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Daily Report

Summary

- Mounting worries about recession caused a selloff on the stock markets of America and Europe.
- Trade war fears have not subsided.
- The Brexit standoff between the UK Parliament and the government is worsening
- Hungary's economy grew by 4.9% in Q2

America's stock markets fell massively on Wednesday. The S&P500 shrank by 2.9%, the Dow plunged 3%, and the Nasdaq100 dived 3.1%. One reason for the pessimism was that, for the first time in 12 years, the US yield curve turned negative, which investors interpreted as a precursor of a possible recession. The gloom was bolstered by unfavourable political developments like the intensifying trade conflict, the protests in Hong Kong, and Brexit concerns. All of the S&P500's eleven sector indices closed in negative territory – the energy and financial sectors were the worst performers; banking shares fell 4.1%.

Europe's stock markets also closed in the red: the FTSE100 dropped 1.4%, Stoxx600 fell 1.7%, CAC40 slipped 2.1%, and the DAX slid 2.2%. The disappointing German GDP data did not boost investors' risk appetite as Europe's economic powerhouse sank into technical recession in the second quarter. The biggest losers of the day were the technology (-3%) and automotive (-2.8%) sectors. In this unenthusiastic environment, Hungary's BUX closed 1.4% lower as Mol and Richter shrank 1% each, OTP slid 2.4%, and Magyar Telekom stagnated.

The USA-China trade conflict is far from being resolved. Even though Donald Trump delayed the introduction of new import tariffs on Chinese products, the Far-Eastern country did not offer concessions. On Tuesday President Trump stepped back from imposing 10% import tariff on thousands of Chinese products. Meanwhile the exacerbation of the trade war forced China to launch restrictions on gold imports – in June 2019 it imported only 57 tons of gold, down from 199 tons a year earlier, in a bid to hold back the dollar's outflow as its economy is deteriorating. In July, China's industrial production fell to 17-year low, indicating that the trade war hit its economy where it hurts.

Speaking in an interview, President Trump's national security advisor John Bolton said that the USA would 'enthusiastically' support a no-deal Brexit, and America is ready to sign a trade deal with Britain after its departure from the EU. In response, Nancy Pelosi, Democratic leader of the House of Representatives said: if Britain's exit undermines the Good Friday agreement in Northern Ireland, the House would not approve the USA-Britain trade agreement. In the United Kingdom, the rift between Parliament and the Government has widened. Prime Minister Boris Johnson accused Remain MPs of a 'terrible collaboration' with the EU to block Brexit, thereby increasing the likelihood that the UK will be forced to leave without a deal. Meanwhile a group of MPs is seeking legal remedy from a court to prevent Mr Johnson from suspending Parliament and thus forcing a no-deal withdrawal from the EU.

Amid the fall on stock markets, Donald Trump once again criticized the Fed's monetary policy. The Fed had raised interest rates too quickly last year, the US President said. Meanwhile Peter Navarro, trade advisor to the White House said in an interview that the Fed should reduce the benchmark rate by 0.5% as soon as possible. The President might be urging fed funds rate cuts because one of the key topics of his 2020 presidential campaign would be the economy's favourable position.

Amid trade war fears, government bond yields have fallen: the 2Y and 10Y US bond yields dived 9-10 bps, and the 10Y German Bund yield came down four points. In Hungary, the belly and the long end of the yield curve sank: yields on 3Y, 5Y, and 10Y bonds declined by 10, 17, and 22 basis points, respectively. Brent slid 3% and WTI slipped 2.8%. Fears of recession drove precious metal prices higher: gold gained 1% and silver surged 1.4%.

Hungary's economy expanded by 4.9% in the second quarter, whereas analysts had expected 4.6% growth. The 1.9% quarter/quarter expansion marks 0.3-percentage-point improvement from the previous quarter's growth rate.

Today the USA will publish important business indicators. Reports on trade war standoff and protests in Hong Kong are also worth keeping an eye on.

