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Daily Report

Summary

- An interim cabinet of technocrats may form government in Italy, but this failed to calm markets
- The euro extended its losses versus the dollar; Italian banking shares fell sharply and bond yields jumped high
- Germany announced a six-billion-euro house building programme
- The EU cohesion funds available to Hungary may shrink by 24% in the next budgetary cycle, the Financial Times informed.

America's markets were closed on Memorial Day, while trading in Europe was rather gloomy on Monday. The DAX and the CAC40 shed 0.6% each. The FTSE MIB fell nearly 2% on the back of news that new elections loom in Italy following the President's veto of the proposed government. Most banking shares in Italy slid more than 5%. President Mattarella appointed Carlo Cottarelli, a former official of the IMF, to head an interim technocrat government. In response to the uncertainty surrounding Italy, Italian government bond yields diverged from the long-term yields of the EZ periphery countries, with the 10Y bond yield surging more than 23 basis points on Monday alone. That on the 2Y government bond jumped more than 8.6 basis points.

On Monday the euro extended its losses versus the dollar, owing to the turmoil in Italy. The HUF regained some ground (0.2%) from the single currency.

Oil prices slipped further following President Putin's words that Russia would be comfortable with 60 USD/barrel price.

Despite the stronger risk aversion, gold and silver prices edged lower.

On Monday Angela Merkel announced that Germany would build 1.5 million flats in a six-billion-euro project, to tackle the soaring flat rent fees (which shot up 60% in Berlin since 2009) and the intensifying housing shortage.

The strike of truck drivers prompted the president of Brazil to surrender and reduce diesel price for truck drivers. Prices will be reviewed by-monthly.

Volkswagen will build three new factories in China, as a joint venture with the local FAW Group. The plants will produce electric cars mostly.

The EU cohesion funds for Eastern and Central Europe are to reduce by 23-24%, according to the Financial Times's sources. Some of the funds is to be redirected to South European countries, and another part is a result of the Union's budget cuts. Based on 2018 prices, EU funding for the V4 countries would shrink by EUR 37 billion in the next budgetary cycle. Despite the lower amounts, the region (including the Baltic countries) remains the most funded one in the European Union. The budgets for Spain (5%), Greece (8%), and Italy (6.4%) are also set to rise. The European Commission will present details on the agricultural budget on 1 June, the FT informed.

	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	2721,3	0,0	1,8	VIX	13,2	0,0	20	WTI	67,9	0,0	12,4
	DOW	24753,1	0,0	0,1	US 2Y	2,48	0,0	59	Brent	75,30	-1,5	12,6
	Nasdaq100	6960,9	0,0	8,8	US 10Y	2,94	0,0	52	Gold	1297,7	-0,3	-0,4
	DAX	12863,5	-0,6	-0,4	GER 2Y	-0,71	-4,8	-7	Silver	16,47	0,0	-2,8
	CAC40	5508,9	-0,6	3,7	GER 10Y	0,34	-6,6	-8	EUR/USD	1,16	-0,2	-3,1
	FTSE 100	7730,3	0,0	0,6	PT10Y	2,07	8,6	15	EUR/GBP	0,87	-0,3	-1,7
	FTSE MIB	21932,7	-2,1	0,4	IT 10Y	2,68	22,9	68	EUR/NOK	9,53	0,1	-3,3
	Stoxx600	389,8	-0,3	0,2	SP 10	1,52	6,8	-5	USD/CAD	1,30	0,1	3,3
	- Banks	147,5	-1,1	-10,6	iTRAXX	65,2	0,0	44	AUD/USD	0,75	-0,1	-3,3
	Nikkei 225	22358,4	-0,5	-1,8	JPY 2Y	-0,14	0	0	USD/JPY	109,41	0,0	-2,9
	SSEC	3118,5	-0,5	-5,7	JPY 10Y	0,04	0	-1	GBP/USD	1,33	0,0	-1,5
Regional	RTS	1167,2	-0,2	1,1	RUS10	7,3	0,0	-4	USD/RUB	62,298	0,2	8,0
	WIG20	2217,87	0,2	-9,9	POL 10	3,2	0,4	-3	EUR/PLN	4,30	-0,2	3,0
	PX50	1088,8	0,1	1,0	CZ10	2,0	-0,1	29	EUR/RON	4,637	0,3	-0,9
Hungary	BUX	35374	-1,1	-10,2	3M DKJ	0,20	-2	16	EUR/HUF	318,58	-0,2	2,6
	OTP	9815	-1,9	-8,4	1Y	0,32	0	27	USD/HUF	273,92	0,0	5,8
	MOL	2580	-1,7	-14,1	3Y	1,20	1	65	CHF/HUF	275,55	-0,3	4,0
	MTelekom	420	0,7	-8,3	5Y	1,73	-2	56	PLN/HUF	74,01	-0,2	-0,4
	Richter	5340	0,3	-21,2	10Y	3,10	-3	105	GBP/HUF	364,39	-0,1	4,3

* 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 5. 29.	9 : 00	HU Unemployment rate (%)	Apr.	3,8	-	3,9
	15 : 00	US Case-Shiller Home Price Index (yoy, %)	March		-	6,8
	30. 8 : 00	DE Retail sales (mom, %)	Apr.		0,7	-0,6
	9 : 00	HU Investment (yoy, %)	Q1		-	14,0
	11 : 00	EZ EC Economic Sentiment Index (points)	May		111,9	112,7
	14 : 00	DE CPI (flash, yoy, %)	May		1,9	1,6
	14 : 15	US ADP non-farm employment (mom, '000s)	May		190,0	204,0
	14 : 30	US GDP (second estimate, annualized, yoy, %)	Q1		2,4	2,3*
	20 : 00	US Beige Book	-		-	-
	31. 3 : 00	CN NBS Manufacturing PMI (points)	May		51	51,4
	3 : 00	CN NBS non-Manufacturing PMI (points)	May		-	54,8
	9 : 00	HU Industrial producer prices (yoy, %)	Apr.		-	3,5
	11 : 00	EZ Unemployment rate (%)	Apr.		8,5	8,5
	11 : 00	EZ CPI (flash, yoy, %)	May		1,6	1,2
	11 : 00	EZ Core CPI (flash, yoy, %)	May		1,0	0,7
	14 : 30	US Personal income (mom, %)	Apr.		0	0
	14 : 30	US Personal consumption (adjusted, mom, %)	Apr.		0,3	0
	15 : 45	US Chicago PMI (points)	May		58,0	57,6
	16 : 00	US Pending home sales (mom, %)	Apr.		0,4	0,4
	6. 1. 9 : 00	HU Trade balance (detailed, monthly, EUR mn)	March		-	558*
	14 : 30	US Non-farm payroll (mom, '000s)	May		185,0	164,0
	16 : 00	US ISM Manufacturing PMI (points)	May		57,7	57,3
	16 : 00	US Construction expenditure (mom, %)	Apr.		1,1	-1,7
	21 : 30	US Vehicle sales (annualized monthly, million)	May		17,2	17,2
	0 : 0	HU Moody's decision (long term sovereign debt)	-		-	Baa3 stabil

* preliminary data

Sources: Reuters, OTP Research

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