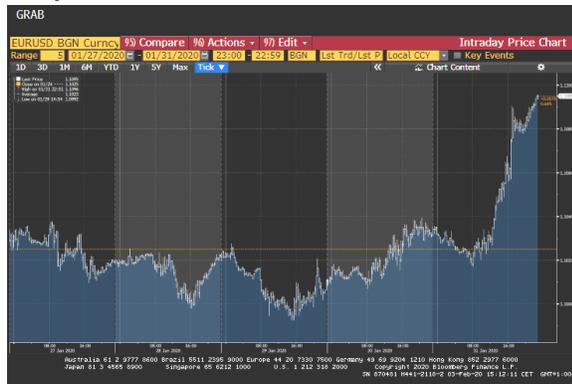




## FX NEWS

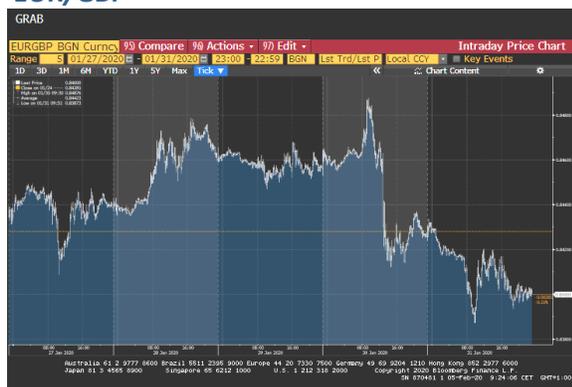
### EUR/USD



Source: Bloomberg LP

The **EUR/USD exchange rate** did not see any significant changes during most of this reporting week, as the euro depreciated against the dollar due to growing concerns about the corona virus's impact on the economy and people, and with the growing demand for the USD as a safe investment vehicle. On the last day of the reporting week, the exchange rate rebounded as Germany's annual inflation rate rose 1.6% in January. The European Commission also announced that economic confidence in the euro area rose recorded a monthly increase of 102.8 in January, further strengthening the euro. On the other hand, mixed economic data were released in the USA (unemployment benefit requirements dropped; the economy recorded a quarterly increase, while spending slowed).

### EUR/GBP



Source: Bloomberg LP

During the first three days of this reporting week, the **EUR/GBP exchange rate** recorded mild upward trend due to the upcoming Bank of

England's regular meeting and to the concerns over future EU-UK relations. However, this exchange rate dropped sharply after the regular meeting of the Bank of England, which decided not to change the interest rate, while market participants anticipated it was inevitable that the key interest rate would decrease.

### EUR/JPY



Source: Bloomberg LP

The **EUR/JPY exchange rate** fluctuated during this reporting period. The demand for safe assets grew due to fears of corona virus spreading from China to the rest of the world. The minutes of the last Bank of Japan's meeting showed that some members of that central bank were concerned about the effectiveness of low interest rate policies over a long period, with one board member stating that a monetary policy revision would be needed.

**Table 1 - Exchange rates of the most important currencies**

	27 January 2020 <sup>1</sup>	31 January 2020 <sup>2</sup>	% Change
EUR/USD	1.1025	1.1093	0.62
EUR/GBP	0.84281	0.84000	-0.33
EUR/JPY	120.490	120.17	-0.27
EUR/AUD	1.61424	1.65798	2.71
EUR/CHF	1.07092	1.06888	-0.19
USD/JPY	109.280	108.35	-0.85
GBP/USD	1.30700	1.3206	1.04

**Table 2 - Overview of the reference interest rates of the leading central banks**

Central Bank	Reference interest rate	Reference interest rate level	Next meeting
European Central Bank	ECB Main Refinancing Rate	0.00%	12 March 2020
Federal Reserves	Federal Funds Target Rate	1.75%	18 March 2020
Bank of Japan	Overnight Call Rate	-0.10%	19 March 2020
Bank of England	Official Bank Rate	0.75%	19 March 2020
Swiss National Bank	Libor Target Rate	-0.75%	19 March 2020
Bank of Canada	Target Overnight Rate	1.75%	4 March 2020
Reserve Bank of Australia	Cash Rate Target	0.750%	4 February 2020

Fed held its regular meeting this week, and kept interest rates at the same level, with all board members voting that interest rates would not change. At the press conference after the meeting, the Fed's Chairman told that a coronavirus outbreak in China would hit the country's economy and that it could spill out and beyond, yet that it was still too early to assess the potential impact at the global level and in the USA. He also said that the central bank would take action if global deflationary trends deteriorated. The Bank of England also held a meeting deciding to keep interest rate at the same level. The meeting voted 7-2 for keeping the current rate. At this meeting, they also revised growth and inflation forecasts, with signals of the possibility to introduce relief soon. GDP is expected to grow 0.75% this year instead of the previously forecasted 1.25%.

