

Treasury Sales Team

Head of Sales

Ottó Demjén

+36 1 288 7558

Otto.Demjen@otpbank.hu

Retail

Zsigmond Csillag

+36 1 288 7556

zsigmond.csillag@otpbank.hu

Attila Keresztyén

+36 1 288 7552

KeresztyenA@otpbank.hu

István Milán Nagy

+36 1 288 7554

milan.nagy@otpbank.hu

Frigyes Soós

+36 1 288 7571

SoosF@otpbank.hu

Institutional

Lóránt Fábán

+36 1 288 7572

Lorant.Fabian@otpbank.hu

Szilvia Lovas

+36 1 288 7545

LovasSz@otpbank.hu

János Mladoniczki

+36 1 288 7551

MladoniczkiJ@otpbank.hu

Corporate

Nóra Ilona Gordos

+36 1 288 7549

Nora.Ilona.Gordos@otpbank.hu

János Imrei

+36 1 288 7555

janos.imrei@otpbank.hu

Csinszka Kis-Böndi

+36 1 288 7544

Kis-bondics@otpbank.hu

Roxána Kosztelnik

+36 1 288 7541

roxana.kosztelnik@otpbank.hu

Edit Kovács Gyimóti

+36 1 288 7542

KovacsGyE@otpbank.hu



Daily Report

Summary

- Investors shrugged off the escalation of trade war.
- Tesla fell sharply; Volkswagen advanced.
- The MNB has prepared for the gradual normalization of monetary policy; required reserves will be the main monetary policy instrument.
- Crude oil prices crept higher.

China did not wait long before responding to Donald Trump's Monday evening announcement on imposing tariffs next week on a new group of goods imported from China. On Tuesday, China's finance ministry announced to impose 5% and 10% protective tariffs on additional USD 60 billion worth of American good, starting from 24 September.

But the key US indices marched higher, shrugging off the intensification of the trade war. The brightest of them was the Nasdaq100, whose weakest component, Tesla reversed 3.4% on the back of news that the US Department of Justice investigates the company because of Elon Musk's previous Twitter post, which suggested that the electric car maker may be delisted in the near future.

In Europe, Britain's FTSE100 inched down, while the CAC40 and the DAX could nudge higher. The latter's best performer, Volkswagen rallied 2.6%, as its supervisory committee discussed the next step for the stock exchange listing of Traton AG, which comprises its truck and bus divisions. Car manufacturers fared well in Europe, despite reports that German car manufacturers were under the European Commission's cartel examination.

The BUX ended Tuesday's trading 0.8% higher. MTelekom was the Hungarian blue chip to end in the red. In yesterday's auction of 3M discount treasury bills, the ÁKK put up for sale HUF 50 billion and sold HUF 68 billion government debt, at an average yield of 0.1%. On the secondary market, bond yields rose by six to eleven basis points.

The most important message of the MNB Monetary Council's statement following Tuesday meeting is that inflationary risks have moderated, and the inflation target is expected to be met in a sustainable manner in the second half of 2019, therefore monetary policy will remain loose, with no tightening before the middle of 2019. The central bank also announced to have prepared for the gradual and cautious normalization of monetary policy, by reviewing its instruments. The three-month deposit will be phased out, and required reserves will become the main monetary policy instrument instead. By the end of 2018, the interest rate swaps and the mortgage bond purchase programme will be phased out but the FX swap volumes will not be completely wound down. As a new instrument, the Funding for Growth Scheme Fixed facility will be introduced, with an aim to boost the share of fixed-interest-rate loans for the SME sector. Reports on the MNB's decision triggered an immediate sharp fall in the EUR/HUF, before a correction drove it back towards 323.9 (-0.3%). The MNB's latest Inflation Report did not change its forecasts for 2019; it expects 4.4% economic growth and 2.8% annual inflation.

A slight dollar firming pushed the EUR/USD down, to 1.17. The US 10Y bond yield was up six basis points, exceeding the psychologically important 3% mark (3.05%). The yields on German 10Y bonds rose by two basis points, to 0.48%.

