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Daily Report

Summary

- Monday's trading sentiment was positive on both sides of the Atlantic as trade tensions between America and Asia had eased.
- The US yield curve's flattening continued; the inverted yield curve may predict recession.
- The sentiment reversed this morning in Asia where Japan and Hong Kong stood in the red.

Following the rise in Asia's stock indices, optimism ruled the equity markets of Europe and America on the first business day of the week. In Europe, the Stoxx600 rose by 1.0%, the FTSE gained 1.2%, and the DAX surged 1.9%. The agreement of the leaders of China and the USA at last weekend's G20 summit has significantly reduced trade war tensions. This did good to Germany's car manufacturers: BMW advanced 5.0%, Daimler jumped 4.1%, and Volkswagen moved forward 2.4%. Given China's huge commodity appetite, commodity producers had a good day: Antofagasta sky-rocketed 8%, Rio Tinto soared 4%, BHP Billiton shot up 6%, and Anglo American rallied 7%. The pick-up in oil prices lifted oil producers' share prices – in Europe, Total added 2.4%, BP gained 2.3%, and Shell grew by 1.5%.

The weekend's events also benefited America's stock markets. The Dow and the S&P gained 1.1% each, and the Nasdaq100 closed 1.6% higher. Among the S&P's sector indices, energy and tech outshined all peers. They were followed by the cyclical consumption and materials sectors. In the tech world, the NVidia and Micron Technologies chip makers surged 4% each. Amazon's share price bounced 5% higher, and that of Apple added 3.5%. Among classical industrial companies, Deere jumped 5%, while GE and Boeing went ahead 4% each. President Trump's Tweet on China's removing tariffs on US cars (which China has not confirmed) revved up American carmakers: GM advanced 4% and Ford went up 2%. In energy names, Exxon Mobil achieved more than 2% gain, and Chevron added 1.5%.

The benign sentiment also helped the CEE region's stock markets: Poland's WIG closed 1.7% higher, Hungary's BUX gained 1.2%, and the Czech PX upped 0.5%. All Hungarian blue chips gained: OTP grew 2.3%, Mol added 0.8%, while Richter and MTelekom rose by less than 0.5%.

On global currency markets, the dollar's slight weakening raised the EUR/USD to 1.1337. The GBP's continued depreciation pushed the GBP/USD 0.2% lower. In the benign global sentiment the forint's strengthening pushed the EUR/HUF well below the 323 line at one point on Monday. It closed at 322.45. The USD/HUF upped 0.7%.

The yields on German and US government bonds inched down on Monday. In a new development, the difference between 3Y and 5Y US bonds became negative, bringing about an inverted curve for the first time since 2007. The spread between 2Y and 10Y bond yields has significantly shrunk (by 15 basis points over the past month). An inverted yield curve has been a reliable predictor of recession. In Hungary, the benchmark bond yields at the long end of the curve (5Y-15Y) climbed 4–5 bps higher. In Monday's FX swap auction of the MNB, transactions amounted to HUF 200 bn, leaving the excess liquidity provided to Hungary's banking system at HUF 1,988 billion.

On Monday crude prices rose steeply after Canada announced to lower production. Saudi Arabia and Russia also hinted at extending production limits, ahead of OPEC's annual meeting, which begins on Thursday. Brent and WTI climbed 5% and 4% higher, respectively. In precious metals, gold price grew by 1%, and silver rose by 2%. On the London Metal Exchange, word on the easing of trade war tensions sent industrial metal prices higher, with copper and zinc rising 2%, and tin jumping 2.5%.

A mixed bag of macroeconomic data was released on Monday: The month/month gauge of US construction expenditure slightly dropped whereas economists projected an increase. On the other hand, the ISM manufacturing PMI, at 59.3, surpassed expectations.

The direction of trading reversed in this morning's session in Asia, where the key indices closed mixed. Japan's benchmarks fell, mainland China went up, but Hong Kong stood in the red. If China does not confirm the steps Washington mentioned, trade tensions could ultimately renew.

The Fed chair Jerome Powell's hearing at Congress will be postponed and the New York Stock Exchange will be closed on Wednesday, a national day of mourning in the honour of the late former US President George H.W. Bush.

