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Daily Report

Summary

- The benchmark stock indices dropped on Monday.
- US markets fell sharply, largely dragged down by the tech sector.
- The GBP appreciated as the EU and the UK seem to agree on Brexit terms.

The developed world's equity markets fell sharply on Monday. Western Europe's major indices lost more than 1%: the Stoxx600 eased 1.1%, the DAX dropped 1.4% and the FTSE slid 1.7%. In the corporate world, Henkel rebounded from more than 5% loss, closing only 1.5% down after issuing a profit warning about its North American operation. On Monday afternoon the European Commission's chief Brexit negotiator, Michel Barnier announced to have reached agreement with the United Kingdom, and having prepared the draft agreement for the transition period, from March 2019 (Britain's exit) until the end of 2020. All questions of the financial settlement between the EU and Britain have been answered, Barnier said. The current agreement will be discussed at Thursday's EU summit, and then the negotiation on EU-UK trade relations may begin. The resulting pound firming did benefit Britain's stock market. The share price of Britain's Micro Focus nearly halved after its CEO had resigned and the company had lowered its revenue guidance for the 2018 financial year. The stock price of Hammerson jumped 24% after refusing a GBP 4.9 billion takeover bid from a French mall operator company.

America did not do any better, its major stock indices suffered painful losses. The tech sector was hit particularly hard, dragging the NASDAQ100 (-2.2%) and the S&P (-1.4%) down. Within tech names, the loser of the day was Facebook, which nose-dived 8% on the news that the Cambridge Analytica data mining and analytics company may have illegally used the data of 50 million Facebook users during the US presidential campaign in 2016. Facebook's plunge weighed on the whole technology segment: Google shrank 3% and chipmakers also slid 4%. All of the S&P's sector indices sank into the red yesterday; only airplane manufacturing names and some companies of the consumption sector could remain in positive territory. The Facebook scandal aside, investors would be likely sitting on the fence anyway, ahead of the rate decisions of the Fed (on Wednesday) and the Bank of England (on Thursday).

The CEE region's stock indices also subsided: Poland's WIG20 dropped 1.6%, and the Czech PX dipped 0.2%. The BUX fell more than 3% in Monday's session. One of its blue chips, Mol contracted by 3.7%. In related news, on Monday the energy company inaugurated a new synthetic rubber factory in Tiszaújváros (Eastern Hungary). The joint project with Japan's JSR company is a result of a 100-billion-forint investment. The test run will start this summer, and production is set to begin in the autumn. This investment expanded Mol's own value chain. Butadiene, the raw material for synthetic rubber, is also produced in Tiszaújváros. Under its strategy until 2030, Mol is planning further chemical investment projects in Tiszaújváros. The other Hungarian blue chips could not offset Mol's plunge: OTP (-3.6%) also underperformed, and Richter contracted by 2.2%. MTelekom picked up 0.5% after the management had proposed the general meeting to pay 25 HUF/share dividend payment. Based on Monday's closing price, this translates into 5.6% dividend yield.

On global stock markets, the US and German 10Y bond yields barely changed on Monday, while the yield on Britain's 10Y bond inched up two basis point. On the secondary market of Hungarian government bonds, yields dropped by 1–4 basis points, while the short end of the curve barely changed. In Tuesday's auction of 3M T-Bills, the ÁKK put up for sale HUF 40 billion debt. There was healthy demand in the MNB's FX swap tender: bids for the HUF 25 billion in 12M instruments amounted to HUF 114 billion, of which the MNB accepted HUF 25 billion. Thus, taking into account the amount expiring on Wednesday and the tender's result, the excess liquidity provided by the MNB to Hungary's banking system will remain at HUF 1,525 billion on 21 March 2018.

The US dollar's weakening led the Bloomberg Dollar Spot Index 0.2% lower. The EUR/USD rose by 0.4% and the GBP/USD was up 0.7%. In Monday's trading the EUR/HUF oscillated in a narrow range, ending just above the 311 mark, near Friday's closing price. By contrast, the USD/HUF sank 0.4%, from above-253 levels to less than 252 by the close.

On commodity markets, the WTI slipped 0.2%, drawing near 62 USD/barrel, while the Brent stagnated. Precious metal prices edged higher, while industrial metals dropped (copper, tin) or stagnated (aluminium, zinc).

Asia's markets closed mixed this morning: Japan's indices sank while China's ones achieved gains. Unsurprisingly, the tech sector slid in Asia too as markets see car manufacturing and technology as the most vulnerable sectors in case of a trade war.

Today is the beginning of the Fed's two-day rate-setting meeting, with Jerome Powell as the new chair. Markets are certain that the FOMC will raise interest rates to 1.5-1.75%.

