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# Daily Report

### Summary

- There was supportive sentiment on global stock markets in Wednesday's trading
- Following Mexico, the European Union is also pondering 'tit for tat' measures in response to US import tariffs
- Italy's new coalition of eurosceptic parties won a confidence vote in the lower chamber of parliament
- Germany released disappointing statistics yesterday

In Wednesday's benign sentiment on US stock markets, the Dow closed 1.4% higher, beyond the 25,000 mark, posting its strongest growth over the past two months. One of Wednesday's winners was the financial sector: benefiting from an increase in government bond yields, JP Morgan surged 2.1% and Goldman Sachs advanced 1.1%. Tesla also fared well: the electric car manufacturer's shares sky-rocketed 7% following CEO Elon Musk's words that the company is likely to meet its weekly target of 5,000 Model 3 cars. Furthermore, the management expects the energy density of the cars' batteries to grow by 30-40% over the next two or three years.

Even the uncertainty surrounding the protectionist measures that affect global trade could not stop equity markets from rallying. Reportedly, US Treasury Secretary Steve Mnuchin is trying to convince President Trump to exempt Canada from the aluminium and steel import tariffs but the President's decision is yet to be seen. Meanwhile China said it was willing to buy food and energy products worth USD 70 billion if Washington abandons threatened tariffs. Meanwhile, new information came to light about Mexico's planned retaliation tariffs. In response to the US protectionist measures concerning steel and aluminium products, the Latin American country is considering protective tariffs worth USD 3 billion on selected food and alcoholic products imported from the USA. The European Union is also pondering measure in response to the US aluminium and steel tariffs. Member states back the EU in imposing 2.5% import tariff on the USD 2.8 billion US exports.

Stock markets also performed well in Europe: the DAX gained 1%, and the Stoxx500 closed 0.8% higher. Next week's meeting of the ECB Governing Council in Riga, Latvia, will discuss the gradual scaling back of the European Central Bank's asset purchase programme. Last night Giuseppe Conte's new government, made up of the coalition of the Five Star Movement and the League, won a confidence vote in the lower house of Italy's parliament.

In line with the global trend, the BUX added 1.3%, fuelled by the gains of two blue chips, Mol (1.9%) and OTP (1.4%). On Wednesday two funds of Hungarian companies Opus Global and Konzum (Konzum PE Private Equity Fund and Repro I. Private Equity Fund) obtained more than 50% control in the IT firm 4iG, therefore trading with Opus and with 4iG shares was suspended for the whole day.

US government bond yields have risen: the 10Y Treasury Note yield was up 5.6 basis points, to 2.98%, its highest level since 24 May. The eurozone's government bond yields also climbed higher: the German 10Y Bund yield upped 9.3 basis points, and that of 10Y Italian bonds jumped by 17.3 basis points.

News on unwinding the ECB's asset purchase programme sent the EUR/USD to a two-week high. Bitcoin lost 3.9% of its value as Trefis Research had reduced its target price by 17%. But the crypto currency's price was quick to bounce back to the morning's level by last night.

On Wednesday the KSH statistic office published industrial production statistics for April. The volume of Hungary's industrial output expanded by 7.8% year/year, but in seasonally adjusted terms it increased by 2.9% only, because there were two fewer working days in April 2018 than a year earlier.

Germany released disappointing macroeconomic statistics this morning. Industrial orders contracted by 2.5% in April from the previous month, wrong-footing analysts who had projected 0.8% growth.

Today the eurozone will release the breakdown of the first quarter's GDP data. The May reading of Hungary's general government balance is due out today. In addition, any further developments of protectionist measures that affect global trade may be worth checking, as is any news on Italy's eurosceptic government. Another important event is the Turkish central bank's rate decision: in the light of the recent tensions on currency markets, the key question is whether or not a new rate hike is coming up soon.

