



EUROPEAN CENTRAL BANK

EUROSYSTEM

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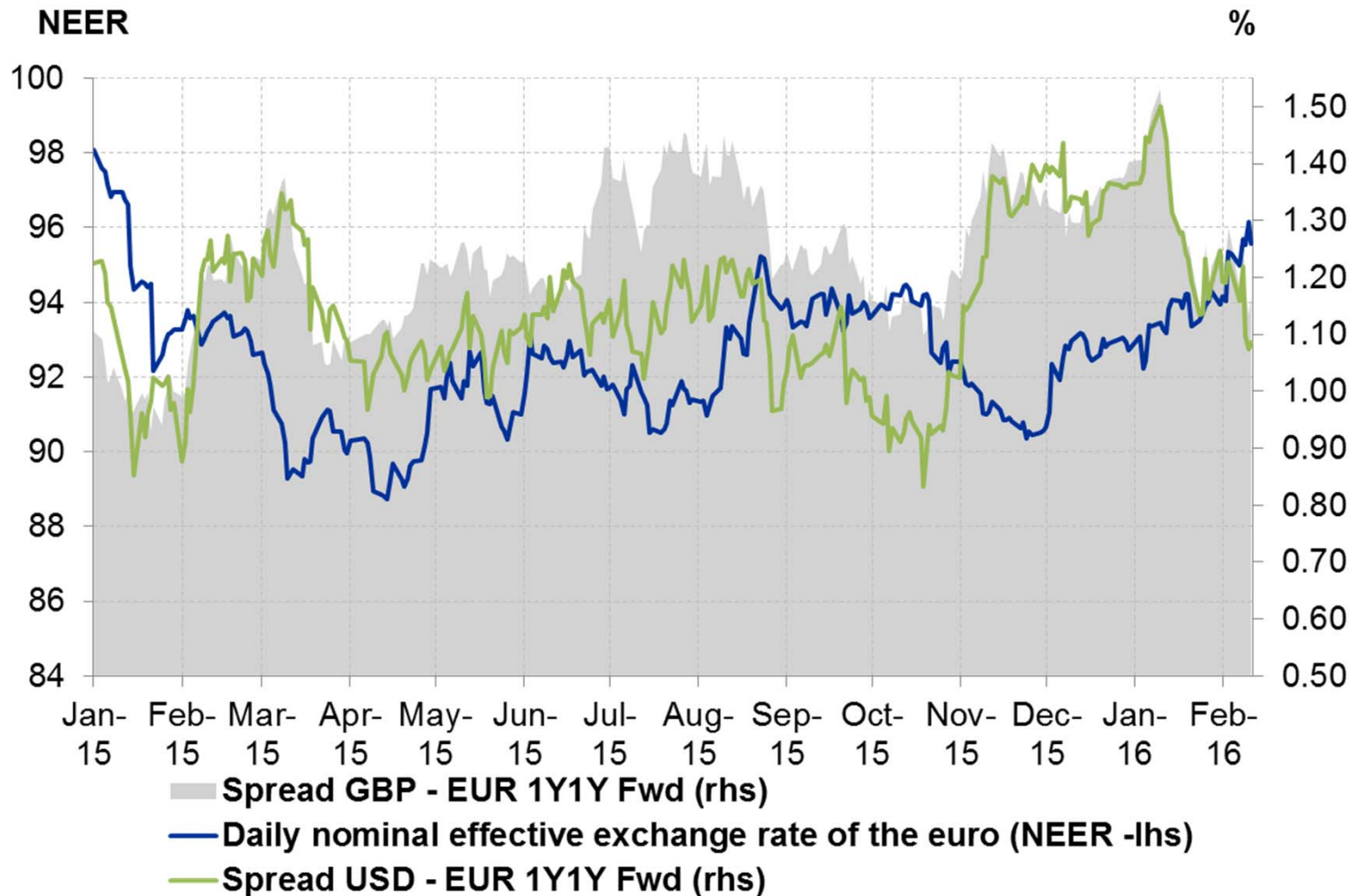
# Market review