The USA will release the latest inflation data today. In Europe, the ZEW institute's economic sentiment index is expected to have worsened since February. Gross wages data are due out in Hungary 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	2712,9	-1,4	1,5	VIX	19,0	20,4	72	WTI	62,13	-0,3	2,8
	DOW	24610,9	-1,3	-0,4	US 2Y	2,30	0,8	41	Brent	66,05	-0,2	-1,2
	Nasdaq100	6864,9	-2,2	7,3	US 10Y	2,85	-0,3	43	Gold	1316,6	0,3	1,1
	DAX	12217,0	-1,4	-5,4	GER 2Y	-0,58	-0,2	5	Silver	16,30	0,0	-3,8
	CAC40	5222,8	-1,1	-1,7	GER 10Y	0,57	-0,2	14	EUR/USD	1,23	0,4	2,8
	FTSE 100	7042,9	-1,7	-8,4	PT10Y	1,73	-2,6	-20	EUR/GBP	0,88	-0,2	-1,0
	FTSE MIB	22633,1	-1,0	3,6	IT 10Y	1,96	-1,6	-4	EUR/NOK	9,5	0,5	-3,3
	Stoxx600	373,7	-1,1	-4,0	SP 10	1,33	-3,8	-24	USD/CAD	1,31	-0,2	4,0
	- Banks	165,4	-0,6	0,2	ITRAXX	51,1	3,2	13	AUD/USD	0,77	0,0	-1,1
	Nikkei 225	21381,0	-0,5	-6,1	JPY 2Y	-0,15	-0,5	-2	USD/JPY	106,08	0,1	-5,8
Regional	SSEC	3290,6	0,3	-0,5	JPY 10Y	0,04	-0,1	-1	GBP/USD	1,4023	0,6	3,8
	RTS	1241,3	-1,0	7,5	RUS10	7,10	0,1	-6	USD/RUB	57,766	0,5	0,2
	WIG20	2248,5	-1,6	-8,6	POL 10	3,27	0,4	-1	EUR/PLN	4,2228	0,2	1,1
Hungary	PX50	1116,7	-0,2	3,6	CZ10	1,96	2,0	29	EUR/RON	4,6645	-0,1	-0,3
	BUX	37689,1	-3,1	-4,3	3M BUBOR	0,02	0,0	-2	EUR/HUF	311,20	0,1	0,2
	OTP	11310,0	-3,6	5,5	3M D T-Bill	0,04	-1,0	-1	USD/HUF	252,08	-0,3	-2,6
	MOL	2900,0	-3,7	-3,5	3Y	0,90	0,2	35	CHF/HUF	265,19	-0,4	0,1
	MTelekom	445,5	0,5	-2,7	5Y	1,48	-4,0	31	PLN/HUF	73,660	-0,1	-0,8
	Richter	5445,0	-2,2	-19,7	10Y	2,64	1,0	59	GBP/HUF	353,71	0,4	1,2

* 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 3. 20.	9 : 00	HU	Gross wages (yoy, %)	Jan.		-	13,5
	10 : 30	UK	Inflation (yoy, %)	Febr.		2,8	3,0
	10 : 30	UK	Core inflation (yoy, %)	Febr.		2,5	2,7
	11 : 00	DE	ZEW Economic Sentiment (points)	March		13,0	17,8
	16 : 00	EZ	Consumer confidence index (flash, points)	March		0,0	0,1
21.	15 : 00	US	Existing home sales (mom, %)	Febr.		5470,0	5380,0
	19 : 00	US	Interest rate decision (%)	March		1,5-1,75	1,25-1,5
	19 : 00	US	FOMC economic projections	-		-	-
22.	1 : 30	JP	Nikkei Manufacturing PMI (points)	March		-	54,1
	9 : 00	FR	Markit Service PMI (points)	March		57,0	57,4
	9 : 00	FR	Markit Manufacturing PMI (points)	March		55,5	55,9
	9 : 30	DE	Markit Service PMI (points)	March		55,0	55,3
	9 : 30	DE	Markit Manufacturing PMI (points)	March		59,8	60,6
	10 : 00	EZ	Markit Service PMI (points)	March		56,0	56,2
	10 : 00	EZ	Markit Manufacturing PMI (points)	March		58,1	58,6
	10 : 00	DE	IFO Economic sentiment index (points)	March		115	115,4
	10 : 30	UK	Retail sales (mom, %)	Febr.		0,4	0,1
	13 : 00	UK	Interest rate decision (%)	March		0,5	0,5
	14 : 45	US	Markit Manufacturing PMI (points)	March		55,5	55,3
	15 : 00	US	Leading index (mom, %)	Febr.		0,4	1,0
	15 : 45	US	Markit Service PMI (points)	March		55,8	55,9
23.	0 : 30	JP	CPI (yoy, %)	Febr.		-	1,4
	0 : 30	JP	core-CPI (yoy, %)	Febr.		1,0	0,9
	8 : 30	HU	Balance of payments (quarterly, EURbn)	Q4		0,7	0,8
	13 : 30	US	Durable goods orders (mom, %)	Febr.		1,6	-3,7
	15 : 00	US	New home sales (annualized monthly, '000s)	Febr.		611	593

Sources: Reuters, OTP Research

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