



Harald Endres

# Market Update

Munich 09. June 2016

ECB Money Market Contact Group

## ECB developments and announcements



**04 April:**

**Covered Bond Purchase Programmes (CBPP1,2, and 3) are also being made available for lending**



**21 April:**

**first details of the corporate sector purchase programme (CSPP)**



**03 May:**

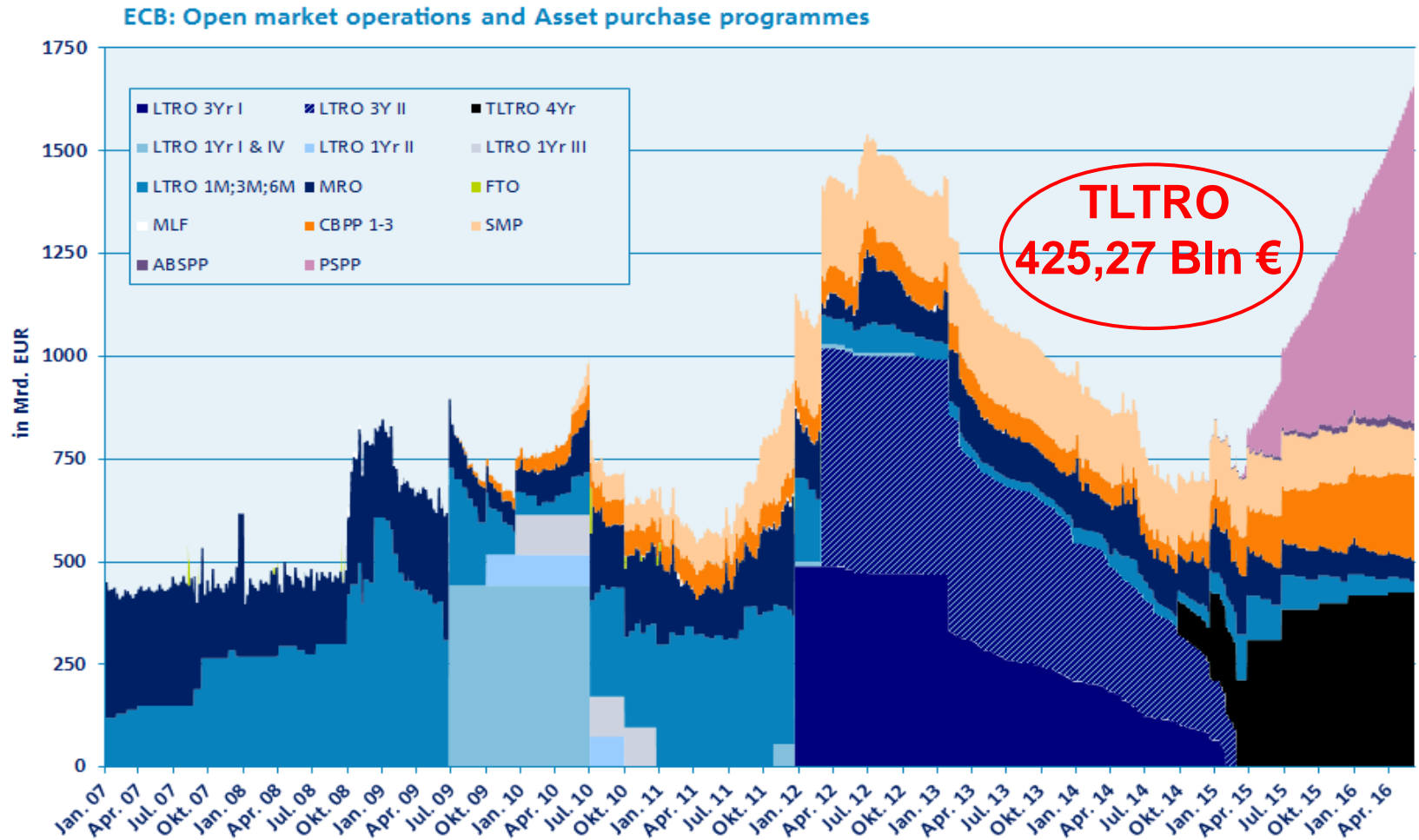