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

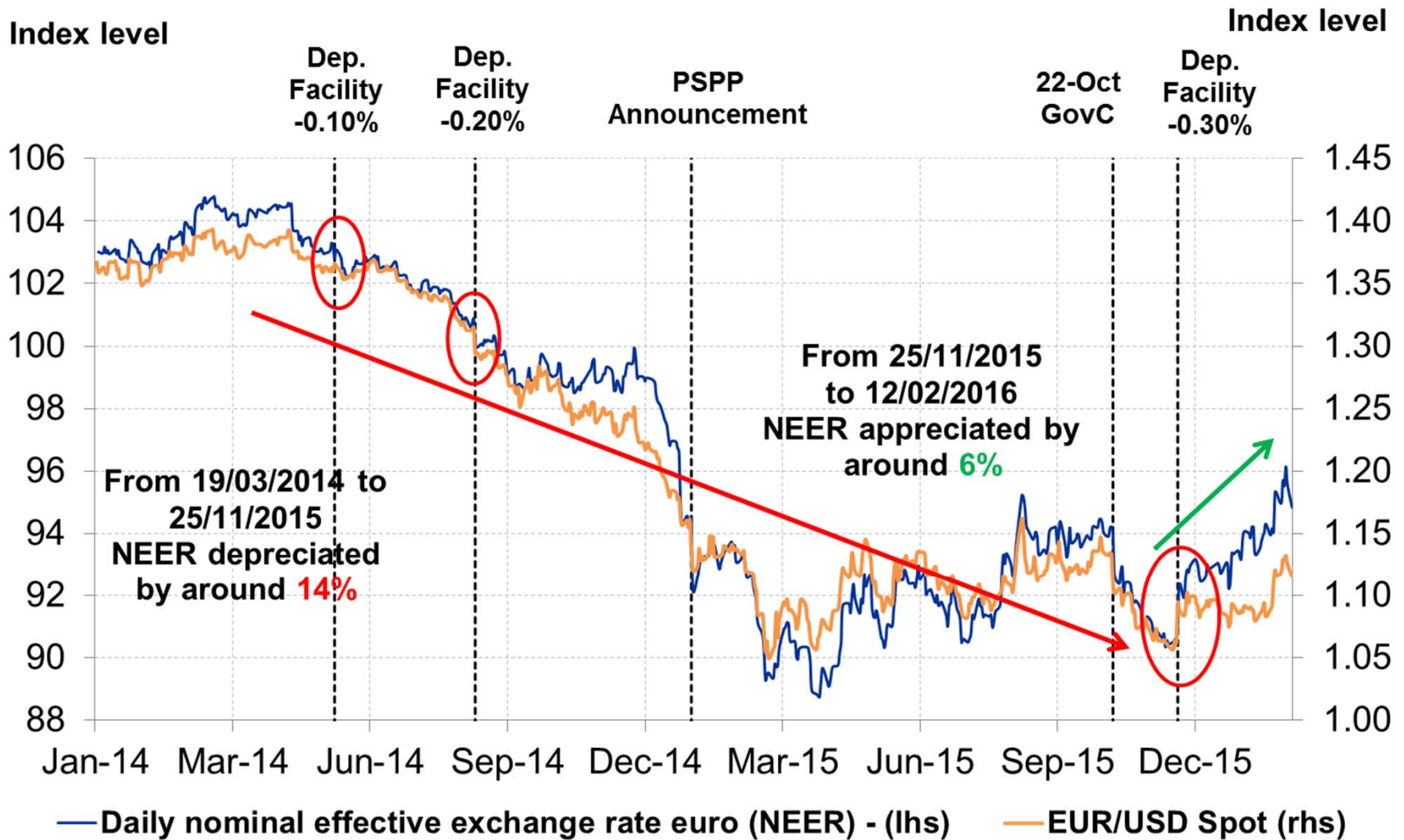
## USD and GBP 1Y1Y OIS Fwd vs. EUR 1Y1Y OIS Fwd

