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Daily Report

Summary

- Stock markets fell as the sentiment changed quickly.
- The clock is ticking on Brexit negotiations, Europe's carmakers warn
- The Fed is committed to continue the tightening, the minutes of the latest meeting reveal.

The sentiment on advanced economies' equity markets reversed on Wednesday, when the benchmark indices closed down on both sides of the Atlantic. Erasing the day's 0.7% gain by the close, the Stoxx600 ended 0.4% in the red. In Europe, the losers of the day came from the automotive industry (BMW and Daimler fell 1% each, while Volkswagen reversed 0.3%), as vehicle sales fell sharply in September. This made Goldman Sachs expect that auto parts suppliers' results would deteriorate, as the European Automobile Manufacturers' Association warned of the possible negative implications of a hard Brexit on Europe's car manufacturing systems. The worst-performing individual name was German private health care company Fresenius, which nose-dived 16% after reporting shrinking profit and cutting its income outlook for this year. By contrast, Europe's tech sector excelled: investors appreciated the ASML (+3.5%) chipmaker's better-than-expected earnings, which benefited STMicroelectronics (+0.8%) as well.

The EU summit and the United Kingdom are in the focus of attention worldwide. It is reported that Prime Minister Theresa May is prepared to extend the interim period, while former PMs would prefer to request more time from the EU, for a new Brexit referendum. What makes a no-deal Brexit more likely is that Donald Tusk, the President of the European Council said on Tuesday that there was no cause for optimism regarding the agreement. The FTSE and the pound lost 0.5% yesterday, to which the better-than-expected inflation figure also contributed. A no-deal Brexit could cause significant swings on the pound's exchange rate, market players say. The euro also depreciated yesterday: the EUR/USD sank 0.6%, nearing 1.15. Italy's benchmark, the FTSE-MIB fell 1.3%. Some measures in Italy's budget draft may lead to a ballooning deficit and conflicts with the EU. The whole draft shall be forwarded to the Parliament by Saturday, and legislators have until the end of this year to approve it.

America's stock indices closed mixed: the Dow slipped 0.4%, while the S&P and the Nasdaq100 inched down a few basis points on Wednesday. The financial, health care, and telecom sectors' gains were almost entirely offset by other sectors' losses. Corporate earnings reports were in the focus on Wednesday. Netflix, which released its figures after market hours, grew by 5% yesterday, while IBM's discouraging quarterly figures dragged down the share price by 8%. UAL's stock price jumped nearly 6%, even though its quarterly figures missed analysts' forecasts but it raised its profit forecast for this year. The worse-than-expected housing statistics weighed on Home Depot's share price, which dropped 4%. The energy sector did not do well; the WTI fell by 3%, to less than 70 USD/barrel. The minutes of the Fed's latest meeting, published yesterday, revealed that decision-makers were committed to further interest rate hikes, which left its mark on the sentiment. The 10Y bond yields rose by a few basis points, to a seven-year high.

The Budapest Stock Exchange opened with gain but slid into the red by the end of Wednesday's trading. All Hungarian blue chips underperformed, except for the stagnant Richter. On the secondary market of Hungarian government securities, yields fell noticeably, by nine to ten basis points, at the long end of the yield curve. The sour sentiment left its mark on the forint: the EUR/HUF exceeded 322, up from the two-month low hit on Tuesday. The dollar's firming sent the USD/HUF above the 280 mark, which translates into 0.8% forint depreciation.

Asia's stock indices were seen in the red ahead of the close this morning. The Shanghai Composite fell 2%, the Hang Seng shed 0.4%, and the Nikkei slipped 0.8%. The yuan fell to its lowest this year.

Today the UK will release the September reading of retail sales statistics, and the USA will publish the CB Leading index. In Europe, the quarterly reports of Nestlé, SAP and Novartis may be of interest. Hungary's ÁKK will issue 1Y and 5Y bonds in today's auction.

