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Daily Report

Summary

- Europe's stock markets picked up but their US peers dropped at the end of Wednesday's trading
- The US 10Y auction yield hit four-year high; the US dollar strengthened yesterday
- Commodity prices fell
- Political risks abated: Germany's grand coalition is taking shape; US Senate approved the federal budget.

Europe's stock markets, including the BUX, could close higher on Wednesday, ending more than one week of losing streak. The Stoxx 600 index advanced 2%. The financial sector excelled yesterday, with banking shares surging 3.4%. Likewise, OTP's 3.5% rally led the BUX in Hungary, where the MOL and Richter blue chips also posted impressive gains. US markets opened on a strong note, before a number of reports soured the sentiment, dragging down the top three indices into the red. On the one hand, crude oil prices slid 2% owing to a surprise jump in America's oil inventories last week. On the other hand, yields at the auction of 10Y US Treasury note hit its four-year high of (2.84%). Chicago Fed president Charles Evans said that in case inflation rose more steadily, more interest rate hikes would be necessary than currently thought.

The 10Y German Bund yield also rose, by 5 basis points. By contrast, Hungary's 10Y bond yield came four points down. The US dollar appreciation sent the EUR/USD to its two-week low. The resurgent greenback, and the undecided stock markets, weighed on commodity prices: copper contracted by 2.8%, and gold lost some of its glitter. The HUF's weakening pushed the EUR/HUF and the USD/HUF higher.

The New York Fed's president William Dudley called for a better understanding of the risks surrounding the derivative products that bet on market volatility, and the financial stability risks posed by cryptocurrencies. A Bloomberg survey estimates the trading positions that are based on volatility at USD 2,000 billion, and a growing number of analyses blame them for the recent days' sudden plunge on stock markets. America's watchdogs on Tuesday called for stronger supervision of cryptocurrencies, but they did not propose any regulation that would impede them – this brought relief to the crypto markets, and bitcoin's price exceeded USD 8,000 again.

Germany's coalition talks between the CDU/CSU and the SPD parties are reported to be bearing fruit, opening the door for a new German government. Chancellor Angela Merkel and prospective foreign minister Martin Schulz indicated that the coalition agreement may have a great impact on the EU's future. Germany is willing to pay more into the common budget but in return it would prefer a single minimum corporate tax rate and tax base system in the EU, which could pose risk to Hungary's 9% tax rate.

America's Senate approved the amendments to the budget, which ensures funding for the seamless operation of the US administration. The bill hinges on approval from the House of Representatives, by Thursday midnight the latest.

For the second time this year, Romania's central bank raised the base rate, to 2.25% as inflation had accelerated to 3.3% in December, nearing the upper bound of its 1.5-3.5% tolerance band. Poland's central bank left its policy rate unchanged; while that of Brazil cut its benchmark rate to its lowest on record, 6.75%. The Central Bank of Russia is to make decision on Friday; Wednesday's publication of January inflation data undershot expectations, and the 2.2% rate marks an all-time low, and is a far cry from the 4% target.

Hungary's foreign currency reserve amounted to EUR 23.4 billion at the end of January, the MNB's preliminary data show. This amount includes the currency that the MNB receives from Hungary's banking system through its forint liquidity boosting FX swap operations, which amounts to HUF 1,511 billion. The currency reserves without FX swaps makes up about EUR 18.5 billion, which suits Hungary's short-term external debt (the latest figure was EUR 18.7 billion, at the end of September 2017).

China's foreign trade data were surprisingly strong; its imports grew by a massive 37% rate. The smaller-than-expected trade surplus weakened its currency, the yuan (CNY). Today's macroeconomic calendar is rather thin. The Bank of England's rate decision is expected to leave interest rates on hold.