Reduced expectations for monetary policy divergence



Source: ECB & Bloomberg

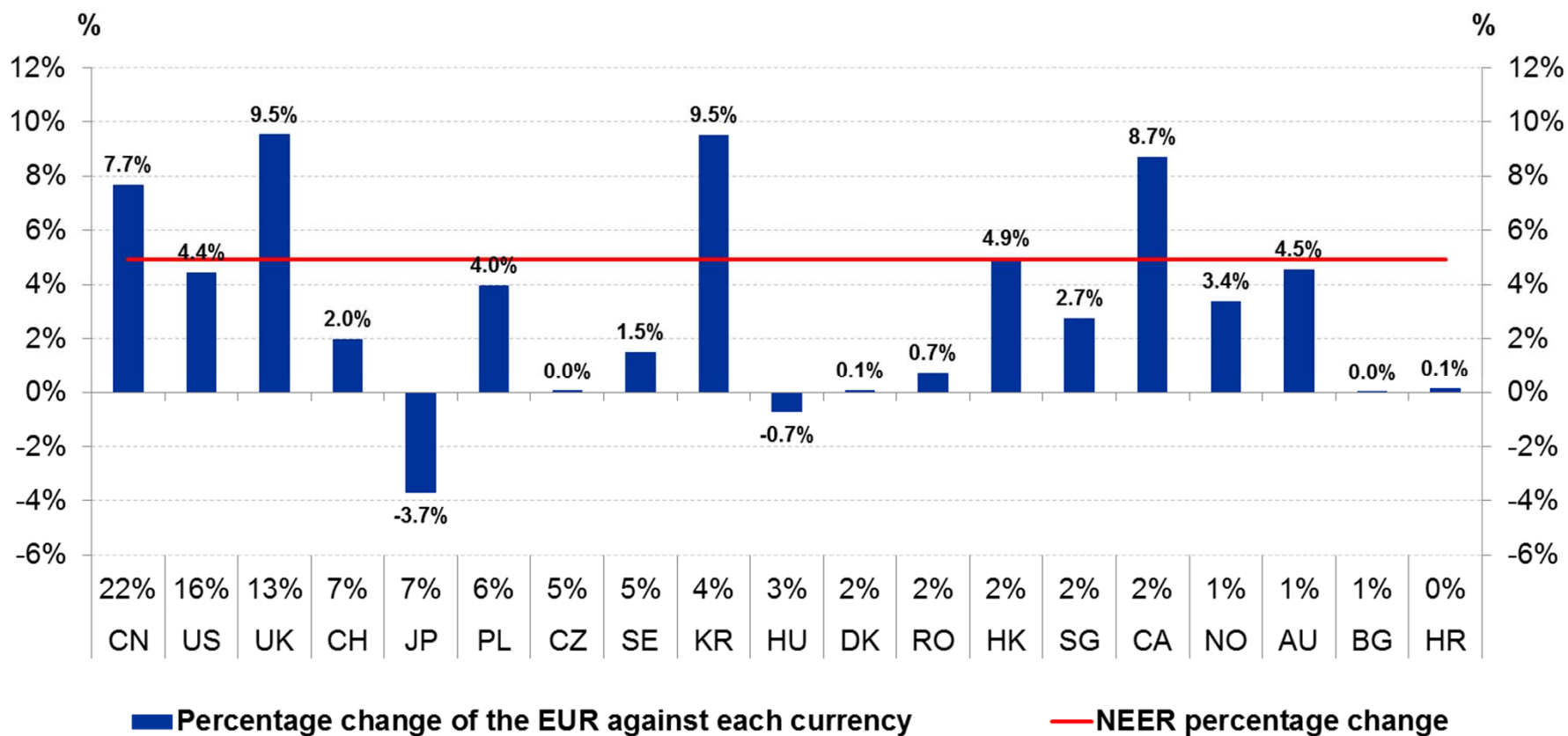
# Nominal Effective Exchange Rate of the Euro



