

FX & Markets Weekly

Week 42/2020

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EUR options turn neutral in short-term

As the virus spreads, partial lockdowns are being re-imposed across countries in Europe. FX markets got their initial impact too. Euro topside traded at a premium across tenors earlier this week. But front end risk reversals have given back calls' premium. O/N EUR/USD 25 delta risk reversals are approaching parity, so is the 1 week tenor. Meanwhile, demand for puts has picked up at the long end of the curve with 9-month and 1-year tenors rising. Near-term losses in the spot market may have options related reasons. Furthermore, this week, a series of ECB speakers emphasized the need for further stimulus. At the same time, euro area inflation slowed to -0,3% in September, confirming the flash reading. The ECB's inflation target is at "close to, but below 2 percent". That target is under review though. Additional uncertainty for spot rates lies on the Brexit negotiation side of the equation, as well as on the outcome of the U.S. election.

Poland's 2-year PLN yield turns negative

The yield on Poland's two year zloty government bonds fell below 0 for the first time, bringing its decline this year close to 150 bps. Investors increased bets, the central bank might cut rates as infections are rising and hereby postponing economic recovery. The central bank's reference rate is currently at 0,1%, after a series of cuts in 2Q20. In fact, the most dovish central banker Eryk Lon said this week, that a sharp drop in economic confidence could warrant rate cuts. "In the current circumstances, one should be particularly watchful and stay ready to extend the process of monetary-policy easing," Lon said, who is part of the 10-member rate-setting committee. He is worried that the pandemic's growing threat could trigger a significant deterioration in the economic climate, including a serious worsening of consumer confidence. He advises standard as well as unconventional tools to loosen monetary policy. Among the unconventional tools, quantitative easing, is already ongoing. Central bank Governor Adam Glapinski has repeatedly said he'll do "whatever it takes" to help the economy.



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Economic Research and Development

Exchange Rates	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1734	-0,76	-0,82	2,87
EUR/TRY	9,3231	0,29	4,98	19,09
EUR/CHF	1,0721	-0,39	-0,24	-0,41
EUR/GBP	0,90856	0,21	-0,34	0,25
EUR/JPY	123,5	-1,13	-0,50	1,00
EUR/RUB	91,5324	0,80	3,22	12,27
EUR/CNY	7,8598	-0,64	-1,73	-1,61
USD/TRY	7,9437	0,87	5,84	15,82
USD/JPY	105,24	-0,35	0,33	-1,81
USD/RUB	78,0078	1,59	4,07	9,14
USD/CNY	6,6979	0,05	-0,84	-4,17

Sovereign Bonds 10Y	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Ask YTM
Austria	108,69	0,31	0,58	-0,68
Belgium	109,46	0,31	0,50	-0,64
China	97,48	-0,02	1,00	2,99
EFSF	105,46	-0,06	-0,32	-0,70
ESM	108,58	0,06	0,00	-0,63
France	105,36	0,41	0,63	-0,61
Germany	104,87	0,48	0,71	-0,81
Greece	118,61	0,65	1,04	0,51
Japan	101,28	0,12	0,02	-0,12
Portugal	118,30	0,26	0,42	-0,28
Spain	109,57	0,25	0,52	-0,27
Russia	114,01	-0,43	0,30	5,56
Switzerland	111,45	0,11	0,13	-0,77
Turkey	90,00	-0,39	-1,69	13,95
UK	109,13	0,40	0,05	-0,08
US	109,50	0,21	-0,21	0,42

Turkey related	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	8,6334	0,71	5,37	17,57
WAC of CBRT	12,18	5,36	17,91	64,59
Gold TRY / gram	487,80	-0,20	2,85	22,80
TR Gov. B. 2Y yield	13,65	0,89	2,09	33,56

Euribor/Eonia	Price as of 15-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia (T-1)	-0,471	-0,21	-0,21	-1,07
Euribor 1 Month	-0,539	-0,94	-3,06	-5,07
Euribor 3 Month	-0,507	-0,20	-4,54	-14,45
Euribor 6 Month	-0,497	-2,26	-8,52	-49,25
Euribor 12 Month	-0,472	-3,74	-13,74	-72,89

