

The background of the cover features a complex financial chart with multiple data series. A prominent red line graph trends upwards from the bottom left towards the right. Overlaid on this are several candlestick charts in shades of green and blue. Various numerical values are scattered across the chart, including 1.7810, 1.7900, 1.7855, 1.7765, 11.12, 14.56, 19.00, 108.47, and 105.14. The overall color palette is dark blue and black, with highlights in red, green, and white.

FX & Markets Weekly

Week 5/2019

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Dollar re-prices as Fed turns dovish

EUR/USD saw 1,1390 as well as 1,1514 this week. ECB had already been dovish last week, and Fed turned dovish this week. In FOMC statement and press conference, Fed shifted its monetary policy stance. Various “cross-currents”, or downside risks, including slower GDP growth in China and Europe, trade tensions, Brexit risks, U.S. government shutdown uncertainties, and the net tightening of global liquidity conditions in recent months were enough to remove the need to raise rates further. Accompanying the FOMC statement was a special statement on balance sheet normalization. Accordingly the Fed will be more flexible in unwinding with a likely end in 2019. The Federal Funds Futures implied probability of a rate hike in 2019 is equal to 0%. There is currently a 25% chance the Fed will even cut rates in 2019. Moreover, the options market is certain that Fed is near the end of its rate hiking cycle. Options that stand to gain from lower interest rates, relative to options that benefit from higher interest rates, cost the most since the Fed started tightening in 2015. These skews reflect the hedge-positions of investors who short bonds against the risk of a rally, and tend to predict changes in underlying rates. Furthermore, global stocks rallied, sovereign bond yields fell, and the dollar depreciated as markets absorbed Fed’s dovish turn.

Central bank dovishness calms financial markets

U.S. stock volatility indicator VIX declined by 5,1% to 16,36 this week. Another gauge of financial stress, the St. Louis Fed Financial Stress Index declined by 1,1% further into negative territory. Most stock markets indices in Europe, the U.S., Asia/Pacific and Emerging Markets recovered somewhat.

Turkey CDS drop third consecutive week

Turkey USD 5Y senior credit default swaps (CDS) dropped by almost 5% this week to 304, their level before the currency shock in August-September. The monthly inflation report by the central bank signalled no rush to cut rates. The central bank stuck to a hawkish stance and held rates at past 3 monetary policy meetings.



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Economic Research and Development

