

# OTP Morning Brief



- *The BUX closed higher on Tuesday.*
- *Europe's key stock markets ended mixed.*
- *Wall Street's indices fell yesterday.*
- *The EUR/HUF sank below 350.*
- *Gold price hit seven-year high.*

## Europe's key markets closed mixed, the BUX upped 0.4%

Rising 0.4%, the BUX's outdid its regional peers on Tuesday. Its blue chips closed mixed; OTP topped Monday's gain by more than 2% yesterday. Hungary's Parliament passed a bill under which the Mathias Corvinus Collegium foundation receives 10% stakes in Richter and Mol each.

There were 330,000 registered jobseekers in Hungary at the end of April, 50,000 more than in the previous month, said Sándor Bodó, State Secretary for Employment Policy at the Ministry of Innovation and Technology.

Monday's significant gains were followed by a sour trading day in Europe, where only the DAX could preserve some of the gains until the end of the day. Hackers stole millions of customers' data from easyJet's database, the company said yesterday, promising to notify affected travellers by 26 May. Renault reached a deal on a five-billion-euro state-backed loan, Reuters reported.

## Wall Street in the red

US stock indices also turned red as investors became less certain about the clinical test of Moderna's coronavirus vaccine, the initial results of which had fuelled optimism on Monday. There seems to be insufficient evidence that the drug is successful. The Dow (-1.6%) suffered the sharpest loss. All of the S&P's sector indices closed in red, with energy and finance being the weakest performers.

The United States released disappointing housing market data: building permits fell to a five-year low in April, and housing starts slid more than 35,000 from the previous month.

At his testimony before Senate, Chairman Jerome Powell reiterated that the Fed would do everything in its power to mitigate the negative economic effects of the coronavirus crisis. The gradual recovery of the economy has already begun, US Treasury Secretary Steven Mnuchin said at the Senate hearing. Donald Trump announced a USD 16 billion rescue package, to help the agriculture. There will be no further stimulus to follow the USD 2,000 bn package, and the previous programmes are being evaluated, said Senate leader Mitch McConnell, a Republican, after his meeting with President Trump.

## The forint strengthening led the EUR/HUF below 350

In Tuesday's auction of 3M discount T-Bills, Hungary's ÁKK sold the amount on offer (HUF 30 billion), with the bid/cover ratio exceeding 2.0. The average yield of 0.78% was lower than last week's 0.93%. On the secondary market, most yields upped trivially. The list of 6M benchmark securities will change today, and the 20Y benchmark will be introduced, with a fixed annual interest rate of 3%.

At the third government securities purchase auction of the MNB's asset purchase programme, the 2041/A 20Y bond was included in the asset purchases. The amount of bonds purchased was less than last week's HUF 25 billion and the first auction's HUF 50 billion. This indicates that the MNB does not want to buy too much in the current low-yield environment and growing markets. The forint's continued firming pushed the EUR/HUF below 350.

The 10Y US yield fell three basis points, to 0.71%, while the German Bund yield rose two basis point, to -0.46%. Ending a day of ups and downs, the EUR/USD closed 0.1% higher. The euro benefited from Monday's German-French proposal to support the hardest-hit EU member states, from a 500-billion-euro recovery

fund, mostly in the form of grants. This could be the first step towards a future fiscal union. The announcement also had an impact on southern member states' government securities: Italy's 10Y bond yield fell six basis points, and that of Spain dropped nine.

The price of gold hit a seven-year high of 1,744 USD/ounce as investors doubt if the economy's recovery will be rapid. Brent fell, unlike WTI.

### **Trading in Asia lacked enthusiasm**

Reflecting the uncertainty on US markets, Asia's leading indices closed mixed this morning. Hong Kong's Hang Seng and mainland China's Shanghai Composite sank, while Japan's Nikkei225 inched up. The USD opened on a strong note versus the yen.

### **Today's highlights**

The MNB holds a 5Y collateralized loan tender today.

Elsewhere, the eurozone's Consumer Confidence Index for May will be out today. The Fed is to publish the minutes of its April rate decision.