Source: ECB

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

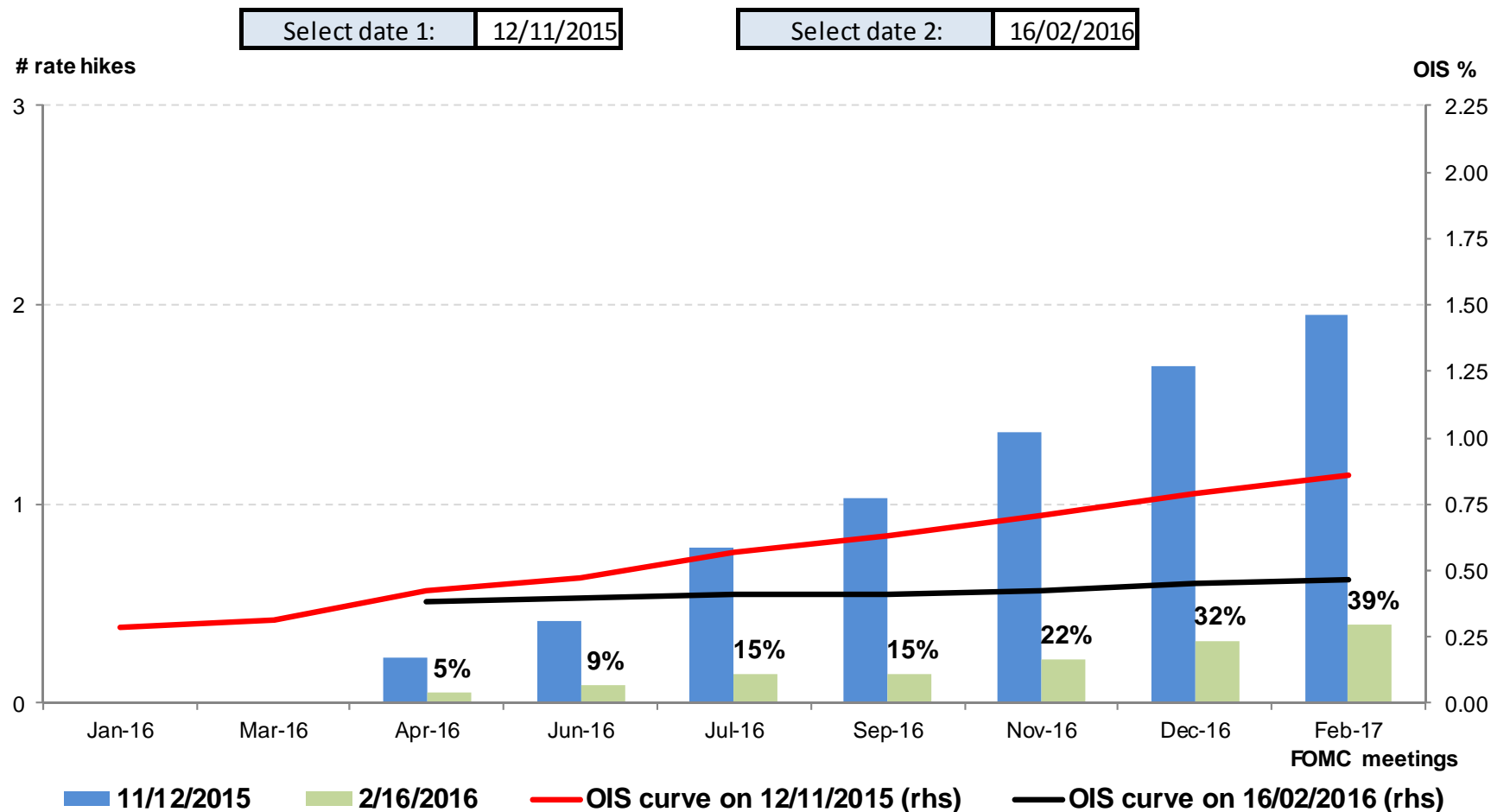
Strong depreciation of 3 key trading partners' currencies



