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Daily Report

Summary

- The USA imposed import tariffs on steel and aluminium products from the EU, Canada and Mexico, from today.
- Trade war fears and the political crisis in Spain steered investors towards risk-free assets.
- Labour market statistics are due out in the USA today.

Wednesday's lull on the world's stock markets did not last long. On Thursday US Commerce Secretary Wilbur Ross announced to impose 10% import tariff on aluminium products and 25% duty on steel products from the EU, Canada and Mexico on Friday – the tariff measures announced two months ago will apply to these countries as well. The announcement sent the share prices of US steel and aluminium producers higher, while the rise in purchase prices hit a number of manufacturing industries. Since the announcement in March, US steelmakers have raised their prices by nearly 30%, market sources say. Among the knock-on effects, analysts mentioned the higher price of building projects, the rising inflation, and the shrinking US exports owing to the retaliation measures, thus a slowing of economic growth. On the London Commodity Exchange, aluminium price rose 1% by the close, while US hot rolled steel prices jumped more than 4% yesterday; the product has surge 39% year to date. But the increase in a few raw material producers was not enough for US benchmarks to climb into positive territory. The S&P was 0.7% down by the close (all sector indices fell, except utilities), the Dow fell 1% and NASDAQ100 shed 0.1%.

Amid the broadening gloom on Europe's stock markets again, the Stoxx600 dropped 0.6%, and the FTSE closed 0.2% down, wiping off the day's earlier gains. The DAX sank 1.4%, the CAC40 dipped 0.5%, while the Spanish benchmark slid 1% by the end of Thursday's trading. In Spain, the centre-left Socialist party won support of the parliamentary majority to seek no-confidence motion against Prime Minister Mariano Rajoy.

In the corporate world, Deutsche Bank slumped more than 4% yesterday, returning from an intraday 7% plunge, when it hit its lowest on record. S&P downgraded the bank's rating to BBB+, maintaining the stable outlook.

In the month/month terms, the FTSE gained 2.3% in May, the DAX shed 0.1%, the CAC40 lost 2.2%, the Spanish index fell more than 5%, and Italy's index nose-dived 9% last month. The Stoxx600 declined 0.6% over the past month, reversing its 4% surge in April.

In Central and Eastern Europe, Poland was closed on national holiday, and the Czech PX slipped 0.3%. The BUX's 1.5% gain owed a lot to OTP's 1% growth (its strong turnover gave two-thirds of the nearly HUF 38 billion trading volume), to Mol's 2.7% rally, and to Richter's 1.2% increase. MTelekom dropped 0.5%. The BUX lost nearly 8% in May.

On the currency market, the EUR/USD stayed flat. The GBP's advance against the USD continued. The EUR/HUF settled near Wednesday's 319 level. As risk aversion intensified, demand for relatively safe assets has risen, pushing the US 10Y bond yield below 2.84%, while the German and British 10Y bond yields came down three basis points each.

This morning Asia's stock markets closed mixed. The Nikkei inched 0.1% higher. South Korea's index was also seen in positive territory, possibly benefiting from the better-than-expected exports data. On the other hand, mainland China and Hong Kong ended in the red.

It seems that after all, Giuseppe Conte, a candidate of the Five Star Movement (M5S) will be Italy's Prime Minister, and the leaders of the two populist parties, M5S and the League may become Deputy Prime Minister and Minister. The League's nominee for Finance Minister is professor of economic policy Giuseppe Tria, and the Minister in charge of EU issues will be the Eurosceptic Paolo Savona, whom the president had already vetoed once.

Today's most important publication is the May employment report from the USA. In the afternoon, the new Italian government may be sworn in, and tonight Moody's will reveal the result of its review of Hungary's debt rating.