EUR Libor	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,585	-0,24	-0,15	-1,41
EUR Libor 1M	-0,563	0,25	0,02	-12,85
EUR Libor 3M	-0,540	-3,33	-3,64	-19,61
EUR Libor 6M	-0,515	-3,42	-3,86	-28,36
EUR Libor 12M	-0,463	-4,45	-7,93	-58,90

Commodities Energy Futures	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
WTI crude	40,62	0,05	0,52	-1,50
BRENT crude	42,75	-0,21	-0,07	-2,51
GAS oil	343,00	-1,79	3,00	-9,26
Heating oil	117,63	-1,39	3,79	-7,44
Natural gas	2,79	1,75	4,69	18,68
Gold Spot	1 909,99	-1,07	-2,83	6,02
Silver Spot	24,41	-2,93	-10,53	26,87
Platinum Spot	863,32	-3,32	-11,05	4,18
Palladium Spot	2 337,20	-4,25	-2,74	17,09
Copper	307,25	-0,36	0,34	5,31

Stock Indices	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	2 192	-1,10	-3,03	-5,72
BIST 100	1 185	1,72	7,10	-0,20
CAC 40	4 914	-0,69	-3,19	-3,40
DAX	12 835	-1,72	-3,23	-0,37
Dow Jones (T-1)	28 494	0,24	1,65	6,58
Euro Stoxx 50	3 231	-1,33	-3,28	-4,04
FTSE 100	5 915	-1,73	-2,73	-5,41
HANG SENG	24 387	0,80	-1,37	-2,34
IBEX 35	6 840	-1,70	-3,91	-8,59
MOEX	2 800	-1,57	-6,23	1,08
NASDAQ 100 (T-1)	11 899	3,01	5,79	11,97
NIKKEI 225	23 411	-0,89	-0,28	2,81
S&P 500 (T-1)	3 483	1,06	2,89	8,33

Interest Rate Futures	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	135,79	0,33	0,59	0,64
Bund	176,13	0,83	1,27	1,35

Risk Sentiment	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index	1561	-17,49	21,86	-8,12
VIX	26,90	2,12	3,38	-3,86
Turkey 5Y CDS	532	5,54	4,53	-0,06
MSCI EM Index (T-1)	1 120,54	-0,17	0,32	7,13

USD Libor	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	0,081	-0,76	-1,66	-6,48
USD Libor 1M	0,151	4,22	0,92	-18,94
USD Libor 3M	0,218	-2,57	-6,38	-19,64
USD Libor 6M	0,258	4,78	-4,76	-24,79
USD Libor 12M	0,335	-3,63	-11,38	-29,55

TRY Libor	Price as of 16-Oct-20	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	13,408	2,49	19,41	74,89
TRY Libor 1M	13,751	2,69	16,43	74,68
TRY Libor 3M	14,047	2,24	11,49	77,95
TRY Libor 6M	14,171	2,50	10,19	74,28
TRY Libor 12M	14,592	2,47	11,69	78,70

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Economic Research and Development