**ECB publishes legal act of TLTRO-II**



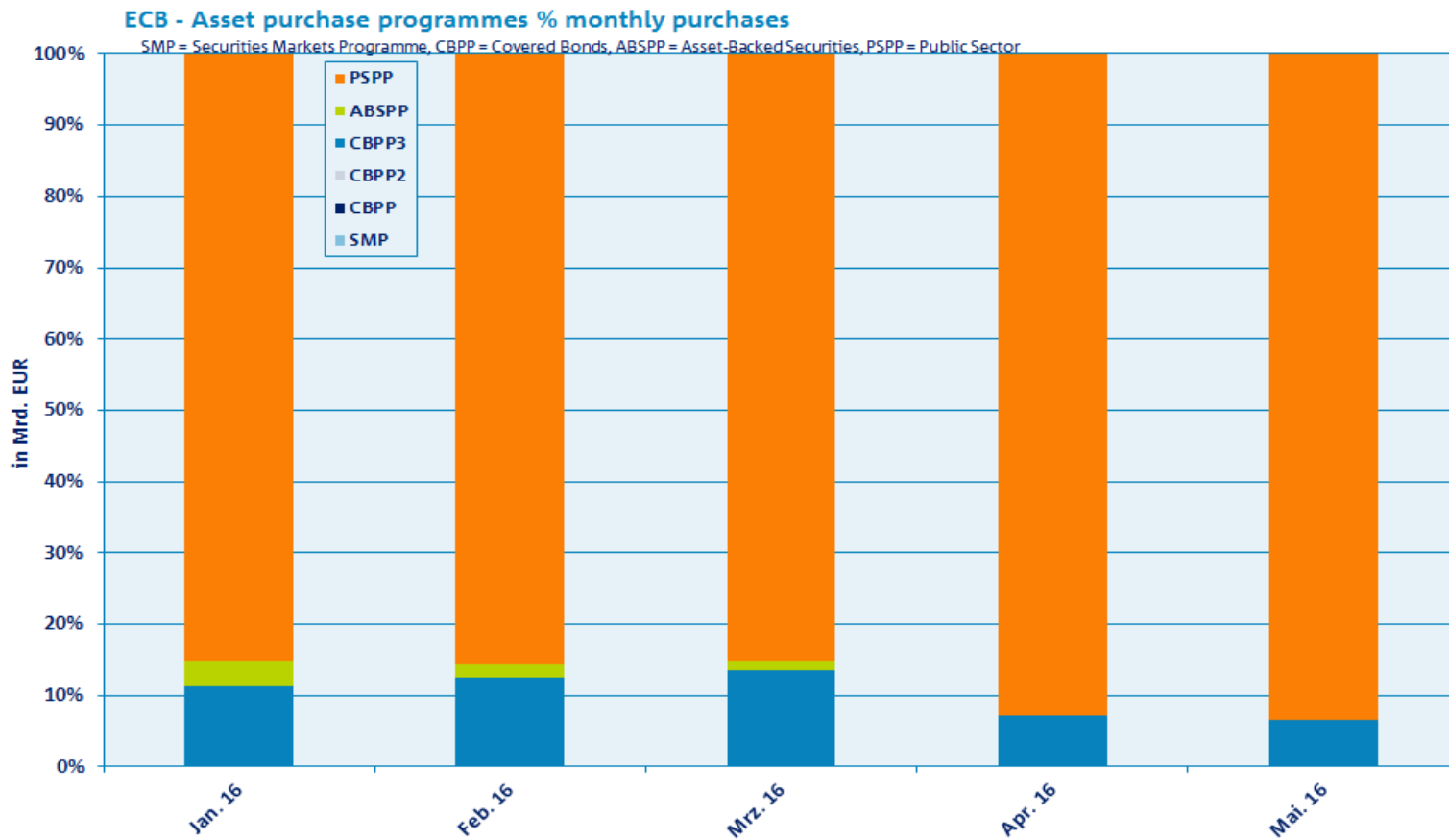
**02 June:**

**final details of the CSPP (Start: 08 June)**

# Open market operations and APP

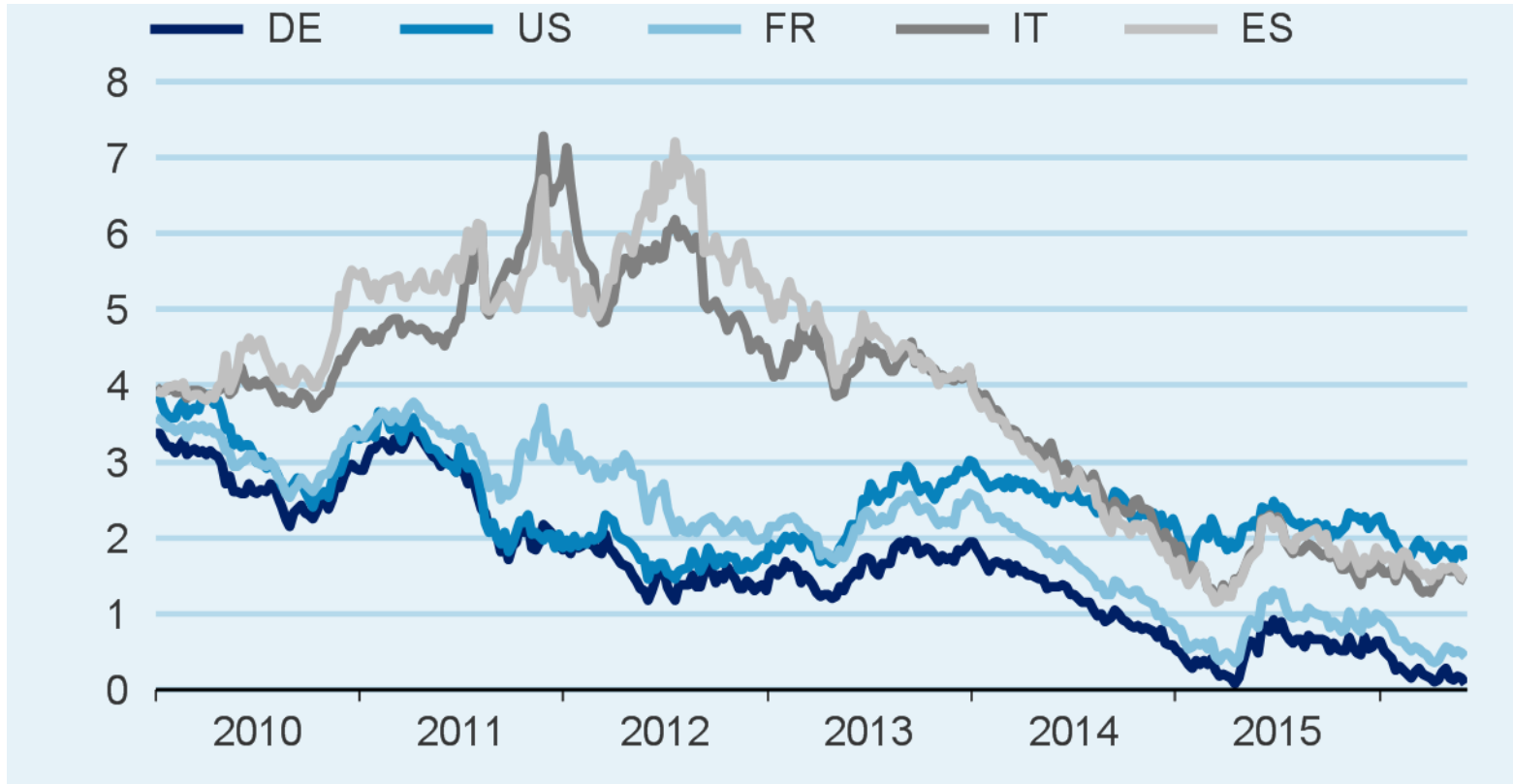


# Asset purchase programmes % monthly purchases



# Government bond yields

Government bond yields, 10yr, in percent p.a.



