

FX & Markets Weekly

Week 10/2020

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Fed cuts rates by 50bps to 1-1,25%

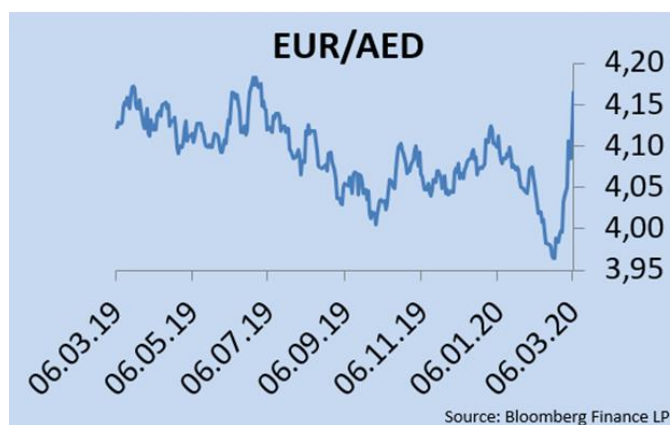
Citing COVID-19 related implications to economic activity, the Fed slashed rates by half a percentage point. The meeting was extraordinary and not preannounced, hence the rate cut came as a surprise. As a result, U.S. 10-year sovereign yields fell to fresh all-time lows. By the time of writing, the U.S. 10-year yield was 0,709%. EUR/USD exchange rate was very volatile through Friday. Daily highs and daily lows were separated by at least 1 big figure, every single day of the week. The rate varied between 1,1003 and 1,1350. Federal Reserve Bank of Dallas President Robert Kaplan said the pace of acceleration in the coronavirus across the U.S. will be an important factor as he weighs the need for another interest rate cut when policy makers meet later this month. New York Fed President John Williams said, the Fed's surprise emergency interest-rate cut has put the central bank in a good position to shelter the record U.S. economic expansion. Thing is, money markets have already priced in the next 50 bps cut on March 18, the regular and scheduled Federal Open Markets Committee.

Will the ECB follow?

The ECB is scheduled to convene on March 12. Money markets have already priced in a 9 bps cut to the overnight deposit rate (-0,5% since September 2019). A new set of economic forecast will be available for the members of the Governing Council. Furthermore, G7 policy makers pledged a coordinated virus response but did not mention rates. A reference was made on tax cuts and emergency lending.

Global stock markets dive along with commodities

The other week was already a mess in terms of stock market returns. As the MSCI World Index dropped the 6th consecutive trading day by a cumulative 12,54%. Monday and Wednesday have seen 3,33% and 2,92% rebounds respectively. But on Friday, the selloff continued. At the same time, investors were concerned about the implications on global supply chains and global trade. Energy and metals futures fell.



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Economic Research and Development