Date	Country	Economic Release	Period	Consensus	Actual	Prior
10/16/20 09:00	AT	CPI YoY	Sep	--	1.5%	1.4%
10/16/20 09:00	AT	CPI MoM	Sep	--	0.6%	-0.2%
10/12/20 08:00	GE	Wholesale Price Index YoY	Sep	--	-1.8%	-2.2%
10/12/20 08:00	GE	Wholesale Price Index MoM	Sep	--	0.0%	-0.4%
10/13/20 08:00	GE	CPI EU Harmonized MoM	Sep F	-0.4%	-0.4%	-0.4%
10/13/20 08:00	GE	CPI EU Harmonized YoY	Sep F	-0.4%	-0.4%	-0.4%
10/13/20 08:00	GE	CPI MoM	Sep F	-0.2%	-0.2%	-0.2%
10/13/20 08:00	GE	CPI YoY	Sep F	-0.2%	-0.2%	-0.2%
10/13/20 11:00	GE	ZEW Survey Expectations	Oct	72.0	56.1	77.4
10/13/20 11:00	GE	ZEW Survey Current Situation	Oct	-60.0	-59.5	-66.2
10/13/20 11:00	EA	ZEW Survey Expectations	Oct	--	52.3	73.9
10/14/20 11:00	EA	Industrial Production SA MoM	Aug	0.8%	0.7%	4.1%
10/14/20 11:00	EA	Industrial Production WDA YoY	Aug	-7.0%	-7.2%	-7.7%
10/16/20 08:00	EA	EU27 New Car Registrations	Sep	--	3.1%	-18.9%
10/16/20 11:00	EA	Trade Balance SA	Aug	18.0b	21.9b	20.3b
10/16/20 11:00	EA	Trade Balance NSA	Aug	--	14.7b	27.9b
10/16/20 11:00	EA	CPI MoM	Sep F	0.1%	0.1%	0.1%
10/16/20 11:00	EA	CPI YoY	Sep F	-0.3%	-0.3%	-0.3%
10/16/20 11:00	EA	CPI Core YoY	Sep F	0.2%	0.2%	0.2%
10/12/20 09:00	TR	Current Account Balance	Aug	-4.40b	-4.63b	-1.82b
10/12/20 09:00	TR	Unemployment Rate	Jul	--	13.4%	13.4%
10/13/20 09:00	TR	Industrial Production MoM	Aug	0.0%	3.4%	8.4%
10/13/20 09:00	TR	Industrial Production YoY	Aug	7.1%	10.4%	4.4%
10/15/20 09:00	TR	Home Sales	Sep	--	136.7k	170.4k
10/15/20 09:00	TR	Home Sales (YoY)	Sep	--	-6.9%	54.2%
10/15/20 10:00	TR	Central Gov't Budget Balance	Sep	--	-29.7b	28.2b
10/15/20 13:30	TR	Foreigners Net Bond Invest	Oct 9	--	-\$350m	\$479m
10/15/20 13:30	TR	Foreigners Net Stock Invest	Oct 9	--	-\$91m	\$131m
10/13/20 12:00	US	NFIB Small Business Optimism	Sep	100.9	104.0	100.2
10/13/20 14:30	US	CPI MoM	Sep	0.2%	0.2%	0.4%
10/13/20 14:30	US	CPI Ex Food and Energy MoM	Sep	0.2%	0.2%	0.4%
10/13/20 14:30	US	CPI YoY	Sep	1.4%	1.4%	1.3%
10/13/20 14:30	US	CPI Ex Food and Energy YoY	Sep	1.7%	1.7%	1.7%
10/14/20 13:00	US	MBA Mortgage Applications	Oct 9	--	-0.7%	4.6%
10/14/20 14:30	US	PPI Final Demand MoM	Sep	0.2%	0.4%	0.3%
10/14/20 14:30	US	PPI Ex Food and Energy MoM	Sep	0.2%	0.4%	0.4%
10/14/20 14:30	US	PPI Ex Food, Energy, Trade MoM	Sep	0.2%	0.4%	0.3%
10/14/20 14:30	US	PPI Final Demand YoY	Sep	0.2%	0.4%	-0.2%
10/14/20 14:30	US	PPI Ex Food and Energy YoY	Sep	1.0%	1.2%	0.6%
10/14/20 14:30	US	PPI Ex Food, Energy, Trade YoY	Sep	0.5%	0.7%	0.3%
10/15/20 14:30	US	Empire Manufacturing	Oct	14.0	10.5	17.0
10/15/20 14:30	US	Initial Jobless Claims	Oct 10	825k	898k	840k
10/15/20 14:30	US	Continuing Claims	Oct 3	10550k	10018k	10976k
10/15/20 14:30	US	Import Price Index MoM	Sep	0.3%	0.3%	0.9%
10/15/20 14:30	US	Import Price Index ex Petroleum MoM	Sep	0.5%	0.7%	0.7%
10/15/20 14:30	US	Import Price Index YoY	Sep	-1.2%	-1.1%	-1.4%
10/15/20 14:30	US	Export Price Index MoM	Sep	0.3%	0.6%	0.5%
10/15/20 14:30	US	Export Price Index YoY	Sep	--	-1.8%	-2.8%



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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.