# Equities: Recovery after China shocks

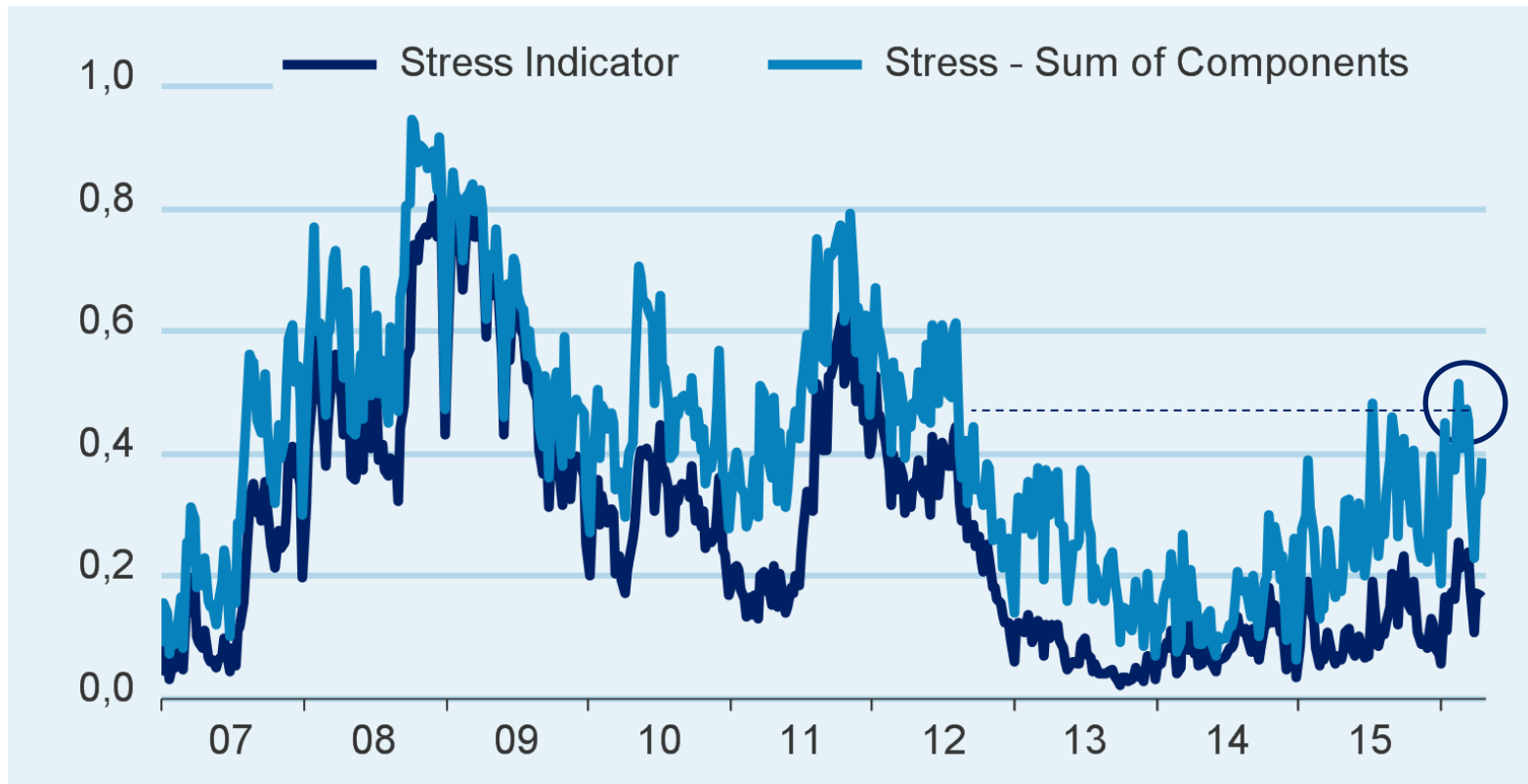
Daily data



Source: PBoC, Thomsons Reuters via Datastream

## Financial market stress still elevated

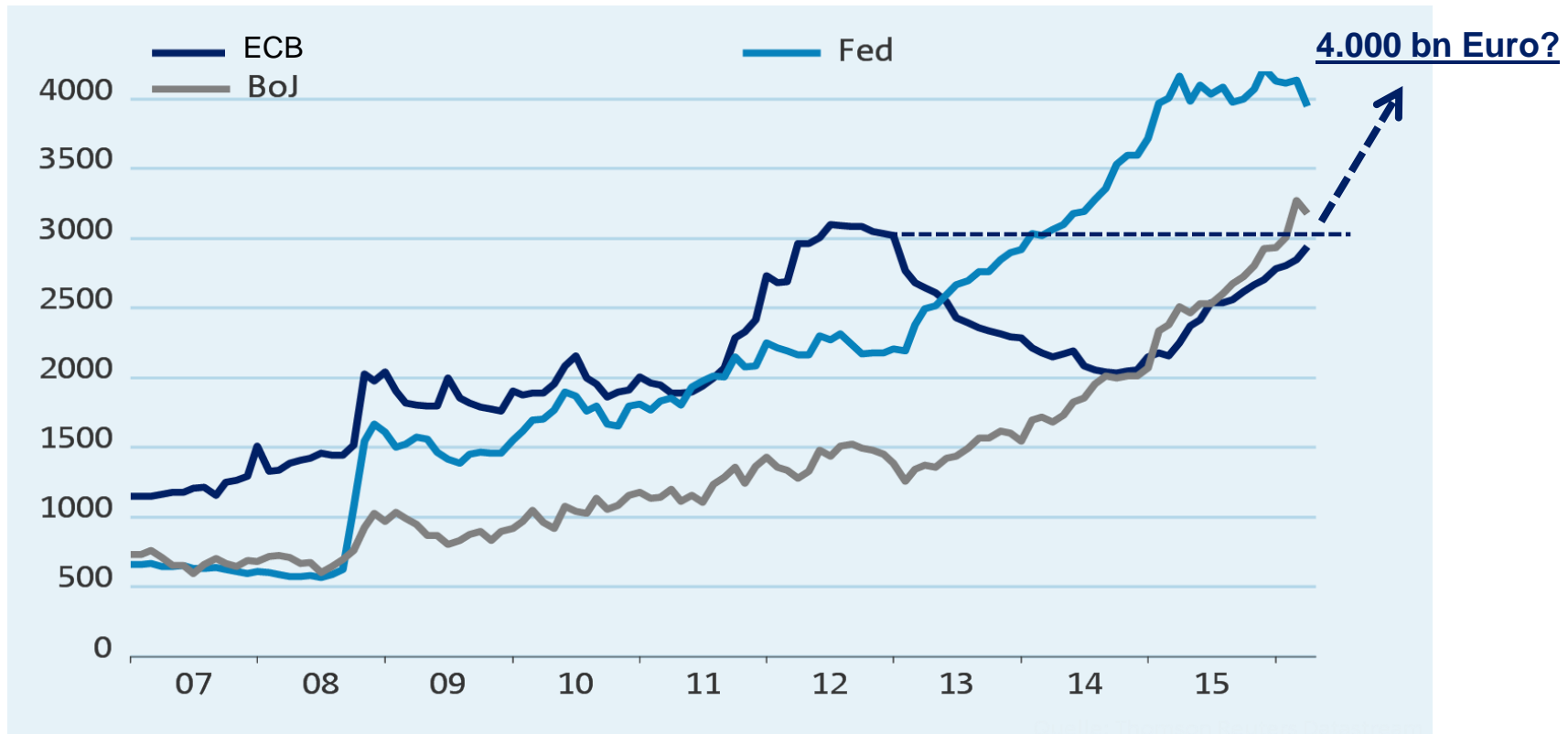
ECB Composite Indicator of Systemic Stress and sum of contributions of sub-indices excl. cross-correlations (bond market, equity market, money market, fx market, financial intermediaries), daily data



