

FX & Markets Weekly

Week 39/2020

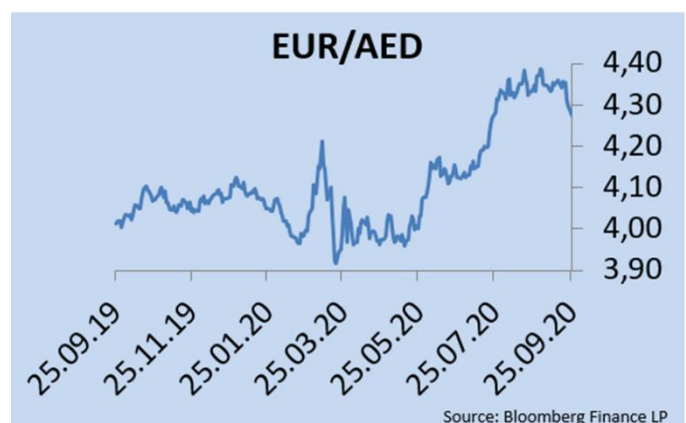
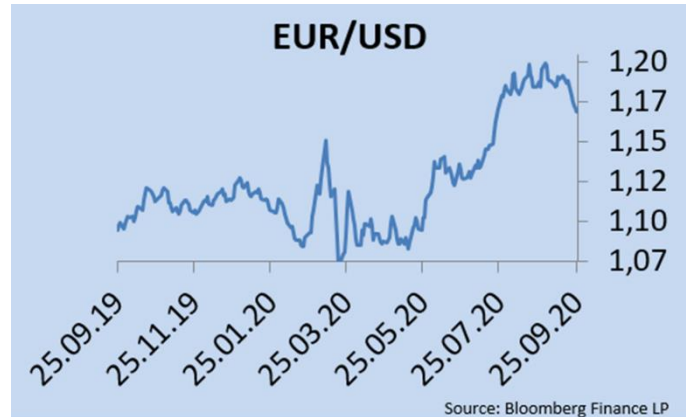
Mag. Ahmet Hüsrev BILGIN
Chief Economist

388 EA banks take EUR 174,5bn in TLTRO_III.5

The ECB allotted a total of EUR 174,5bn to 388 euro area banks in the 5th round of TLTRO III. The loans are due in 3 years and the interest rate can be as low as -1,0% if the banks fulfil their lending targets to households as well as corporates. Net liquidity injection is EUR 158bn, as previous tenders have been paid back. Initial financial market impact was visible on FX, as the EUR kept depreciating for a fifth consecutive day against the USD. Last Friday's close was 1,1840 and currently the pair is trading at around 1,1649. At the same time, core euro area bonds saw inflows with yields tightening across the board. Going forward, these loans will likely push excess liquidity in the euro zone above EUR 3 trn, hence put additional downward pressure on Euribors/EUR Libors. The next tranches of TLTRO_III will be allotted on December 10, 2020 and March 18, 2021.

TCMB hikes 1-week repo rate by 200 bps to 10,25%

The previously dovish central bank of Turkey has surprised markets by hiking its 1 week repo rate by 200 bps to 10,25%. However, the central bank was already using a funding composition with an average daily funding rate beyond that anyway. The weighted average cost of funding reached 10,29% on September 11, and was above since. On the next day, the banking regulator BDDK eased banks' FX swap limits with foreign investors. Turkey has increased the amount of derivatives, including FX swaps, that banks can execute with foreign investors. When buying liras, the limit for Turkish banks' swaps has been increased to 10% of their equity, up from 1%. When selling liras, the lenders' limit increased to 2% for transactions that will mature in 7 days, to 5% for those maturing in 30 days and to 20% for those that will mature in a year. As such, the central bank has actually eased liquidity conditions despite hiking rates. Initial market impact was an appreciation in TRY against EUR by 1,26% to 8,86 and against USD by 1,04% to 7,60. On swaps pricing, the initial market impact of easing banks's swap limits was a decline in swap costs. As e.g. the USD/TRY 12 month forward implied yield fell from 17,19% to 14,85%.



