



EUROPEAN CENTRAL BANK

EUROSYSTEM

Roswitha Hutter
Portfolio Management Expert

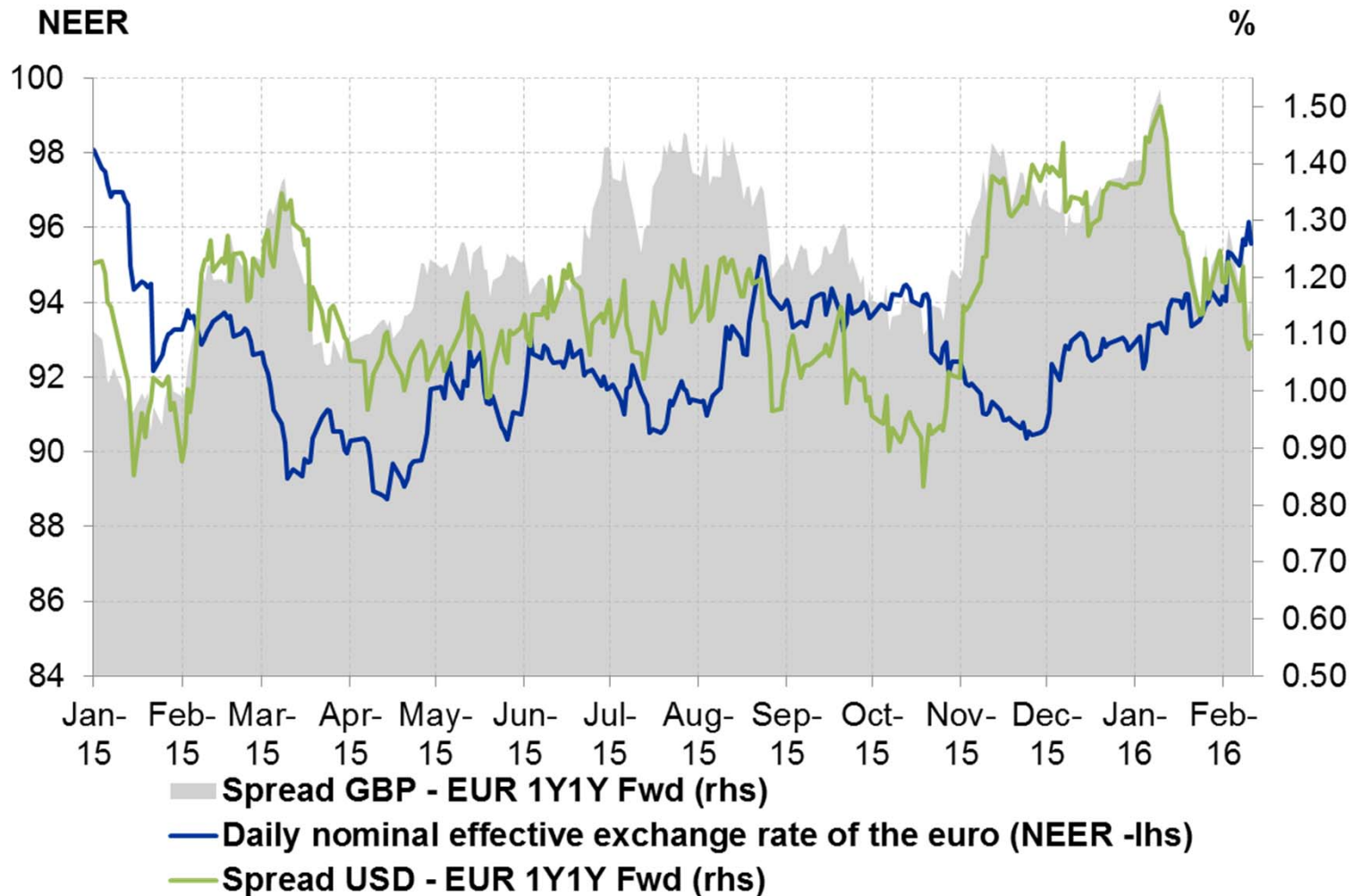
Market review

FXCG, 18 February 2016

DISCLAIMER: the views expressed in this presentation are solely those of the author and do not necessarily represent the views of the ECB