Source: ECB, BayernLB Research

# ECB: Balance sheet to Fed-level?

Balance sheet, in bn. Euro, monthly data, current exchange rate

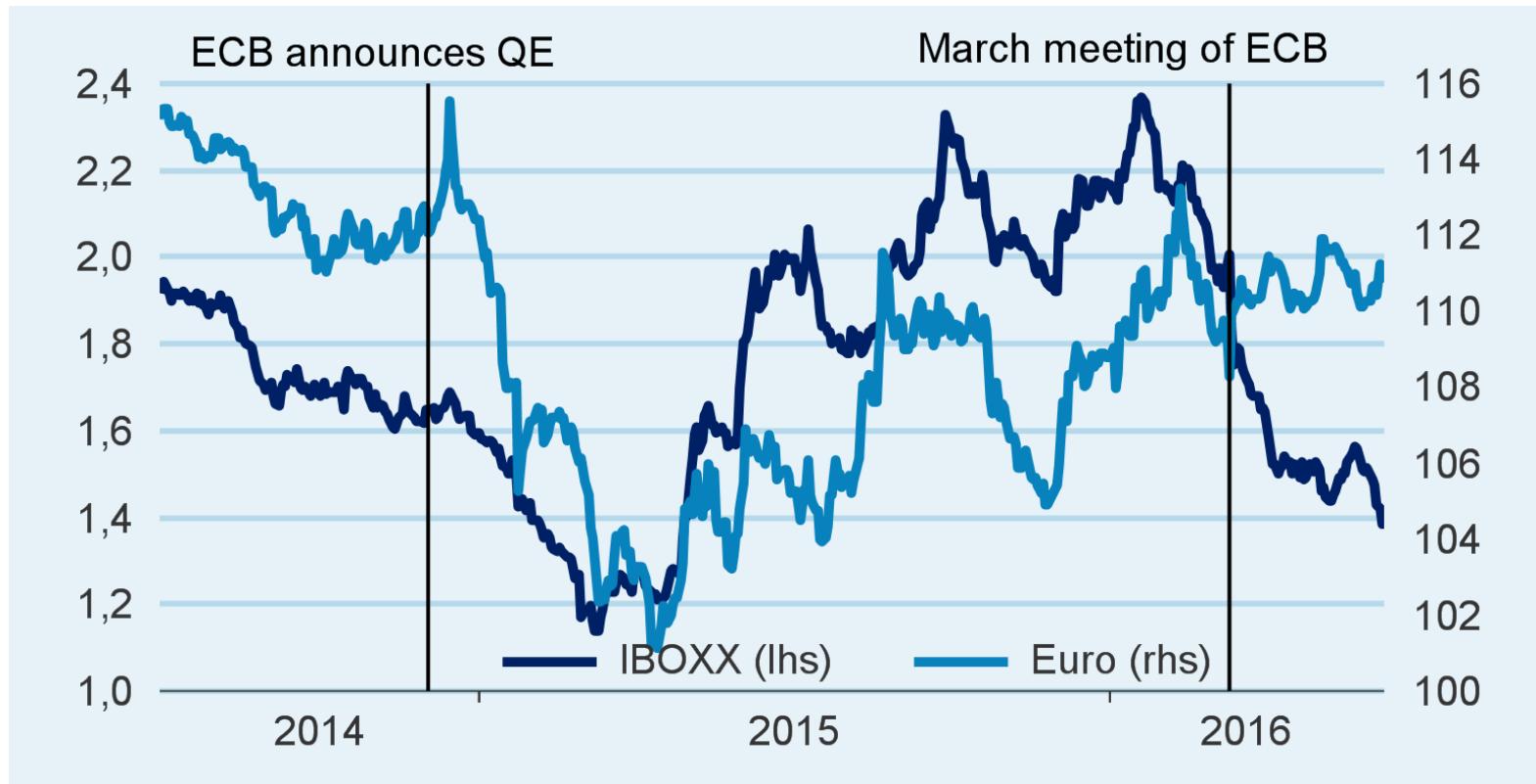