| Exchange Rates | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months | Commodities Energy Futures | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months |
|---------------------|----------------------|-----------------|------------------|-------------------|----------------------------|----------------------|-----------------|------------------|-------------------|
| EUR/USD | 1,1350 | 2,89 | 3,37 | 2,58 | WTI crude | 43,25 | -3,82 | -15,82 | -26,25 |
| EUR/TRY | 6,914 | 0,31 | 5,10 | 8,14 | BRENT crude | 47,20 | -5,40 | -14,97 | -24,31 |
| EUR/CHF | 1,0587 | -0,56 | -1,10 | -3,36 | GAS oil | 425,00 | -4,20 | -16,87 | -27,93 |
| EUR/GBP | 0,87002 | 1,11 | 2,51 | 3,34 | Heating oil | 141,61 | -4,74 | -15,41 | -27,00 |
| EUR/JPY | 119,35 | 0,31 | -1,11 | -0,68 | Natural gas | 1,73 | 3,09 | -8,00 | -19,93 |
| EUR/RUB | 77,6355 | 4,93 | 11,56 | 9,91 | Gold Spot | 1 686,17 | 6,20 | 7,58 | 15,33 |
| EUR/CNY | 7,8629 | 2,44 | 2,71 | 1,00 | Silver Spot | 17,37 | 4,13 | -2,71 | 4,68 |
| USD/TRY | 6,0907 | -2,51 | 1,72 | 5,44 | Platinum Spot | 898,43 | 3,96 | -6,53 | 0,43 |
| USD/JPY | 105,15 | -2,47 | -4,32 | -3,09 | Palladium Spot | 2 518,75 | -3,11 | 7,49 | 34,85 |
| USD/RUB | 68,4082 | 2,10 | 7,90 | 7,19 | Copper | 254,25 | 0,04 | -2,29 | -7,06 |
| USD/CNY | 6,9277 | -0,92 | -0,62 | -1,53 | Stock Indices | Price as of 6-Mar-20 | Change% 5 days | Change % 1 Month | Change % 3 Months |
| Sovereign Bonds 10Y | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Ask YTM | ATX | 2 597 | -6,71 | -17,25 | -17,30 |
| Austria | 108,85 | 0,27 | 1,24 | -0,58 | BIST 100 | 109 467 | 3,32 | -10,44 | 0,59 |
| Belgium | 109,72 | 0,31 | 1,02 | -0,53 | CAC 40 | 5 121 | -3,46 | -15,10 | -12,70 |
| China | 100,12 | -0,02 | 1,00 | 2,58 | DAX | 11 458 | -3,51 | -15,49 | -12,86 |
| EFSF | 107,94 | -0,01 | -0,07 | -0,65 | Dow Jones | 25 351 | -0,08 | -13,58 | -9,37 |
| ESM | 110,15 | 0,09 | 0,33 | -0,60 | Euro Stoxx 50 | 3 218 | -3,24 | -15,35 | -12,75 |
| France | 105,36 | 0,40 | 1,25 | -0,54 | FTSE 100 | 6 436 | -2,05 | -14,11 | -10,97 |
| Germany | 105,75 | 0,75 | 1,97 | -0,87 | HANG SENG | 26 147 | 0,06 | -4,90 | -1,33 |
| Greece | 117,06 | -0,30 | -1,51 | 1,12 | IBEX 35 | 8 313 | -4,54 | -15,12 | -11,25 |
| Japan | 102,80 | 0,27 | 1,22 | -0,34 | MOEX | 2 711 | -3,16 | -12,90 | -7,91 |
| Portugal | 118,44 | 0,28 | -0,18 | -0,02 | NASDAQ 100 | 8 408 | -0,45 | -10,82 | 0,31 |
