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Daily Report

Summary

- Hungary's BUX fell; a number of Hungarian companies published Q1 reports
- Pessimism ruled Wednesday's trading on the world's stock markets
- The USA-China trade war reappeared; the Fed's chair expects slow recovery, companies' liquidity problems may turn into solvency crisis; the Fed ruled out negative interest rates
- Oil prices fell, gold rose; the HUF weakened against the EUR

The deteriorating trading sentiment left its mark on the CEE region; Hungary's BUX dropped nearly 2%

Wednesday's unenthusiastic trading on Europe's stock exchanges had an adverse impact on the CEE region too. Hungary's BUX dropped 1.8% as OTP lost 2.9%, MOL slid 2.4%, and Richter shed 1.1%. MTelekom (+1.3%) was its only blue chips to grow yesterday.

In Hungary, MTelekom, Rába, and Masterplast published their quarterly reports yesterday. MTelekom's Q1 figures were broadly in line with expectations: its revenue rose by 0.2% year/year, while the EBITDA barely changed. Net profit was HUF -0.8 billion. Rába's revenue fell by 20% in the first quarter, reflecting the effects of the pandemic. Masterplast's earnings skyrocketed to unprecedented heights in Q1, driven by strong demand in March. As a result, its sales, EBITDA and net income also jumped by more than 10%. Although the Q1 figures do not mirror the impact of the coronavirus, the management suspended dividend payments for this year, due to the expected effects. From next year, however, the original dividend payment schedule will be in force.

Investor sentiment in Western Europe's stock exchanges was not any better than in the USA. The DAX and the CAC slumped more than 2.5%, while the FTSE100 slipped 1.5%. In Europe, securities, banks, travel and automotive stocks underperformed. The shares of Germany's Commerzbank plunged 7.1% and those of the Dutch ABN Amro bank nosedived 9.1% after suffering losses in the first quarter due to the economic fallout from the pandemic. Deutsche Bank is to reduce executives' salaries by one month's amount; its shares shed more than 6% after the announcement. Aston Martin fell 16% after a revealing poor performance in Q1; its sales contracted by more than 30% owing to covid-19.

Concerns about the USA-China trade deal and the Fed chair's words weighed on US stock markets

America's stock indices fell yesterday, with the SP500 slipping 1.7%, and the NASDAQ100 falling 2.2%. The sour sentiment stemmed from several factors. First, the US-China trade war seems to be back. Even 100 trade deals cannot repair the damage caused by the 'Plague from China', President Trump tweeted yesterday. Several observers interpret the message as the first sign that America is pondering severe sanctions on China. On Wednesday, 14 Republican attorneys asked President Trump to hold China responsible for the damages caused by the spread of covid-19.

The Fed chairman's assessment of the current state of the US economy only added to pessimism. As several countries are easing lockdown measures and stock markets have risen sharply from their lows, the shape of the recovery, as well as its cost have come to the fore. The Fed's chairman Jerome Powell painted a darker picture than had been expected, explaining that the downturn might be the worst one since the World War II, and it will take some time for the recovery to gather momentum. During this period, the liquidity crisis of severely affected businesses could escalate into a debt crisis, and thus lead to large-scale corporate bankruptcies.

The International Air Transport Association does not expect air passenger traffic to return to pre-pandemic levels before 2023. A survey commissioned by IATA on the pandemic's impact suggests that passengers did not catch covid-19 during their flight. This could later be an argument for a restarting air traffic as soon as possible.

The EUR/HUF exceeded 353; precious metal prices rose, oil dropped

In Wednesday's auction of 3M discount treasury bills, Hungary's ÁKK sold the amount on offer (HUF 25 billion); the bid/cover ratio was nearing 4.0, and the average yield was set at 1.02%. The bid/cover ratio at the 7Y floating-rate bonds auction exceeded 3.0, yet the debt management agency sold the planned amount, HUF 10 billion. In the secondary market, short-term yields fell by 1-4 basis points; long-term yields barely changed.

In yesterday's 5Y loan tender, the MNB accepted bids for HUF 75 billion. There were also bids for the 3Y loans but did not lead to issuance on that maturity. The forint's 0.6% weakening pushed the EUR/HUF above 353.

The 10Y US yield sank 3 basis points to 0.65%, while German bond yields dropped 2 bps, to -0.53%. The EUR/USD closed at 1.08 as the euro weakened 0.3%.

Italy's government adopted a EUR 55 bn rescue package.

In Wednesday's trading, WTI dropped nearly 2% and Brent fell 2.6%. The price of gold rose by 0.8%, while that of silver upped 1.5%.

Today's Asian trading lacked risk appetite

The Nikkei was down 1.1% and China's SSEEC fell 0.5% this morning. Index futures suggest that Europe's and America's stock markets may open in negative territory. Gold, silver, and oil prices were slightly in negative territory this morning.

US initial jobless claims and the MNB's deposit tender are worth checking today

Analysts expect today's release of weekly US initial jobless claims to have jumped by 2.5 million. Revising its first forecast of 15%, Goldman Sachs now predicts that the unemployment rate may peak at around 25%.

In Hungary, construction output data are due today. In the afternoon, the MNB's one-week deposit tender reveals the extent to which the central bank sterilizes the liquidity provided to the banking system this week through government bonds purchases and 5Y loans.