Source : ECB, BayernLB Research



# ECB: Only partially successful

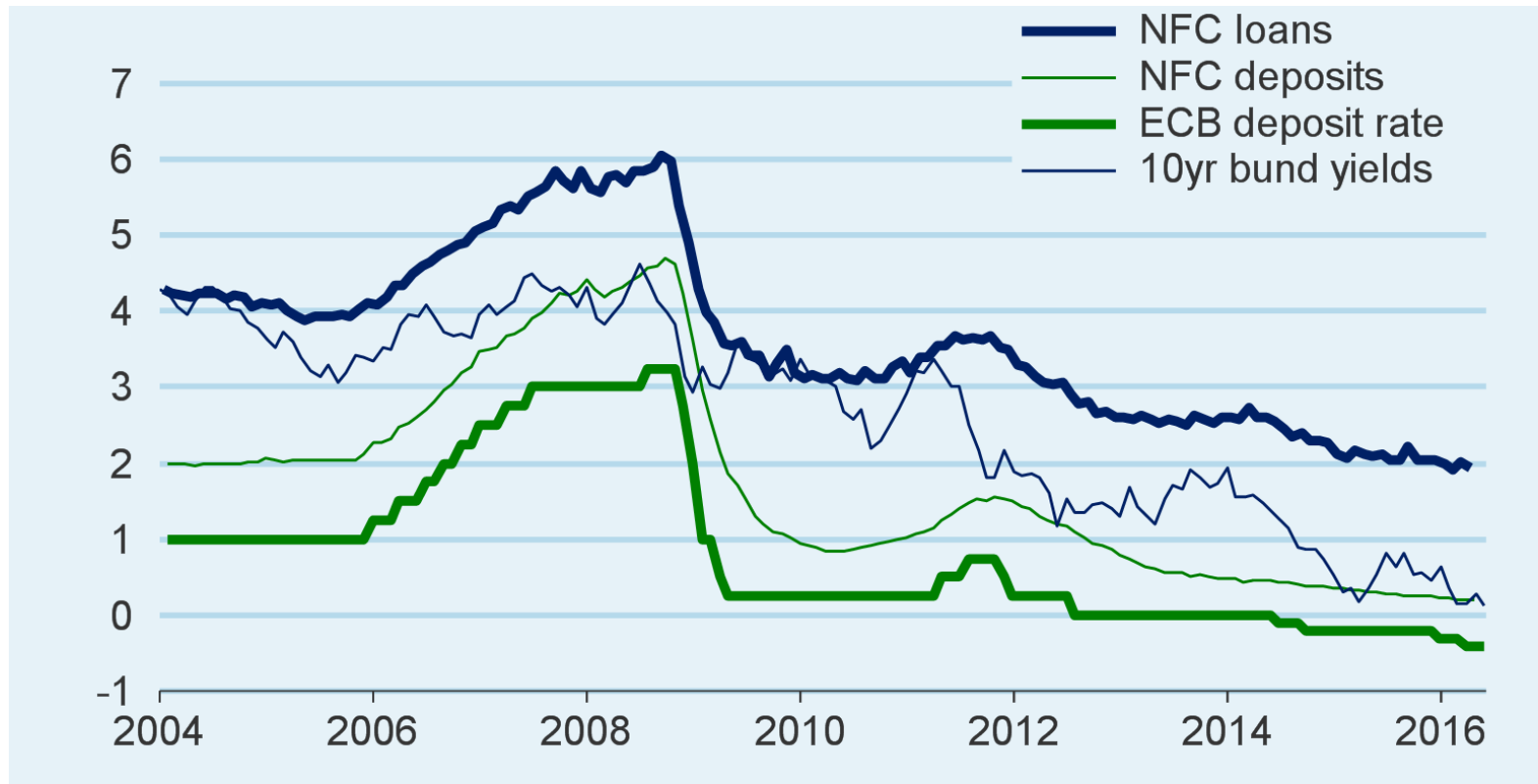
IBOXX Euro non-fin. Corp. –BBB in percent and Euro (trade weighted)