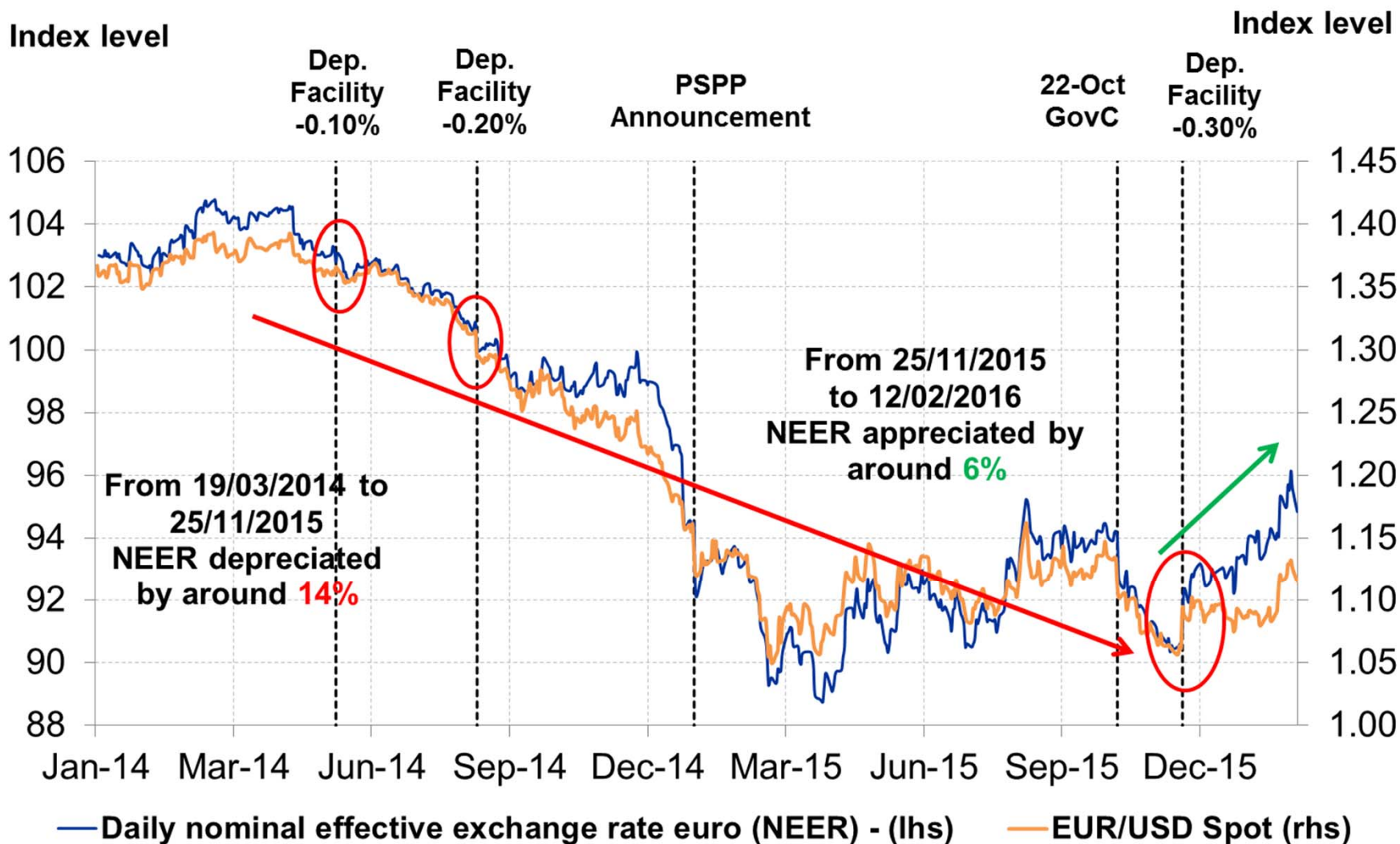
USD and GBP 1Y1Y OIS Fwd vs. EUR 1Y1Y OIS Fwd

