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# Daily Report

### Summary

- The Hungarian budget plan targets a lower than expected deficit of 1% of GDP for 2020.
- Major stock market indices closed with gains.
- Jerome Powell's speech has calmed US equity markets.
- The ADP employment report is due out in the USA today.

Tuesday's sentiment was fairly positive on Western Europe's key stock markets. Fuelled by the rally of the auto industry and its suppliers, Germany's DAX excelled yesterday.

Growth and trade war fears were softened yesterday. Benefiting from Jerome Powell speech, Mexico's president and Mexico's foreign minister statement, US stock markets grew briskly, ending the day with strong gains. Federal Reserve Chairman Jerome Powell said Fed will closely monitoring the impact of trade talks between the U.S. and China for the U.S. economic outlook. Powell signaled ready to cut interest rates if necessary. Mexico's president Andres Manuel Lopez Obrador said he hopes to reach a deal with the U.S. before June 10 when Donald Trump would impose a 5% tariff on all imported goods from Mexico. Mexico's foreign minister seeing 80% odds to negotiate a solution.

The USD's weakening pushed the EUR/USD 0.3% higher. The US 10Y yield upped by 6 basis points to 2.13%.

The prices of Brent and WTI went higher.

The Eurozone's inflation slipped more than expected in May. Headline CPI fell to 1.2% from 1.7% in April, while core inflation fell to 0.8% from 1.3%., mainly due to the lower energy prices and the reversal of Easter timing effects.

A rally in the last trading hour helped the BUX (+0.1%) to close in the positive territory. The blue chips had modest gains except for Richter, which fell by 2.75%. The forint's continued firming sent the EUR/HUF below the 322 mark.

The budget bill for 2020, presented to Parliament yesterday, foresees a deficit target of 1% of GDP, which is 0.8 percentage points lower than the target for 2019 and 0.5 percentage points lower than the forecast of the Convergence Program. Markets welcomed the announcement so the HUF appreciated by 1 HUF yesterday against the EUR. The Government is trying to achieve a better-than-expected balance partly through more modest public investment spending and partly through further whitening measures to be specified later. In addition, the reserves in the budget reach 1% of GDP, which is sizeably larger than in previous years.

In Tuesday's auction of 3M discount Treasury bills, the ÁKK sold HUF 18.5 bn government debt, slightly less than it had planned. The average yield was 0.05%. On the secondary market, the long end of the yield curve inched up yesterday (1-13 basis points) in line with higher US yields.

In the USA, the ADP institute will publish non-farm employment change data; the report is often considered a precursor to official labour market statistics, due on Friday. The Fed will release its Beige Book 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	2803,3	2,1	11,8	VIX	17,0	-10,0	-33	WTI	53,5	0,4	17,8
	DOW	25332,2	2,1	8,6	US 2Y	1,87	3,3	-63	Brent	61,97	1,1	15,2
	Nasdaq100	7166,8	2,7	13,2	US 10Y	2,12	4,0	-57	Gold	1324,9	0,0	3,3
	DAX	11971,2	1,5	13,4	GER 2Y	-0,64	0,1	-5	Silver	14,82	0,3	-4,3
	CAC40	5268,3	0,5	11,4	GER 10Y	-0,21	-0,8	-45	EUR/USD	1,1251	0,1	-1,9
	FTSE 100	7214,3	0,4	7,2	PT10Y	0,74	-2,5	-98	EUR/GBP	0,8859	-0,2	-1,4
	FTSE MIB	20229,4	1,8	10,4	IT 10Y	2,53	-4,9	-25	EUR/NOK	9,7845	-0,1	-1,2
	Stoxx600	372,7	0,6	10,4	SP 10	0,67	-2,7	-75	USD/CAD	1,3390	-0,3	-1,8
	- Banks	112,0	2,3	-0,9	iTRAXX	66,5	-5,7	-24	AUD/USD	0,6990	0,2	-0,8
	Nikkei 225	20771,9	1,8	3,8	JPY 2Y	-0,22	-3,0	-8	USD/JPY	108,14	0,1	-1,3
	SSEC	2878,1	0,6	15,4	JPY 10Y	-0,13	-2,2	-13	GBP/USD	1,2696	0,3	-0,5
Regional	RTS	1307,6	-0,6	22,6	RUS10	7,9	-0,9	-10	USD/RUB	65,141	-0,3	-6,5
	WIG20	2233,75	-0,2	-1,9	POL 10	2,6	-0,3	-8	EUR/PLN	4,28	0,0	-0,3
	PX50	1053,8	0,4	6,8	CZ10	1,6	-0,2	-18	EUR/RON	4,729	0,0	1,7
Hungary	BUX	41157	0,1	5,2	3M DKJ	0,12	0,0	5	EUR/HUF	321,96	-0,3	0,3
	OTP	12260	0,8	8,6	1Y	0,29	1,0	-16	USD/HUF	286,01	-0,4	2,2
	MOL	3338	1,1	8,4	3Y	1,11	4,0	-15	CHF/HUF	288,14	-0,1	1,0
	MTelekom	422	0,4	-4,2	5Y	1,87	9,0	-66	PLN/HUF	75,21	-0,3	0,8
	Richter	5130	-2,7	-5,5	10Y	2,97	9,0	-7	GBP/HUF	362,80	-0,3	1,8