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Economic Research and Development

Date	Country	Economic Release	Period	Consensus	Actual	Prior
09/25/20 09:00	AT	Industrial Production SA MoM	Jul	--	5.0%	5.0%
09/25/20 09:00	AT	Industrial Prod. WDA YoY	Jul	--	-4.4%	-10.3%
09/18/20 08:00	GE	PPI MoM	Aug	0.0%	0.0%	0.2%
09/18/20 08:00	GE	PPI YoY	Aug	-1.4%	-1.2%	-1.7%
09/23/20 08:00	GE	GfK Consumer Confidence	Oct	-0.8	-1.6	-1.8
09/23/20 09:30	GE	Germany Manufacturing PMI	Sep P	52.5	56.6	52.2
09/23/20 09:30	GE	Germany Services PMI	Sep P	53.0	49.1	52.5
09/23/20 09:30	GE	Germany Composite PMI	Sep P	54.0	53.7	54.4
09/24/20 10:00	GE	IFO Business Climate	Sep	93.8	93.4	92.6
09/24/20 10:00	GE	IFO Expectations	Sep	98.0	97.7	97.5
09/24/20 10:00	GE	IFO Current Assessment	Sep	89.5	89.2	87.9
09/18/20 10:00	EA	ECB Current Account SA	Jul	--	16.6b	20.7b
09/22/20 16:00	EA	Consumer Confidence	Sep A	-14.7	-13.9	-14.7
09/23/20 10:00	EA	Markit Eurozone Manufacturing PMI	Sep P	51.9	53.7	51.7
09/23/20 10:00	EA	Markit Eurozone Services PMI	Sep P	50.6	47.6	50.5
09/23/20 10:00	EA	Markit Eurozone Composite PMI	Sep P	51.9	50.1	51.9
09/25/20 10:00	EA	M3 Money Supply YoY	Aug	10.1%	9.5%	10.2%
09/18/20 13:30	TR	Expected Inflation Next 12 Mth	Sep	--	10.15%	9.70%
09/22/20 09:00	TR	Consumer Confidence SA	Sep	--	61.8	59.6
09/24/20 09:00	TR	Real Sector Confidence SA	Sep	--	105.7	105.2
09/24/20 09:00	TR	Real Sector Confidence NSA	Sep	--	105.3	106.2
09/24/20 09:00	TR	Capacity Utilization	Sep	--	74.6%	73.3%
09/24/20 13:00	TR	One-Week Repo Rate	Sep 24	8.25%	10.25%	8.25%
09/24/20 13:30	TR	Foreigners Net Bond Invest	Sep 24	--	-\$134m	-\$32m
09/24/20 13:30	TR	Foreigners Net Stock Invest	Sep 24	--	\$3m	-\$30m
09/18/20 14:30	US	Current Account Balance	2Q	-\$160.0b	-\$170.5b	-\$104.2b
09/18/20 16:00	US	Leading Index	Aug	1.3%	1.2%	1.4%
09/21/20 14:30	US	Chicago Fed Nat Activity Index	Aug	43466	0.79	43101
09/21/20 18:00	US	Household Change in Net Worth	2Q	--	\$7607b	-\$6548b
09/22/20 16:00	US	Existing Home Sales	Aug	6.00m	6.00m	5.86m
09/22/20 16:00	US	Existing Home Sales MoM	Aug	2.4%	2.4%	24.7%
09/22/20 16:00	US	Richmond Fed Manufact. Index	Sep	12	21	18
09/23/20 13:00	US	MBA Mortgage Applications	Sep 18	--	6.8%	-2.5%
09/23/20 15:00	US	FHFA House Price Index MoM	Jul	0.5%	1.0%	0.9%
09/23/20 15:45	US	US Manufacturing PMI	Sep P	53.5	53.5	53.1
09/23/20 15:45	US	US Services PMI	Sep P	54.7	54.6	55.0
09/23/20 15:45	US	US Composite PMI	Sep P	--	54.4	54.6
09/24/20 14:30	US	Initial Jobless Claims	Sep 19	840k	870k	860k
09/24/20 14:30	US	Continuing Claims	Sep 12	12275k	12580k	12628k
09/24/20 15:45	US	Bloomberg Consumer Comfort	Sep 20	--	49.8	47.7
09/24/20 16:00	US	New Home Sales	Aug	890k	1011k	901k
09/24/20 16:00	US	New Home Sales MoM	Aug	-1.2%	4.8%	13.9%
09/24/20 17:00	US	Kansas City Fed Manf. Activity	Sep	14	11	14

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Economic Research and Development