Reduced expectations for monetary policy divergence



Source: ECB & Bloomberg

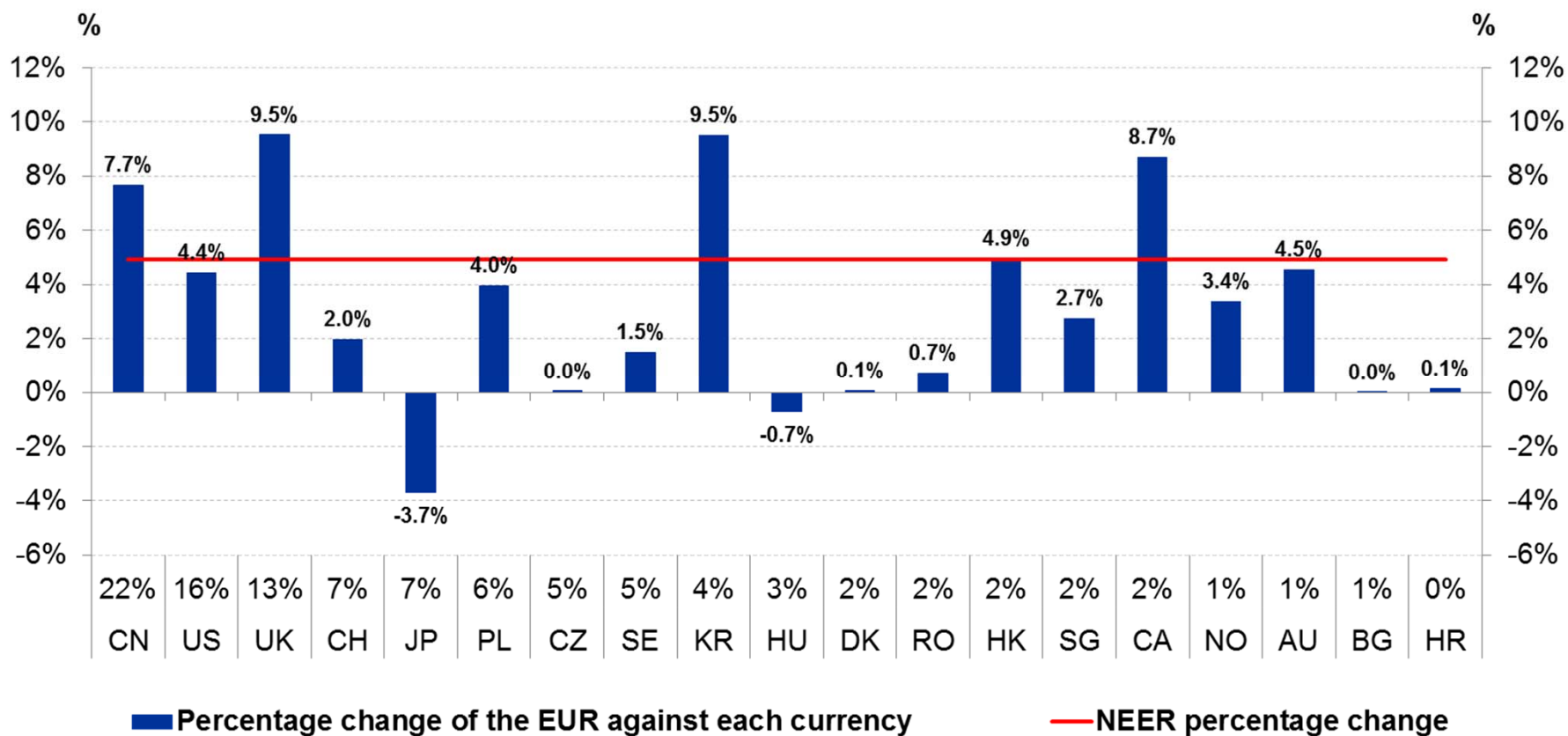
Nominal Effective Exchange Rate of the Euro



Source: ECB

Breakdown of the effective exchange rate since 12 Nov 15 (FXCG meeting)