| Spain | 109,13 | 0,49 | 0,47 | -0,08 | NIKKEI 225 | 20 750 | -1,86 | -13,08 | -11,15 |
| Russia | 111,15 | -0,14 | -1,33 | 6,24 | S&P 500 | 2 918 | -0,86 | -12,47 | -6,90 |
| Switzerland | 113,89 | 0,09 | 0,88 | -0,95 | Interest Rate Futures | Price as of 6-Mar-20 | Change% 5 days | Change % 1 Month | Change % 3 Months |
| Turkey | 97,50 | 6,56 | -4,51 | 11,16 | Bobl | 136,72 | 0,50 | 1,42 | 1,64 |
| UK | 108,93 | 1,14 | 1,85 | 0,09 | Bund | 176,74 | 1,12 | 3,26 | 4,18 |
| US | 108,86 | 2,55 | 5,83 | 0,65 | Risk Sentiment | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months |
| Turkey related | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months | Baltic Dry Index | 599 | 11,96 | 38,98 | -61,55 |
| TRY Basket | 6,5015 | -0,79 | 3,48 | 6,68 | VIX | 49,81 | 21,59 | 226,00 | 258,08 |
| WAC of CBRT | 10,56 | 0,28 | -3,47 | -22,92 | Turkey 5Y CDS | 380 | na | na | na |
| Gold TRY / gram | 330,08 | 3,51 | 9,41 | 21,58 | MSCI EM Index (T-1) | 1 039,34 | 3,36 | -5,72 | -0,92 |
| TR Gov. B. 2Y yield | 10,93 | -8,84 | 6,01 | -10,26 | USD Libor | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months |
| Euribor/Eonia | Price as of 5-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months | USD Libor O/N | 1,080 | -31,13 | -31,31 | -29,39 |
| Eonia (T-1) | -0,456 | -0,44 | -1,11 | -0,22 | USD Libor 1M | 0,863 | -43,07 | -48,37 | -49,70 |
| Euribor 1 Month | -0,513 | -5,12 | -11,77 | -13,25 | USD Libor 3M | 0,896 | -38,75 | -48,33 | -52,61 |
| Euribor 3 Month | -0,469 | -10,35 | -17,25 | -18,73 | USD Libor 6M | 0,880 | -37,03 | -49,71 | -53,37 |
| Euribor 6 Month | -0,432 | -15,20 | -24,86 | -28,57 | USD Libor 12M | 0,846 | -38,79 | -54,11 | -56,03 |
| Euribor 12 Month | -0,362 | -19,47 | -30,22 | -34,57 | TRY Libor | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months |
| EUR Libor | Price as of 6-Mar-20 | Change % 5 days | Change % 1 Month | Change % 3 Months | TRY Libor O/N | 10,772 | -0,07 | 2,59 | -21,09 |
| EUR Libor O/N | -0,561 | 1,23 | 1,03 | 1,48 | TRY Libor 1M | 10,330 | 0,22 | -0,58 | -20,73 |
| EUR Libor 1M | -0,573 | -7,47 | -11,75 | -12,12 | TRY Libor 3M | 10,257 | 0,65 | 0,25 | -20,87 |
| EUR Libor 3M | -0,518 | -9,97 | -22,44 | -17,07 | TRY Libor 6M | 10,258 | 0,43 | 0,26 | -20,29 |
| EUR Libor 6M | -0,470 | -8,76 | -19,76 | -18,38 | TRY Libor 12M | 10,290 | -0,10 | 0,00 | -19,67 |
| EUR Libor 12M | -0,402 | -13,35 | -32,16 | -39,16 | | | | | |