	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	2790,4	1,1	4,4	VIX	16,4	-9,0	49	WTI	53,0	4,3	-12,4
	DOW	25826,4	1,1	4,5	US 2Y	2,83	2	94	Brent	61,69	5,1	-7,7
	Nasdaq100	7062,1	1,6	10,4	US 10Y	2,99	-2	58	Gold	1231,0	0,7	-5,5
	DAX	11465,5	1,8	-11,2	GER 2Y	-0,60	0	3	Silver	14,37	1,4	-15,2
	CAC40	5054,0	1,0	-4,9	GER 10Y	0,31	0	-12	EUR/USD	1,14	0,3	-5,4
	FTSE 100	7062,4	1,2	-8,1	PT10Y	1,81	-3	-12	EUR/GBP	0,89	0,5	0,4
	FTSE MIB	19622,4	2,3	-10,2	IT 10Y	3,14	-7	114	EUR/NOK	9,68	-0,5	-1,7
	Stoxx600	361,2	1,0	-7,2	SP 10	1,50	-1	-7	USD/CAD	1,32	-0,7	4,9
	- Banks	123,5	1,8	-25,2	iTRAXX	81,0	0,0	79	AUD/USD	0,74	0,5	-5,7
	Nikkei 225	22036,1	-2,4	-3,2	JPY 2Y	-0,13	0	1	USD/JPY	113,65	0,2	0,9
	SSEC	2665,4	0,4	-19,4	JPY 10Y	0,07	-1	2	GBP/USD	1,27	-0,2	-5,8
Regional	RTS	1154,2	2,5	0,0	RUS10	8,6	-0,9	13	USD/RUB	66,456	-0,9	15,3
	WIG20	2329,37	1,7	-5,4	POL 10	3,0	-0,4	-8	EUR/PLN	4,28	-0,4	2,4
	PX50	1073,7	0,5	-0,4	CZ10	2,1	0,2	37	EUR/RON	4,646	-0,1	-0,7
Hungary	BUX	40580	1,2	3,1	3M DKJ	0,06	0	2	EUR/HUF	322,45	-0,3	3,8
	OTP	11700	2,3	9,1	1Y	0,33	-1	28	USD/HUF	283,93	-0,6	9,7
	MOL	3190	0,8	6,2	3Y	1,29	3	74	CHF/HUF	284,50	-0,6	7,4
	MTelekom	451	0,2	-1,5	5Y	2,74	6	157	PLN/HUF	75,37	-0,1	1,5
	Richter	5650	0,4	-16,7	10Y	3,20	4	115	GBP/HUF	361,24	-1,1	3,4

* 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 12 3.	8 : 00	TR Inflation (yoy, %)	Nov	21,6	22,6	25,2
	9 : 00	HU Manufacturing PMI (points)	Nov	53,5	-	57,3
	16 : 00	US ISM Manufacturing PMI (points)	Nov	59,3	58,0	57,7
	16 : 00	US Construction expenditure (mom, %)	Oct	-0,1	0,4	0,0
	21 : 30	US Vehicle sales (annualized monthly, million)	Nov	17,5	17,3	17,6
5.	9 : 00	HU Retail sales (SA, first estimate, yoy, %)	Oct		-	5,40
	9 : 00	HU GDP (detailed, yoy, %)	Q3		4,8	4,8*
	11 : 00	EZ Retail sales (mom, %)	Oct		0,2	0,0
	14 : 00	PL Interest rate decision (%)	Dec		1,5	1,5
	14 : 15	US ADP non-farm employment (mom, '000s)	Nov			227
	16 : 00	US ISM non-Manufacturing PMI (points)	Nov		59,9	60,3
	16 : 15	US Jerome Powell testimony (Economic Committee)	-		-	-
	20 : 00	US Fed Beige Book	-		-	-
6.	8 : 00	DE Industrial orders (mom, %)	Oct		-0,4	0,30
	9 : 00	HU Industrial production (preliminary, yoy, %)	Oct		-	-0,6
	16 : 00	US Factory orders (mom, %)	Oct		-2,0	0,7
		OPEC Meeting	-		-	-
7.	8 : 00	DE Industrial production (mom, %)	Oct		0,3	0,2
	9 : 00	HU Trade balance (preliminary, monthly, EUR mn)	Oct		-	268,0
	10 : 00	HU International reserves (preliminary, EURbn)	Nov		-	24,7
	11 : 00	EZ GDP (detailed, yoy, %)	Q3		1,7	1,7*
	11 : 00	EZ GDP (detailed, qoq, %)	Q3		0,2	0,2*
	11 : 00	HU Fiscal balance (monthly, billion HUF)	Nov		-	-181,6
	14 : 30	US Unemployment rate (%)	Nov		3,7	3,7
	14 : 30	US Average earnings (yoy, %)	Nov		3,1	3,1
	14 : 30	US Average earnings (mom, %)	Nov		0,3	0,2
	14 : 30	US Non-farm payroll (mom, '000s)	Nov		205	250
	16 : 00	US Michigan Consumer confidence (preliminary, points)	Dec		97,0	97,5

* preliminary data

Sources: Reuters, OTP Research

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