Source: BLS via Thomson Reuters Datastream, BayernLB Research

## Interest margins under pressure

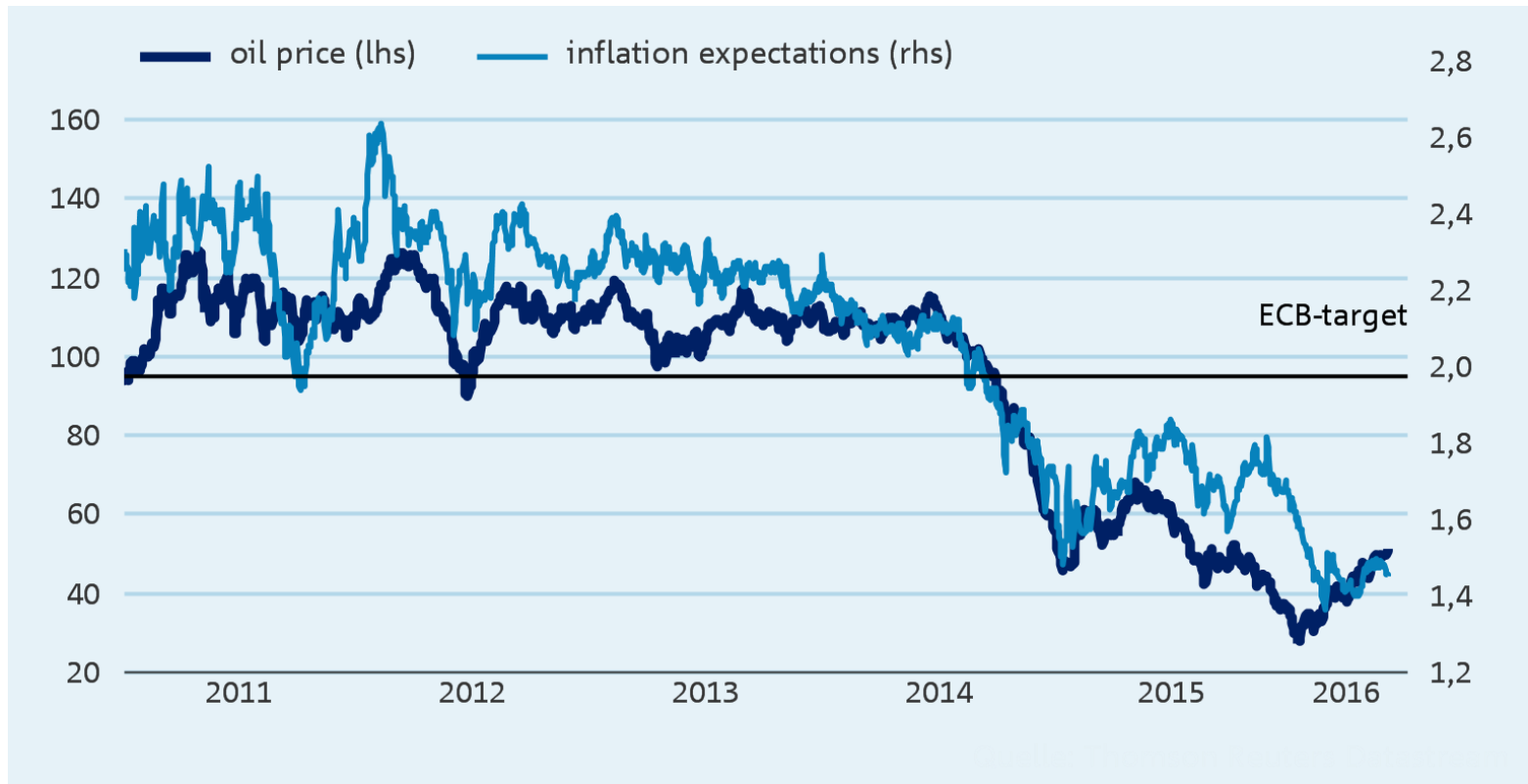
Interest rates on NFC deposits (up to 2 years) and NFC loans (composite cost of borrowing indicator, all maturities) for German banks, 10yr bund yields and ECB deposit rate, in percent p.a.



Source: ECB, BayernLB Research

## Inflation expectations still far below 2%

Oil price (Brent) in Dollar per barrel und medium-term inflation expectations (5Y5Y-forward swap rate) for the Euro-area, in %



Source: Thomson Reuters Datastream, BayernLB Research

## Oil: Low price huge burden for many countries

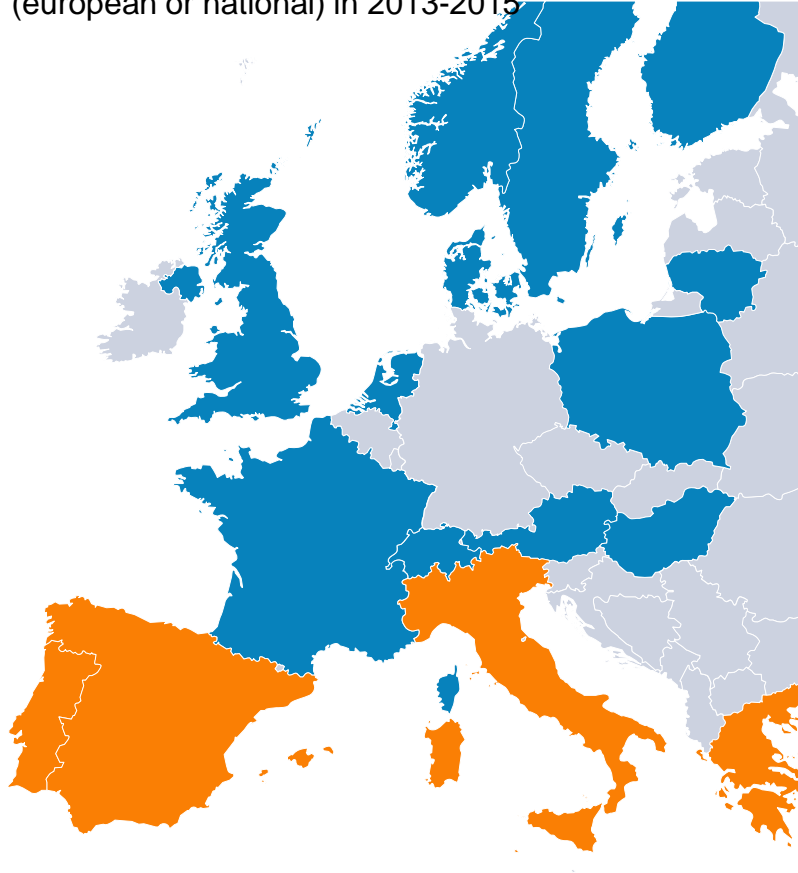
Country	Breakeven oil price state budget (USD)*	Oil production marginal costs (USD)*
Azerbaijan	70	30
Kazakhstan	60	30
Russia	80	30
Mexico	65	40
Venezuela	120	40
Angola	90	45
Nigeria	110	20
Algeria	120	20
Bahrain	130	20
Iraq	120	15
Iran	100	20
Qatar	65	20
Kuwait	65	15
Libya	125	10
Saudi Arabia	105	15
UAE	75	15

