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Daily Report

Summary

- Europe's indices edged down on Thursday; the technology sector dragged down the NASDAQ100 in the USA.
- The CEE region's indices nudged higher, the BUX advanced 0.7%.
- Turkey's central bank hiked its base rate. Despite the Brazilian central bank's continued and increasing intervention, the real keeps falling. Argentina has reached an agreement with the IMF.

Most benchmarks in Europe closed with modest losses on Thursday. Despite Germany's worse-than-expected and shrinking factory orders data and the GDP reading that confirms the deceleration of the eurozone's economic growth, the most important indices stood in positive territory in the morning but the sentiment soured when America opened. The DAX, the Stoxx600 and Italy's benchmark inched down 0.2%, the FTSE, which opened later due to a technical issue, shed 0.1%, while the IBEX upped 0.4%. Deutsche Bank chairman's mentioning a possible merger with Commerzbank sent both banks' share price higher (DB: 1.8%; Commerzbank: 2.2%). Investors' appetite for Mediterranean banking shares has returned: Spain's Caixa surged 4.3%, and Italy's BPER Banca advanced 1.9%, helping the Stoxx600's banking index to gains. Rémy Cointreau's share price fell more than 4% owing to a report on a 22% plunge in the liqueur producer's annual profit amid stronger revenue; the company confirmed to leave dividend at its current level. Cointreau ended the day 4.8% lower. Ryanair descended 2% yesterday as Deutsche Bank's analyst worsened its recommendation from Buy to Hold.

The buoyancy in the CEE region persisted throughout Thursday: the BUX added 0.7%, Prague's PX upped 0.5%, and Warsaw's WIG20 grew by 0.6%. All Hungarian blue chips were in good shape; Mol and OTP advanced 0.9% each, Richter sank 0.7% and MTelekom added 0.5%. On the small and mid-cap market, Appennin lost 3% on the day when it published its five-year strategic plans, and Opus slid 3% too. After being suspended on Wednesday, 4iG rallied 3% on Thursday. Pannergy rose by 0.3%, Rába advanced 0.4%, and Zwack gained 0.9%. Opus Global and Konzum Private Equity Fund made a public purchase offer of 2,942 HUF/share to all shareholders of 4iG, the documents published this morning revealed.

US markets closed mixed. Ending four consecutive days of gains, the technology sector became the loser of the day. The Dow rose by 0.4%, and the S&P inched down less than 0.1%, while the NASDAQ100 closed 0.8% in the red. Of the S&P's sector indices, technology and commodities underperformed, while the energy sector and utilities posted the strongest gains. The technology sector seems to be in correction after the record highs hit in recent days, which provided an opportunity for investors to take profits. The unexpected drop in initial jobless claims did not help the sentiment either. Crude prices climbed higher owing to the political risks surrounding oil production in Iran and Venezuela.

On bond markets, the US 10Y Treasury note sank five basis points, and Italy's 10Y bond yield rose by 12%, to 3.06%. The euro extended its gains against the greenback owing to the expectations surrounding the ECB, and unwinding its bond purchase programme; the EUR/USD exceeded the 1.18 mark yesterday. Unexpectedly, the central bank of Turkey raised its base rate by 1.25%, to 17.75%. After the rate hike, the TRY regained 1.9% ground from the USD, and the 10Y Turkish bond yield sank 31 basis points, to 14.9%. Turkey's stock index rallied more than 2% yesterday. But the Brazilian real is still in worrisome shape: it tumbled 2.4% despite the central bank's second intervention, and its excessive FX swap deals. In the past three days, the BRL slid 5%, and the Bovespa slumped 3% yesterday. Meanwhile Argentina inked a 50-billion-dollar 36-month stand-by agreement with the IMF. This may be one of the Monetary Fund's biggest loan disbursement, depending on how much Argentina will actually use from this credit line.

On the secondary market of Hungarian government bonds, yields grew by 3–6 basis points. In Thursday's auctions, the ÁKK sold HUF 72 billion government debt in 3Y, 5Y and 10Y bonds, versus the planned amount of HUF 57 billion. Amid the hefty demand, the average yields were set at 1.14%; 1.65% and 3.96% respectively. The EUR/HUF held steady at the level seen in recent days; this morning the pair opened at 318.37.

This morning Japan published its Q1 GDP data; instead of the expected slight increase, the expenditure side edged down in quarter/quarter terms. Asia's key indices closed in the red. China's foreign trade surplus in May was smaller than expected; both exports and imports expanded faster than though. This morning's release of Germany's industrial production signified 1% lower output in April than in the previous month. Inflation 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	2770,4	-0,1	3,6	VIX	12,1	4,2	10	WTI	66,0	1,9	9,2
	DOW	25241,4	0,4	2,1	US 2Y	2,50	-1,6	61	Brent	77,32	2,6	15,6
	Nasdaq100	7152,8	-0,8	11,8	US 10Y	2,93	-4,2	52	Gold	1296,7	0,1	-0,4
	DAX	12811,1	-0,1	-0,8	GER 2Y	-0,64	-1,9	-1	Silver	16,66	0,1	-1,7
	CAC40	5448,4	-0,2	2,6	GER 10Y	0,49	2,7	7	EUR/USD	1,18	0,2	-1,7
	FTSE 100	7704,4	-0,1	0,2	PT10Y	2,03	6,2	10	EUR/GBP	0,88	0,1	-1,1
	FTSE MIB	21767,6	-0,2	-0,4	IT 10Y	3,01	8,1	101	EUR/NOK	9,50	-0,1	-3,5
	Stoxx600	385,9	-0,2	-0,8	SP 10	1,45	-4,7	-12	USD/CAD	1,30	0,2	3,1
	- Banks	145,7	0,7	-11,7	iTRAXX	73,0	4,7	62	AUD/USD	0,76	-0,5	-2,3
	Nikkei 225	22716,1	-0,5	-0,2	JPY 2Y	-0,13	0	1	USD/JPY	109,69	-0,4	-2,6
	SSEC	3064,0	-1,5	-7,4	JPY 10Y	0,05	0	0	GBP/USD	1,34	0,1	-0,7
Regional	RTS	1171,2	-0,6	1,5	RUS10	7,4	0,7	-2	USD/RUB	62,391	1,0	8,2
	WIG20	2270,75	0,6	-7,7	POL 10	3,3	1,6	0	EUR/PLN	4,27	0,2	2,4
	PX50	1078,4	0,5	0,0	CZ10	2,1	1,4	35	EUR/RON	4,654	0,0	-0,5
Hungary	BUX	37401	0,7	-5,0	3M DKJ	0,21	0	17	EUR/HUF	318,52	0,2	2,6
	OTP	10440	0,9	-2,6	1Y	0,33	1	28	USD/HUF	269,87	0,0	4,3
	MOL	2774	0,9	-7,7	3Y	1,17	2	62	CHF/HUF	275,39	0,7	3,9
	MTelekom	429	0,5	-6,3	5Y	1,74	5	57	PLN/HUF	74,49	0,0	0,3
	Richter	5550	0,7	-18,1	10Y	3,14	7	109	GBP/HUF	362,33	0,1	3,7

* 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	2,5
11 : 00	EZ	GDP (detailed, qoq, %)	Q1	0,4	0,4	0,4
11 : 00	HU	Fiscal balance (monthly, billion HUF)	May	-106,1	-	-209,4
8. 8 : 00	DE	Industrial production (mom, %)	Apr.	-1,0	0,3	1,0
8 : 00	DE	Export (mom, %)	Apr.	-0,3	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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