Source: ECB & Bloomberg

# Number of rate hikes obtained from probabilities based on OIS

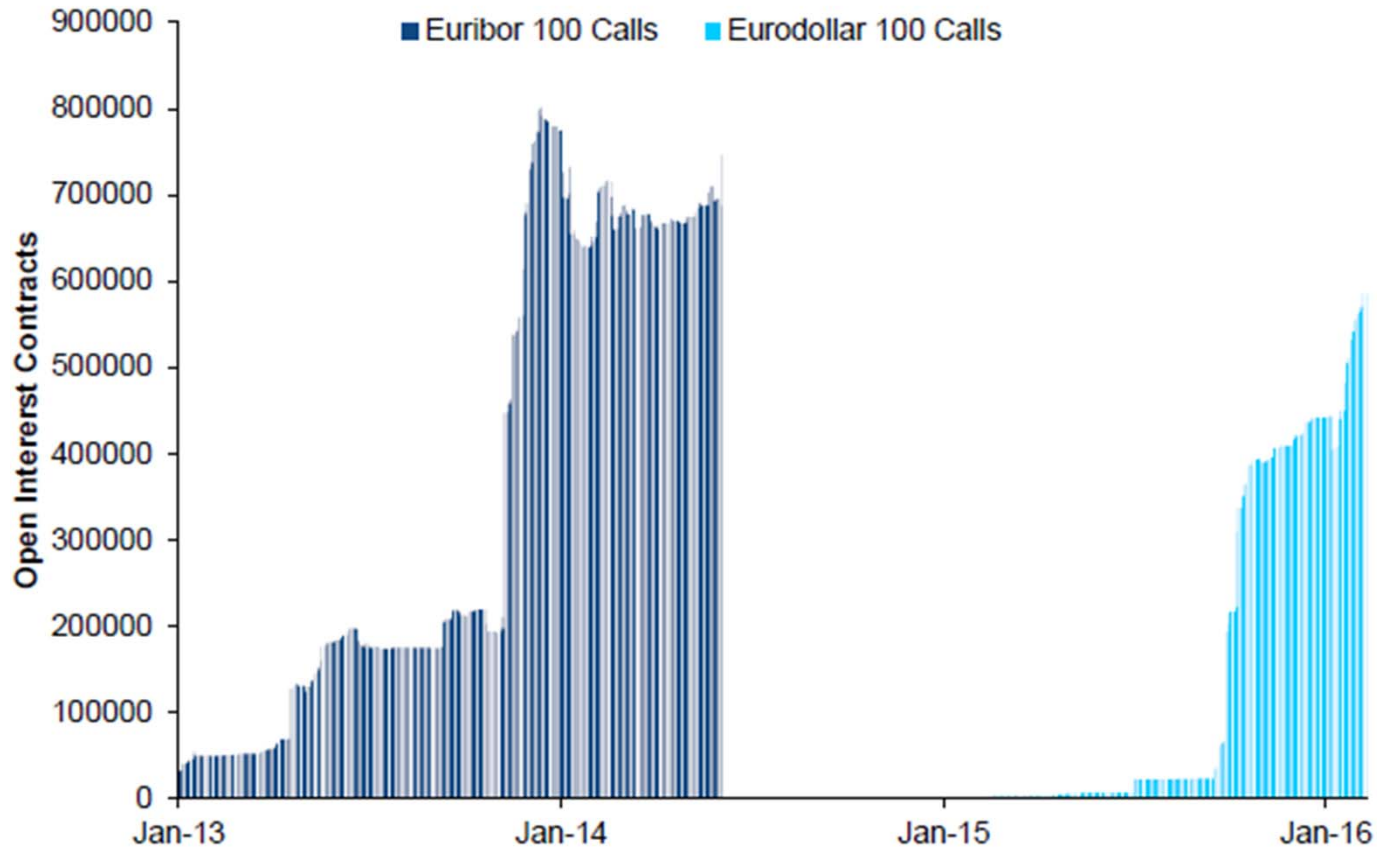
## Reduced expectations for further rate hikes by FOMC