	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	2705,3	-0,7	1,2	VIX	15,4	3,3	40	WTI	67,0	-1,8	11,0
	DOW	24415,8	-1,0	-1,2	US 2Y	2,41	0,0	52	Brent	77,59	0,1	16,0
	Nasdaq100	6967,7	-0,1	8,9	US 10Y	2,82	-2,2	41	Gold	1297,9	-0,2	-0,3
	DAX	12604,9	-1,4	-2,4	GER 2Y	-0,68	0,3	-5	Silver	16,35	-1,0	-3,5
	CAC40	5398,4	-0,5	1,6	GER 10Y	0,34	-0,8	-8	EUR/USD	1,17	0,2	-2,6
	FTSE 100	7678,2	-0,1	-0,1	PT10Y	2,01	-14,3	8	EUR/GBP	0,88	0,2	-1,0
	FTSE MIB	21784,2	-0,1	-0,3	IT 10Y	2,84	-21,8	84	EUR/NOK	9,56	0,2	-2,9
	Stoxx600	383,1	-0,6	-1,6	SP 10	1,48	-9,1	-9	USD/CAD	1,30	0,6	3,0
	- Banks	141,4	-0,8	-14,3	iTRAXX	70,0	0,8	55	AUD/USD	0,76	-0,1	-3,0
	Nikkei 225	22233,2	0,1	-2,3	JPY 2Y	-0,14	0	0	USD/JPY	108,81	-0,1	-3,4
SSEC	3077,4	-0,6	-6,9	JPY 10Y	0,04	1	-1	GBP/USD	1,33	0,1	-1,6	
Regional	RTS	1163,0	0,0	0,7	RUS10	7,4	0,3	-3	USD/RUB	62,350	0,4	8,1
	WIG20	2157,07	0,0	-12,4	POL 10	3,3	0,0	-1	EUR/PLN	4,31	0,3	3,3
	PX50	1076,1	-0,3	-0,2	CZ10	1,9	-0,5	28	EUR/RON	4,659	0,2	-0,4
Hungary	BUX	35357	1,5	-10,2	3MDKJ	0,22	3	18	EUR/HUF	319,49	0,0	2,9
	OTP	9800	1,0	-8,6	1Y	0,31	-1	26	USD/HUF	273,23	-0,2	5,6
	MOL	2578	2,7	-14,2	3Y	1,23	0	68	CHF/HUF	277,95	0,2	4,9
	MTelekom	415	-0,5	-9,4	5Y	1,72	-2	55	PLN/HUF	73,98	-0,3	-0,4
	Richter	5350	1,2	-21,1	10Y	3,19	-1	114	GBP/HUF	363,10	-0,1	3,9

* 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	17,0	-	14,0
	11 : 00	EZ EC Economic Sentiment Index (points)	May	112,5	112,1	112,7
	14 : 00	DE CPI (flash, yoy, %)	May	2,2	2,0	1,6
	14 : 15	US ADP non-farm employment (mom, '000s)	May	178,0	190	204
	14 : 30	US GDP (second estimate, annualized, yoy, %)	Q1	2,2	2,3	2,3*
	20 : 00	US Beige Book	-	-	-	-
	31. 3 : 00	CN NBS Manufacturing PMI (points)	May	51,9	51,3	51,4
	3 : 00	CN NBS non-Manufacturing PMI (points)	May	54,9	-	54,8
	9 : 00	HU Industrial producer prices (yoy, %)	Apr.	2,7	-	3,5
	11 : 00	EZ Unemployment rate (%)	Apr.	8,5	8,4	8,5
	11 : 00	EZ CPI (flash, yoy, %)	May	1,9	1,6	1,2
	11 : 00	EZ Core CPI (flash, yoy, %)	May	1,1	1,0	0,7
	14 : 30	US Personal income (mom, %)	Apr.	0,3	0	0
	14 : 30	US Personal consumption (adjusted, mom, %)	Apr.	0,6	0,3	1
	15 : 45	US Chicago PMI (points)	May	62,7	58,0	57,6
	16 : 00	US Pending home sales (mom, %)	Apr.	-1,3	0,4	0,6
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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