Source: EIA, BayernLB Research (\* estimates)

# Europe under pressure

## Populist Parties in Europe

Right- (blue) and left-wing (orange) parties, which were at least third-strongest group in general elections (european or national) in 2013-2015



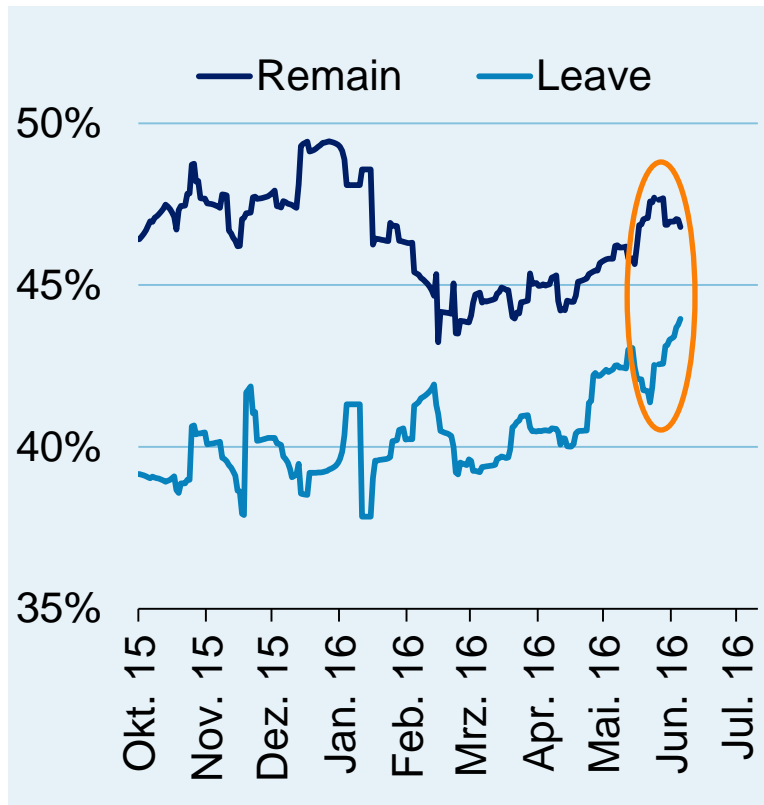
Source: BayernLB Research

- EU-Commission: Additional 3 million refugees up to 2017.
- Lack of good governance and decision making processes
- Extreme right- and left-wing parties on the rise.
- End of Schengen-treaty possible. In extreme cases, this could lead to a breakup of the EU or the euro area.
- Escalation in the German political debate
- Elevated Brexit and Grexit risks.

# UK: Leave campaign on the rise of late

## Polls

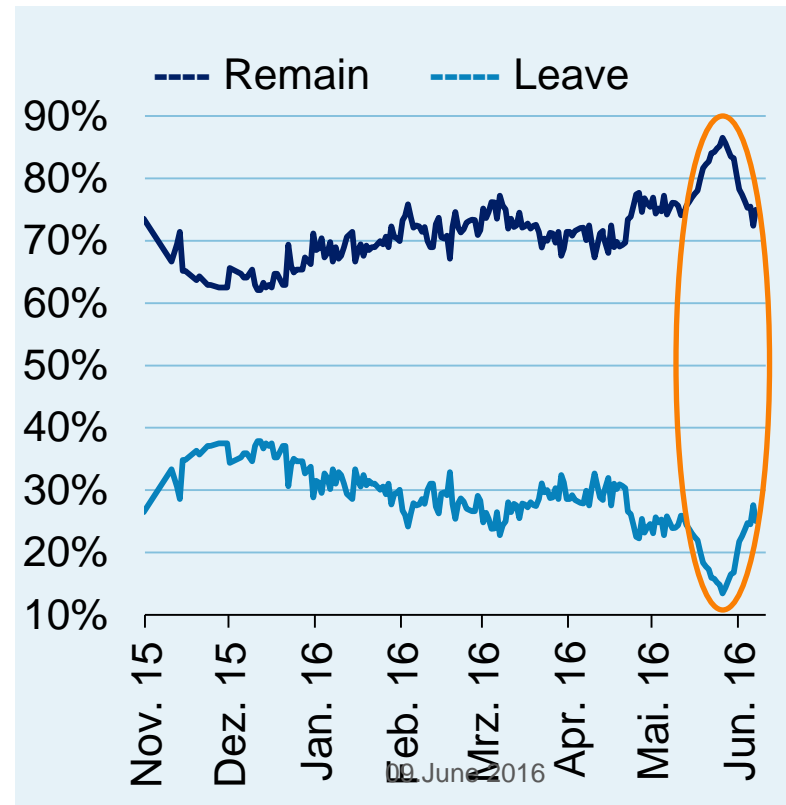
Weighted by date of publication, phone and online surveys same weight