Crude oil prices crept higher, with the Brent nearing 79 USD/barrel and the WTI growing by more than 1%, to USD 69.5 as Saudi Arabia said it would be happy with the Brent price above 80 USD/barrel. The prices of the most important industrial metals nudged higher, while precious metal prices modestly dropped.

In today's trading Asian markets started on a strong note and did not lose steam until the end of the day. The most important indices were seen 1% higher before the close. The USD/JPY barely moved as the Bank of Japan left its benchmark rate unchanged, as expected.

US housing market statistics are worth checking 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	2904,3	0,5	8,6	VIX	12,8	-6,5	16	WTI	69,5	0,9	15,1
	DOW	26247,0	0,7	6,2	US 2Y	2,80	1	91	Brent	79,03	1,3	18,2
	Nasdaq100	7494,4	0,8	17,2	US 10Y	3,05	5	64	Gold	1197,6	-0,2	-8,0
	DAX	12157,7	0,5	-5,9	GER 2Y	-0,53	1	10	Silver	14,12	-0,2	-16,7
	CAC40	5363,8	0,3	1,0	GER 10Y	0,48	2	6	EUR/USD	1,17	-0,2	-2,8
	FTSE 100	7300,2	0,0	-5,0	PT10Y	1,89	4	-4	EUR/GBP	0,89	0,0	-0,1
	FTSE MIB	21228,2	0,6	-2,9	IT 10Y	2,79	-8	79	EUR/NOK	9,52	-0,4	-3,4
	Stoxx600	378,7	0,1	-2,7	SP 10	1,53	2	-4	USD/CAD	1,30	-0,5	3,1
	- Banks	136,8	0,0	-17,1	ITRAXX	59,5	-1,2	32	AUD/USD	0,72	0,5	-7,5
	Nikkei 225	23686,0	1,0	4,0	JPY 2Y	-0,10	0	3	USD/JPY	112,35	0,5	-0,3
Regional	SSEC	2740,8	1,5	-17,1	JPY 10Y	0,12	1	7	GBP/USD	1,31	-0,1	-2,7
	RTS	1123,0	2,1	-2,7	RUS10	8,9	-1,0	17	USD/RUB	67,285	-1,2	16,7
	WIG20	2231,04	0,9	-9,4	POL 10	3,2	0,1	-2	EUR/PLN	4,29	-0,2	2,7
Hungary	PX50	1091,6	0,0	1,3	CZ10	2,2	0,1	42	EUR/RON	4,644	0,0	-0,7
	BUX	36111	0,8	-8,3	3M DKJ	0,20	0	17	EUR/HUF	323,63	-0,4	4,2
	OTP	9965	0,7	-7,0	1Y	0,60	5	55	USD/HUF	277,43	-0,1	7,2
	MOL	2890	1,5	-3,8	3Y	1,85	5	130	CHF/HUF	287,42	-0,3	8,5
	MTelekom	408	-0,2	-10,9	5Y	3,21	11	204	PLN/HUF	75,43	-0,1	1,5
	Richter	5100	1,0	-24,8	10Y	3,72	5	168	GBP/HUF	364,38	-0,4	4,3

* 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	0,9
19. 5 : 00	JP	Interest rate decision (%)	Sept	-0,1	-0,1	-0,1
10 : 30	UK	Inflation (yoy, %)	Aug		2,4	2,5
10 : 30	UK	Core inflation (yoy, %)	Aug		1,8	1,9
14 : 30	US	Housing starts (annualized monthly, '000s)	Aug		1 235	1 168
14 : 30	US	Building permits (annualized monthly, '000s)	Aug		1 310	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		-0,2	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		5 350	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		53,3	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		54,4	54,4
15 : 45	US	Markit Manufacturing PMI (points)	Sept		55,0	54,7
15 : 45	US	Markit Service PMI (points)	Sept		55,0	54,8

* preliminary data

Sources: Reuters, OTP Research

Chief Economist

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

Analyst

Beáta Váradi
varadibe@otpbank.hu
+36 1 374 7271

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