Exchange Rates	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months	Commodities Energy Futures	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1639	-1,71	-1,48	3,65	WTI crude	39,82	-3,63	-8,77	1,43
EUR/TRY	8,8719	-0,93	1,47	15,20	BRENT crude	41,61	-3,59	-10,13	0,41
EUR/CHF	1,0801	0,07	0,56	1,47	GAS oil	323,75	-4,71	-15,64	-9,82
EUR/GBP	0,91393	-0,30	1,53	1,10	Heating oil	111,15	-4,10	-12,80	-8,54
EUR/JPY	122,77	-0,88	-2,38	1,99	Natural gas	2,18	6,74	-15,79	26,36
EUR/RUB	90,338	0,91	1,28	16,36	Gold Spot	1 857,71	-4,77	-3,06	5,36
EUR/CNY	7,949	-1,03	-2,70	0,10	Silver Spot	22,76	-15,01	-12,91	28,09
USD/TRY	7,621	0,78	2,99	11,19	Platinum Spot	844,91	-9,26	-8,95	4,96
USD/JPY	105,48	0,86	-0,91	-1,60	Palladium Spot	2 197,48	-6,94	1,09	19,05
USD/RUB	77,615	2,63	2,80	12,26	Copper	295,10	-5,23	-0,02	9,55
USD/CNY	6,8295	0,91	-1,18	-3,49	Stock Indices	Price as of 25-Sep-20	Change% 5 days	Change % 1 Month	Change % 3 Months
Sovereign Bonds 10Y	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Ask YTM	ATX	2 081	-5,71	-6,90	-7,52
Austria	108,23	0,10	0,36	-0,59	BIST 100	1 128	1,43	3,27	-1,19
Belgium	109,07	0,08	0,42	-0,56	CAC 40	4 679	-6,01	-6,57	-4,87
China	98,13	-0,02	1,00	2,92	DAX	12 388	-5,56	-5,17	1,71
EFSF	105,67	-0,09	-0,30	-0,68	Dow Jones	26 815	-3,89	-5,07	4,16
ESM	108,56	-0,02	-0,03	-0,58	Euro Stoxx 50	3 109	-5,32	-6,63	-3,41
France	104,85	0,11	0,49	-0,53	FTSE 100	5 788	-3,65	-4,13	-5,85
Germany	104,31	0,15	0,35	-0,72	HANG SENG	23 235	-4,99	-8,83	-6,24
Greece	117,75	0,48	0,66	0,69	IBEX 35	6 569	-5,19	-7,57	-9,63
Japan	101,35	0,04	0,20	-0,13	MOEX	2 960	1,61	-3,06	8,55
Portugal	117,56	-0,14	0,12	-0,14	NASDAQ 100	10 896	-1,66	-7,04	7,87
Spain	108,95	0,02	0,46	-0,16	NIKKEI 225	23 205	-1,15	-0,40	4,24
Russia	112,63	-0,77	-1,11	5,79	S&P 500	3 247	-3,29	-5,72	5,28
Switzerland	111,34	-0,02	0,24	-0,73	Interest Rate Futures	Price as of 25-Sep-20	Change% 5 days	Change % 1 Month	Change % 3 Months
Turkey	92,40	2,10	5,12	13,90	Bobl	135,20	0,07	0,30	0,14
UK	109,15	-0,18	0,35	-0,07	Bund	174,57	0,29	0,88	0,48
US	109,88	0,15	0,17	0,37	Risk Sentiment	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months
Turkey related	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months	Baltic Dry Index	1605	23,84	5,73	-7,65
TRY Basket	8,2461	-0,44	2,17	13,31	VIX	29,78	15,21	35,09	-7,64
WAC of CBRT	10,69	2,69	11,24	41,78	Turkey 5Y CDS	561	6,20	3,01	12,22
Gold TRY / gram	455,17	-4,03	-0,15	17,15	MSCI EM Index (T-1)	1 057,74	-4,58	-5,11	5,31
TR Gov. B. 2Y yield	13,39	-2,48	-0,59	49,78	USD Libor	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months
Euribor/Eonia	Price as of 24-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months	USD Libor O/N	0,080	-3,61	-1,54	5,95
Eonia (T-1)	-0,466	1,06	0,64	-1,53	USD Libor 1M	0,146	-6,18	-14,17	-20,42
Euribor 1 Month	-0,518	2,08	0,00	-1,97	USD Libor 3M	0,218	-3,33	-13,20	-28,80
Euribor 3 Month	-0,493	1,60	-1,03	-23,87	USD Libor 6M	0,271	-1,45	-11,97	-25,61
Euribor 6 Month	-0,472	-1,94	-6,79	-69,78	USD Libor 12M	0,369	-1,24	-16,08	-35,26
Euribor 12 Month	-0,433	-2,36	-14,85	-135,33	TRY Libor	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor	Price as of 25-Sep-20	Change % 5 days	Change % 1 Month	Change % 3 Months	TRY Libor O/N	11,810	2,91	12,93	55,19
EUR Libor O/N	-0,587	-0,44	-1,11	-4,32	TRY Libor 1M	12,333	0,11	6,78	56,67
EUR Libor 1M	-0,567	-0,33	-4,23	-16,18	TRY Libor 3M	13,020	1,26	5,59	65,40
EUR Libor 3M	-0,513	1,64	0,63	-33,08	TRY Libor 6M	13,254	1,24	5,19	63,57
EUR Libor 6M	-0,502	-1,01	-8,05	-53,29	TRY Libor 12M	13,440	1,60	6,67	65,68
EUR Libor 12M	-0,436	-0,79	-18,87	-111,59					

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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.