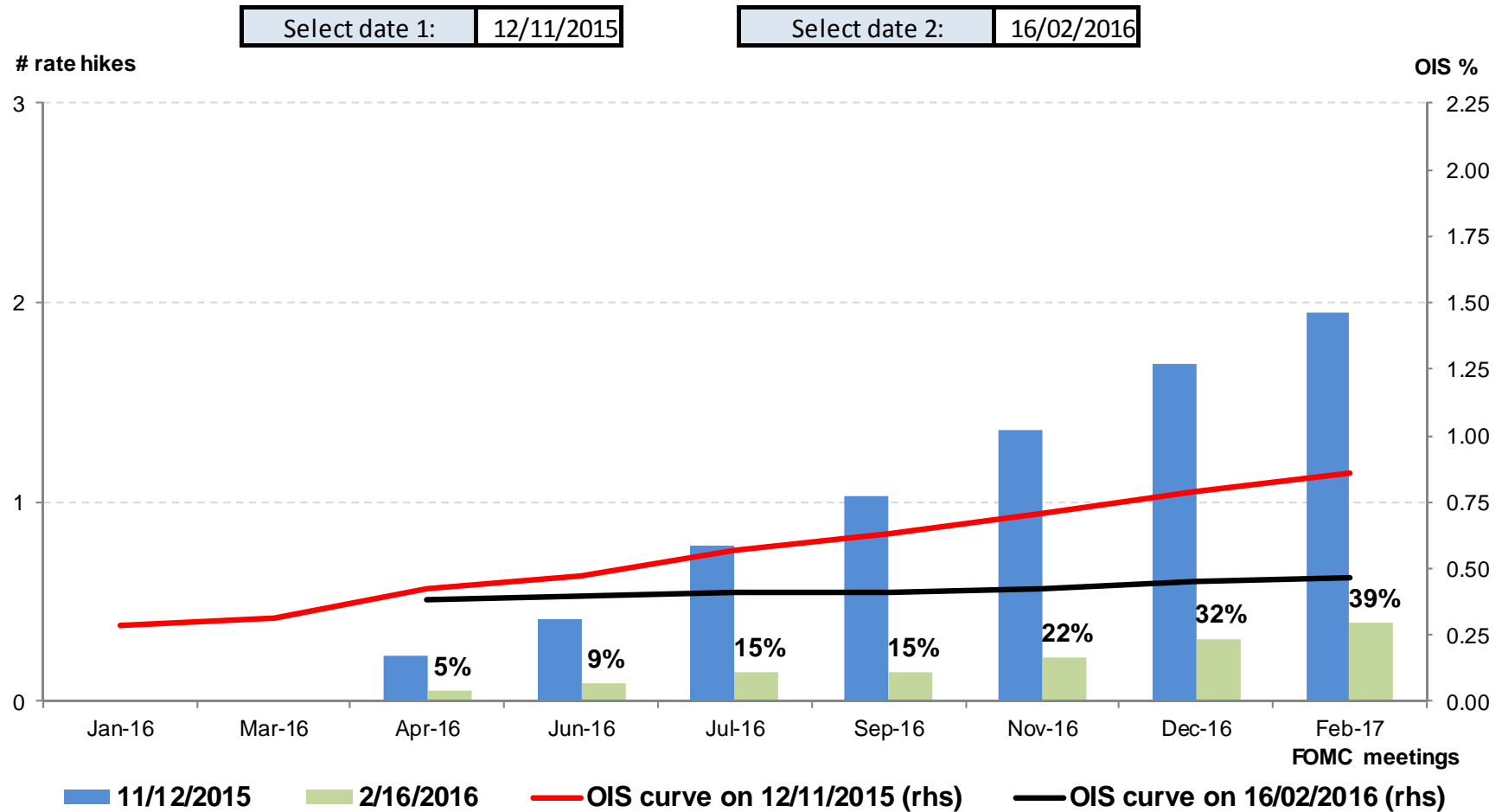
Strong depreciation of 3 key trading partners' currencies