Exchange Rates	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities Energy Futures	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1472	0,58	0,15	0,53	WTI crude	54,40	1,01	18,61	-15,34
EUR/TRY	5,9949	-0,44	-0,51	-5,00	BRENT crude	61,70	-0,19	13,79	-15,86
EUR/CHF	1,1406	0,65	1,24	-0,20	GAS oil	573,75	0,62	11,77	-14,11
EUR/GBP	0,87692	1,49	-2,57	-0,06	Heating oil	188,81	-0,27	12,68	-13,75
EUR/JPY	125,14	0,13	-0,63	-2,71	Natural gas	2,79	-9,73	-2,74	-5,65
EUR/RUB	75,2585	-0,10	-5,84	0,23	Gold Spot	1 322,17	1,34	3,13	7,17
EUR/CNY	7,7303	0,44	-1,66	-2,11	Silver Spot	16,04	1,80	3,49	8,96
USD/TRY	5,2228	-0,96	-0,72	-5,41	Platinum Spot	830,48	1,51	4,35	-3,36
USD/JPY	109,09	-0,47	-0,64	-3,23	Palladium Spot	1 373,78	0,63	8,85	25,49
USD/RUB	65,61	-0,66	-5,58	-0,32	Copper	277,90	1,83	5,63	1,46
USD/CNY	6,7343	-0,22	-2,11	-2,74	Stock Indices	Price as of 02/01/2019	Change% 5 days	Change % 1 Month	Change % 3 Months
Sovereign Bonds 10Y	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Ask YTM	ATX	2 991	-0,27	8,89	-5,42
Austria	104,26	0,22	0,77	0,18	BIST 100	103 131	1,39	13,08	11,72
Belgium	105,05	0,17	1,15	0,30	CAC 40	5 006	1,61	5,81	-1,58
China	96,75	0,27	1,08	3,10	DAX	11 164	-1,04	5,74	-2,65
EFSF	111,45	-0,05	-0,32	-0,31	Dow Jones	25 094	1,31	7,43	-1,26
ESM	110,59	0,10	0,02	-0,10	Euro Stoxx 50	3 159	-0,12	5,26	-1,40
France	99,80	0,26	1,23	0,27	FTSE 100	7 008	2,92	4,16	-1,50
Germany	100,84	0,23	0,85	-0,11	HANG SENG	27 931	1,31	8,07	9,89
Greece	98,91	1,00	2,92	4,01	IBEX 35	8 995	-2,08	5,32	0,44
Japan	101,99	0,11	0,19	-0,16	MOEX	2 522	1,13	6,64	7,09
Portugal	112,45	0,09	1,43	1,12	NASDAQ 100	6 907	1,51	8,84	-2,54
Spain	103,06	0,12	1,40	0,88	NIKKEI 225	20 788	0,07	3,87	-4,15
Russia	101,20	0,98	3,38	8,10	S&P 500 (T-1)	2 704	1,48	7,87	-1,32
Switzerland	112,77	0,31	0,28	-0,49	Interest Rate Futures	Price as of 02/01/2019	Change% 5 days	Change % 1 Month	Change % 3 Months
Turkey	92,50	5,61	10,72	13,81	Bobl	132,98	0,11	0,34	1,10
UK	103,37	0,57	0,28	1,02	Bund	165,69	0,36	1,30	3,05
US	95,88	0,90	0,40	2,58	Risk Sentiment	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months
Turkey related	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index	668	-26,19	-47,44	-54,56
TRY Basket	5,6088	-0,64	-0,67	-5,20	VIX	16,32	-6,31	-35,80	-15,62
WAC of CBRT	24,00	-0,33	-0,25	0,00	Turkey 5Y CDS (T-1)	304,23	-4,91	-15,78	-21,41
Gold TRY / gram	222,02	0,38	2,40	1,39	MSCI EM Index (T-1)	1 049,93	1,70	8,71	8,08
TR Gov. B. 2Y yield	18,34	0,82	-7,05	-24,34	USD Libor	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months
Euribor/Eonia	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N	2,374	-0,45	-0,18	9,13
Eonia (T-1)	-0,357	3,25	-0,28	-4,69	USD Libor 1M	2,514	0,56	0,45	8,66
Euribor 1 Month	-0,369	-0,27	-1,65	-0,27	USD Libor 3M	2,733	-0,69	-2,67	5,85
Euribor 3 Month	-0,308	-0,33	0,32	3,15	USD Libor 6M	2,790	-1,49	-2,98	-0,94
Euribor 6 Month	-0,235	0,84	0,84	8,92	USD Libor 12M	2,962	-2,30	-1,46	-4,34
Euribor 12 Month	-0,110	3,51	5,98	25,68	TRY Libor	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor	Price as of 02/01/2019	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	24,150	0,00	-0,94	-2,09
EUR Libor O/N	-0,465	0,34	0,64	-3,47	TRY Libor 1M	24,166	-1,64	-1,98	-5,65
EUR Libor 1M	-0,420	0,00	-2,72	-3,08	TRY Libor 3M	24,116	-1,89	-2,18	-10,28
EUR Libor 3M	-0,342	-2,49	3,89	2,84	TRY Libor 6M	23,893	-2,89	-2,97	-13,45
EUR Libor 6M	-0,296	-1,72	2,31	9,43	TRY Libor 12M	23,852	-3,33	-2,97	-15,86
EUR Libor 12M	-0,168	3,85	8,21	20,41					

