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Daily Report

Summary

- Optimism ruled the world's stock markets in Thursday's session
- OTP has published its Q3 earnings report.
- There seem to be encouraging developments in the USA-China trade talks
- The European Commission has lowered its growth forecast.

Europe's stock markets climbed higher in Thursday's optimistic trading: Britain's FTSE100 inched up 0.1%, the Stoxx600 and France's CAC40 advanced 0.4% each, while Germany's DAX grew by 0.8%. The fifth consecutive day of up moves drove a number of benchmark indices to four-year highs yesterday – the positive developments in the USA-China trade talks helped a lot, as did the many cheering figures in corporate earnings reports. The stock price of Siemens rallied 4.9%, as the industrial giant's Q4 profit has beaten expectations. UniCredit's share price surged 6%, as the Italian bank announced its first share buy-back programme in more than a decade, following the favourable Q3 profit data. Lufthansa's stock price shot up 6.8%, on the back of cost reduction measures. In this optimistic environment, Hungary's BUX upped 0.7% as Mol advanced 1%, OTP gained 1.6%, while its other two blue chips, Richter (-0.8% and Magyar Telekom (-0.7%) fell. On the other side of the Atlantic, stock markets closed in positive territory, with the Nasdaq100 and the S&P500 rising 0.3% each, and the Dow marching 0.7% higher.

OTP Group's nine-month adjusted profit exceeded HUF 313.1 billion (+19% y/y), of which the Q3 adjusted profit made up HUF 110.5 billion, in a marginal (-2% q/q) drop, the Bank's Q3 report revealed. The 9M accounting ROE was at 21.1%, and the Q3 one was 24.9%. The 9M accounting profit grew by 29% y/y, to HUF 309.6 billion, of which the Q3 profit amounted to HUF 131.6 billion (+25% q/q). The HUF 21 billion volume of adjustment items in Q3 is largely attributable to the badwill relating to the acquisition of the acquisition in Serbia. The 24% y/y improvement in the operating profit (or +16%, without the acquisitions) stems from the strong increase in income (+18%) owing to the dynamic growth in loan volumes, and from the slowing rise in costs. Portfolio quality has further improved in q/q terms, and the ratio of Stage 3 loans dropped by 0.8 ppts, to 6.9%. Within the nine-month consolidated adjusted after-tax profit, the contribution of foreign subsidiaries has grown from 41% to 47%; it was nearing 50% in Q3. The newly acquired banks' contribution to the consolidated profit totalled HUF 19 billion until September. Given that the closing of the Serbian bank acquisition was completed at the end of September, only its balance sheet was consolidated. The fact data for Q3 2019 have exceeded analysts' consensus by a large margin: the accounting profit of HUF 131.6 billion was 26% higher than the forecast HUF 104.8 billion, and the adjusted profit of HUF 110.5 billion overshot the average projection of HUF 102.2 billion by 8%.

Encouragingly for the USA-China trade talks, China's ministry of trade said that the biggest two economies of the world were agreed to lower tariffs. An American official said that reducing tariffs may be only the first step of an overall trade agreement. However, according to unconfirmed reports, the Trump administration is divided over cutting tariffs, as some Republican policy-makers insist on further prerequisites for reducing tariffs.

Government bond yields rose across the board on Thursday, when the US 2Y and 10Y yields upped 7 bps and 11 bps respectively, and that on German Bund rose by 2.5 bps and 7.4 bps in that order. The US dollar's firming led the EUR/USD 0.1% lower. The forint's weakening drove the EUR/HUF 0.3% higher.

WTI and Brent grew by 1.4% and 0.9%, respectively. In precious metal prices, gold and silver dropped by 1.5% and 2.9% in that order.

The European Commission's Autumn Economic Forecast came with a downward revision of the eurozone's GDP growth 2019 forecast, to 1.2% (2019) and 1.1% (2020), down from 1.4% and 1.2%, respectively. The EC's report pointed out that, even though domestic demand remains favourable, downside risks have mounted, owing to trade war uncertainty, geopolitical tensions, the ailing manufacturing, and Brexit. Germany's exports data delivered positive surprise today: export volumes rose by 1.5% month/month in September, surpassing analysts' forecast of 0.4% uptick and the previous month's 1.8% contraction.

Hungary is to release CPI and industrial production statistics for October today. The University of Michigan is to publish its consumer sentiment index on the USA economy.

