

OTP Morning Brief



- *Equity markets made gains on both sides of the Atlantic on Friday.*
- *The USA's tightened export rules, targeting Huawei's suppliers, brought back trade war fears.*
- *US retail sales and manufacturing fell by stronger-than-expected, double-digit rates.*
- *The USD has appreciated; expectations stemming from opening up borders have sent crude oil prices higher*

Western Europe's stock markets posted gains, the BUX dropped on Friday

Europe's stock indices achieved gains on Friday: the FTSE closed 1.0% higher, the DAX advanced 1.2%, and the Stoxx600 upped 0.5%, driven by the materials and automotive sectors. The optimism stemmed from Friday morning's release of a better-than-expected, 3.9% year/year growth in China's industrial production but the sentiment deteriorated in the afternoon when the USA announced export controls that limit Huawei's access to American technology; this move brought fears of Sino-US trade war to the fore again. In Europe, Germany's Dialog Semiconductor and STMicroelectronics chipmakers shrank 3.3% and 3% respectively. The Stoxx600 Europe fell 3.8% over the past week, in its sharpest weekly loss since mid-March.

The CEE region's stock indices closed mixed, with Poland's WIG dropping 0.4%, Hungary's BUX dipping 0.3%, and the Czech PX rising 1.0%. In Hungary, OTP shed 0.3%, Richter slipped 0.7%, and MTelekom lost 2.0%. Mol, the only blue chip to advance, added 0.2%.

US stock indices ended in positive territory

Concerns about the intensifying Sino-US tensions and the weaker-than-expected retail and manufacturing output data could not keep America's stock indices from rising on Friday. One reason for the improving sentiment may be that the Democratic-majority House of Representatives passed the bill on a new three-trillion-dollar package, including USD 1,000 billion earmarked for local governments, to alleviate the economic fallout from covid-19. The Dow upped 0.3%, the S&P rose by 0.4%, and the Nasdaq100 climbed 0.6% higher. Nevertheless, most indices fell in week/week comparison: the Dow shrank 2.7%, the S&P lost 2.3%, and the Nasdaq100 contracted by 0.7%. Among the S&P sector indices, communications and cyclical consumption sectors were the strongest performers, but the non-cyclical consumption, materials, health care and technology sectors also outperformed. At sector level, utilities and financial services were the weakest links. Following the Huawei-related announcement, the chip maker LAM Research slumped more than 6% and KLA slid in excess of 5%. Elsewhere in the corporate world, J.C. Penney's skyrocketed 21% after making USD 17 million outstanding interest payment on its loan, one day after reports that the retail chain was set to file for bankruptcy in few days' time.

America's largest pension fund has published Q1 portfolio reorganization documents it had filed with the US Securities and Exchange Commission (SEC); it had reduced stake in Facebook, Bank of America, and Walt Disney while increasing its share in Verizon. Elsewhere, Warren Buffett's fund cut back its exposure to Goldman Sachs by 84%, and significantly reduced its stake in JPMorgan Chase.

International government bond yields rose, the USD firmed, crude oil and silver prices soared on Friday

Friday's slight forint weakening led the EUR/HUF 0.2% higher; the USD/HUF inched up 0.1%, exceeding the 328 mark. Hungary's long-term bond yields declined 1–3 basis points on Friday.

The dollar's strengthening pushed the EUR/USD to 1.0820 by the end of Friday. Concerns that another Brexit deadlock is looming have weakened the pound; the GBP/USD rose nearly 1%, to 1.2116.

The US 10Y yield upped two basis points, Germany's 10Y Bund yield edged one basis point higher, and the British 3Y yield rose by two basis points. In the eurozone's periphery, the 10Y bond yield of Italy (+5 bps), Spain (+1 bp), Portugal (+2 bps) and Greece (+2 bps) all grew.

Crude oil prices hit their highest level since March, with WTI jumping 6.8%, and Brent surging 4.4%, to 32.5 USD/barrel. As more and more countries open their borders, or plan to do so, hopes for growing demand are on the rise. In precious metals, gold (0.9%) and silver (5.7%) prices both increased.