Source: ECB & Bloomberg

Number of rate hikes obtained from probabilities based on OIS

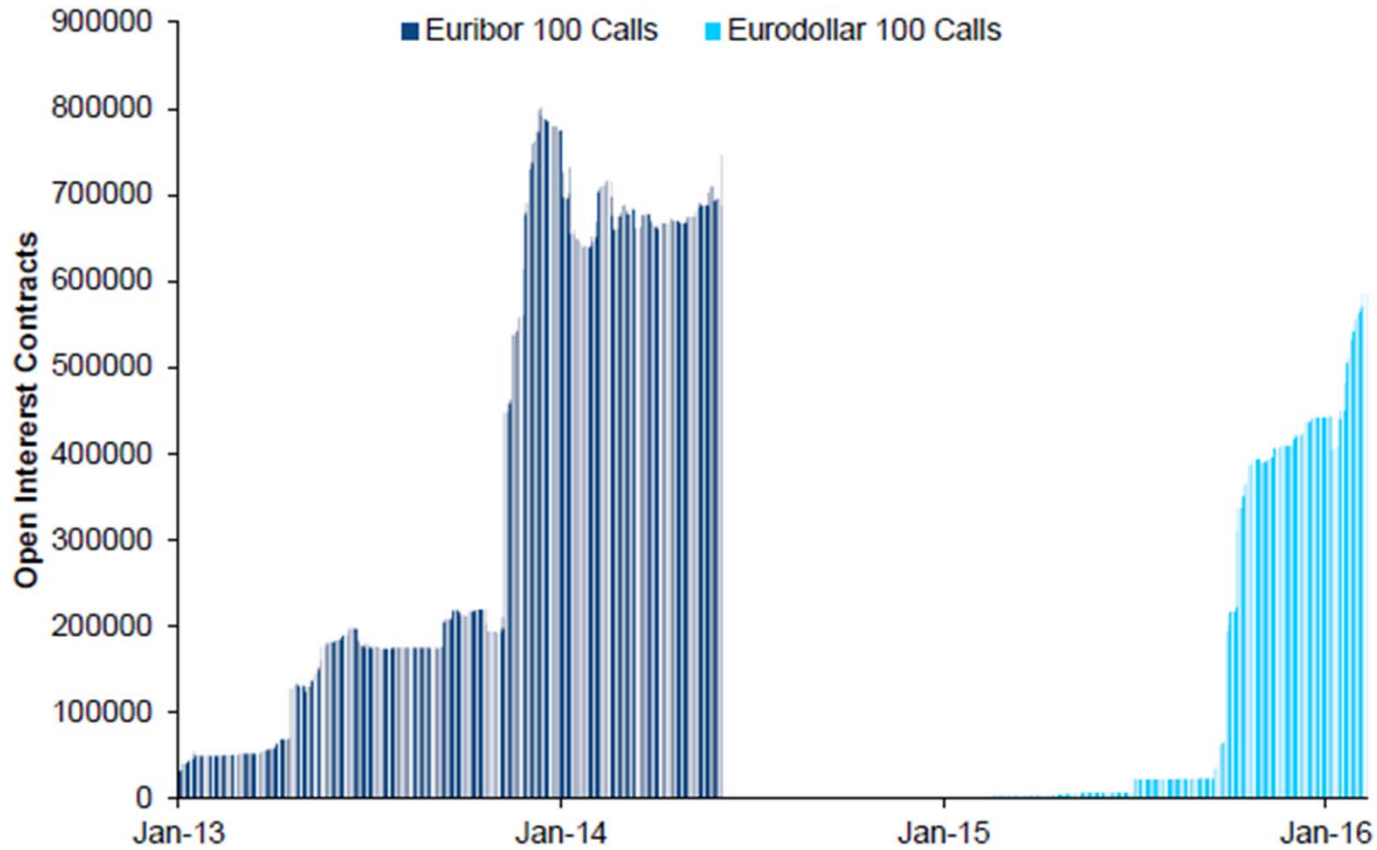
Reduced expectations for further rate hikes by FOMC



Source: Bloomberg, Tullet Prebon, ECB staff calculation

Negative interest rates in the US?

