	8,62
Switzerland	110,74	-0,36	-0,13	-0,19
Turkey	78,40	-0,90	0,13	17,49
UK	101,65	-0,71	0,42	1,27
US	92,00	-0,68	-0,52	3,13

Turkey related	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	5,8382	-2,35	-9,49	6,67
WAC of CBRT (T-1)	24,00	0,00	-0,12	35,21
Gold TRY / gram	216,08	-2,72	-6,77	9,38
TR Gov. B. 2Y yield	23,41	-6,99	-10,17	7,43

Euribor/Eonia	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,353	4,08	2,76	1,40
Euribor 1 Month	-0,368	0,27	0,81	0,27
Euribor 3 Month	-0,318	0,00	0,00	0,31
Euribor 6 Month	-0,258	0,39	3,73	4,09
Euribor 12 Month	-0,148	0,00	5,73	15,91

EUR Libor	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,453	0,57	-1,08	-1,21
EUR Libor 1M	-0,403	0,60	0,28	0,35
EUR Libor 3M	-0,355	0,08	0,80	1,23
EUR Libor 6M	-0,326	0,31	-5,12	-2,61
EUR Libor 12M	-0,210	-0,27	1,81	9,16

Commodities Energy Futures	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	63,28	-6,38	-15,67	-5,26
BRENT crude	72,62	-6,49	-13,91	-1,45
GAS oil	668,00	-5,15	-9,67	3,53
Heating oil	218,05	-5,33	-9,57	1,80
Natural gas	3,18	-1,27	-1,70	7,64
Gold Spot	1 232,97	-0,09	2,37	1,56
Silver Spot	14,81	0,66	0,58	-3,88
Platinum Spot	863,69	3,68	3,64	4,09
Palladium Spot	1 114,45	0,79	4,92	20,94
Copper	278,65	1,64	-0,73	0,94

Stock Indices	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	3 192	4,66	-5,13	-6,82
BIST 100	94 235	0,55	-3,97	-0,30
CAC 40	5 144	3,60	-5,88	-5,76
DAX	11 620	3,81	-5,38	-7,33
Dow Jones	25 548	3,36	-4,69	0,76
Euro Stoxx 50	3 239	3,38	-4,37	-6,59
FTSE 100	7 155	3,11	-4,27	-5,55
HANG SENG	26 486	7,16	-2,36	-4,43
IBEX 35	9 035	3,55	-2,85	-6,79
MOEX	2 376	3,15	3,43	3,07
NASDAQ 100	7 048	2,82	-7,63	-4,43
NIKKEI 225	22 244	5,00	-8,35	-1,19
S&P 500	2 740	3,07	-6,26	-3,07

Interest Rate Futures	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	131,29	-0,29	0,20	0,30
Bund	159,68	-0,73	0,11	0,59

Risk Sentiment	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index	1470	-3,23	-6,37	-16,29
VIX	18,80	-22,19	56,02	54,22
Turkey 5Y CDS (T-1)	387,088	-0,59	-1,45	13,52
MSCI EM Index (T-1)	971,44	3,39	-5,99	-8,99

USD Libor	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	2,175	-0,10	-0,12	13,25
USD Libor 1M	2,318	0,92	1,93	11,43
USD Libor 3M	2,592	2,86	7,68	10,76
USD Libor 6M	2,829	1,88	8,51	11,79
USD Libor 12M	3,105	1,57	6,16	9,80

TRY Libor	Price as of 10/15/2018	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	24,666	-0,01	-2,10	33,18
TRY Libor 1M	25,604	-3,50	-6,18	30,52
TRY Libor 3M	26,873	-3,77	-4,33	33,53
TRY Libor 6M	27,602	-4,06	-2,63	31,44
TRY Libor 12M	28,348	-4,77	-2,57	28,56

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## Economic Research and Development

