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Daily Report

Summary

- The US government is to shut down as the bill to raise the debt ceiling was not passed
- Stock markets extended their losses on Thursday.
- The Bank of England may raise interest rates earlier than thought.
- Crude oil prices sank deeper yesterday.

America's stock markets tumbled on Thursday; their positions were exacerbated by a huge selloff ahead of the close. Investors' behaviour was largely shaped by angst that inflation and bond yields might continue their rise. The re-intensifying fears that federal budget expenditures might be frozen did not help, either. Republicans and Democrats had until Thursday midnight to pass the bill to raise the debt ceiling, but that did not happen. The bipartisan agreement was reached, but a hardliner Republican senator, a fiscal conservative, Rand Paul blocked the vote. The shutdown may not be long, as Senate is expected to vote today. The major indices wiped out Tuesday's and Wednesday's gains that followed Monday's slide. The Dow closed 1,175 points (or -4.2%) down, posting a record-high intraday loss. Yesterday's nose-dive sent the index more than 10% below the peak it had reached on 26 January; now it returned to its 50-day moving average. All of the Dow's 30 constituents ended the day in the red. Simultaneously, the CBOE Volatility Index, the VIX, sky-rocketed more than 20%. Asia's indices closed in the red this morning.

Europe's benchmarks also sank yesterday. The Stoxx600 dropped 1.6% erasing much of the previous day's gain. Markets were somewhat unprepared for Bank of England governor Mark Carney's words that the interest rates may rise sooner than predicted. Investors concluded that the benchmark rate may be raised in May. Simultaneously, the Bank of England lifted its 2018 GDP growth forecast from 1.6% to 1.8%, which caused pound appreciation. Amid the general gloom and doom, the dropping crude prices dragged down oil company shares. British Petrol and Royal Dutch Shell fell 0.8% and 2.1% respectively. Europe's banking sector benefited from positive reports. The quarterly earnings figures of Société Générale and Unicredit came with better-than-expected profits, helping their share prices advance 2%. Commerzbank's report gave account of shrinking profit but stronger revenue. Yet the bank's share price slid 2.5% as its CFO Stephan Engels said that a merger with Deutsche Bank is still some way off.

The BUX closed 2.1% down yesterday. Among Hungarian blue chips, Mol suffered the most painful loss (-3.1%) as the overall pessimism on stock markets as well as the fall in crude prices weighed on its share price.

For the first time since the financial crisis, Greece issued 7Y government bonds, totalling EUR 3 billion. The average yield at the auction was 3.5%; and the bid/cover ratio was 2.

The euro weakened against the US dollar. The Bank of England's message triggered GBP appreciation against the greenback and the euro. Bitcoin closed 3.9% higher, after making a brief visit above USD 8,600, near Wednesday's high. Crude oil prices had their fifth declining day in a row: the Brent slipped 1.9%, to USD 64.1 yesterday.

Today industrial production data will see the light of day in the United Kingdom, and Hungary's trade balance statistics for December are due out. An important factor in today's stock market trading could be whether US Congress succeeds in passing the bill on America's debt ceiling.

	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	2581,0	-3,8	-3,5	VIX	33,5	21	203	WTI	61,15	-1,0	1,2
	DOW	23860,5	-4,1	-3,5	US 2Y	2,1	0	24	Brent	64,81	-1,1	-3,1
	Nasdaq100	6306,1	-4,2	-1,4	US 10Y	2,8	1	44	Arany	1318,88	0,1	1,3
	DAX	12260,3	-2,6	-5,1	GER 2Y	-0,5	1	9	Ezüst	16,41	0,2	-3,2
	CAC40	5151,7	-2,0	-3,0	GER 10Y	0,8	3	34	EUR/USD	1,22	-0,1	2,1
	FTSE 100	7170,7	-1,5	-6,7	PT10Y	2,0	2	10	EUR/GBP	0,88	-0,4	-0,9
	FTSE MIB	22466,6	-2,3	2,8	IT 10Y	2,0	5	0	EUR/NOK	9,71	0,1	-1,4
	Stoxx600	374,0	-1,6	-3,9	SP 10	1,5	4	-12	USD/CAD	1,26	0,3	0,2
	- Banks	169,6	-1,1	2,8	iTRAXX	52,0	9	15	AUD/USD	0,78	-0,5	-0,3
	Nikkei 225	21461,0	-2,0	-5,7	JPY 2Y	-0,1	-1	-1	USD/JPY	108,74	-0,5	-3,5
SSEC	3129,9	-4,1	-5,4	JPY 10Y	0,1	-1	2	GBP/USD	1,39	0,2	3,0	
Regional	RTS	1210,7	-2,6	4,9	RUS10	7,2	0	-6	USD/RUB	58,396	0,9	1,3
	WIG20	2406,5	-1,4	-2,2	POL 10	3,6	1	8	EUR/PLN	4,19	0,5	0,4
	PX50	1117,3	0,1	3,6	CZ10	1,9	0	23	EUR/RON	4,653	0,0	-0,5
Hungary	BUX	38876	-2,1	-1,3	3M T-Bill	0,03	1	-1	EUR/HUF	311,29	0,3	0,2
	OTP	11120	-2,3	3,7	1Y	0,07	0	2	USD/HUF	254,14	0,4	-1,8
	MOL	2890	-3,1	-3,8	3Y	0,76	0	21	CHF/HUF	270,88	1,0	2,2
	MTelekom	458	-0,4	0,0	5Y	1,56	1	39	PLN/HUF	74,23	-0,3	-0,1
	Richter	6405	-1,8	-5,5	10Y	2,63	0	59	GBP/HUF	353,35	0,6	1,1

* 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.	-192,8	-	-334,9
	13 : 00	UK Interest rate decision (%)	Febr.	0,5	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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