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Daily Report

Summary

- The advanced world's stock markets were driven by political news from Italy yesterday.
- The euro's weakening against the US dollar continued.
- The summit of Donald Trump and Kim Jong Un may take place after all.

The Italian political crisis hit European markets yesterday, as investors worry that Italy may drift towards leaving the eurozone. In the absence of a government, new elections may be called in the autumn. The League's head, the populist Matteo Salvini presented the snap election as a vote on the country's freedom. The 5Y Italian credit default swap (CDS) soared more than 50 bps, exceeding 200 basis points, the Milan Stock exchange fell 2.7%, and the 10Y Italian bond yield grew by nearly 50 basis points, which brings its total May increase to 140 bps. Meanwhile Moody's reiterated that Italy's debt rating may be downgraded. What makes the situation worse is that President Sergio Mattarella and Carlo Cottarelli, who is in charge of forming government, failed to present the new technocrat cabinet after yesterday's meeting. Unless a government is formed, the election planned for the autumn may be brought forward to July.

Europe's stock markets ended trading in the red. In addition to Italy, a number of South-European countries saw their government bond yields swing higher, while German, French and British yields dropped. On stock markets, the financial sector's shares were hit the hardest. The euro's continued weakening against the US dollar pushed the EUR/USD 0.8% lower, to close at 1.15.

Donald Trump's Twitter message suggests that the summit with Kim Jong Un in Singapore, which he cancelled, may take place after all. But this news was not enough to save America's markets from the gloom seen in Europe, and the key indices of the USA opened the week in the red after the long weekend. The Japanese yen has firmed versus the US dollar. The US 10Y yield fell 15 basis points, to 2.78%.

Central and eastern Europe was not any better; the BUX closed 1.4% down. All Hungarian blue chips fell; the winners of the day came from small and medium-cap papers.

Seeing the bid/cover ratio of more than 2 in Tuesday auction, the ÁKK raised the amount on offer by the maximum degree, and sold HUF 75 billion government debt in 3M discount treasury bills, at an average yield of 0.16%. On the secondary market, yields have upped. In the region, only the TRY strengthened noticeably against the EUR and the USD, erasing some of the past two months' losses. Earlier on Tuesday afternoon the forint seemed to be able to climb back from the 320 level against the euro, but the EUR/HUF turned tables again and closed at 320.8. The forint weakened 1.5% versus the US dollar.

The tension caused by the events in Italy was also felt in Asia, where the major indices were seen 1% in the red this morning.

In Germany, retail sales expanded faster than expected in April. The 2.3% month/month growth beat analysts' forecast of 0.7%.

In Europe, the developments in Italy are worth checking today. Following yesterday's failed talks, President Sergio Mattarella and Carlo Cottarelli are to meet today again. Later in the day, the US-based ADP institute will publish its employment data for April.

	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	2689,9	-1,2	0,6	VIX	17,0	28,7	54	WTI	66,8	-1,6	10,6
	DOW	24361,5	-1,6	-1,4	US 2Y	2,32	-16,5	43	Brent	75,39	0,1	12,7
	Nasdaq100	6926,5	-0,5	8,3	US 10Y	2,77	-16,7	36	Gold	1298,0	0,0	-0,3
	DAX	12666,5	-1,5	-1,9	GER 2Y	-0,78	-7,3	-15	Silver	16,38	-0,5	-3,3
	CAC40	5438,1	-1,3	2,4	GER 10Y	0,28	-6,6	-15	EUR/USD	1,15	-0,7	-3,8
	FTSE 100	7632,6	-1,3	-0,7	PT10Y	2,21	13,7	28	EUR/GBP	0,87	-0,3	-2,0
	FTSE MIB	21350,9	-2,7	-2,3	IT 10Y	3,10	42,2	111	EUR/NOK	9,56	0,3	-3,0
	Stoxx600	384,5	-1,4	-1,2	SP 10	1,62	10,1	5	USD/CAD	1,30	0,2	3,5
	- Banks	142,1	-3,7	-13,9	ITRAXX	71,9	10,3	59	AUD/USD	0,75	-0,5	-3,8
	Nikkei 225	22022,5	-1,5	-3,3	JPY 2Y	-0,15	0	-1	USD/JPY	108,75	-0,6	-3,5
Regional	SSEC	3077,6	-1,4	-6,9	JPY 10Y	0,03	-1	-2	GBP/USD	1,33	-0,5	-1,9
	RTS	1154,9	-1,1	0,0	RUS10	7,3	0,4	-3	USD/RUB	62,818	0,8	8,9
	WIG20	2191,95	-1,2	-10,9	POL 10	3,3	2,7	0	EUR/PLN	4,33	0,7	3,8
Hungary	PX50	1073,4	-1,4	-0,4	CZ10	2,0	-0,5	29	EUR/RON	4,642	0,1	-0,8
	BUX	34884	-1,4	-11,4	3M DKJ	0,20	0	16	EUR/HUF	320,68	0,7	3,3
	OTP	9650	-1,7	-10,0	1Y	0,33	1	28	USD/HUF	277,81	1,4	7,3
	MOL	2552	-1,1	-15,1	3Y	1,22	2	67	CHF/HUF	280,22	1,7	5,8
	MTelekom	417	-0,7	-9,0	5Y	1,75	2	58	PLN/HUF	73,97	-0,1	-0,4
	Richter	5250	-1,7	-22,6	10Y	3,15	6	111	GBP/HUF	368,13	1,0	5,4

* 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	6,5	6,8
30. 8 : 00	DE	Retail sales (mom, %)	Apr.	2,3	0,7	-0,6
9 : 00	HU	Investment (yoy, %)	Q1		-	14,0
11 : 00	EZ	EC Economic Sentiment Index (points)	May		112,1	112,7
14 : 00	DE	CPI (flash, yoy, %)	May		2,0	1,6
14 : 15	US	ADP non-farm employment (mom, '000s)	May		190	204
14 : 30	US	GDP (second estimate, annualized, yoy, %)	Q1		2,3	2,3*
20 : 00	US	Beige Book	-		-	-
31. 3 : 00	CN	NBS Manufacturing PMI (points)	May		51,3	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.		8,4	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	164
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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Data management registration number: NAIH-89457/2015

This document was prepared on 30 May 2018.

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