

## Treasury Sales Team

### Head of Sales

**Ottó Demjén**

+36 1 288 7558

[Otto.Demjen@otpbank.hu](mailto:Otto.Demjen@otpbank.hu)

### Retail

**Zsigmond Csillag**

+36 1 288 7556

[zsigmond.csillag@otpbank.hu](mailto:zsigmond.csillag@otpbank.hu)

**Attila Keresztyén**

+36 1 288 7552

[KeresztyenA@otpbank.hu](mailto:KeresztyenA@otpbank.hu)

**István Milán Nagy**

+36 1 288 7554

[milan.nagy@otpbank.hu](mailto:milan.nagy@otpbank.hu)

**Frigyes Soós**

+36 1 288 7571

[SoosF@otpbank.hu](mailto:SoosF@otpbank.hu)

### Institutional

**Lóránt Fábán**

+36 1 288 7572

[Lorant.Fabian@otpbank.hu](mailto:Lorant.Fabian@otpbank.hu)

**Szilvia Lovas**

+36 1 288 7545

[LovasSz@otpbank.hu](mailto:LovasSz@otpbank.hu)

**János Mladoniczki**

+36 1 288 7551

[MladoniczkiJ@otpbank.hu](mailto:MladoniczkiJ@otpbank.hu)

### Corporate

**Nóra Ilona Gordos**

+36 1 288 7549

[Nora.Ilona.Gordos@otpbank.hu](mailto:Nora.Ilona.Gordos@otpbank.hu)

**János Imrei**

+36 1 288 7555

[janos.imrei@otpbank.hu](mailto:janos.imrei@otpbank.hu)

**Csinszka Kis-Böndi**

+36 1 288 7544

[Kis-bondics@otpbank.hu](mailto:Kis-bondics@otpbank.hu)

**Roxána Kosztelnik**

+36 1 288 7541

[roxana.kosztelnik@otpbank.hu](mailto:roxana.kosztelnik@otpbank.hu)

**Edit Kovács Gyimóti**

+36 1 288 7542

[KovacsGyE@otpbank.hu](mailto:KovacsGyE@otpbank.hu)



# Daily Report

## Summary

- Monday's trading in Europe lacked a single direction. Reversing a week of gains, US indices fell as trade war tensions escalate.
- The USA is to impose new tariffs on USD 200 bn of Chinese goods.
- The Turkish lira weakened again, the forint remained steady.
- Hungary's MNB holds rate-setting meeting today.

Europe's stock markets did not shift into higher gear on Monday as the escalation of the US-China trade conflict made equity market investors warier. The Stoxx600 inched up merely 0.1%, the DAX shed 0.2%, while the FTSE dipped one point. The stock markets of the eurozone periphery countries outperformed again: the IBEX upped 0.4%, Portugal's benchmark rose by 0.6%, and the Milan stock index gained 1.1%. The DAX's biggest losers included the chemical giant Henkel (-2.4%), the gas company Linde (-1.7%), and SAP (-1.4%). Sweden's H&M sky-rocketed 17% after projecting stronger-than-expected Q3 revenue.

On the other side of the Atlantic, the key stock indices closed in the red on Monday, ending a five-day-long winning streak. Technology names were hit particularly hard. The Dow dropped 0.4%, the S&P slipped 0.6%, and the Nasdaq100 fell 1.5%. Within the S&P, consumer discretionary companies fell sharpest; they were followed by technology shares. On Monday the biggest losers of the S&P were Amazon (-3.2%), and Apple (-2.7%). Likewise, software developers, communications devices manufacturers and chipmakers all lost. Netflix fell nearly 4%. Even reports that Apple's smart watches will be exempt from tariffs could not prevent its share price from falling. Oracle's earnings report, released after market hours, came with thinner-than-expected revenues. President Trump insists on launching tariffs on Chinese goods, worth USD 200 billion, while Beijing said it rejected the American party's negotiating attempts if meanwhile the USA imposes tariffs on a new group of goods. After market hours came the announcement that the 10% tariff on an additional group of Chinese goods will take effect on 24 September, and its rate will be lifted to 25% starting from 2019. In case China launches retaliatory measures, new tariff measures worth USD 267 billion may follow, President Trump said.

Hungary's BUX closed 1.2% down on Monday. OTP slid 2.0%, Mol dived 1.5%, and Richter inched down 0.1%. MTelekom was the only Hungarian blue chip to achieve gain. Elsewhere in the CEE region, Warsaw's WIG20 sank 0.9% and Prague's PX dipped 0.3%. Ending a day of ups and downs, the EUR/HUF closed at 325, up from the morning's 324.8 mark. The USD/HUF closed around 278 as the Hungarian currency gained 0.5% from the dollar.

Among emerging market currencies, India's rupee, the Turkish lira, and the South Korean won booked the most painful losses yesterday. The lira is almost back where it was before last week's 625-basis-point interest rate hike. The euro gained 0.5% and the pound firmed 0.7% against the US dollar.

The yield on US 10Y Treasury note edged one basis point down, while those on the government bonds of Germany and Britain nudged one point higher.

In Monday's FX swap tender, the MNB sold 1M and 3M instruments. Despite the healthy demand, it sold the amount on offer. Including the instruments maturing on Wednesday, the amount provided by the central bank to Hungary's banking system remained at HUF 1,989 billion. On the secondary market of Hungarian government bonds, 5Y and 10Y yields rose by six and seven basis points respectively on Monday. Today the ÁKK will hold its regular Tuesday auction of 3M discount T-bills, putting up for sale HUF 50 bn debt.

