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Daily Report

Summary

- Europe's stock markets edged higher yesterday but the BUX missed out.
- America's leading indices made subtle moves; retail chains' shares were sold off, despite the slightly-better-than-expected retail statistics.
- Hungary's Q2 GDP grew by 3.2%, missing expectations.

Western Europe's stock markets continued their climb higher on Tuesday, with the Stoxx600, the FTSE (0.4%) and the DAX (0.1%) all posting modest gains. One of the few market-moving reports was Air Berlin's filing for bankruptcy, which sent up Deutsche Lufthansa's share price by more than 4%. Germany's utility sector extended its gains and most German car manufacturers also advanced yesterday. In London, Monday's winners, commodity producers turned into losers on Tuesday. Elsewhere in Western Europe, Italy showed a dynamic increase, with the FTSE/MIB index growing by 1.7%.

Even though most markets in Europe saw optimistic investors, the Budapest Stock Exchange suffered a slight loss yesterday. Two of its blue chips slipped (Mol lost 1.6% and MTelekom shed 0.2%) and two closed higher (OTP: +0.1% and Richter: +1.4%). A number of small-cap stocks rallied on Tuesday: Kartonpack and Enefi shot up almost 20% each, Appenin and CIG Pannónia soared 15% each, while Örmester jumped 14%. Similarly to many stock markets in Europe, the Warsaw one was also closed on Assumption Day; the Czech benchmark upped 0.2% yesterday.

America's stock markets opened slightly higher but ran out of steam, ending Tuesday's session nearly flat. The S&P nudged down one point, as the slight gains achieved by utilities and consumer staples were offset by a major fall in consumer discretionary names and the small drop of the energy sector. Despite the best retail data of the year, brick-and-mortar retail chains were the losers of the day: Target subsided 2.6%, Dollar General contracted by 3.8%, and Home Depot fell 2.7%. Clothing chains shrank 2-5% and there was hardly any retail network segment that could avoid losses yesterday. Of the three retail networks that issued their earnings report yesterday, two reported underwhelming figures and the third one issued profit warning for the whole year; their share prices plunged 15-23%. In the light of these, the earnings reports of Target (today) and Wal-Mart (on Thursday) may be exciting.

Asia's markets closed mixed this morning: the Nikkei and the Shanghai Composite dipped into the red, while Hong Kong and Korea crept higher. In its latest analysis on China, the IMF slightly revised up its 2018-2020 growth forecast, but warned that it expects the indebtedness of non-financial companies reach 290% of GDP by 2022. This is 20% above the Fund's earlier forecast, and signifies 50% growth from the end of last year. The adverse, even dangerous, debt trajectory worsens long-term growth outlook, and limits the government's wiggle-room in case of a crisis.

The dollar's advance continued in Tuesday's trading, and the better-than-expected US retail data add to the probability of an imminent rate hike. The GBP lost 0.8% vs. the USD and 0.4% against the EUR yesterday; the higher-than-expected retail price index for July in the United Kingdom may add to reasons for the Bank of England to postpone its interest rate hike. In addition to HSBC, Morgan Stanley's FX market experts also think that the EUR may be in par with the GBP by the end of this year or beginning of 2018. The yen lost 0.8% on Tuesday; North Korea reported that Kim Jong Un had abandoned plans to launch a missile attack on Guam.

The HUF weakened 0.6% against the US dollar yesterday; the USD/HUF made a brief visit above 260, but ended the day near 259.3. The EUR/HUF hugged the 304 line all day. The GBP/HUF sank 0.3%. In Tuesday's government securities' auction, the ÁKK sold HUF 15 billion government debt in 3M discount treasury bills, as planned. The bid/cover ratio was 1.5, and yields averaged 0.01%, down from 0.09% at the previous auction. On the secondary market of Hungarian government securities, yields barely changed.

US 10Y bond yields rose by four basis points on Tuesday.

On commodity markets, oil prices edged higher, still the WTI is below 48 USD/barrel. Precious metal prices sank deeper on Tuesday, while silver price dropped 2.4%. The slow and steady drop in industrial metal prices has not stopped.

Hungary's GDP grew by a slower-than-expected 3.2% year/year in the second quarter.

Today the minutes of the most recent FOMC meeting may be in the centre of attention, especially because of the next interest rate hike. Elsewhere, the eurozone's Q2 economic output data and the GDP figures of the Czech Republic, Poland, Italy, Romania and Slovakia are due out.