US retail sales fell sharply; manufacturing output also contracted stronger than expected

In the USA, the headline retail sales index fell by a much-stronger-than-expected 16.4% month/month in April, while the figure excluding car purchases contracted by more than 17%. Industrial production plunged 11.5% compared to March, which was better than the forecast, but the 13.7% month-on-month decline in manufacturing output was much larger than expected. Beating economists who had expected a decline, the May reading of the University of Michigan's consumer sentiment index has grown, driven by an improvement in the assessment of the current economic conditions, while the expectations sub-index was lower than in April. The survey reflected a marked increase in inflation expectations.

Friday's release of Germany's preliminary first-quarter GDP data signal a slightly-smaller-than-expected decline of 2.2% quarter/quarter. Germany's finance minister is planning a budget supplement of EUR 100 bn, the Spiegel news magazine reported.

What is worth checking today

In today's optimistic trading in Asia, most benchmark stock indices ended in positive territory. The Nikkei went up 0.5%; Japan's first-quarter GDP statistics show a smaller-than-expected decline of 0.9% from the previous quarter. In year/year terms, the Japanese economy contracted by 3.4%, whereas economists had expected 4.6% fall. China's Shanghai Composite grew by 0.7% and Hong Kong's Hang Seng rose by 0.4% this morning.

This morning's rise in Europe's and the USA's index futures points to growth.

This week's important economic data from Europe and America and US could be indicative of the extent of Q2 economic downturn in the USA and the eurozone. The USA will publish housing starts and building permits statistics on Tuesday. Later in the week, the UK and eurozone will publish PMIs (Purchasing Managers' Indices) and US employment statistics may be in the focus of investors' attention.

Hungary's MNB holds FX swap tender today; the expiring maturity is HUF 54 billion.

	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	2863,7	0,4	-11,4	VIX	31,9	-2,2	131	WTI	29,5	7,1	-51,7
	DOW	23685,4	0,3	-17,0	US 2Y	0,15	0	-141	Brent	32,50	4,4	-50,8
	Nasdaq100	9152,6	0,6	4,8	US 10Y	0,64	2	-127	Gold	1741,0	0,7	14,8
	DAX	10465,2	1,2	-21,0	GER 2Y	-0,73	1	-14	Silver	16,62	4,7	-6,8
	CAC40	4277,6	0,1	-28,4	GER 10Y	-0,53	1	-34	EUR/USD	1,0815	0,1	-3,5
	FTSE 100	5799,8	1,0	-23,1	PT10Y	0,88	-3	43	EUR/GBP	0,8933	1,1	5,7
	FTSE MIB	16852,4	-0,1	-28,3	IT 10Y	1,85	3	43	EUR/NOK	11,071	0,9	12,5
	Stoxx600	328,2	0,5	-21,1	SP 10	0,84	2	37	USD/CAD	1,4108	0,4	8,6
	- Banks	65,8	-0,2	-45,2	iTRAXX	90,0	0	104	AUD/USD	0,6414	-0,7	-8,6
	Nikkei 225	20142,6	0,3	-14,9	JPY 2Y	-0,17	-1	-5	USD/JPY	107,02	-0,2	-1,5
SSEC	2886,3	0,6	-5,4	JPY 10Y	-0,01	-1	1	GBP/USD	1,2104	-1,0	-8,7	
Regional	RTS	1107,5	0,4	-28,5	RUS10	5,6	-4	-11	USD/RUB	73,317	-0,1	18,4
	WIG20	1572,55	-0,4	-26,9	POL 10	1,2	-3	-42	EUR/PLN	4,56	0,2	7,2
	PX50	867,4	1,0	-22,2	CZ10	0,8	6	-52	EUR/RON	4,839	0,0	1,1
Hungary	BUX	34046	-0,3	-26,1	3M DKJ	0,83	0	76	EUR/HUF	354,31	0,1	7,0
	OTP	8850	-0,3	-42,6	1Y	1,00	-1	92	USD/HUF	327,50	-0,1	11,0
	MOL	1995	0,2	-32,1	3Y	1,39	-2	103	CHF/HUF	336,97	0,1	10,6
	MTelekom	385	-2,0	-13,7	5Y	1,52	-2	27	PLN/HUF	77,56	0,0	-0,3
	Richter	6875	-0,9	7,2	10Y	2,01	-1	-7	GBP/HUF	397,45	-0,6	1,8