Source: Bloomberg, Tullet Prebon, ECB staff calculation

# Negative interest rates in the US?

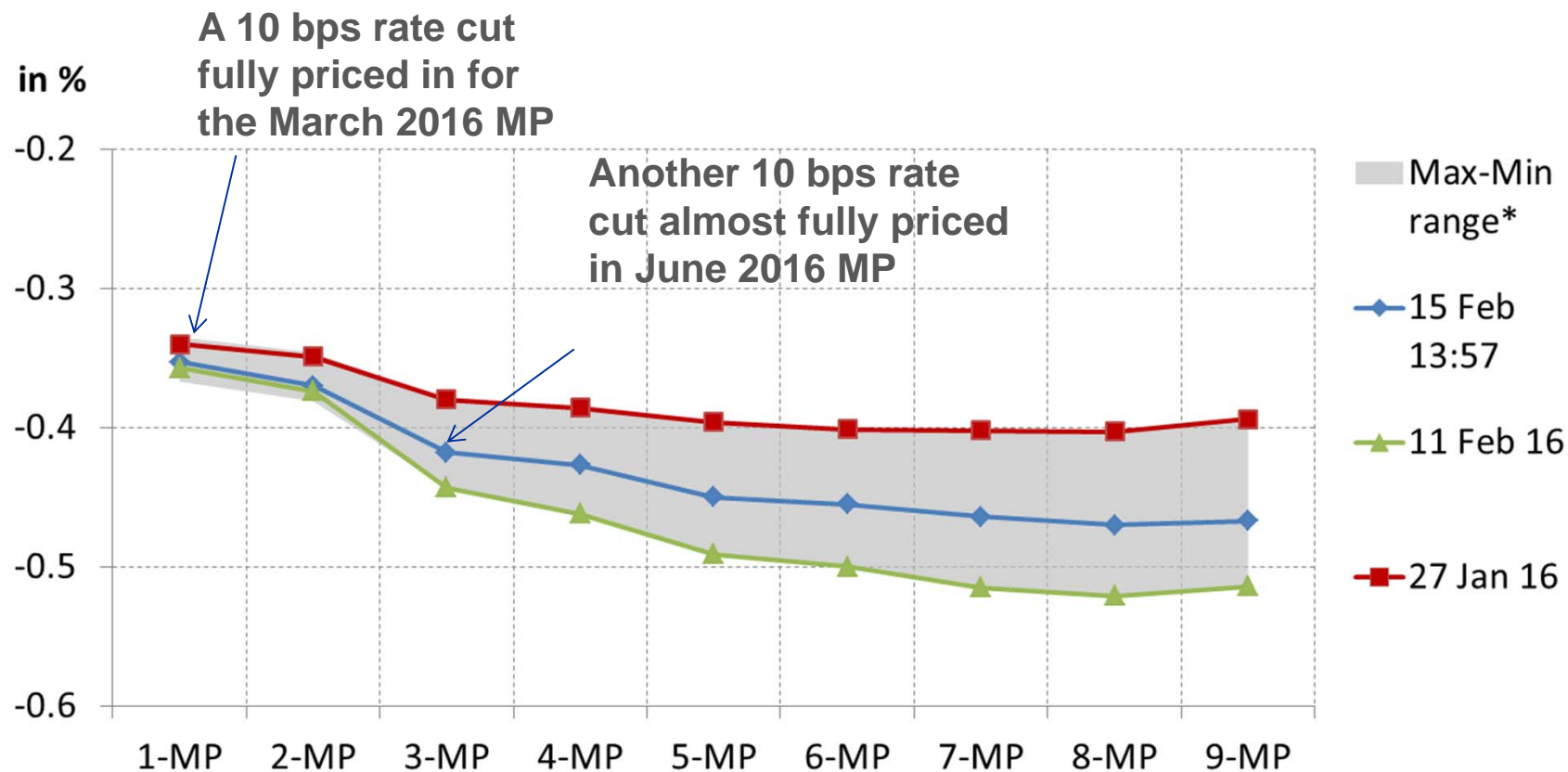
## Positioning through call options



Source: State Street & Bloomberg