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Date	Country	Economic Release	Period	Consensus	Actual	Prior
01/28/2019 14:30	US	Chicago Fed Nat Activity Index	Dec	--	0.27	0.22
01/28/2019 16:30	US	Dallas Fed Manf. Activity	Jan	-2.7	1.0	-5.1
01/29/2019 16:00	US	Conf. Board Consumer Confidence	Jan	124.0	120.2	128.1
01/29/2019 16:00	US	Conf. Board Present Situation	Jan	--	169.6	171.6
01/29/2019 16:00	US	Conf. Board Expectations	Jan	--	87.3	99.1
01/30/2019 13:00	US	MBA Mortgage Applications	Jan 25	--	-3.0%	-2.7%
01/30/2019 14:15	US	ADP Employment Change	Jan	181k	213k	271k
01/30/2019 16:00	US	Pending Home Sales MoM	Dec	0.5%	-2.2%	-0.7%
01/30/2019 16:00	US	Pending Home Sales NSA YoY	Dec	-7.0%	-9.5%	-7.7%
01/30/2019 20:00	US	Interest Rate on Excess Reserves	Jan 31	2.40%	2.40%	2.40%
01/31/2019 13:30	US	Challenger Job Cuts YoY	Jan	--	18.7%	35.3%
01/31/2019 14:30	US	Employment Cost Index	4Q	0.8%	0.7%	0.8%
01/31/2019 14:30	US	Initial Jobless Claims	Jan 26	215k	253k	199k
01/31/2019 14:30	US	Continuing Claims	Jan 19	1721k	1782k	1713k
01/31/2019 15:45	US	Chicago Purchasing Manager	Jan	61.5	56.7	65.4
01/31/2019 15:45	US	Bloomberg Consumer Comfort	Jan 27	--	57.4	57.4
01/31/2019 16:00	US	New Home Sales	Nov	570k	657k	544k
01/31/2019 16:00	US	New Home Sales MoM	Nov	4.8%	16.9%	-8.9%
02/01/2019 14:30	US	Change in Nonfarm Payrolls	Jan	165k	304k	312k
02/01/2019 14:30	US	Change in Private Payrolls	Jan	175k	296k	301k
02/01/2019 14:30	US	Change in Manufact. Payrolls	Jan	19k	13k	32k
02/01/2019 14:30	US	Unemployment Rate	Jan	3.9%	4.0%	3.9%
02/01/2019 14:30	US	Labor Force Participation Rate	Jan	63.0%	63.2%	63.1%
01/28/2019 10:00	EA	M3 Money Supply YoY	Dec	3.8%	4.1%	3.7%
01/30/2019 11:00	EA	Economic Confidence	Jan	106.8	106.2	107.3
01/30/2019 11:00	EA	Business Climate Indicator	Jan	0.77	0.69	0.82
01/30/2019 11:00	EA	Industrial Confidence	Jan	0.5	0.5	1.1
01/30/2019 11:00	EA	Services Confidence	Jan	11.5	11.0	12.0
01/30/2019 11:00	EA	Consumer Confidence	Jan F	-7.9	-7.9	-7.9
01/31/2019 11:00	EA	Unemployment Rate	Dec	7.9%	7.9%	7.9%
01/31/2019 11:00	EA	GDP SA QoQ	4Q A	0.2%	0.2%	0.2%
01/31/2019 11:00	EA	GDP SA YoY	4Q A	1.2%	1.2%	1.6%
02/01/2019 10:00	EA	Markit Eurozone Manufacturing PMI	Jan F	50.5	50.5	50.5
02/01/2019 11:00	EA	CPI Core YoY	Jan A	1.0%	1.1%	1.0%
02/01/2019 11:00	EA	CPI Estimate YoY	Jan	1.4%	1.4%	1.6%
01/30/2019 08:00	TR	Economic Confidence	Jan	--	78.5	75.2
01/31/2019 08:00	TR	Trade Balance	Dec	-2.70b	-2.67b	-0.65b
01/31/2019 09:17	TR	Foreign Tourist Arrivals YoY	Dec	--	14.5%	19.0%
01/31/2019 12:30	TR	Foreigners Net Bond Invest	Jan 25	--	-\$70m	-\$122m
01/31/2019 12:30	TR	Foreigners Net Stock Invest	Jan 25	--	\$322m	\$712m
02/01/2019 08:00	TR	Markit/ISO Turkey PMI Mfg	Jan	--	44.2	44.2

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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.