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# Daily Report

### Summary

- The advanced world's stock markets fell sharply on Tuesday.
- The probability of no-deal Brexit has increased.
- Reports on Northeast Syria affected the TRY.

The renewing trade conflict between China and the USA cast a shadow on the stock markets of the developed world yesterday, following US Secretary of Commerce Wilbur Ross' announcement that the Trump administration had blacklisted 28 Chinese companies and other entities, for their involvement in the repression of Uighurs and other Muslim minorities. The unsupportive sentiment temporarily improved as Jerome Powell's speech included reference to expanding the Fed's balance sheet and left the door open for an interest rate increase in October. The leading indices of Western Europe and America closed with painful losses.

The US dollar appreciated against the euro. America's and Germany's 10Y bond yields slipped three and two basis points, respectively.

Boris Johnson's government will not make a new proposal before the 31 October deadline if Britain's current proposal fails, British media sources say. According to a Downing Street source, Angela Merkel said to the British PM yesterday that she found it highly unlikely to reach an agreement with the current terms. Neither did the negotiation of Boris Johnson and the European Parliament's president David Sassoli bear fruit – all this adds to the probability of a no-deal Brexit. Accordingly, the pound weakened in the key currency pairs (EUR/GBP: +0.5%) even as MEPs are open to a new extension of the deadline.

Western Europe's pessimism left its mark on trading at the Hungarian stock exchange: the BUX closed 0.8% lower, as MTelekom was the only Hungarian blue chip to avoid losses. The forint weakened in the most important pairs.

In Tuesday's auction of 3M zero-coupon Treasury bills, the ÁKK sold the amount on offer, HUF 15 bn, at an average yield of -0.04%, and the bid/cover ratio exceeding 2.0. On the secondary market, bond yields rose by one to five basis points.

Hungary's consumer prices grew by 2.8% year/year in September, undershooting the market consensus (3%) and slightly exceeding our in-house forecast of 2.7%. Constant tax core inflation, a gauge closely watched by the MNB, rose to 3.4% (from 3.2% in August). In year/year comparison, the steepest rise was seen in alcoholic drinks, tobacco and food prices. The incoming data and the change in the external environment suggest that BUBOR interest rates will remain near the current level until 2020, and any further deterioration in the external environment may leave enough room to ease monetary conditions.

Recovering from Monday's sharp fall versus the euro and the dollar, the Turkish lira strengthened yesterday. The TRY's volatility stemmed from the conflicting information about a 'safe zone' to be set up in Northeast Syria. Initially, Donald Trump practically agreed to Turkey's plan to establish this safe zone, and then he threatened president Erdogan in a Twitter message to 'totally destroy and obliterate' the economy of Turkey if its measures are 'off limits'.

In sync with the worsening economic outlook, the price of the classical safe haven asset, gold, has gone up. Brent and WTI prices slipped.

Tuesday's pessimism on Wall Street left its mark on today's trading in Asia. Only China's Shanghai Composite could climb higher.