	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	2772,4	0,9	3,7	VIX	11,6	-6,1	5	WTI	64,7	-1,6	7,1
	DOW	25146,4	1,4	1,7	US 2Y	2,52	2,8	63	Brent	75,36	0,0	12,7
	Nasdaq100	7210,1	0,6	12,7	US 10Y	2,98	5,6	56	Gold	1296,0	0,0	-0,5
	DAX	12830,1	0,3	-0,7	GER 2Y	-0,62	4,2	1	Silver	16,64	1,1	-1,8
	CAC40	5457,6	-0,1	2,7	GER 10Y	0,46	9,3	4	EUR/USD	1,18	0,5	-1,9
	FTSE 100	7712,4	0,3	0,3	PT10Y	1,96	9,1	3	EUR/GBP	0,88	0,3	-1,2
	FTSE MIB	21807,6	0,3	-0,2	IT 10Y	2,93	17,3	93	EUR/NOK	9,51	0,1	-3,4
	Stoxx600	386,9	0,0	-0,6	SP 10	1,50	11,1	-7	USD/CAD	1,29	-0,2	2,9
	- Banks	144,7	1,7	-12,3	iTRAXX	69,7	4,0	54	AUD/USD	0,77	0,7	-1,7
	Nikkei 225	22834,2	0,9	0,3	JPY 2Y	-0,13	0	1	USD/JPY	110,16	0,3	-2,2
	SSEC	3109,5	-0,2	-6,0	JPY 10Y	0,05	0	0	GBP/USD	1,34	0,1	-0,7
Regional	RTS	1177,7	0,4	2,0	RUS10	7,4	0,3	-3	USD/RUB	61,786	-0,6	7,2
	WIG20	2256,67	0,0	-8,3	POL 10	3,2	0,6	-2	EUR/PLN	4,26	-0,4	2,1
	PX50	1073,3	0,0	-0,5	CZ10	2,0	2,6	33	EUR/RON	4,653	0,1	-0,5
Hungary	BUX	37157	1,3	-5,6	3M DKJ	0,21	2	17	EUR/HUF	317,83	-0,2	2,4
	OTP	10350	1,4	-3,5	1Y	0,32	5	27	USD/HUF	269,81	-0,7	4,2
	MOL	2750	1,9	-8,5	3Y	1,15	1	60	CHF/HUF	273,54	-0,9	3,2
	MTelekom	427	0,5	-6,8	5Y	1,69	3	52	PLN/HUF	74,47	0,2	0,3
	Richter	5510	0,8	-18,7	10Y	3,07	-4	102	GBP/HUF	361,92	-0,5	3,6

\* 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 6. 4.	10 : 30	EZ	Sentix Investor confidence (points)	June	9,3	18,7	19,2		
	16 : 00	US	Factory orders (mom, %)	Apr.	-0,5	-0,3	1,6		
5.	9 : 00	HU	Retail sales (first estimate, yoy, %)	Apr.	4,3	-	8,7		
	9 : 00	HU	GDP (yoy, detailed, %)	Q1	4,4	-	4,4*		
	11 : 00	EZ	Retail sales (mom, %)	Apr.	0,1	0,5	0,1		
	16 : 00	US	ISM non-Manufacturing PMI (points)	May	58,6	57,5	56,8		
	0 : 0	EU	Brussels Economic Forum	-	-	-	-		
6.	9 : 00	HU	Industrial production (preliminary, yoy, %)	Apr.	7,8	-	-2,4		
	14 : 00	PL	Interest rate decision (%)	June	1,5		1,5		
7.	8 : 00	DE	Industrial orders (mom, %)	Apr.	-2,5	0,8	-0,9		
	10 : 00	HU	International reserves (preliminary, EURbn)	May		-	23,2		
	11 : 00	EZ	GDP (detailed, yoy, %)	Q1		2,5	2,5		
	11 : 00	EZ	GDP (detailed, qoq, %)	Q1		0,4	0,4		
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	May		-	-209,4		
8.	8 : 00	DE	Industrial production (mom, %)	Apr.		0,3	1,0		
	8 : 00	DE	Export (mom, %)	Apr.		0	2		
	9 : 00	HU	Inflation (yoy, %)	May		2,8	2		
	9 : 00	HU	Core inflation (yoy, %)	May		-	2,4		
	9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	Apr.			567*		

\* preliminary data

Sources: Reuters, OTP Research

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