

FX & Markets Weekly

Week 21/2020

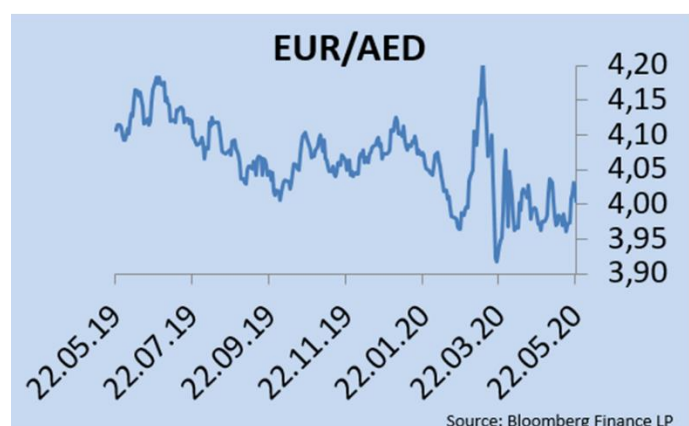
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Central Bank of Turkey delivers another rate cut

The Central Bank of Turkey once again lowered the main refinancing rate. The 1-week repo rate was reduced by 50bps to 8,25%. It was the fifth consecutive cut year-to-date, and the ninth consecutive cut since the rate cutting cycle began in July 2019. The central bank has kept its year-end inflation estimate stable at 7,4%, and is assuming that the effect of declining aggregate demand conditions and low oil prices will outpace other factors contributing to inflation. That paves the way for further rate cuts in 2020. While developed market countries already went with their rates to zero and below, emerging market countries have still ample room to cut rates in order to stimulate their virus embattled economies. Among them, the crude oil importing countries have the advantage of lower crude oil prices, while crude oil exporting countries suffer from them. Meanwhile, the lira keeps on appreciating after refreshing record lows against euro (7,85) and U.S. dollar (7,26) on May 6, 2020. EUR/TRY fell by 0,77% week-to-date to currently 7,41, and USD/TRY dropped by 1,49% to currently 6,80. Most recent data releases confirm the economic improvement with real sector confidence rising significantly in May to 73,5, up from 62,3 in April, and capacity utilization in manufacturing rising by 1 percentage point to 62,6%. In fact, Turkey has never imposed a full lockdown during the virus outbreak. That is why, the Turkey economy will not contract by as much, and recover also faster than European, U.S. and or Asian countries. Turkey's confidence in this matter comes from the quality of its local health system, which helped keep death rates relatively low, despite relatively high infection numbers.

BoE is fuelling sub-zero rate bets

Speculation that the U.K. could be the next developed market country with negative interest rates is hurting the pound and driving a record rally in the country's sovereign bonds. The Pound tumbled against a stronger U.S. dollar and gilt yields touched fresh all-time lows after Bank of England Deputy Governor Dave Ramsden became the latest policy maker to signal that interest rates below 0% could be a possibility. Traders in money markets are already pricing in the chance, the U.K. could see negative interest rates by year-end.



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Economic Research and Development