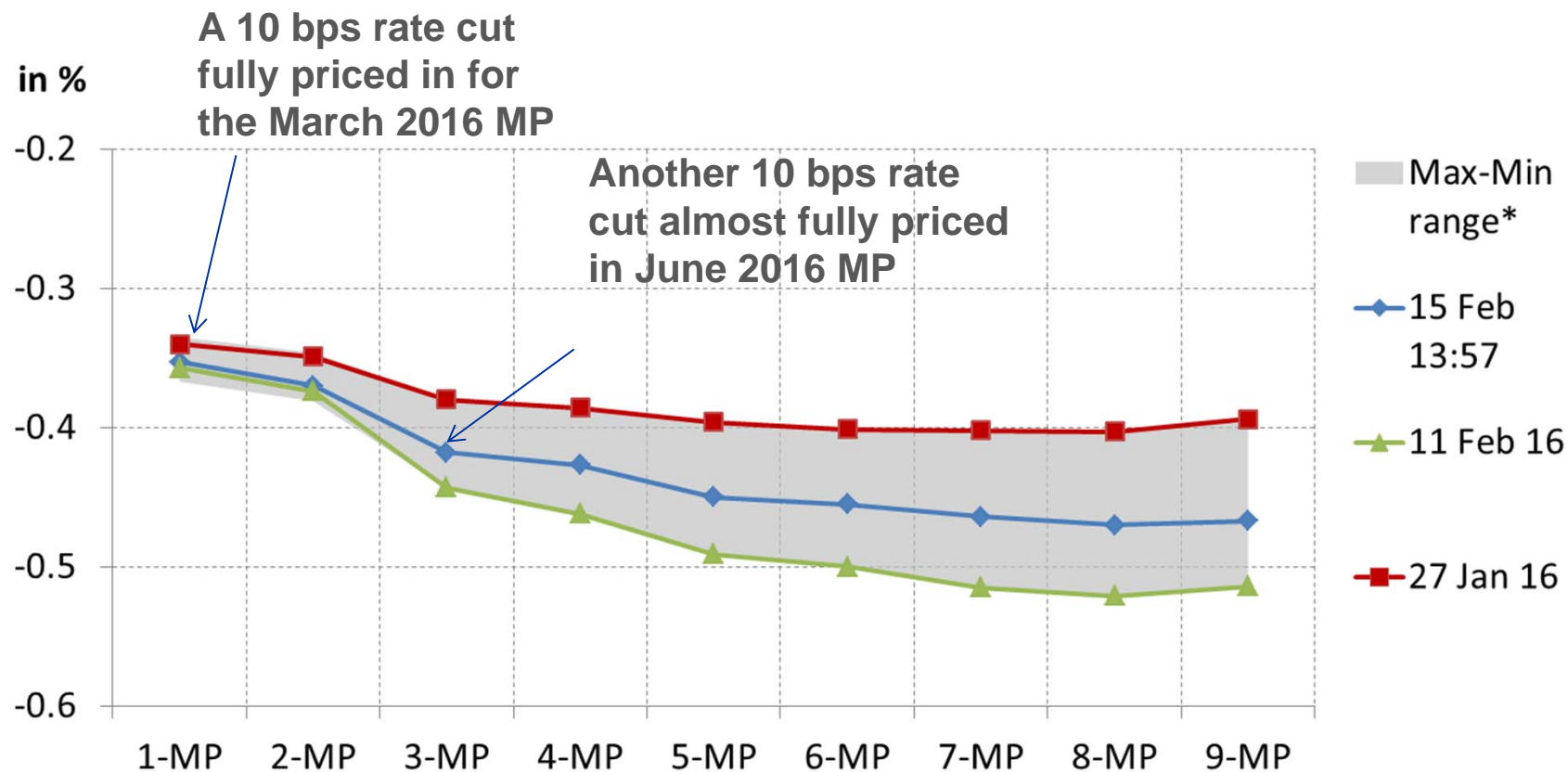
Positioning through call options



Source: State Street & Bloomberg

Expectations of ECB deposit facility rate cut

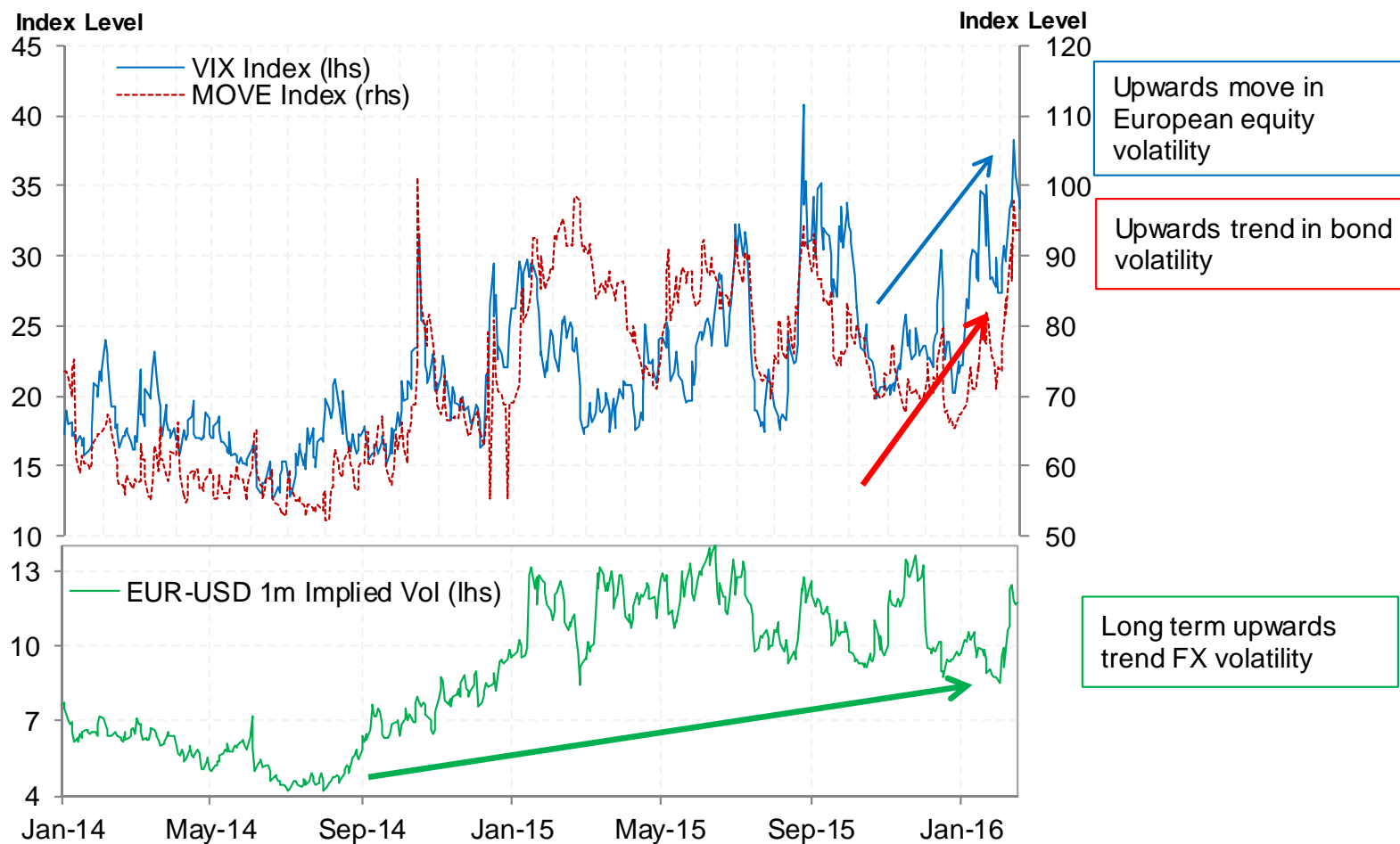
Market prices further ECB deposit facility rate cuts



Source: Bloomberg (ICAP broker)

* Max-Min range within the current maintenance period (MP)

Volatility: here to stay?



Source: Bloomberg and ECB staff calculation
Last observation: 16 February 2016