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Daily Report

Summary

- Hungary's BUX dropped, Europe's key stock indices closed in the red
- Thursday's US trading sentiment was benign as White House hinted at the possibility of a new stimulus package
- Hungary's MNB accepted a record high amount in one-week forint deposits; government bond yields fell.
- A raft of Q1 GDP data will be out today.

Amid the unsupportive sentiment in Europe, Hungary's BUX fell 1.1%

In the unenthusiastic international investor sentiment, the BUX shed 1.1% on Thursday as OTP lost 2.4%, MTelekom fell 1.8%, MOL slipped 0.4%, and Richter closed flat.

Europe's stock markets ended Thursday deep in the red: the FTSE100 slid 2.8%, the Stoxx600 slumped 2.2%, the DAX shed 2% and the CAC40 sank 1.7%. Fears of a protracted economic crisis contributed to the pessimism, which sent the Stoxx600 to its three-week low. The gloominess stemmed from a number of announcements. On Wednesday, the Fed's Chairman Jerome Powell hinted at the worst recession since the end of World War II. The WHO warned it could take four to five years to defeat the coronavirus once and for all. US President Donald Trump said he was 'disappointed' with China's failing to contain covid-19. Equity markets were dragged down by the retail sector, but the automotive industry also reversed 2.8% as Peugeot and Fiat-Chrysler announced not to pay dividend from profits made in 2019. The banking sector (-0.7%) also performed poorly due to expected write-offs and the suspension of dividend payments. Airbus's share price descended 1.6% on reports that the aircraft giant was preparing for major reshuffle and layoffs.

On Thursday, Germany's Bundestag adopted a motion to allow the country to join the European Stability Mechanism's new loan programme (Pandemic Crisis Support Instrument - PCS) to support eurozone member states that were hit hard by the coronavirus crisis.

Gradual lifting of lockdown measures and hopes for a new economic stimulus fuelled optimism on US equity markets

US stock markets achieved impressive gains on Thursday. The Dow grew 1.6%, the S&P500 rose by 1.2%, and the Nasdaq100 advanced 1%. Across America, states are also phasing out restrictions, while a White House spokesman said President Trump was prepared to introduce a new stimulus package. This favourable development could offset fears about the USA-China trade war, as well as the market impact of initial jobless claims' nearing 3 million again data, beating analysts' expectations. Cisco Systems, the networking technology company rallied 4.2% as its net income surpassed analysts' expectations; amid the covid-19 pandemic, the widespread use of telework boosted demand for its products. Tesla's share price advanced 1.6% on news that a major technological breakthrough in the electric car battery technology may be around the corner.

Hungary's MNB accepted a record amount of 1W HUF deposits; strong demand at Thursday's bond auction

On Thursday, the MNB accepted a total of HUF 862.7 billion in one-week deposits from commercial banks. This is a record high amount, and reduced the liquidity provided to Hungary's banking system by HUF 20 billion week/week. The interest rate on deposits remained 0.9%, so the MNB has not changed the interest rate conditions by using this tool.

In Thursday's auction, the ÁKK offered 3Y, 5Y and 20Y government bonds. Bid/cover ratios of 1.6 (20Y), 3.0 (5Y), and 8+ (3Y) reflected strong demand. The average yields were at 2.48%, 1.46% and 1.34%, respectively. On the secondary market, yields fell 8-9 basis points (1Y and 3Y) and by 4 bps (5Y and 10Y bonds).

The EUR/HUF inched up 0.1% in Thursday's low-volatility trading.

Hungary's construction output contracted by 3.4% year/year in March. The construction of buildings rose by 0.3%, civil engineering volumes fell by 10%.

Yields on German and US 10Y government securities declined by 1.2 bps and 3.2 bps, respectively. In contrast, bond yields in eurozone's periphery rose by 1–4.8 basis points, partly owing to fears of a protracted crisis.

In commodities, WTI jumped 9% and Brent surged 6.6%, drawing closer to early-April levels. Lockdown measures are being relaxed in many major economies around the world, which, despite economic uncertainty, has improved expectations about global oil demand.

In Thursday's uneventful trading in FX markets, the dollar and the pound sterling both strengthened 0.1% against the euro. In a more significant shift, the rouble strengthened 0.7% against the dollar, largely supported by the rise in oil prices.