Exchange Rates	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	
EUR/USD	1,0908	0,86	0,90	0,39	Energy Futures	WTI crude	32,08	8,43	54,71	-40,17
EUR/TRY	7,4271	-0,50	-1,75	11,71	BRENT crude	34,39	5,75	42,85	-40,17	
EUR/CHF	1,0597	0,79	0,81	-0,18	GAS oil	285,00	5,56	21,95	-43,53	
EUR/GBP	0,89518	0,20	1,91	6,55	Heating oil	95,38	3,57	21,70	-43,11	
EUR/JPY	117,19	1,08	0,57	-2,26	Natural gas	1,71	3,65	-16,90	-15,12	
EUR/RUB	78,1573	-1,69	-4,96	10,14	Gold Spot	1 735,00	-0,51	1,22	3,59	
EUR/CNY	7,7832	1,39	1,50	2,01	Silver Spot	16,98	2,23	12,88	-10,04	
USD/TRY	6,8083	-1,35	-2,63	11,30	Platinum Spot	835,82	5,72	10,62	-14,28	
USD/JPY	107,43	0,37	-0,32	-2,64	Palladium Spot	1 976,12	5,22	1,78	-24,73	
USD/RUB	71,6517	-2,52	-5,81	9,71	Copper	237,95	2,04	2,99	-9,25	
USD/CNY	7,1351	0,47	0,72	1,50	Stock Indices	Price as of 22-May-20	Change% 5 days	Change % 1 Month	Change % 3 Months	
Sovereign Bonds 10Y	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Ask YTM	ATX	2 126	-0,26	4,22	-32,52	
Austria	107,12	-0,01	1,29	-0,36	BIST 100	102 841	3,66	4,74	-11,99	
Belgium	107,73	0,24	1,25	-0,27	CAC 40	4 438	3,70	0,55	-26,43	
China	101,43	-0,02	1,00	2,36	DAX	11 034	5,41	5,92	-18,76	
EFSF	106,83	-0,03	0,02	-0,52	Dow Jones (T-1)	24 474	3,59	4,25	-15,58	
ESM	108,91	na	0,36	-0,43	Euro Stoxx 50	2 898	4,54	2,17	-23,78	
France	103,46	0,18	1,30	-0,28	FTSE 100	5 969	2,87	3,39	-19,42	
Germany	104,30	-0,27	0,50	-0,67	HANG SENG	22 930	-3,64	-4,03	-16,03	
Greece	113,60	1,95	4,64	1,54	IBEX 35	6 707	3,50	-0,27	-32,21	
Japan	101,55	0,07	0,04	-0,16	MOEX	2 701	4,48	5,31	-12,75	
Portugal	115,87	0,66	3,46	0,27	NASDAQ 100 (T-1)	9 378	3,12	8,23	-0,73	
Spain	106,80	0,76	3,66	0,23	NIKKEI 225	20 388	1,75	6,53	-12,82	
Russia	117,65	0,56	4,30	5,04	S&P 500 (T-1)	2 949	3,37	5,33	-11,66	
Switzerland	111,69	-0,07	0,31	-0,68	Interest Rate Futures	Price as of 22-May-20	Change% 5 days	Change % 1 Month	Change % 3 Months	
Turkey	94,78	2,07	-0,34	11,87	Bobl	135,43	-0,21	0,33	0,33	
UK	109,44	0,47	0,98	-0,03	Bund	173,23	-0,29	0,72	0,62	
US	109,80	-0,07	0,05	0,47	Risk Sentiment	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	
Turkey related	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index	494	25,70	-28,82	-0,60	
TRY Basket	7,1173	-0,92	-2,17	11,52	VIX	30,05	-5,71	-28,37	76,05	
WAC of CBRT	8,27	-0,72	-8,52	-23,07	Turkey 5Y CDS	562	-6,01	-6,01	97,69	
Gold TRY / gram	379,77	-1,85	-1,44	17,90	MSCI EM Index (T-1)	930,01	3,20	4,66	-14,22	
TR Gov. B. 2Y yield	9,8	6,99	1,66	-11,55	USD Libor	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	
Euribor/Eonia	Price as of 21-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N	0,061	-2,02	-4,33	-96,13	
Eonia (T-1)	-0,460	-0,66	-0,88	-1,55	USD Libor 1M	0,174	0,79	-69,50	-89,32	
Euribor 1 Month	-0,475	-1,28	-11,77	0,63	USD Libor 3M	0,369	-2,96	-63,81	-78,01	
Euribor 3 Month	-0,282	-7,63	-21,03	32,05	USD Libor 6M	0,570	-13,51	-42,46	-65,97	
Euribor 6 Month	-0,145	-5,84	18,54	59,27	USD Libor 12M	0,682	-9,75	-29,74	-60,56	
Euribor 12 Month	-0,078	0,00	0,00	72,82	TRY Libor	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	
EUR Libor	Price as of 22-May-20	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	7,611	-6,42	-17,11	-25,62	
EUR Libor O/N	-0,570	0,40	-0,25	-0,55	TRY Libor 1M	7,872	-6,29	-16,70	-23,07	
EUR Libor 1M	-0,457	-2,76	-21,97	12,12	TRY Libor 3M	7,872	-6,29	-16,88	-22,91	
EUR Libor 3M	-0,323	-22,87	-126,88	26,70	TRY Libor 6M	8,092	-6,24	-16,32	-20,60	
EUR Libor 6M	-0,134	-13,13	-159,41	66,31	TRY Libor 12M	8,092	-6,13	-16,32	-20,68	
EUR Libor 12M	-0,076	-29,21	-1048,25	75,83						