	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	2820,0	-1,7	-12,7	VIX	35,3	6,8	156	WTI	25,3	-1,9	-58,6
	DOW	23248,0	-2,2	-18,5	US 2Y	0,16	-1	-140	Brent	29,19	-2,6	-55,8
	Nasdaq100	9000,1	-1,2	3,1	US 10Y	0,65	-3	-126	Gold	1715,3	0,8	13,1
	DAX	10542,7	-2,6	-20,4	GER 2Y	-0,74	-1	-14	Silver	15,64	1,5	-12,3
	CAC40	4345,0	-2,9	-27,3	GER 10Y	-0,53	-2	-34	EUR/USD	1,0816	-0,3	-3,5
	FTSE 100	5904,1	-1,5	-21,7	PT10Y	0,86	-6	41	EUR/GBP	0,8842	-0,1	4,6
	FTSE MIB	17183,4	-2,1	-26,9	IT 10Y	1,81	-9	38	EUR/NOK	11,000	-0,3	11,8
	Stoxx600	334,0	-1,9	-19,7	SP 10	0,82	-5	35	USD/CAD	1,4099	0,2	8,6
	- Banks	66,9	-4,0	-44,3	iTRAXX	83,9	0	90	AUD/USD	0,6454	-0,2	-8,1
	Nikkei 225	20049,4	-1,1	-15,2	JPY 2Y	-0,16	0	-4	USD/JPY	107,02	-0,1	-1,5
SSEC	2884,4	-0,5	-5,4	JPY 10Y	0,00	0	2	GBP/USD	1,2229	-0,2	-7,8	
Regional	RTS	1110,4	-2,4	-28,3	RUS10	5,9	0	-5	USD/RUB	73,903	0,4	19,4
	WIG20	1614,32	-0,5	-24,9	POL 10	1,3	-6	-37	EUR/PLN	4,56	0,0	7,2
	PX50	881,7	-1,0	-21,0	CZ10	0,7	-28	-54	EUR/RON	4,833	0,1	1,0
Hungary	BUX	34519	-1,8	-25,1	3M DKJ	0,83	-1	76	EUR/HUF	353,53	0,6	6,8
	OTP	9095	-2,9	-41,1	1Y	1,09	-4	101	USD/HUF	327,00	1,0	10,8
	MOL	2000	-2,4	-32,0	3Y	1,50	-2	114	CHF/HUF	336,52	0,9	10,5
	MTelekom	400	1,3	-10,3	5Y	1,58	1	33	PLN/HUF	77,56	0,9	-0,3
	Richter	6935	-1,1	8,1	10Y	2,06	1	-2	GBP/HUF	399,47	0,5	2,3

Sources: Reuters, OTP Research

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.	
2020 5. 11.	10 : 00	IT	Industrial production (m/m, SA, %)	Mar	-28,4	-20	-1,2
	15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-	43,91/1928	-	29,12/1928
	12. 13 : 00	HU	MNB gov't bond purchase auction (HUF bn)	-	25,0	-	50
	14 : 00	HU	MNB Monetary Council meeting, non-rate-setting	-	-	-	-
	14 : 30	US	CPI (YoY, %)	Apr	0,3	0,4	1,5
	14 : 30	US	CPI (MoM, SA, %)	Apr	-0,8	-0,8	-0,4
	14 : 30	US	core-CPI (YoY, %)	Apr	1,4	1,7	2,1
	14 : 30	US	core-CPI (MoM, SA, %)	Apr	-0,4	-0,2	-0,1
	20 : 00	US	Federal budget balance (USDbn)	Apr	-738	-747,5	-119,0
	13. 8 : 00	UK	GDP (preliminary, QoQ, %)	Q1	-2,0	-2,5	0,0
	8 : 00	UK	GDP (preliminary, YoY, %)	Q1	-1,6	-2,1	1,1
	9 : 00	HU	Industrial production (second estimate, YoY, %)	Mar	-5,6		-5,6*
	11 : 00	EZ	Industrial production (MoM, %)	Mar	-11,3	-12,1	-0,1
	15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-	75	-	60
	14. 9 : 00	HU	Construction output (YoY, %)	Mar		-	2,5
	14 : 30	US	Continuing jobless claims ('000s)	weekly		25100	22647
	14 : 30	US	Initial jobless claims ('000s)	weekly		2500	3169
	15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	842,7
	15. 4 : 00	CN	Infrastructural spending (YoY, %)	Apr		-10,0	-16,1
	4 : 00	CN	Industrial production (YoY, %)	Apr		2	-1,1
	4 : 00	CN	Retail sales (YoY, %)	Apr		-7,5	-15,8
	8 : 00	DE	GDP (QoQ, SA, preliminary, %)	Q1		-2,2	0,0
	8 : 00	DE	GDP (preliminary, YoY, %)	Q1		-1,6	0,3
	9 : 00	CZ	GDP (QoQ, %)	Q1			0,5
	9 : 00	HU	GDP (preliminary, QoQ, %)	Q1			1,0
	9 : 00	HU	GDP (preliminary, YoY, %)	Q1		2,0	4,5
	9 : 00	SK	GDP (preliminary, YoY, %)	Q1			2,0
	10 : 00	PL	GDP (preliminary, QoQ, %)	Q1			0,3
	10 : 30	PT	GDP (preliminary, QoQ, %)	Q1			0,7
	11 : 00	EZ	GDP (preliminary, QoQ, %)	Q1		-3,8	-3,8*
	11 : 00	EZ	GDP (preliminary, YoY, %)	Q1		-3,3	-3,3*
	14 : 30	US	Retail sales (MoM, %)	Apr		-12,0	-8,7
	14 : 30	US	New York Fed Manufacturing index (points)	May		-64	-78,2
	15 : 15	US	Industrial production (MoM, %)	Apr		-11,5	-5,4
	16 : 00	US	Business inventories (MoM, %)	Mar		-0,2	-0,4
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	May		68,0	71,8

* preliminary data

Sources: Reuters, OTP Research

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