	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	3085,2	0,3	23,1	VIX	12,7	0,9	-50	WTI	57,2	1,4	25,9
	DOW	27674,8	0,7	18,6	US 2Y	1,68	7	-82	Brent	62,29	0,9	15,8
	Nasdaq100	8219,7	0,3	29,9	US 10Y	1,92	11	-77	Gold	1467,8	-1,5	14,4
	DAX	13289,5	0,8	25,9	GER 2Y	-0,61	3	-2	Silver	17,11	-2,9	10,5
	CAC40	5891,0	0,4	24,5	GER 10Y	-0,25	7	-50	EUR/USD	1,1049	-0,1	-3,7
	FTSE 100	7406,4	0,1	10,1	PT10Y	0,29	6	-143	EUR/GBP	0,8621	0,1	-4,0
	FTSE MIB	23503,0	0,6	28,3	IT 10Y	1,25	13	-152	EUR/NOK	10,0645	-0,8	1,6
	Stoxx600	406,6	0,4	20,4	SP 10	0,39	8	-103	USD/CAD	1,3169	-0,1	-3,4
	- Banks	116,7	1,2	3,2	iTRAXX	48,5	-1,5	-45	AUD/USD	0,6897	0,2	-2,2
	Nikkei 225	23391,9	0,3	16,9	JPY 2Y	-0,17	1	-4	USD/JPY	109,27	0,3	-0,3
SSEC	2965,1	-0,5	18,9	JPY 10Y	-0,06	3	-6	GBP/USD	1,2813	-0,3	0,4	
Regional	RTS	1487,0	1,1	39,1	RUS10	6,4	0	-27	USD/RUB	63,510	-0,4	-8,9
	WIG20	2272,17	0,7	-0,2	POL 10	2,1	5	-25	EUR/PLN	4,26	-0,1	-0,7
	PX50	1081,1	0,7	9,6	CZ10	1,6	6	-20	EUR/RON	4,757	0,0	2,3
Hungary	BUX	43598	0,7	11,4	3M DKJ	0,09	0	2	EUR/HUF	332,62	0,3	3,6
	OTP	14210	1,6	25,9	1Y	0,04	0	-41	USD/HUF	300,82	0,3	7,5
	MOL	3032	1,0	-1,5	3Y	0,44	-1	-82	CHF/HUF	302,65	0,3	6,0
	MTelekom	437	-0,7	-0,7	5Y	0,97	-2	-156	PLN/HUF	78,15	0,5	4,8
	Richter	5575	-0,8	2,7	10Y	2,03	0	-101	GBP/HUF	386,37	0,2	8,5

* 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	11. 4.	8 : 00	TR	Inflation (YoY, %)	Oct	8,6	8,6	9,3
		9 : 00	HU	Manufacturing PMI (points)	Oct	51,9	-	51,8
		10 : 30	EZ	Sentix Investor confidence (points)	Nov	-4,5	-13,8	-16,8
		16 : 00	US	Factory orders (MoM, %)	Sept	-0,6	-0,5	-0,1
	5.	16 : 00	US	ISM non-Manufacturing PMI (points)	Oct	54,7	53,5	52,6
	6.	8 : 00	DE	Industrial orders (MoM, %)	Sept	1,3	0,1	-0,6
		9 : 00	HU	Retail sales (YoY, SA, %)	Sept	6,3	-	5,8
		10 : 00	HU	Aggregated real house price index (Nat. Bank of Hungary)	Q2	161,2	-	157,9
		11 : 00	EZ	Retail sales (MoM, %)	Sept	0,1	0,1	0,3
		14 : 00	RO	Interest rate decision (%)	Nov	2,5	2,5	2,5
7.	8 : 00	DE	Industrial production (MoM, %)	Sept	-0,6	-0,4	0,3	
	11 : 00	EU	EC's Economic Forecast	-	-	-	-	
	13 : 00	CZ	Interest rate decision (%)	Nov	2,0	2,0	2,0	
	13 : 00	UK	Interest rate decision (%)	Nov	0,8	0,8	0,8	
	14 : 30	US	Continuing jobless claims ('000s)	weekly	1689,0	1683	1690	
	14 : 30	US	Initial jobless claims ('000s)	weekly	211,0	215	218	
	8.	8 : 00	DE	Export (MoM, SA, %)	Sept	1,5	0,4	-1,8
9 : 00		HU	Industrial production (preliminary, YoY, %)	Sept		-	0,3	
9 : 00		HU	Inflation (YoY, %)	Oct			2,8	
9 : 00		HU	Core inflation (YoY, SA, %)	Oct			3,9	
10 : 00		HU	International reserves (preliminary, EURbn)	Oct		-	28,4	
11 : 00		HU	Fiscal balance (monthly, billion HUF)	Oct			207,2	
16 : 00		US	Michigan Consumer confidence (preliminary, points)	Nov		95,9	95,5	

*preliminary data

Sources: Reuters, OTP Research

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This document was prepared on 08 November 2019.

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