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# Daily Report

## Summary

- Modest gains in the European stock markets.
- US stock indices rose despite weak employment data.
- ECB holds meeting today.

European stock markets closed on Wednesday with modest gains, Stoxx600 edged higher by 0.4%, while DAX and FTSE added 0.1%. Italy's benchmark index FTSE/MIB lost 0.4% after the European Commission said Italy was in breach of EU fiscal rules due to its growing state debt and that justified a disciplinary procedure. Italian banks declined underperforming the European banking sector, UniCredit fell by 3.5%, BPM lost 2.2%. Beside banks basic resources firm also declined in Europe, while industrial goods and services stocks also sensitive to changes in growth outlook rose partly thanks to French aerospace company Dassault Aviation. The aircraft manufacturer rallied 5% yesterday after Goldman Sachs had upgraded the firm's stock to "Buy". Utility and real estate companies also rose on Wednesday. Investors were also active on the bond market, German 10Y benchmark yield sank 2bps, UK's 10Y Gilt declined 4bps, while Italy's 10Y bond yield lost 5bps.

Private businesses in the United States hired 27 thousand workers in May 2019, less than an expected 180 thousand and compared to April's downwardly revised 271 thousand rise. It was the smallest payroll increase since March 2010. Report from ADP also shows that the service-providing sector added 71 thousand jobs, while by contrast, the goods-producing sector shed 43 thousand jobs, mainly in the construction industry.

Despite worse than expected employment statistics stock indices in the Wall Street gained as optimistic expectations regarding a tariff agreement between the US and Mexico strengthened, while Jerome Powell's speech on Tuesday that reflected the Fed's accommodative stance fuelled rate cut hopes. Dow, S&P and Nasdaq100 equally added 0.8%. Among S&P sectors, only energy sector declined in yesterday's trading, while Real estate and utility companies and technology were the top gainers. Apple rose 1.6%, Microsoft gained 2.2%, while the cloud-based services provider salesforce.com jumped 5% after announced it expected better financial results this year than forecasted. S&P's top gainer Campbell Soup rallied 10%, the company raised its full-year profit outlook.

The dollar strengthened, the Bloomberg Dollar Spot Index added 0.3%, and EURUSD dipped 0.1%. The British pound lost 0.1% vs. dollar. The US 2Y benchmark yield sank 3bps, while the 10Y yield added 1bp.

In our region, Poland's WIG20 lost 0.5%, BUX dipped 0.2% and PX weakened by 0.1%. Only OTP gained among Hungarian blue chips, Mol declined 1.3%, MTelekom lost 0.8% and Richter decreased by 0.6%.

The HUF strengthened further, EURHUF sank below the level of 322 and closed at 321.36 on Wednesday. USDHUF oscillated in a tight range and closed at 286.3. Short term yields decreased modestly, while long term yields in the 5Y, 10Y and 15Y segment rose 1-2 bps. Hungarian Debt Management Agency sells 3, 5, and 10Y bonds today, total supply is expected to amount HUF 60 billions.

Crude oil prices fell further, WTI declined by 3.4% and Brent dipped 2.2% lower after the US crude stocks had unexpectedly increased in the last week of May.

Asian stock markets were mixed this morning, benchmark indices were mostly negative, but close to zero. Investors' sentiment has deteriorated since yesterday, tariff disputes are in the focus again. The yen strengthened 0.3% against the US dollar. S&P futures slightly declined.

Industrial orders in Germany rose by 0.3% MoM in April as expected, following an upwardly revised 0.8% rise in March, according to the latest statistics published this morning.

Hungarian Central Statistics Office published preliminary industrial production data this morning, according to the report industrial output grew by 6.3% YoY in April.

Eurozone's Q1 GDP statistics are scheduled to come out today, while ECB holds meeting.

We do not expect the ECB to change considerably its GDP and inflation forecasts for the time being, but the forward-looking guidance can be more pronounced through pushing the interest rate expectations. However, if the general economic situation in the euro area does not improve, some analysts believe that the restart of the bond purchase program can also be possible.

	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	2826,2	0,8	12,7	VIX	16,1	-5,2	-37	WTI	51,7	-3,4	13,8
	DOW	25539,6	0,8	9,5	US 2Y	1,84	-3,2	-66	Brent	60,63	-2,2	12,7
	Nasdaq100	7220,9	0,8	14,1	US 10Y	2,12	0,2	-57	Gold	1329,8	0,4	3,7
	DAX	11980,8	0,1	13,5	GER 2Y	-0,66	-1,9	-7	Silver	14,80	-0,1	-4,4
	CAC40	5292,0	0,5	11,9	GER 10Y	-0,22	-1,4	-47	EUR/USD	1,1219	-0,3	-2,2
	FTSE 100	7220,2	0,1	7,3	PT10Y	0,70	-4,2	-102	EUR/GBP	0,8844	-0,2	-1,6
	FTSE MIB	20155,7	-0,4	10,0	IT 10Y	2,49	-3,8	-29	EUR/NOK	9,8061	0,2	-1,0
	Stoxx600	374,1	0,4	10,8	SP 10	0,63	-3,4	-79	USD/CAD	1,3412	0,2	-1,6
	- Banks	111,8	-0,2	-1,1	iTRAXX	66,0	-0,8	-25	AUD/USD	0,6969	-0,3	-1,1
	Nikkei 225	20774,2	0,0	3,8	JPY 2Y	-0,21	1,1	-7	USD/JPY	108,45	0,3	-1,0
	SSEC	2835,2	-0,9	13,7	JPY 10Y	-0,12	0,6	-12	GBP/USD	1,2684	-0,1	-0,6
Regional	RTS	1303,4	-0,3	22,3	RUS10	7,8	-0,6	-10	USD/RUB	65,304	0,3	-6,3
	WIG20	2223,27	-0,5	-2,3	POL 10	2,5	-2,9	-11	EUR/PLN	4,28	0,0	-0,3
	PX50	1052,7	-0,1	6,7	CZ10	1,7	7,0	-12	EUR/RON	4,718	-0,2	1,4
Hungary	BUX	41074	-0,2	4,9	3M DKJ	0,12	0,0	5	EUR/HUF	321,68	-0,1	0,2
	OTP	12370	0,9	9,6	1Y	0,28	-1,0	-17	USD/HUF	286,54	0,2	2,4
	MOL	3296	-1,3	7,1	3Y	1,11	0,0	-15	CHF/HUF	287,84	-0,1	0,9
	MTelekom	418	-0,8	-5,0	5Y	1,88	1,0	-65	PLN/HUF	75,14	-0,1	0,7
	Richter	5100	-0,6	-6,1	10Y	2,97	0,0	-7	GBP/HUF	362,85	0,0	1,9

\* 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	8,5	-	5,9
	11 : 00	EZ Retail sales (mom, %)	Apr	-0,4	-0,4	0,0
	14 : 00	PL Interest rate decision (%)	Jun	1,5	1,5	1,5
	14 : 15	US ADP non-farm employment (mom, '000s)	May	27	190	275
	16 : 00	US ISM non-Manufacturing PMI (points)	May	56,9	56,0	55,5
	20 : 00	US Fed Beige Book	Jun	-	-	-
6.	8 : 00	DE Industrial orders (mom, %)	Apr	0,3	0,1	0,8
	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		190	263

Sources: Reuters, OTP Research

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