

OTP Morning Brief



- *The BUX continued its winning streak yesterday*
- *Global stock markets ended in positive territory*
- *The EUR/HUF moved sideways near 350*
- *Commodity and precious metal prices grew*
- *Lufthansa may receive state aid*

Western Europe's and the CEE region's stock markets closed with gains

Hungary's BUX rose by 0.5%, while Poland's WIG20 gained 0.8% on Wednesday. Hungarian blue chips ended mixed: OTP went up 1.1%, Richter closed 0.6% higher, MOL barely changed, while MTelekom slipped 0.3%.

In Western Europe, Germany's DAX advanced 1.3%, France's CAC40 grew by 0.9%, and Britain's FTSE100 surged 1.1%. Lufthansa may receive a rescue package of nearly EUR 10 bn from the German state, Der Spiegel reported. In return, Germany would acquire 25% + 1 share voting right in the airline, and delegate two people to the supervisory board. Currently, 90% of the airline's fleet is grounded. Elsewhere, Rolls Royce announced cutting 9,000 jobs (17% of its workforce), due to the decline in air traffic.

In March, the turnover of Germany's restaurants and hotels contracted by 45% and 51%, respectively, amid the lockdown measures imposed on 18 March. Elsewhere, a number of EU member states have reservations about the German-French proposal for EUR 500 bn fiscal aid, EUObserver reported. The European Commission finds it too little, while members states that are net contributors would prefer loans, rather than grants. This suggests that adopting and implementing the proposal will take some time.

Slovenia has adopted a EUR 1 billion economic stimulus package.

The USA's key indices rose, small-cap shares fared particularly well

In the benign trading sentiment, the USA's S&P500 rose 1.7%, and the Nasdaq100 gained 2%. Importantly, the index of US small-cap stocks, Russel2000 (3%) once again outperformed the S&P500. Within the latter, the energy, finance and telecommunications sectors outperformed, while non-cyclical consumer goods and healthcare names underperformed yesterday.

The minutes of the Fed's latest rate decision meeting came as a reminder that the recovery could be slower than expected and that the central bank intends to pursue an accommodative monetary policy until the end of the epidemic. The Fed reiterated that further fiscal measures were needed if the economy deteriorates further. The idea of introducing forward guidance or yield curve controls (like the Bank of Japan), was also discussed but no decision was made.

EUR/HUF moved sideways near 350

In Wednesday's collateralized loan tender, the MNB accepted HUF 75 billion of the HUF 304 billion bids submitted, only at the 5Y maturity, just like last week. Together with next week's settlement, the total volume will approach HUF 970 billion.

The EUR/HUF closed nearly flat yesterday, but the USD/HUF sank 0.5%, due to a shift in the EUR/USD.

Yields on 10Y bonds of the USA, Germany, and Italy all declined slightly on Wednesday. The UK issued a 3Y government bond with negative interest rate, for the first time in its history. The dollar weakened 0.5% against the euro and 0.2% versus the yen. In the commodity market, raw materials and precious metals rose again. The price of Brent surged 3.2%. The price of copper rose by 1.7%, gold added nearly 0.3% while silver marched nearly 0.6% higher yesterday.

Pessimism on Asia's stock markets

Asia's stock markets lacked a single direction today. Japan's Nikkei shed 0.2%, while mainland China's SSEEC inched up. In China, the annual parliamentary session, which begins on Friday, is expected to announce important economic targets and fiscal stimulus measures. Accordingly, low volatility and a wait-and-see approach characterized Asia's stock markets. Japan's exports plunged nearly 22% year/year in April, while imports fell 7.2%. Exports to the USA contracted by 37.8%, and vehicles exports nose-dived nearly 66%. These figures mirror the sharpest fall since October 2009.

Taking advantage of low oil prices, China began to boost its oil reserves, CNBC reported. People in Chinese cities continued to stock up food. By April, China's meat imports had sky-rocketed 82% in year/year comparison; pork prices have almost doubled. On average, food prices rose by almost 15% year-on-year.

Index futures suggest that Europe and America may open with slight loss today. This morning precious metal prices were heading down, while oil was rising.

Today's highlights

The MNB holds a one-week deposit tender today. It will reveal what share of the excess liquidity provided to Hungary's financial system at Tuesday's bond purchases and Wednesday's collateralized credit auctions is sterilized.

Purchasing Managers' Indices are due out from the UK and USA; America will release initial jobless claims and other economic data today.

	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	2971,6	1,7	-8,0	VIX	28,0	-8,3	103	WTI	33,5	3,1	-45,1
	DOW	24575,9	1,5	-13,9	US 2Y	0,16	-1	-140	Brent	35,75	3,2	-45,8
	Nasdaq100	9485,0	2,0	8,6	US 10Y	0,68	-3	-123	Gold	1749,0	0,3	15,3
	DAX	11223,7	1,3	-15,3	GER 2Y	-0,67	0	-8	Silver	17,50	0,6	-1,9
	CAC40	4497,0	0,9	-24,8	GER 10Y	-0,47	-1	-28	EUR/USD	1,0977	0,5	-2,1
	FTSE 100	6067,2	1,1	-19,6	PT10Y	0,76	0	32	EUR/GBP	0,8965	0,6	6,0
	FTSE MIB	17213,1	1,0	-26,8	IT 10Y	1,64	-1	21	EUR/NOK	10,877	-0,2	10,6
	Stoxx600	342,8	1,0	-17,6	SP 10	0,72	0	25	USD/CAD	1,3900	-0,3	7,0
	- Banks	70,6	1,5	-41,2	iTRAXX	81,6	0	85	AUD/USD	0,6597	0,9	-6,0
	Nikkei 225	20594,9	-0,2	-12,9	JPY 2Y	-0,17	-1	-5	USD/JPY	107,51	-0,2	-1,0
SSEC	2887,7	0,1	-5,3	JPY 10Y	0,00	-1	2	GBP/USD	1,2239	-0,1	-7,7	
Regional	RTS	1225,5	4,1	-20,9	RUS10	5,4	-1	-13	USD/RUB	71,005	-2,1	14,7
	WIG20	1652,64	0,8	-23,1	POL 10	1,4	-1	-35	EUR/PLN	4,53	-0,3	6,5
	PX50	878,6	1,1	-21,2	CZ10	0,8	-20	-51	EUR/RON	4,840	0,0	1,1
Hungary	BUX	35636	0,5	-22,7	3M DKJ	0,83	0	76	EUR/HUF	349,58	0,0	5,6
	OTP	9700	1,1	-37,1	1Y	0,99	0	91	USD/HUF	318,26	-0,5	7,8
	MOL	2056	0,0	-30,1	3Y	1,37	2	101	CHF/HUF	330,01	0,1	8,3
	MTelekom	388	-0,3	-13,0	5Y	1,53	0	28	PLN/HUF	77,15	0,2	-0,9
	Richter	6970	0,6	8,7	10Y	1,97	1	-11	GBP/HUF	390,60	-0,5	0,1

* 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	0,8	0,9	1,5
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-	75,0	-	75,0
		16 : 00	EZ	Consumer confidence (point)	May	-18,8	-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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