	Stocks				Bonds				Commodity & FX			
	Product name	Close	Daily change (%)	YTD (%)	Product name	Yield	Daily change*	YTD*	Product name	Close	Daily change (%)	YTD (%)
Global	S&P500	2464,6	0,0	10,1	VIX	12,0	-2,4	-14	WTI	47,70	0,2	-11,2
	DOW	21999,0	0,0	11,3	US 2Y	1,35	3,3	15	Brent	50,80	0,1	-10,6
	Nasdaq100	5907,7	0,0	21,5	US 10Y	2,27	4,8	-17	Gold	1271,4	-0,8	10,4
	DAX	12177,0	0,1	6,1	GER 2Y	-0,71	1,2	9	Silver	16,59	-2,5	4,1
	CAC40	5140,3	0,4	5,7	GER 10Y	0,43	1,8	22	EUR/USD	1,1733	-0,4	11,6
	FTSE 100	7383,9	0,4	3,4	PT10Y	2,84	3,2	-92	EUR/GBP	0,9117	0,4	7,0
	FTSE MIB	21722,1	0,0	12,9	IT 10Y	2,01	0,0	19	EUR/NOK	9,3370	-0,3	2,8
	Stoxx600	376,5	0,1	4,2	SP 10	1,47	3,7	7	USD/CAD	1,2754	0,3	-5,0
	- Banks	162,1	-0,3	20,8	ITRAXX	56,4	0,2	-22	AUD/USD	0,7818	-0,4	8,4
	Nikkei 225	19729,3	-0,1	3,2	JPY 2Y	-0,11	-0,1	6	USD/JPY	110,66	0,9	-5,3
SSEC	3213,4	-1,2	3,5	JPY 10Y	0,04	-0,7	-1	GBP/USD	1,2869	-0,7	4,3	
Regional	RTS	1027,5	-0,4	-10,8	RUS10	7,79	0,8	-7	USD/RUB	59,696	-0,4	-3
	WIG20	2376,66	0,0	22,0	POL 10	3,40	0,0	-6	EUR/PLN	4,2892	0,1	-2,6
	PX50	1032,5	0,2	12,0	CZ10	0,88	0,1	89	EUR/RON	4,5717	0,0	0,8
Hungary	BUX	36776	-0,1	14,9	3M TB	0,10	0	-6	EUR/HUF	304,13	0,0	-1,5
	OTP	9930	0,1	18,2	1Y	0,15	0	-3	USD/HUF	259,12	0,4	-11,7
	MOL	22945	-1,6	11,2	3Y	0,90	2	4	CHF/HUF	266,43	0,4	-7,5
	MTelekom	474	-0,2	-4,8	5Y	1,94	0	17	PLN/HUF	70,900	0,0	1,2
	Richter	6588	1,4	6,1	10Y	3,13	1	-7	GBP/HUF	333,45	-0,3	-8

* In the case of bond yields, the change is in basis points instead of percentage (VIX and ITRAXX not included).

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2017 8. 14.	1 : 50 JP	GDP (qoq, %)	Q2	1,0	0,6	0,3
	4 : 00 CN	Infrastructural spending (yoy, %)	July	8,3	8,6	8,6
	4 : 00 CN	Industrial production (yoy, %)	July	6,4	7,2	7,6
	4 : 00 CN	Retail sales (yoy, %)	July	10,4	10,8	11,0
	11 : 00 EZ	Industrial production (mom, %)	June	-0,6	-0,4	1,3
15.	8 : 00 DE	GDP (flash, qoq, SA, %)	Q2	0,6	0,7	0,7
	8 : 00 DE	GDP (flash, yoy, NSA, %)	Q2	0,8	1,9	3,2
	10 : 30 UK	Inflation (yoy, %)	July	2,6	2,7	2,6
	10 : 30 UK	Core inflation (yoy, %)	July	2,4	2,5	2,4
	14 : 30 US	New York Fed Manufacturing index (points)	Aug.	25,2	10,0	9,8
	14 : 30 US	Retail sales (mom, %)	July	0,6	0,4	-0,2
	16 : 00 US	Business inventories (mom, %)	June	0,5	0,4	0,3
16.	8 : 00 RO	GDP (preliminary, yoy, %)	Q2	5,9	4,8	5,7
	9 : 00 CZ	GDP (preliminary, yoy, %)	Q2	4,5	2,9	3,0
	9 : 00 HU	GDP (flash, yoy, NSA, %)	Q2	3,2	3,7	4,2
	9 : 00 HU	GDP (flash, qoq, SA, %)	Q2	0,9	-	1,4
	9 : 00 SK	GDP (preliminary, yoy, %)	Q2	3,3	3,1	3,1
	10 : 00 IT	GDP (preliminary, yoy, %)	Q2		1,5	1,2
	10 : 00 PL	GDP (preliminary, yoy, %)	Q2		3,8	4,0
	11 : 00 EZ	GDP (preliminary, yoy, %)	Q2		2,1	2,1*
	11 : 00 EZ	GDP (preliminary, qoq, %)	Q2		0,6	0,6*
	14 : 30 US	Housing starts (annualized monthly, '000s)	July		1 222	1 215
	14 : 30 US	Building permits (annualized monthly, '000s)	July		1 246	1 275
	20 : 00 US	FOMC Minutes	July		-	-
17.	10 : 30 UK	Retail sales (mom, %)	July		0,3	0,6
	11 : 00 EZ	CPI (final, yoy, %)	July		1,3	1,3*
	13 : 30 EZ	ECB Minutes	July		-	-
	15 : 15 US	Industrial production (mom, %)	July		0,3	0,4
	16 : 00 US	Leading index (mom, %)	July		0,3	0,6
18.	16 : 00 US	Michigan Consumer confidence (preliminary, points)	Aug.		93,9	93,4

*preliminary data

Source: Reuters, OTP Research

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