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Daily Report

Summary

- Buyers ruled the developed world's stock markets, helping the S&P500 and the Dow hit new highs.
- The BUX picked up more than 1%; OTP marched 2.4% higher.
- Hungarian treasury bills were sold at negative average yields again.
- A gas explosion hit Austria's largest gas hub.
- The Fed's last rate-setting meeting this year, ending today, is widely expected to raise interest rates.

Reversing the morning's downward moves, the major indices of Western Europe achieved gains yesterday, with France's CAC40 (+0.8%) being the strongest performer. In corporate news, Germany's traffic watchdog ordered Volkswagen to recall 57,600 Volkswagen Touareg SUVs; the carmaker's share price fell 0.7% by the end of trading.

The Dow and the S&P500 closed at new record highs but the NASDAQ100 dropped 0.2% on Tuesday. Investors focussed on Tuesday's election for Alabama Senate seat and the rate decision to be made by the Fed today. Democrat candidate Doug Jones's victory in the Alabama elections reduced Republicans' majority in Senate to 51-49. Of the S&P's sector indices, the financial sector underperformed, but utilities was the weakest sector. The USD gained 0.2% versus the EUR; the US 10Y yield edged one basis point higher.

Tuesday's optimism spilled over to mainland China and Hong Kong stock exchanges, but Japan's Nikkei225 stood 0.5% in the red this morning.

The Budapest Stock Exchange closed 1.2% higher on Tuesday, largely fuelled by OTP's 2.4% rally. MTelekom (-0.4%) was the only blue chip to close in the red. On Tuesday CIG Pannónia, an insurance company, and Konzum, a holding, requested the suspension of trading with their shares because during the day the companies released information that may have influenced their share prices. CIG will buy Konzum shares worth more than HUF 8 billion by 31 March 2018, and Konzum will raise its own capital in a series of transactions totalling HUF 50 billion, by the end of February 2018. Trading with these shares was later resumed; Konzum jumped 13% higher and CIG Pannónia sky-rocketed 14.8%.

Despite the bid-to-cover ratio of more than 1.5, the ÁKK allotted HUF 10 billion less discount treasury bills on Tuesday than it had offered. It sold HUF 30 billion government debt in 3M bills, at -0.03% yield. On the secondary market, yields on shorter-term securities (maturing in less than a year) remained at 0%, while there was a small uptick at the long end of the yield curve. The forint's 0.2% strengthening pushed the EUR/HUF below the 314 line.

Brent futures dropped almost 2% even though the price pierced through the 65 USD/barrel line at one point on Tuesday as one of the most important oil pipelines in the world had been damaged. Natural gas market was shaken by an explosion in Austria. As a result, one of the largest gas hubs of the region was stopped for an undetermined period but this has not disrupted natural gas supplies.

Investors' attention will shift to America today. The most important event of the day, the Fed's last rate-setting meeting this year, is widely expected to raise interest rates by 25 basis points. The USA will also release November inflation figures today.

| | 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 | 2664,1 | 0,2 | 19,0 | VIX | 9,9 | 6,2 | -29 | WTI | 57,45 | -0,9 | 6,9 |
| | DOW | 24504,8 | 0,5 | 24,0 | US 2Y | 1,83 | 0,8 | 63 | Brent | 63,34 | -2,1 | 11,5 |
| | Nasdaq100 | 6383,7 | -0,2 | 31,3 | US 10Y | 2,40 | 1,8 | -3 | Gold | 1243,5 | 0,1 | 8,0 |
| | DAX | 13183,5 | 0,5 | 14,8 | GER 2Y | -0,74 | -0,4 | 5 | Silver | 15,72 | 0,1 | -1,3 |
| | CAC40 | 5427,2 | 0,7 | 11,6 | GER 10Y | 0,32 | 2,6 | 11 | EUR/USD | 1,1740 | -0,2 | 11,7 |
| | FTSE 100 | 7500,4 | 0,6 | 5,0 | PT10Y | 1,83 | 4,5 | -193 | EUR/GBP | 0,8816 | -0,1 | 3,5 |
| | FTSE MIB | 22727,3 | 0,2 | 18,2 | IT 10Y | 1,70 | 5,1 | -12 | EUR/NOK | 9,7992 | -0,7 | 7,9 |
| | Stoxx600 | 391,6 | 0,7 | 8,4 | SP 10 | 1,47 | 5,4 | 7 | USD/CAD | 1,2860 | 0,0 | -4,2 |
| | - Banks | 163,9 | 0,1 | 22,2 | iTRAXX | 47,4 | 0,0 | -35 | AUD/USD | 0,7557 | 0,4 | 4,7 |
| | Nikkei 225 | 22758,1 | -0,5 | 19,1 | JPY 2Y | -0,15 | -0,1 | 3 | USD/JPY | 113,53 | 0,0 | -2,9 |
| SSEC | 3368,8 | 2,7 | 8,5 | JPY 10Y | 0,05 | 0,4 | 0 | GBP/USD | 1,3315 | -0,2 | 7,9 | |
| Regional | RTS | 1149,9 | 0,5 | -0,2 | RUS10 | 7,62 | 0,3 | -9 | USD/RUB | 59,204 | 0,5 | -3 |
| | WIG20 | 2413,68 | 1,1 | 23,9 | POL 10 | 3,25 | 1,0 | -11 | EUR/PLN | 4,2089 | 0,3 | -4,4 |
| | PX50 | 1059,5 | 0,1 | 15,0 | CZ10 | 1,42 | 0,1 | 205 | EUR/RON | 4,6270 | -0,1 | 2,0 |
| Hungary | BUX | 38018 | 1,2 | 18,8 | 3M TB | 0,03 | 0 | -13 | EUR/HUF | 313,83 | -0,2 | 1,6 |
| | OTP | 10280 | 2,4 | 22,4 | 1Y | 0,06 | 0 | -12 | USD/HUF | 267,21 | 0,0 | -9,0 |
| | MOL | 2935 | 0,3 | 13,8 | 3Y | 0,62 | -3 | -24 | CHF/HUF | 269,47 | 0,0 | -6,4 |
| | MTelekom | 467 | -0,4 | -6,2 | 5Y | 1,20 | 1 | -57 | PLN/HUF | 74,530 | -0,5 | 6,4 |
| | Richter | 6400 | 0,0 | 3,1 | 10Y | 2,17 | 1 | -104 | GBP/HUF | 355,82 | -0,2 | -1 |