	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	2922,9	-1,0	-9,5	VIX	30,5	4,2	122	WTI	32,5	2,1	-46,8
	DOW	24206,9	-1,6	-15,2	US 2Y	0,17	-1	-139	Brent	34,65	-0,5	-47,5
	Nasdaq100	9298,5	-0,4	6,5	US 10Y	0,71	-3	-120	Gold	1743,8	0,7	15,0
	DAX	11075,3	0,1	-16,4	GER 2Y	-0,67	3	-8	Silver	17,40	1,3	-2,4
	CAC40	4458,2	-0,9	-25,4	GER 10Y	-0,46	2	-27	EUR/USD	1,0921	0,1	-2,6
	FTSE 100	6002,2	-0,8	-20,4	PT10Y	0,77	-14	32	EUR/GBP	0,8914	-0,4	5,4
	FTSE MIB	17034,5	-2,1	-27,5	IT 10Y	1,65	-6	22	EUR/NOK	10,900	-0,4	10,8
	Stoxx600	339,5	-0,6	-18,4	SP 10	0,72	-9	25	USD/CAD	1,3941	0,1	7,4
	- Banks	69,6	-0,5	-42,1	iTRAXX	84,0	0	90	AUD/USD	0,6536	0,2	-6,9
	Nikkei 225	20639,1	1,0	-12,8	JPY 2Y	-0,16	0	-4	USD/JPY	107,68	0,3	-0,9
	SSEC	2893,1	-0,2	-5,1	JPY 10Y	0,00	0	2	GBP/USD	1,2251	0,5	-7,6
Regional	RTS	1177,2	0,8	-24,0	RUS10	5,5	0	-12	USD/RUB	72,499	-0,2	17,1
	WIG20	1640,18	0,1	-23,7	POL 10	1,4	4	-35	EUR/PLN	4,55	-0,3	6,9
	PX50	868,9	-1,1	-22,1	CZ10	1,0	25	-39	EUR/RON	4,839	0,0	1,1
Hungary	BUX	35452	0,4	-23,1	3M DKJ	0,83	0	76	EUR/HUF	349,63	-0,8	5,6
	OTP	9595	2,4	-37,8	1Y	0,99	-1	91	USD/HUF	319,96	-1,0	8,4
	MOL	2056	-1,2	-30,1	3Y	1,35	1	99	CHF/HUF	329,75	-1,5	8,2
	MTelekom	389	0,9	-12,8	5Y	1,53	3	28	PLN/HUF	76,97	-0,5	-1,1
	Richter	6930	-0,9	8,0	10Y	1,96	4	-12	GBP/HUF	392,67	-0,8	0,6

\* 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 (preliminary, QoQ, %)	Q1	-0,9	-1,2	-1,8
	15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-	53,8/1929	-	54/1928
	19. 8 : 00	UK	Unemployment rate (%)	Mar	3,9	4,4	4,0
	11 : 00	DE	ZEW Economic Sentiment (points)	May	51,0	32,0	28,2
	13 : 00	HU	MNB gov't bond purchase auction (HUF bn)	-	15,0	-	25,0
	14 : 30	US	Housing starts (annualized monthly, '000s)	Apr	891	927	1216
	14 : 30	US	Building permits (annualized monthly, '000s)	Apr	1074	1000	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		-24,0	-22,7
	20 : 00	US	FOMC Minutes	Apr		-	-
	21. 10 : 30	UK	Manufacturing PMI (points)	May		36,0	32,6
	10 : 30	UK	Service PMI (points)	May		25,0	13,4
	13 : 00	TR	Interest rate decision (%)	May		8,3	8,8
	14 : 30	US	Continuing jobless claims ('000s)	weekly		24765	22 833
	14 : 30	US	Initial jobless claims ('000s)	weekly		2400	2981
	15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	862,7
	15 : 45	US	Markit Manufacturing PMI (points)	May		38,0	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		-5,5	-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		36,1	31,5
	9 : 15	FR	Markit Service PMI (points)	May		27,8	10,2
	9 : 30	DE	Markit Manufacturing PMI (points)	May		39,2	34,5
	9 : 30	DE	Markit Service PMI (points)	May		26,6	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

Sources: Reuters, OTP Research

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