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Economic Research and Development

Date	Country	Economic Release	Period	Consensus	Actual	Prior
05/20/20 09:00	AT	CPI YoY	Apr	--	1.5%	1.6%
05/20/20 09:00	AT	CPI MoM	Apr	--	0.0%	0.3%
05/19/20 11:00	GE	ZEW Survey Expectations	May	30.0	51.0	28.2
05/19/20 11:00	GE	ZEW Survey Current Situation	May	-86.6	-93.5	-91.5
05/21/20 09:30	GE	Markit/BME Germany Manufacturing	May P	39.4	36.8	34.5
05/21/20 09:30	GE	Markit Germany Services PMI	May P	26.0	31.4	16.2
05/21/20 09:30	GE	Markit/BME Germany Composite PMI	May P	33.1	31.4	17.4
05/19/20 08:00	EA	EU27 New Car Registrations	Apr	--	-76.3%	-55.1%
05/19/20 11:00	EA	Construction Output MoM	Mar	--	-14.1%	-1.5%
05/19/20 11:00	EA	Construction Output YoY	Mar	--	-15.4%	-0.9%
05/19/20 11:00	EA	ZEW Survey Expectations	May	--	46.0	25.2
05/20/20 10:00	EA	ECB Current Account SA	Mar	--	27.4b	40.2b
05/20/20 11:00	EA	CPI YoY	Apr F	0.4%	0.3%	0.4%
05/20/20 11:00	EA	CPI MoM	Apr F	0.3%	0.3%	0.3%
05/20/20 11:00	EA	CPI Core YoY	Apr F	0.9%	0.9%	0.9%
05/20/20 16:00	EA	Consumer Confidence	May A	-23.8	-18.8	-22.7
05/21/20 10:00	EA	Markit Eurozone Manufacturing PMI	May P	38.0	39.5	33.4
05/21/20 10:00	EA	Markit Eurozone Services PMI	May P	25.0	28.7	12.0
05/21/20 10:00	EA	Markit Eurozone Composite PMI	May P	27.0	30.5	13.6
05/20/20 09:00	TR	Consumer Confidence SA	May	--	59.5	54.9
05/20/20 13:30	TR	House Price Index YoY	Mar	--	15.01%	13.94%
05/20/20 13:30	TR	House Price Index MoM	Mar	--	1.37%	2.30%
05/21/20 13:00	TR	One-Week Repo Rate	May 21	8.25%	8.25%	8.75%
05/22/20 09:00	TR	Real Sector Confidence SA	May	--	73.5	62.3
05/22/20 09:00	TR	Real Sector Confidence NSA	May	--	76.9	66.8
05/22/20 09:00	TR	Capacity Utilization	May	--	62.6%	61.6%
05/22/20 10:00	TR	Foreign Tourist Arrivals YoY	Apr	--	-99.3%	-68.0%
05/19/20 14:30	US	Housing Starts	Apr	900k	891k	1216k
05/19/20 14:30	US	Housing Starts MoM	Apr	-26.0%	-30.2%	-22.3%
05/19/20 14:30	US	Building Permits	Apr	1000k	1074k	1353k
05/19/20 14:30	US	Building Permits MoM	Apr	-25.9%	-20.8%	-6.8%
05/20/20 13:00	US	MBA Mortgage Applications	May 15	--	-2.6%	0.3%
05/21/20 14:30	US	Philadelphia Fed Business Outlook	May	-40.0	-43.1	-56.6
05/21/20 14:30	US	Initial Jobless Claims	May 16	2400k	2438k	2981k
05/21/20 14:30	US	Continuing Claims	May 9	24250k	25073k	22833k
05/21/20 15:45	US	Bloomberg Economic Expectations	May	--	29.0	29.0
05/21/20 15:45	US	Bloomberg Consumer Comfort	May 17	--	34.7	35.8
05/21/20 15:45	US	Markit US Manufacturing PMI	May P	40.0	39.8	36.1
05/21/20 15:45	US	Markit US Services PMI	May P	32.5	36.9	26.7
05/21/20 15:45	US	Markit US Composite PMI	May P	--	36.4	27.0
05/21/20 16:00	US	Existing Home Sales	Apr	4.22m	4.33m	5.27m
05/21/20 16:00	US	Existing Home Sales MoM	Apr	-19.9%	-17.8%	-8.5%

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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.