The USA will publish the minutes of the Fed's September meeting 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	2893,1	-1,6	15,4	VIX	20,3	13,5	-20	WTI	52,4	-1,0	15,4
	DOW	26164,0	-1,2	12,2	US 2Y	1,43	-4	-107	Brent	58,24	-0,2	8,3
	Nasdaq100	7604,3	-1,6	20,1	US 10Y	1,54	-1	-115	Gold	1505,3	0,8	17,3
	DAX	11970,2	-1,1	13,4	GER 2Y	-0,77	-1	-18	Silver	17,71	1,6	14,4
	CAC40	5456,6	-1,2	15,3	GER 10Y	-0,60	-2	-84	EUR/USD	1,0954	-0,1	-4,5
	FTSE 100	7143,2	-0,8	6,2	PT10Y	0,12	-3	-161	EUR/GBP	0,8964	0,5	-0,2
	FTSE MIB	21405,7	-1,1	16,8	IT 10Y	0,95	-1	-183	EUR/NOK	10,0393	0,1	1,3
	Stoxx600	378,7	-1,1	12,2	SP 10	0,14	-2	-129	USD/CAD	1,3324	0,1	-2,3
	- Banks	101,7	-1,6	-10,0	iTRAXX	59,4	2,4	-33	AUD/USD	0,6728	0,0	-4,6
	Nikkei 225	21456,4	-0,6	7,2	JPY 2Y	-0,32	0	-18	USD/JPY	107,07	-0,2	-2,3
SSEC	2919,7	0,2	17,1	JPY 10Y	-0,21	-1	-21	GBP/USD	1,2217	-0,6	-4,2	
Regional	RTS	1306,4	-1,0	22,2	RUS10	6,9	0	-22	USD/RUB	65,156	0,3	-6,5
	WIG20	2131,83	0,5	-6,4	POL 10	1,9	0	-33	EUR/PLN	4,32	-0,2	0,7
	PX50	994,1	-0,6	0,8	CZ10	1,3	-1	-35	EUR/RON	4,748	0,1	2,1
Hungary	BUX	39492	-0,8	0,9	3M DKJ	0,09	0	2	EUR/HUF	333,91	0,1	4,1
	OTP	12490	-0,8	10,6	1Y	0,09	0	-36	USD/HUF	304,49	0,3	8,9
	MOL	2820	-0,6	-8,4	3Y	0,47	1	-79	CHF/HUF	306,64	0,6	7,4
	MTelekom	439	0,8	-0,2	5Y	1,02	3	-151	PLN/HUF	77,23	0,3	3,5
	Richter	4774	-1,0	-12,1	10Y	1,92	5	-112	GBP/HUF	372,03	-0,4	4,4

\* 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.
2019	10. 7.	8 : 00	DE	Industrial orders (MoM, %)	Aug	-0,6	-0,3	-2,7
		9 : 00	HU	Industrial production (preliminary, YoY, %)	Aug	0,3	-	12,0
		10 : 00	HU	International reserves (preliminary, EURbn)	Sept	28,4	-	28,8
		10 : 30	EZ	Sentix Investor confidence (points)	Oct	-16,8	-13,0	-11,1
	8.	8 : 00	DE	Industrial production (MoM, %)	Aug	0,3	-0,1	-0,6
		9 : 00	HU	Inflation (YoY, %)	Sept	2,8	3,0	3,1
		9 : 00	HU	Core inflation (YoY, SA, %)	Sept	3,9	-	3,7
		11 : 00	HU	Fiscal balance (monthly, billion HUF)	Sept	207,2	-	-158,0
		17 : 50	US	Jerome Powell speech	Oct	-	-	-
	9.	9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	Aug		-50,0	204,0
		15 : 00	US	Jerome Powell panel discussion	Oct		-	-
		20 : 00	US	FOMC Minutes	Sept		-	-
	10.	8 : 00	DE	Export (MoM, SA, %)	Aug		-1,0	0,7
		10 : 30	UK	Industrial production (MoM, %)	Aug		-0,1	0,1
		13 : 30	EZ	ECB Minutes	Sept		-	-
		14 : 30	US	Continuing jobless claims ('000s)	weekly		1653	1651
		14 : 30	US	Initial jobless claims ('000s)	weekly		219	219
		14 : 30	US	CPI (YoY, %)	Sept		1,8	1,7
		14 : 30	US	CPI (MoM, SA, %)	Sept		0,1	0,1
		14 : 30	US	core-CPI (YoY, %)	Sept		2,4	2,4
	11.	14 : 30	US	core-CPI (MoM, SA, %)	Sept		0,2	0,3
		16 : 00	US	Michigan Consumer confidence (preliminary, points)	Oct		92,0	93,2

\*preliminary data

Sources: Reuters, OTP Research

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