* 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 12. 12. | 10 : 30 | UK Inflation (yoy, %) | Nov. | 3,1 | 3,0 | 4,1 |
| | 10 : 30 | UK Core inflation (yoy, %) | Nov. | 2,7 | 2,7 | 2,7 |
| | 11 : 00 | DE ZEW Economic Sentiment (points) | Dec. | 17,4 | 17,3 | 18,7 |
| | 20 : 00 | US Federal budget balance (USDbn) | Nov. | -139 | - | -63,0 |
| 13. | 8 : 00 | DE CPI (final, yoy, %) | Nov. | 1,8 | 1,8 | 1,8* |
| | 9 : 00 | HU Industrial production (second estimate, yoy, %) | Oct. | | - | 7,6* |
| | 11 : 00 | EZ Industrial production (mom, %) | Oct. | | -0,4 | -0,6 |
| | 14 : 30 | US CPI (yoy, %) | Nov. | | 2,0 | 2,0 |
| | 14 : 30 | US CPI (mom, %) | Nov. | | 0,3 | 0,1 |
| | 14 : 30 | US core-CPI (yoy, %) | Nov. | | 1,7 | 1,8 |
| | 14 : 30 | US core-CPI (mom, %) | Nov. | | 0,2 | 0,2 |
| | 20 : 00 | US Interest rate decision (%) | Dec. | | 1,25-1,5 | 1-1,25 |
| 14. | 1 : 30 | JP Nikkei Manufacturing PMI (points) | Dec. | | - | 53,8 |
| | 3 : 00 | CN Infrastructural spending (yoy, %) | Nov. | | 7,2 | 7,3 |
| | 3 : 00 | CN Industrial production (yoy, %) | Nov. | | 6,0 | 6,2 |
| | 3 : 00 | CN Retail sales (yoy, %) | Nov. | | 10,2 | 10,0 |
| | 9 : 00 | FR Markit Service PMI (points) | Dec. | | 59,9 | 60,4 |
| | 9 : 00 | FR Markit Manufacturing PMI (points) | Dec. | | 57,2 | 57,7 |
| | 9 : 30 | DE Markit Service PMI (points) | Dec. | | 54,6 | 54,3 |
| | 9 : 30 | DE Markit Manufacturing PMI (points) | Dec. | | 62,1 | 62,5 |
| | 10 : 00 | EZ Markit Service PMI (points) | Dec. | | 55,8 | 56,2 |
| | 10 : 00 | EZ Markit Manufacturing PMI (points) | Dec. | | 59,7 | 60,1 |
| | 10 : 30 | UK Retail sales (mom, %) | Nov. | | 0,4 | 0,3 |
| | 13 : 00 | UK Interest rate decision (%) | Dec. | | 0,5 | 0,5 |
| | 13 : 45 | EZ Interest rate decision (lending rate, %) | Dec. | | 0,0 | 0,0 |
| | 13 : 45 | EZ Interest rate decision (deposit rate, %) | Dec. | | -0,4 | -0,4 |
| | 14 : 30 | US Retail sales (mom, %) | Nov. | | 0,3 | 0,2 |
| | 15 : 45 | US Markit Service PMI (points) | Dec. | | 55,0 | 54,5 |
| | 15 : 45 | US Markit Manufacturing PMI (points) | Dec. | | 54 | 54 |
| | 16 : 00 | US Business inventories (mom, %) | Oct. | | -0,1 | 0,0 |
| 15. | 9 : 00 | HU Construction output (yoy, %) | Oct. | | - | 24 |
| | 14 : 30 | US New York Fed Manufacturing index (points) | Dec. | | 19,3 | 19,4 |
| | 15 : 15 | US Industrial production (mom, %) | Nov. | | 0,4 | 0,9 |

*preliminary data

Source: Reuters, OTP Research

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