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Economic Research and Development

| Date | Country | Economic Release | Period | Consensus | Actual | Prior |
|----------------|---------|-----------------------------------|--------|-----------|----------|----------|
| 03/02/20 15:45 | US | Markit US Manufacturing PMI | Feb F | 50.8 | 50.7 | 50.8 |
| 03/02/20 16:00 | US | Construction Spending MoM | Jan | 0.6% | 1.8% | -0.2% |
| 03/02/20 16:00 | US | ISM Manufacturing | Feb | 50.5 | 50.1 | 50.9 |
| 03/02/20 16:00 | US | ISM New Orders | Feb | 51.8 | 49.8 | 52.0 |
| 03/02/20 16:00 | US | ISM Prices Paid | Feb | 50.8 | 45.9 | 53.3 |
| 03/02/20 16:00 | US | ISM Employment | Feb | 47.5 | 46.9 | 46.6 |
| 03/03/20 16:00 | US | FOMC Rate Decision (Upper Bound) | Mar 3 | 1.50% | 1.25% | 1.75% |
| 03/03/20 16:00 | US | FOMC Rate Decision (Lower Bound) | Mar 3 | 1.25% | 1.00% | 1.50% |
| 03/03/20 16:00 | US | Interest Rate on Excess Reserves | Mar 4 | -- | 1.10% | 1.60% |
| 03/04/20 14:15 | US | ADP Employment Change | Feb | 170k | 183k | 291k |
| 03/04/20 15:45 | US | Markit US Services PMI | Feb F | 49.4 | 49.4 | 49.4 |
| 03/04/20 15:45 | US | Markit US Composite PMI | Feb F | -- | 49.6 | 49.6 |
| 03/04/20 16:00 | US | ISM Non-Manufacturing Index | Feb | 54.8 | 57.3 | 55.5 |
| 03/05/20 14:30 | US | Initial Jobless Claims | Feb 29 | 215k | 216k | 219k |
| 03/05/20 14:30 | US | Continuing Claims | Feb 22 | 1738k | 1729k | 1724k |
| 03/05/20 15:45 | US | Bloomberg Consumer Comfort | Mar 1 | -- | 63.0 | 63.5 |
| 03/05/20 16:00 | US | Factory Orders | Jan | -0.1% | -0.5% | 1.8% |
| 03/05/20 16:00 | US | Factory Orders Ex Trans | Jan | -- | -0.1% | 0.6% |
| 03/06/20 14:30 | US | Trade Balance | Jan | -\$46.1b | -\$45.3b | -\$48.9b |
| 03/06/20 14:30 | US | Change in Nonfarm Payrolls | Feb | 175k | 273k | 225k |
| 03/06/20 14:30 | US | Two-Month Payroll Net Revision | Feb | -- | 85k | -- |
| 03/06/20 14:30 | US | Change in Private Payrolls | Feb | 160k | 228k | 206k |
| 03/06/20 14:30 | US | Change in Manufact. Payrolls | Feb | -3k | 15k | -12k |
| 03/06/20 14:30 | US | Unemployment Rate | Feb | 3.6% | 3.5% | 3.6% |
| 03/06/20 14:30 | US | Labor Force Participation Rate | Feb | 63.4% | 63.4% | 63.4% |
| 03/02/20 10:00 | EA | Markit Eurozone Manufacturing PMI | Feb F | 49.1 | 49.2 | 49.1 |
| 03/03/20 11:00 | EA | PPI MoM | Jan | 0.5% | 0.4% | 0.0% |
| 03/03/20 11:00 | EA | PPI YoY | Jan | -0.4% | -0.5% | -0.7% |
| 03/03/20 11:00 | EA | CPI Core YoY | Feb P | 1.2% | 1.2% | 1.1% |
| 03/03/20 11:00 | EA | CPI MoM | Feb P | 0.2% | 0.2% | -1.0% |
| 03/03/20 11:00 | EA | CPI Estimate YoY | Feb | 1.2% | 1.2% | 1.4% |
| 03/03/20 11:00 | EA | Unemployment Rate | Jan | 7.4% | 7.4% | 7.4% |
| 03/04/20 10:00 | EA | Markit Eurozone Services PMI | Feb F | 52.8 | 52.6 | 52.8 |
| 03/04/20 10:00 | EA | Markit Eurozone Composite PMI | Feb F | 51.6 | 51.6 | 51.6 |
| 03/04/20 11:00 | EA | Retail Sales MoM | Jan | 0.6% | 0.6% | -1.6% |
| 03/04/20 11:00 | EA | Retail Sales YoY | Jan | 1.1% | 1.7% | 1.3% |
| 03/02/20 08:00 | TR | Markit/ISO Turkey PMI Mfg | Feb | -- | 52.4 | 51.3 |
| 03/03/20 08:00 | TR | CPI YoY | Feb | 12.70% | 12.37% | 12.15% |
| 03/03/20 08:00 | TR | CPI MoM | Feb | 0.65% | 0.35% | 1.35% |
| 03/03/20 08:00 | TR | CPI Core Index YoY | Feb | 10.40% | 9.97% | 9.88% |
| 03/03/20 08:00 | TR | PPI MoM | Feb | -- | 0.48% | 1.84% |
| 03/03/20 08:00 | TR | PPI YoY | Feb | 9.90% | 9.26% | 8.84% |
| 03/04/20 12:30 | TR | Effective Exchange Rate | Feb | -- | 75.16 | 75.72 |
| 03/06/20 15:30 | TR | Cash Budget Balance | Feb | -- | -9.0b | 22.8b |

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

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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.