	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	2840,6	-2,9	13,3	VIX	22,1	26,1	-13	WTI	55,2	-2,8	21,6
	DOW	25479,4	-3,0	9,2	US 2Y	1,58	-9	-92	Brent	59,48	-3,0	10,6
	Nasdaq100	7490,1	-3,1	18,3	US 10Y	1,58	-10	-111	Gold	1516,1	1,0	18,2
	DAX	11492,7	-2,2	8,8	GER 2Y	-0,87	1	-28	Silver	17,21	1,4	11,1
	CAC40	5251,3	-2,1	11,0	GER 10Y	-0,65	-4	-90	EUR/USD	1,1138	-0,3	-2,9
	FTSE 100	7147,9	-1,4	6,2	PT10Y	0,19	-6	-153	EUR/GBP	0,9235	-0,3	2,8
	FTSE MIB	20020,3	-2,5	9,3	IT 10Y	1,52	-11	-126	EUR/NOK	10,0080	1,0	1,0
	Stoxx600	366,2	-1,7	8,4	SP 10	0,15	-6	-127	USD/CAD	1,3317	0,7	-2,3
	- Banks	97,7	-2,9	-13,6	iTRAXX	58,0	6,1	-34	AUD/USD	0,6747	-0,8	-4,3
	Nikkei 225	20405,7	-1,2	2,0	JPY 2Y	-0,28	-1	-14	USD/JPY	105,89	-0,8	-3,3
	SSEC	2801,7	-0,3	12,3	JPY 10Y	-0,24	-2	-24	GBP/USD	1,2059	0,0	-5,5
Regional	RTS	1259,7	-2,9	17,9	RUS10	7,4	0	-15	USD/RUB	66,074	1,8	-5,2
	WIG20	2078,39	-2,9	-8,7	POL 10	1,8	-6	-38	EUR/PLN	4,37	0,9	2,0
	PX50	1030,4	0,0	4,4	CZ10	0,9	-2	-53	EUR/RON	4,717	0,0	1,4
Hungary	BUX	40137	-1,4	2,6	3M DKJ	0,08	0	1	EUR/HUF	325,28	0,6	1,4
	OTP	12400	-2,4	9,8	1Y	0,12	0	-33	USD/HUF	291,97	0,9	4,4
	MOL	2970	-1,0	-3,5	3Y	0,45	-10	-81	CHF/HUF	300,05	1,1	5,1
	MTelekom	420	0,0	-4,5	5Y	0,76	-17	-177	PLN/HUF	74,46	-0,1	-0,2
	Richter	4838	-1,0	-10,9	10Y	1,55	-22	-149	GBP/HUF	352,25	1,1	-1,1

* 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 8. 12.	9 : 00	HU Construction output (YoY, %)	Jun	20,3	-	26,3
	20 : 00	US Federal budget balance (USDbn)	Jul	-120,0	-120,0	-8,0
13.	9 : 00	HU Industrial production (second estimate, YoY, %)	Jun	-1,4	-	-1,4*
	11 : 00	DE ZEW Economic Sentiment (points)	Aug	-44,1	-28,5	-24,5
	14 : 30	US CPI (YoY, %)	Jul	1,8	1,7	1,6
	14 : 30	US CPI (MoM, SA, %)	Jul	0,3	0,3	0,1
	14 : 30	US core-CPI (YoY, %)	Jul	2,2	2,1	2,1
14.	14 : 30	US core-CPI (MoM, SA, %)	Jul	0,3	0,2	0,3
	4 : 00	CN Infrastructural spending (YoY, %)	Jul	5,7	5,8	5,8
	4 : 00	CN Industrial production (YoY, %)	Jul	4,8	5,8	6,3
	4 : 00	CN Retail sales (YoY, %)	Jul	7,6	8,6	9,8
	8 : 00	DE GDP (flash, YoY, NSA, %)	Q2	0,0	-0,3	0,6
	8 : 00	DE GDP (preliminary, QoQ, SA, %)	Q2	-0,1	-0,1	0,4
	8 : 00	RO GDP (preliminary, YoY, %)	Q2	4,4	4,5	5,0
	9 : 00	CZ GDP (preliminary, YoY, %)	Q2	2,7	2,6	2,8
	9 : 00	HU GDP (preliminary, YoY, %)	Q2	4,9	4,6	5,3
	9 : 00	HU GDP (preliminary, QoQ, %)	Q2	1,9	-	1,5
	9 : 00	SK GDP (preliminary, YoY, %)	Q2	1,9	3,3	3,7
	10 : 00	PL GDP (preliminary, YoY, %)	Q2	4,4	4,5	4,7
	10 : 00	PT GDP (preliminary, QoQ, %)	Q2	0,5		0,5
	10 : 30	UK Inflation (YoY, %)	Jul	2,1	1,9	2,0
	10 : 30	UK Core inflation (YoY, %)	Jul	1,9	1,8	1,8
	11 : 00	EZ GDP (preliminary, YoY, %)	Q2	1,1	1,1	1,1*
	11 : 00	EZ GDP (preliminary, QoQ, %)	Q2	0,2	0,2	0,2*
11 : 00	EZ Industrial production (MoM, %)	Jun	-2,6	-1,4	0,9	
15.	10 : 30	UK Retail sales (MoM, %)	Jul		-0,2	1,0
	14 : 30	US Retail sales (MoM, %)	Jul		0,3	0,4
	14 : 30	US New York Fed Manufacturing index (points)	Aug		4,6	4,3
	14 : 30	US Continuing jobless claims ('000s)	weekly			1684
	14 : 30	US Initial jobless claims ('000s)	weekly		214	209
	15 : 15	US Industrial production (MoM, %)	Jul		0,1	0,0
	16 : 00	US Business inventories (MoM, %)	Jun		0,1	0,3
16.	14 : 30	US Housing starts (annualized monthly, '000s)	Jul		1257	1253
	14 : 30	US Building permits (annualized monthly, '000s)	Jul		1270	1232
	16 : 00	US Michigan Consumer confidence (preliminary, points)	Aug		97,2	98,4
		HU Fitch Ratings rating decision	-		-	BBB
	HU Standar & Poor's rating decision	-		-	BBB	

* preliminary data

Sources: Reuters, OTP Research

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