**Table 3 - Eonia and Euribor**

	27.01.2020. <sup>1</sup>	31.01.2020. <sup>2</sup>	Change in basis points
Eonia	-0.452	-0.454	-0.2
Euribor 1W	-0.503	-0.506	-0.3
Euribor 1M	-0.451	-0.454	-0.3
Euribor 3M	-0.386	-0.393	-0.7
Euribor 6M	-0.323	-0.338	-1.5
Euribor 12M	-0.258	-0.254	0.4

<sup>1</sup> Opening market value on Monday

<sup>2</sup> Closing market value on Friday

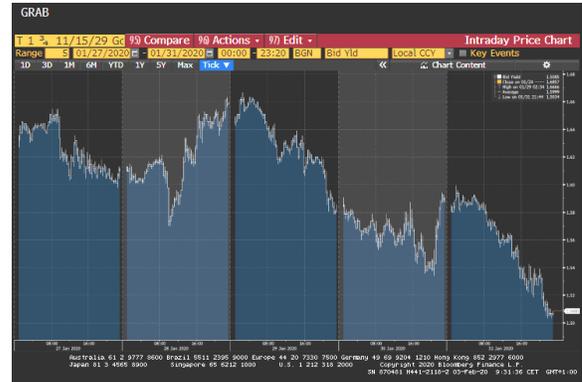
## EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

During the reporting period, the yield on German government bonds yields dropped by 10 basis points. Investors sought refuge in safe havens as the spreading of the coronavirus was not stopped. Yields on German 10-year bonds rose briefly on Tuesday as governments around the world took action to tackle the virus, prompting stock prices to recover (Hong Kong announced it would close some border checkpoints and limit land transport, while the USA and UK urged their residents to avoid travelling to China; the US government also considered a ban on flights between the US and China (and vice versa). On the last day, yields hit their nadir since last October, driven by higher investor demand for safe funds, and by weaker than expected data on US factory orders. At the beginning of the week, the yield stood at -0.34%, to end the week at -0,34%.

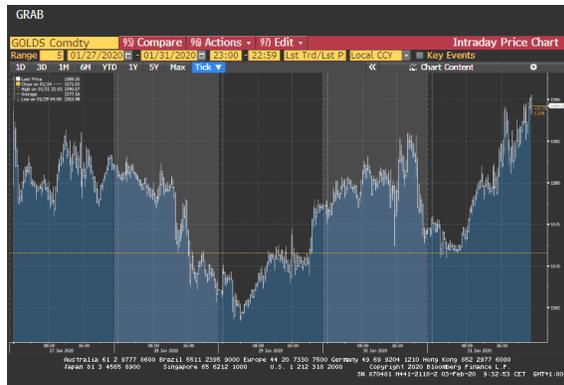
## US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The yield on US government bonds declined this week (by some 14 basis points). This fall was mostly due to the spread of coronavirus, which threatens to endanger economic growth globally. This week, the US 10-year bond yields dropped from 1.64% to 1.50%.

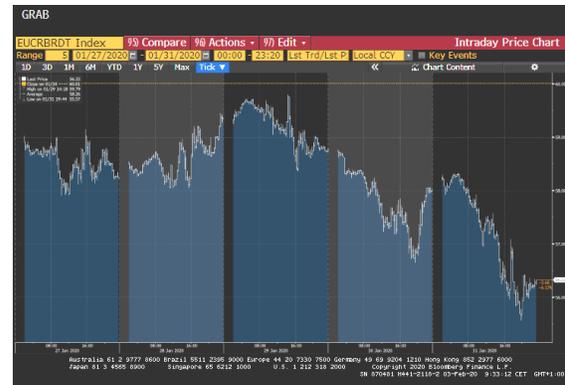
## GOLD



Source: Bloomberg LP

On Monday, the price of gold fluctuated, to drop on Tuesday as demand for secure funds was cut short in the wake of favourable data on the US economy (orders for durable goods and consumer confidence increased). After that, the price of gold rose again as concerns about a global growth slowdown led to a decline in risk appetite for investors. The price of gold rose on Friday, recording the highest monthly increase since last August amid concerns about the faster spread of coronavirus.

## OIL



Source: Bloomberg LP

At the very beginning of this reporting week, the price of oil recorded a mild drop fearing that the coronavirus could threaten the economic growth of the world's second-largest economy and that it could affect the decline in energy demand worldwide. The very next day, the oil price rebounded slightly, as stock prices on Wall Street recovered, as well as after speculation that OPEC and its allies might restrict production amid fears of coronavirus. As of mid-week, oil prices trended down as a combination of two factors. To wit, the stock of this energy product in the USA increased by 3.5 million barrels last week, with the concern at the same time about the weakened demand for this energy product resulting from the spread of the virus from China.

**Table 4 - Economic indicators (27 - 31 January 2020)**

Country	Indicator	Period	Expected value	Current value	Previous value
France	<p><b>Gross domestic product (GDP)</b>                      One of the basic macroeconomic indicators, which represents the calculated value in the market prices of goods and services produced within the country, but excludes the income of citizens and corporations working abroad. The following four components are used to calculate GDP: consumption, investments, government expenditure, and net exports.</p>	IV Quarter QoQ% YoY%	0.2% 1.2%	-0.1% 0.8%	0.3% 1.4%
Germany	<p><b>Import Price Index</b>                      Measures the change in prices imported in Germany. This is an inflation indicator. Since the CPI calculation takes into account prices of imported goods and services, this characterises the role of import prices in the overall picture of changes in retail prices in the basket of goods and services.</p>	December MoM%	0.2%	0.2%	0.5%
Italy	<p><b>Consumer Confidence Index</b>                      Consumers' expectations (mood) This household survey, designed to assess the individual's propensity for spending, is an attempt to measure consumer optimism.</p>	January	110.5	111.8	110.8
Japan	<p><b>Industrial output</b>                      Measures the production output of the energy sectors, factories and mines. Growing industrial output points to increased production and economic expansion.</p>	December MoM%	0.7%	1.3%	-1.0%
USA	<p><b>Initial Jobless Claims</b>                      This index measures the number of people receiving unemployment allowances. It is similar to the applicant. The growing number of jobs accompanies the economic expansion, which could influence inflationary pressures.</p>	January 25 K=1.000	215 K	216 K	211 K

Source: Bloomberg