* 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. 18.	1 : 50	JP	GDP (QoQ, %)	Q1	-0,9	-1,2	-1,8
		15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-	-	-	54/1928
	19.	8 : 00	UK	Unemployment rate (%)	Mar		4,4	4,0
		11 : 00	DE	ZEW Economic Sentiment (points)	May		33,5	28,2
		13 : 00	HU	MNB gov't bond purchase auction (HUF bn)	-		-	25,0
		14 : 30	US	Housing starts (annualized monthly, '000s)	Apr		908	1216
		14 : 30	US	Building permits (annualized monthly, '000s)	Apr		1040	1350
		16 : 00	US	J. Powell's and S. Mnuchin's testimony at the Senate	-		-	-
	20.	8 : 00	UK	Inflation (YoY, %)	Apr		0,9	1,5
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-		-	75,0
		16 : 00	EZ	Consumer confidence (point)	May		-23,4	-22,7
		20 : 00	US	FOMC Minutes	Apr		-	-
	21.	10 : 30	UK	Manufacturing PMI (points)	May		34,0	32,6
		10 : 30	UK	Service PMI (points)	May		24,0	13,4
		13 : 00	TR	Interest rate decision (%)	May			8,8
		14 : 30	US	Continuing jobless claims ('000s)	weekly			22 833
		14 : 30	US	Initial jobless claims ('000s)	weekly			2981
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	862,7
		15 : 45	US	Markit Manufacturing PMI (points)	May		37,5	36,1
		15 : 45	US	Markit Service PMI (points)	May		30,0	26,7
		16 : 00	US	Existing home sales (MoM, %)	Apr		4300	5270
		16 : 00	US	Leading index (MoM, %)	Apr		-5,7	-6,7
		20 : 30	US	Jerome Powell speech	-		-	-
	22.	1 : 30	JP	CPI (YoY, %)	Apr			0,4
		1 : 30	JP	core-CPI (YoY, %)	Apr		-0,1	0,4
		9 : 15	FR	Markit Manufacturing PMI (points)	May		36,0	31,5
		9 : 15	FR	Markit Service PMI (points)	May		30,0	10,2
		9 : 30	DE	Markit Manufacturing PMI (points)	May		40,0	34,5
		9 : 30	DE	Markit Service PMI (points)	May		26,0	16,2
		10 : 00	EZ	Markit Manufacturing PMI (points)	May		38,0	33,4
		10 : 00	EZ	Markit Service PMI (points)	May		25,0	12,0
		10 : 30	UK	Retail sales (MoM, %)	Apr		-16,0	-5,1

* preliminary data

Sources: Reuters, OTP Research

Chief Economist
Gergely Tardos
tardosg@otpbank.hu
+36 1 374 7273

Analyst
Orsolya Rátkai
ratkaio@otpbank.hu
+36 1 374 7270

Global Markets Team

Individual Investment Sales Desk

Zsigmond Csillag
Head of Department
+36 1 288 7556
zsigmond.csillag@otpbank.hu

Frigyes Soós
+36 1 288 7571
SoosF@otpbank.hu

Pál András Saághy
+36 1 288 7553
Pal.Andras.Saaghy@otpbank.hu

Botond Varga
+36 1 288 7552
Botond.Varga@otpbank.hu

Tamás Szabó
+36 1 288 7512
Tamas.Szabo.1@otpbank.hu

Institutional Sales Desk

Attila Preisz
Head of Department
+36 1 288 7526
Attila.Preisz@otpbank.hu

János Mladoniczki
+36 1 288 7551
MladoniczkiJ@otpbank.hu

Zoltán Ballai
+36 1 298 4945
Zoltan.Ballai@otpbank.hu

Markets Corporate Sales Desk

János Imrei
Head of Department
+36-1-288-7555
Janos.Imrei@otpbank.hu

Nóra Ilona Gordos
+36 1 288 7549
Nora.Ilona.Gordos@otpbank.hu

Roxána Kosztelnik
+36 1 288 7541
roxana.kosztelnik@otpbank.hu

Edit Kovács Gyimóti
+36 1 288 7542
KovacsGyE@otpbank.hu

Anna Almási
OTP Trader
+36 1 298 3169
AlmasiA@otpbank.hu

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