Today's meeting of the MNB's Monetary Council is not expected to change the base rate. The pressure on the MNB has noticeably eased since the June rate decision. Therefore, at this time, the MNB may not find it necessary to start normalizing monetary conditions. Instead, it may focus on presenting the possible paths of inflation.

On the commodity market, crude oil prices slightly dropped, probably because of the lower demand owing to the adverse weather conditions. Gold price grew by 0.4%; industrial metal prices fell about 1%. Hurricane Florence flooded agricultural lands, including tobacco and cotton, in North Carolina.

Asia's stock markets moved mixed this morning. The small drop in the Shanghai Composite and the Hang Seng indices can be put down to the new tariff measures.

	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	2888,8	-0,6	8,0	VIX	13,7	13,3	24	WTI	68,9	-0,1	14,1
	DOW	26062,1	-0,4	5,4	US 2Y	2,79	0	90	Brent	78,05	-0,1	16,7
	Nasdaq100	7434,7	-1,5	16,2	US 10Y	3,00	1	59	Gold	1200,5	0,6	-7,8
	DAX	12096,4	-0,2	-6,4	GER 2Y	-0,54	1	9	Silver	14,15	0,8	-16,5
	CAC40	5348,9	-0,1	0,7	GER 10Y	0,46	1	3	EUR/USD	1,17	0,5	-2,6
	FTSE 100	7302,1	0,0	-5,0	PT10Y	1,85	-2	-8	EUR/GBP	0,89	-0,2	-0,1
	FTSE MIB	21111,4	1,1	-3,4	IT 10Y	2,87	6	87	EUR/NOK	9,55	-0,5	-3,0
	Stoxx600	378,3	0,1	-2,8	SP 10	1,51	-1	-6	USD/CAD	1,30	0,1	3,7
	- Banks	136,7	1,0	-17,1	iTRAXX	60,2	1,1	33	AUD/USD	0,72	0,4	-8,0
	Nikkei 225	23456,1	1,6	3,0	JPY 2Y	-0,11	0	3	USD/JPY	111,83	-0,2	-0,7
SSEC	2665,3	0,5	-19,4	JPY 10Y	0,12	0	7	GBP/USD	1,32	0,7	-2,6	
Regional	RTS	1099,5	0,4	-4,8	RUS10	9,0	1,1	18	USD/RUB	68,070	0,1	18,1
	WIG20	2210,99	-0,9	-10,2	POL 10	3,2	-0,4	-2	EUR/PLN	4,30	-0,1	2,9
	PX50	1092,1	-0,3	1,3	CZ10	2,2	0,0	42	EUR/RON	4,643	0,1	-0,7
Hungary	BUX	35820	-1,2	-9,0	3M DKJ	0,20	-1	16	EUR/HUF	324,77	0,0	4,6
	OTP	9895	-2,0	-7,7	1Y	0,55	2	50	USD/HUF	277,77	-0,5	7,3
	MOL	2846	-1,5	-5,3	3Y	1,80	2	125	CHF/HUF	288,25	0,0	8,8
	MTelekom	409	1,0	-10,7	5Y	3,10	6	193	PLN/HUF	75,54	0,1	1,7
	Richter	5050	-0,1	-25,5	10Y	3,67	0	163	GBP/HUF	365,76	0,3	4,7

\* 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 9. 17. 11 : 00	EZ	CPI (final, yoy, %)	Aug	2,0	2,0	2,0*	
	14 : 30	US	New York Fed Manufacturing index (points)	Sept	19,0	23,6	25,6
18. 14 : 00	HU	Interest rate decision (%)	Sept		0,9	0,9	
19. 5 : 00	JP	Interest rate decision (%)	Sept		-0,1	-0,1	
	10 : 30	UK	Inflation (yoy, %)	Aug		2,4	2,5
	10 : 30	UK	Core inflation (yoy, %)	Aug		1,9	1,9
	14 : 30	US	Housing starts (annualized monthly, '000s)	Aug		1 228	1 168
	14 : 30	US	Building permits (annualized monthly, '000s)	Aug			1 303
20. 8 : 30	HU	Balance of payments (quarterly, EURm)	Q2		-	1,0	
	9 : 00	HU	Gross wages (yoy, %)	Jul		-	11,2
	10 : 30	UK	Retail sales (mom, %)	Aug			0,7
	16 : 00	EZ	Consumer confidence index (flash, points)	Sept		-2,0	-1,9
	16 : 00	US	Leading index (mom, %)	Aug		0,5	0,6
	16 : 00	US	Existing home sales (mom, %)	Aug		5 340	5 340
21. 1 : 30	JP	CPI (yoy, %)	Aug		-	0,9	
	1 : 30	JP	core-CPI (yoy, %)	Aug		0,9	0,8
	2 : 30	JP	Nikkei Manufacturing PMI (points)	Sept		-	52,5
	9 : 15	FR	Markit Manufacturing PMI (points)	Sept		53,2	54
	9 : 15	FR	Markit Service PMI (points)	Sept		55,2	55,4
	9 : 30	DE	Markit Manufacturing PMI (points)	Sept		55,7	55,9
	9 : 30	DE	Markit Service PMI (points)	Sept		55,0	55,0
	10 : 00	EZ	Markit Manufacturing PMI (points)	Sept		54,4	54,6
	10 : 00	EZ	Markit Service PMI (points)	Sept		54,5	54,4
	15 : 45	US	Markit Manufacturing PMI (points)	Sept			54,7
	15 : 45	US	Markit Service PMI (points)	Sept			54,8

\* preliminary data

Sources: Reuters, OTP Research

**Chief Economist**  
Gergely Tardos  
tardosg@otpbank.hu  
+36 1 374 7273

**Analyst**  
Orsolya Rátkai  
ratkaio@otpbank.hu  
+36 1 374 7270

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