Date	Country	Economic Release	Period	Consensus	Actual	Prior
10/29/18 13:30	US	Personal Income	Sep	0.4%	0.2%	0.3%
10/29/18 13:30	US	Personal Spending	Sep	0.4%	0.4%	0.3%
10/30/18 15:00	US	Conf. Board Consumer Confidence	Oct	135.9	137.9	138.4
10/30/18 15:00	US	Conf. Board Present Situation	Oct	--	172.8	173.1
10/30/18 15:00	US	Conf. Board Expectations	Oct	--	114.6	115.3
10/31/18 12:00	US	MBA Mortgage Applications	Oct 26	--	-2.5%	4.9%
10/31/18 13:15	US	ADP Employment Change	Oct	187000	227000	230000
10/31/18 13:30	US	Employment Cost Index	3Q	0.7%	0.8%	0.6%
10/31/18 14:45	US	Chicago Purchasing Manager	Oct	60.0	58.4	60.4
11/01/18 12:30	US	Challenger Job Cuts YoY	Oct	--	153.6%	70.9%
11/01/18 13:30	US	Nonfarm Productivity	3Q P	2.1%	2.2%	2.9%
11/01/18 13:30	US	Unit Labor Costs	3Q P	1.0%	1.2%	-1.0%
11/01/18 13:30	US	Initial Jobless Claims	Oct 27	212000	214000	215000
11/01/18 14:45	US	Bloomberg Consumer Comfort	Oct 28	--	60.3	60.1
11/01/18 14:45	US	Markit US Manufacturing PMI	Oct F	55.8	55.7	55.9
11/01/18 15:00	US	Construction Spending MoM	Sep	0.0%	0.0%	0.1%
11/01/18 15:00	US	ISM Manufacturing	Oct	59.0	57.7	59.8
11/01/18 15:00	US	ISM Employment	Oct	--	56.8	58.8
11/01/18 15:00	US	ISM Prices Paid	Oct	69.0	71.6	66.9
11/01/18 15:00	US	ISM New Orders	Oct	--	57.4	61.8
11/02/18 13:30	US	Unemployment Rate	Oct	3.7%	3.7%	3.7%
11/02/18 13:30	US	Underemployment Rate	Oct	--	7.4%	7.5%
11/02/18 13:30	US	Average Hourly Earnings MoM	Oct	0.2%	0.2%	0.3%
11/02/18 13:30	US	Average Hourly Earnings YoY	Oct	3.1%	3.1%	2.8%
11/02/18 13:30	US	Average Weekly Hours All Employees	Oct	34.5	34.5	34.5
11/02/18 13:30	US	Labor Force Participation Rate	Oct	62.7%	62.9%	62.7%
10/30/18 11:00	EA	GDP SA QoQ	3Q A	0.4%	0.2%	0.4%
10/30/18 11:00	EA	GDP SA YoY	3Q A	1.8%	1.7%	2.1%
10/30/18 11:00	EA	Consumer Confidence	Oct F	-2.7	-2.7	-2.7
10/31/18 11:00	EA	Unemployment Rate	Sep	8.1%	8.1%	8.1%
10/31/18 11:00	EA	CPI Core YoY	Oct A	1.1%	1.1%	0.9%
10/31/18 11:00	EA	CPI Estimate YoY	Oct	2.2%	2.2%	2.1%
11/02/18 10:00	EA	Markit Eurozone Manufacturing PMI	Oct F	52.1	52.0	52.1
10/31/2018 08:00	TR	Economic Confidence	Oct	--	67.5	71.0
10/31/2018 08:00	TR	Trade Balance	Sep	-1.90b	-1.87b	-2.42b
10/31/2018 09:00	TR	Foreign Tourist Arrivals YoY	Sep	--	17.6%	15.6%
11/01/2018 08:00	TR	Markit/ISO Turkey PMI Mfg	Oct	--	44.3	42.7
11/02/2018 12:30	TR	Foreigners Net Bond Invest	Oct 26	--	\$3m	-\$45m
11/02/2018 12:30	TR	Foreigners Net Stock Invest	Oct 26	--	\$32m	\$126m

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

Mag. Ahmet Hüsrev BILGIN, Chief Economist, DenizBank AG

Tel: 0505105/2430

Email: ahmet.bilgin@denizbank.at

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Members of the Management Board:

Ahmet Mesut Ersoy, Mehmet Ulvi Taner, Tuncay Akdevelioglu, Cenk Izgi;

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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.