Source: Number Crunchers

## Quotes by bookmakers

Average bookmaker's quotes

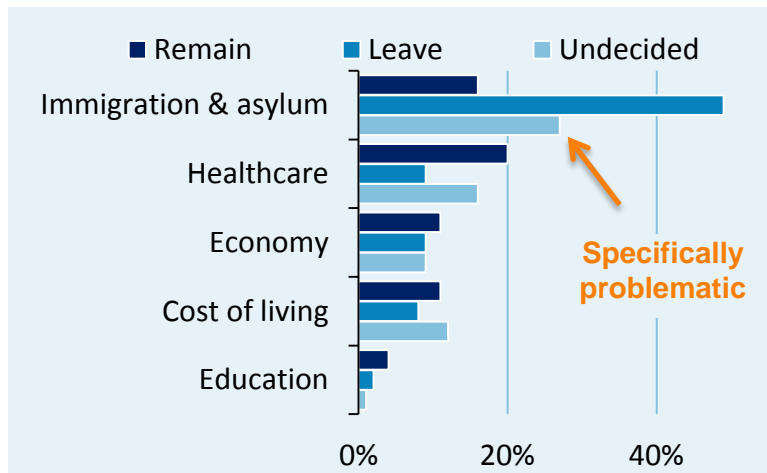


Source: www.oddschecker.com

# UK: 5 reasons for increased Brexit risk

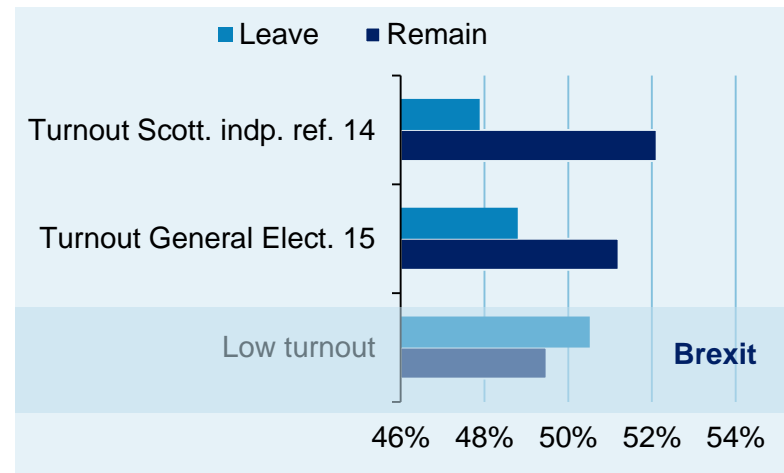
- 1) Close polls
- 2) Boris Johnson
- 3) „pre-election Period“
- 4) For the undecided, immigration/border controls are more important than economic aspects
- 5) Higher willingness to vote within the leave camp

## Most important topics for survey participants



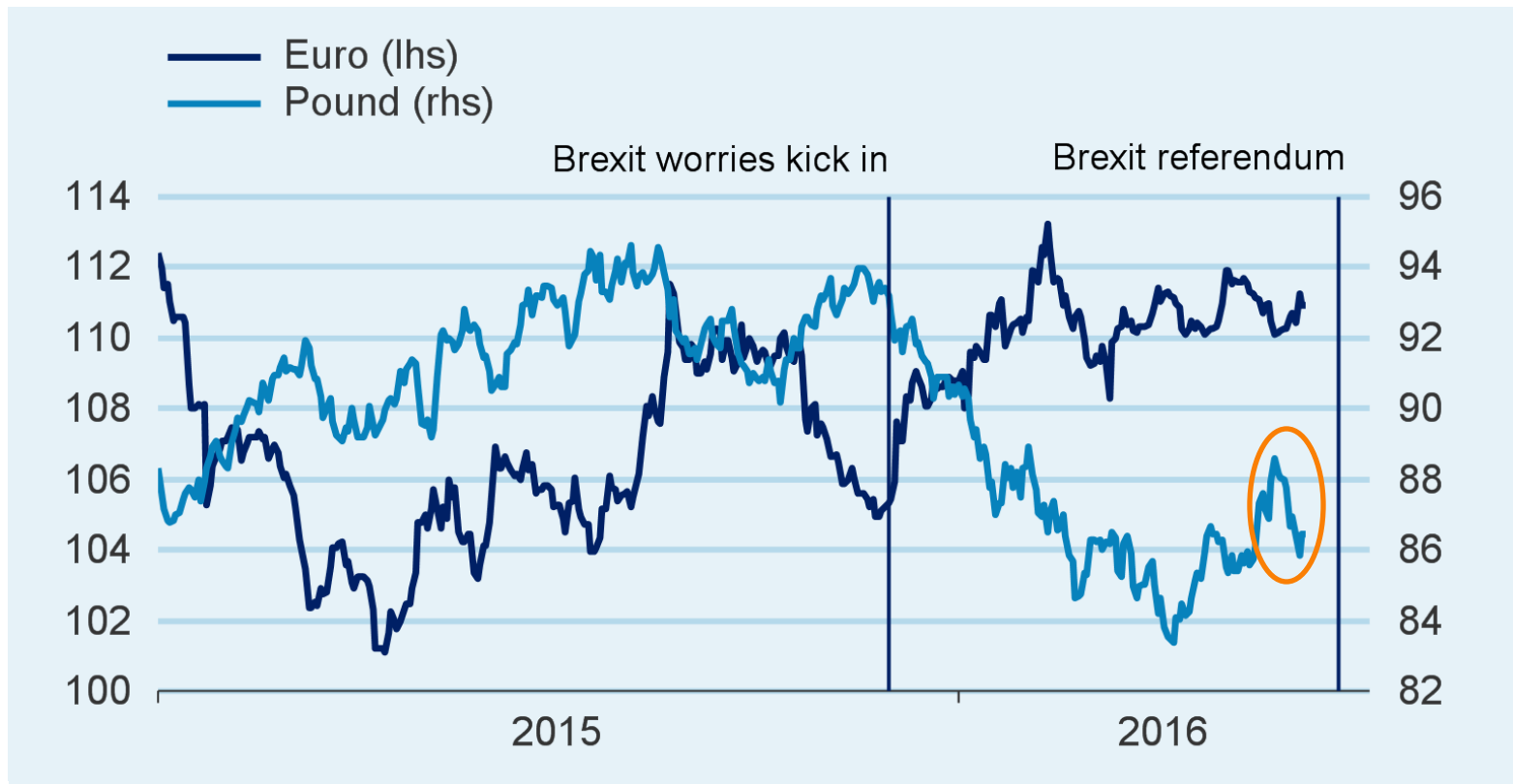
Source: BMG, BayernLB Research

## Forecast of referendum result given different levels of overall voter turnout



# Brexit worries have put pressure on the pound again, the euro remains unaffected

Nominal effective exchange rates, daily values



Source: EZB, BoE, BayernLB Research via Datastream



# Allgemeine Hinweise

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