\* 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.
2019 6. 3.	2 : 30	JP Nikkei Manufacturing PMI (points)	May	49,8	-	49,6
	9 : 00	HU Manufacturing PMI (points)	May	57,9	-	54,9
	9 : 00	HU Industrial producer prices (yoy, %)	Apr	4,1	-	2,7
	9 : 00	TR Inflation (yoy, %)	May	18,7	19,1	19,5
	16 : 00	US Construction expenditure (mom, %)	Apr	0,0	0,5	0,1
	16 : 00	US ISM Manufacturing PMI (points)	May	52,1	53,3	52,8
4.	11 : 00	EZ CPI (flash, yoy, %)	May	1,20	1,3	1,7
	11 : 00	EZ Core CPI (flash, yoy, %)	May	0,8	0,9	1,3
	11 : 00	EZ Unemployment rate (%)	Apr	7,6	7,7	7,7
	15 : 45	US Jerome Powell speech	-	-	-	-
	16 : 00	US Factory orders (mom, %)	Apr	-0,8	-0,9	1,9
5.	9 : 00	HU Retail sales (first estimate, yoy, %)	Apr		-	5,9
	11 : 00	EZ Retail sales (mom, %)	Apr		-0,4	0,0
	14 : 00	PL Interest rate decision (%)	Jun		1,5	1,5
	14 : 15	US ADP non-farm employment (mom, '000s)	May		180	275
	16 : 00	US ISM non-Manufacturing PMI (points)	May		56,0	55,5
	20 : 00	US Fed Beige Book	Jun		-	-
6.	8 : 00	DE Industrial orders (mom, %)	Apr		0,1	0,6
	9 : 00	HU Industrial production (preliminary, yoy, %)	Apr		-	8,0
	11 : 00	EZ GDP (preliminary, yoy, %)	Q1		1,2	1,2
	11 : 00	EZ GDP (preliminary, qoq, %)	Q1		0,4	0,4
	13 : 45	EZ Interest rate decision (deposit rate, %)	Jun		0,0	0,0
	13 : 45	EZ Interest rate decision (lending rate, %)	Jun		-0,4	-0,4
	14 : 30	US Continuing jobless claims ('000s)	weekly		1660	1657
	14 : 30	US Initial jobless claims ('000s)	weekly		215	215
7.	8 : 00	DE Export (mom, %)	Apr		-0,9	1,5
	8 : 00	DE Industrial production (mom, %)	Apr		-0,4	0,5
	9 : 00	HU Inflation (yoy, %)	May			3,9
	9 : 00	HU Core-inflation (yoy, SA, %)	May			3,8
	9 : 00	HU Trade balance (preliminary, monthly, EUR mn)	Apr		-	644
	10 : 00	HU International reserves (preliminary, EURbn)	May		-	26,9
	11 : 00	HU Fiscal balance (monthly, billion HUF)	May		-	102,9
	14 : 30	US Average earnings (yoy, %)	May		3,2	3,2
	14 : 30	US Average earnings (mom, %)	May		0,3	0,2
	14 : 30	US Unemployment rate (%)	Apr		3,6	3,6
	14 : 30	US Non-farm payroll (mom, '000s)	Apr		185	263

Sources: Reuters, OTP Research

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