	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	2809,2	0,0	5,1	VIX	17,4	-1,2	58	WTI	69,8	-3,0	15,4
	DOW	25706,7	-0,4	4,0	US 2Y	2,88	2	99	Brent	80,05	-1,7	19,7
	Nasdaq100	7278,6	0,0	13,8	US 10Y	3,18	2	77	Gold	1222,3	-0,1	-6,2
	DAX	11715,0	-0,5	-9,3	GER 2Y	-0,61	-1	3	Silver	14,61	-0,2	-13,8
	CAC40	5145,0	-0,5	-3,2	GER 10Y	0,46	-3	4	EUR/USD	1,15	-0,6	-4,1
	FTSE 100	7054,6	-0,1	-8,2	PT10Y	1,98	5	5	EUR/GBP	0,88	-0,1	-1,3
	FTSE MIB	19455,0	-1,3	-11,0	IT 10Y	3,55	9	155	EUR/NOK	9,45	0,2	-4,1
	Stoxx600	363,5	-0,4	-6,6	SP 10	1,66	1	9	USD/CAD	1,30	0,6	3,5
	- Banks	127,5	-0,9	-22,7	iTRAXX	73,3	1,1	62	AUD/USD	0,71	-0,4	-8,9
	Nikkei 225	22664,1	-0,6	-0,4	JPY 2Y	-0,11	0	2	USD/JPY	112,64	0,3	0,0
	SSEC	2509,8	-2,0	-24,1	JPY 10Y	0,15	1	10	GBP/USD	1,31	-0,5	-3,0
Regional	RTS	1162,8	-0,3	0,7	RUS10	8,6	0,2	13	USD/RUB	65,508	0,2	13,6
	WIG20	2199,53	-0,8	-10,6	POL 10	3,2	-1,4	-3	EUR/PLN	4,29	0,2	2,8
	PX50	1087,9	-0,1	0,9	CZ10	2,2	-1,1	42	EUR/RON	4,664	0,0	-0,3
Hungary	BUX	37399	-0,1	-5,0	3M DKJ	0,02	-2	-2	EUR/HUF	322,05	0,1	3,7
	OTP	10250	-0,3	-4,4	1Y	0,35	-1	30	USD/HUF	280,01	0,8	8,2
	MOL	3040	-0,7	1,2	3Y	1,76	-8	121	CHF/HUF	281,16	0,2	6,1
	MTelekom	392	-1,0	-14,4	5Y	3,29	-9	212	PLN/HUF	75,01	-0,1	1,0
	Richter	5390	0,0	-20,5	10Y	3,76	-12	171	GBP/HUF	366,95	0,1	5,0

* 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 10. 15.	9 : 00	HU	Construction output (yoy, %)	Jul	24,4	-	38,0
	14 : 30	US	Retail sales (mom, %)	Sept	0,1	0,6	0,1
	14 : 30	US	New York Fed Manufacturing index (points)	Oct	21,1	19,0	19,0
	16 : 00	US	Business inventories (mom, %)	Aug	0,5	0,5	0,60
16.	11 : 00	DE	ZEW Economic Sentiment (points)	Oct	-24,7	-12,0	-10,6
	14 : 00	HU	Interest rate decision (%)	Oct	0,9	0,9	0,9
	15 : 15	US	Industrial production (mom, %)	Sept	0,3	0,2	0,4
17.	10 : 30	UK	Inflation (yoy, %)	Sept	2,4	3	2,7
	10 : 30	UK	Core inflation (yoy, %)	Sept	1,9	2,0	2,1
	11 : 00	EZ	CPI (final, yoy, %)	Sept	2,1	2,1	2,0
	14 : 30	US	Housing starts (annualized monthly, '000s)	Sept	1 200	1 240	1 282
	14 : 30	US	Building permits (annualized monthly, '000s)	Sept	1 240	1 280	1 249
	20 : 00	US	FOMC Minutes	Sept	-	-	-
18.	10 : 30	UK	Retail sales (mom, %)	Sept			0,3
	16 : 00	US	Leading index (mom, %)	Sept		0,5	0,4
19.	1 : 30	JP	CPI (yoy, %)	Sept		-	1,3
	1 : 30	JP	core-CPI (yoy, %)	Sept		1,0	0,9
	4 : 00	CN	Industrial production (yoy, %)	Sept		6,0	6,1
	4 : 00	CN	Retail sales (yoy, %)	Sept		9,0	9,0
	4 : 00	CN	Infrastructural spending (yoy, %)	Sept		5,3	5,3
	4 : 00	CN	GDP (yoy, %)	Q3		6,6	6,7
	4 : 00	CN	GDP (qoq, %)	Q3		1,6	1,8
	9 : 00	HU	Gross wages (yoy, %)	Aug		-	12,8
	16 : 00	US	Existing home sales (mom, %)	Sept		5340	5340

* preliminary data

Sources: Reuters, OTP Research

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