## Expectations of ECB deposit facility rate cut

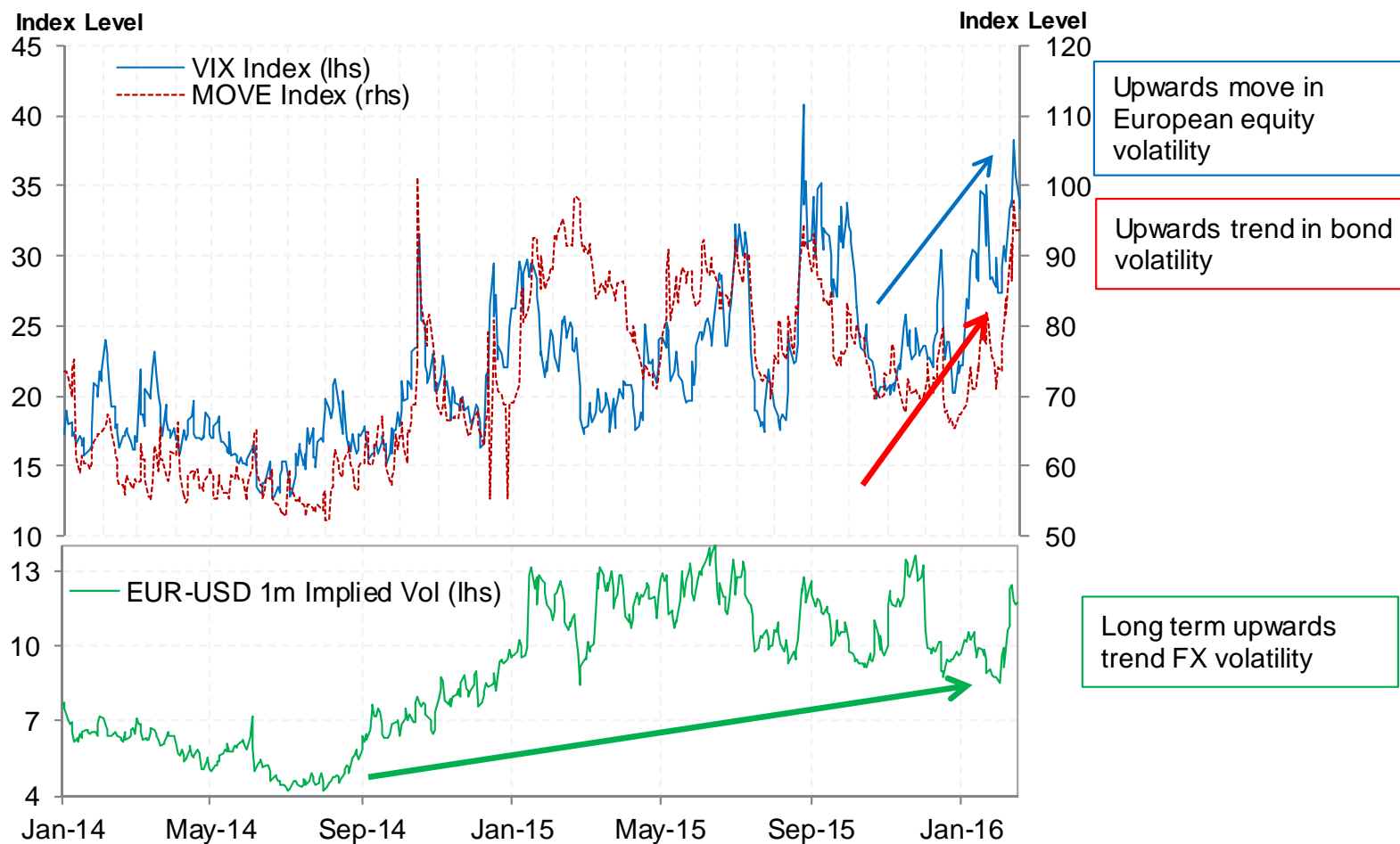
### Market prices further ECB deposit facility rate cuts



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