	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	2681,7	-0,5	0,3	VIX	27,7	-8	151	WTI	61,79	-2,5	2,3
	DOW	24893,4	-0,1	0,7	US 2Y	2,1	4	24	Brent	65,51	-2,0	-2,0
	Nasdaq100	6582,0	-1,3	2,9	US 10Y	2,8	8	43	Arany	1318,11	-0,5	1,2
	DAX	12590,4	1,6	-2,5	GER 2Y	-0,6	1	8	Ezüst	16,37	-1,6	-3,4
	CAC40	5255,9	1,8	-1,1	GER 10Y	0,7	4	31	EUR/USD	1,23	-0,9	2,2
	FTSE 100	7279,4	1,9	-5,3	PT10Y	2,0	-5	8	EUR/GBP	0,88	-0,4	-0,6
	FTSE MIB	22986,2	2,9	5,2	IT 10Y	1,9	-4	-5	EUR/NOK	9,70	0,3	-1,5
	Stoxx600	380,1	2,0	-2,3	SP 10	1,4	-2	-16	USD/CAD	1,26	0,6	-0,1
	- Banks	171,5	1,6	3,9	iTRAXX	47,6	-4	6	AUD/USD	0,78	-1,1	0,3
	Nikkei 225	21890,9	1,1	-3,8	JPY 2Y	-0,1	0	-1	USD/JPY	109,31	-0,2	-3,0
SSEC	3262,1	-1,4	-1,4	JPY 10Y	0,1	0	3	GBP/USD	1,39	-0,5	2,7	
Regional	RTS	1242,5	0,8	7,6	RUS10	7,1	-1	-6	USD/RUB	57,893	1,9	0,4
	WIG20	2441,7	1,2	-0,8	POL 10	3,5	0	7	EUR/PLN	4,17	0,3	-0,2
	PX50	1116,7	1,6	3,6	CZ10	1,9	5	23	EUR/RON	4,653	0,1	-0,5
Hungary	BUX	39698	2,3	0,8	3M T-Bill	0,03	-3	-1	EUR/HUF	310,40	0,2	0,0
	OTP	11380	3,5	6,2	1Y	0,07	0	2	USD/HUF	253,05	1,1	-2,2
	MOL	2982	1,1	-0,8	3Y	0,76	-3	21	CHF/HUF	268,30	0,4	1,3
	MTelekom	460	-0,2	0,4	5Y	1,55	-1	38	PLN/HUF	74,45	-0,1	0,2
	Richter	6525	3,2	-3,8	10Y	2,63	-15	59	GBP/HUF	351,26	0,6	0,5

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

Sources: Reuters, OTP Research

Data		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2018 01. 5.	9 : 00	HU	Retail sales (first estimate, yoy, %)	Dec.	4,7	-	6,7
	10 : 30	EZ	Sentix Investor confidence (points)	Febr.	31,9	33,0	32,9
	11 : 00	EZ	Retail sales (mom, %)	Dec.	-1,1	-1,0	1,5
	16 : 00	US	ISM non-Manufacturing PMI (points)	Jan.	59,9	56,5	55,9
6.	8 : 00	DE	Industrial orders (mom, %)	Dec.	3,8	0,7	-0,4
7.	8 : 00	DE	Industrial production (mom, %)	Dec.	-0,6	-0,5	3,4
	9 : 00	HU	Industrial production (preliminary, yoy, %)	Dec.	-0,5	4,3	3,4
	13 : 00	RO	Interest rate decision (%)	Febr.	2,3	-	2,0
	13 : 00	PL	Interest rate decision (%)	Febr.	1,5	1,5	1,5
		HU	International reserves (preliminary, EURbn)	Jan.	23,4	-	23,4
8.	4 : 00	CN	Export (yoy, %)	Jan.	11,1	9,6	10,9
	4 : 00	CN	Import (yoy, %)	Jan.	36,9	9,8	4,5
	8 : 00	DE	Export (mom, %)	Dec.	0	-0,8	4,1
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	Jan.		-	-334,9
	13 : 00	UK	Interest rate decision (%)	Febr.		0,5	0,5
9.	9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	Dec.		-	718,0
	10 : 30	UK	Industrial production (mom, %)	Dec.		-0,9	0,4

*preliminary data

Sources: Reuters, OTP Research

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