Asia's stock markets nudged higher this morning, reassuring IP data from China

In today's trading, China's SSEC rose by 0.2% and Japan's Nikkei225 edged 0.1% higher. In April, China's industrial production expanded by 3.9% year/year, wrong-footing analysts who had predicted 1.5%. On the other hand, retail sales plunged 7.5% and infrastructure investment nose-dived 10.3%, missing economists' forecasts.

Several major economies publish Q1 GDP data today

Many important economies release first-quarter economic growth data today, and so will Hungary. This important string of data can provide a more accurate picture of how severely the beginning pandemic hit economies, and it can provide guidance on the true depth of the recession. However, only the Q2 GDP statistics will paint a more accurate picture of the latter. Today's release of US retail statistics for April may provide further information as to the depth of the recession. Separately, the May confidence indicators from the USA may already reflect the impact of relaxing lockdown measures.

	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	2852,5	1,2	-11,7	VIX	32,6	-7,6	137	WTI	27,6	9,0	-54,9
	DOW	23625,3	1,6	-17,2	US 2Y	0,15	-1	-141	Brent	31,13	6,6	-52,8
	Nasdaq100	9094,4	1,0	4,1	US 10Y	0,62	-3	-129	Gold	1729,3	0,8	14,0
	DAX	10337,0	-2,0	-22,0	GER 2Y	-0,74	0	-15	Silver	15,87	1,5	-11,0
	CAC40	4273,1	-1,7	-28,5	GER 10Y	-0,54	-1	-35	EUR/USD	1,0804	-0,1	-3,6
	FTSE 100	5741,5	-2,8	-23,9	PT10Y	0,91	5	46	EUR/GBP	0,8834	-0,1	4,5
	FTSE MIB	16867,8	-1,8	-28,2	IT 10Y	1,82	2	40	EUR/NOK	10,970	-0,3	11,5
	Stoxx600	326,7	-2,2	-21,4	SP 10	0,83	1	36	USD/CAD	1,4048	-0,4	8,2
	- Banks	65,9	-1,5	-45,1	iTRAXX	87,8	0	99	AUD/USD	0,6461	0,1	-8,0
	Nikkei 225	20078,2	0,1	-15,1	JPY 2Y	-0,17	0	-4	USD/JPY	107,24	0,2	-1,3
SSEC	2875,5	0,2	-5,7	JPY 10Y	0,00	0	2	GBP/USD	1,2226	0,0	-7,8	
Regional	RTS	1103,0	-0,7	-28,8	RUS10	5,8	-2	-7	USD/RUB	73,386	-0,7	18,5
	WIG20	1579,16	-2,2	-26,6	POL 10	1,3	-5	-40	EUR/PLN	4,56	-0,2	7,0
	PX50	859,0	-2,6	-23,0	CZ10	0,7	0	-55	EUR/RON	4,839	0,1	1,1
Hungary	BUX	34145	-1,1	-25,9	3M DKJ	0,83	0	76	EUR/HUF	353,84	0,1	6,9
	OTP	8875	-2,4	-42,5	1Y	1,01	-8	93	USD/HUF	327,67	0,2	11,0
	MOL	1992	-0,4	-32,2	3Y	1,41	-9	105	CHF/HUF	336,79	0,1	10,6
	MTelekom	393	-1,8	-11,9	5Y	1,54	-4	29	PLN/HUF	77,53	0,0	-0,4
	Richter	6935	0,0	8,1	10Y	2,02	-4	-6	GBP/HUF	399,70	0,1	2,4

* 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.	
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	-3,4	-	2,5
	14 : 30	US	Continuing jobless claims ('000s)	weekly	22833	25100	22647
	14 : 30	US	Initial jobless claims ('000s)	weekly	2981	2500	3169
	15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-	862,7	-	842,7
	15. 4 : 00	CN	Infrastructural spending (YoY, %)	Apr	-10,3	-10,0	-16,1
	4 : 00	CN	Industrial production (YoY, %)	Apr	3,9	2	-1,1
	4 : 00	CN	Retail sales (YoY, %)	Apr	-7,5	-7,0	-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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