

# OTP Morning Brief



- *The BUX fell on Thursday*
- *Pessimism ruled global equity markets*
- *The HUF firmed to two-month high*
- *The USA-China diplomatic conflict escalated*
- *Some major economies released cheering PMIs*

## Europe's stock markets had a gloomy trading day; the BUX ended in the red

In the unsupportive sentiment on global stock markets, Hungary's BUX shed 0.4% as Magyar Telekom fell 0.9%, MOL slid 0.8%, Richter dropped 0.4% and OTP closed flat.

In Europe, Germany's DAX slipped 1.4%, France's CAC40 slid 1.1%, Britain's FTSE100 dipped 0.9%, and the Stoxx600 closed 0.7% lower. One reason for the pessimism was fear that US-China diplomatic relations deteriorate. At sector level, banks, energy and tech companies were the weakest performers. The shares of the Dutch-based Altice Europe telecommunications company fell 13.8% after reporting a worse-than-expected first-quarter profit. In contrast, the aviation sector took off, following news that Lufthansa may receive a large state aid. The German company's stock price surged 2.7% in Thursday's trading. EasyJet's shares shot up 4.4% after the UK-based low-cost airline announced to restart some of its flights on 15 June.

## America's key indices closed in the red; the USA-China diplomatic tension added to uncertainty

In Thursday's pessimistic sentiment, the NASDAQ100 slumped 1.1%, the S&P500 sank 0.8%, and the Dow dropped 0.4%.

Diplomatic tensions between the USA and China continue to escalate after President Trump said the USA would react very decisively if China tries to gain more control over Hong Kong. Previously, China announced plans to introduce a new national security law in Hong Kong. The relationship between the two great powers began to intensify over the treatment of the coronavirus, reinforcing investors' angst that the trade war conflict may resurface.

Speaking in an interview, the US Treasury Secretary hinted at the need for another stimulus programme. Last week, the Democratic-majority lower house of Congress passed another USD 3 trillion fiscal stimulus bill on Friday. However, the Republican-dominated Senate would prefer to wait and see. Analysts say a new package of measures is expected to be agreed during the bipartisan talks in June.

## The EUR/HUF hit two-month low

The forint's firming led the EUR/HUF 0.6% down, to a two-month low of 347.5. The EUR weakened 0.3% vs. the USD and 0.1% against the GBP.

In Thursday's auction of 3Y, 5Y, and 10Y government bonds, bid/cover ratios were at 6.0, 1.1, and 1.25 respectively; average yields ranged from 1.2% to 1.9%.

By accepting all bids in yesterday's one-week deposit tender, the MNB removed HUF 751.8 billion liquidity from Hungary's financial system, less than the previous week's 862.7 bn.

On the secondary market of Hungarian bonds, the 3Y benchmark yield dropped 10 bps, those of the 5Y and 10Y instruments rose by 2 and 3 bps, respectively. On global bond markets, only the German Bund changed noticeably, with the 2Y bond yield dropping 2.4 bps, and the 10Y one declining 3.3 bps.

WTI and Brent prices grew by 1.2% and 0.9%, respectively. In contrast, gold and silver prices dropped 1.4% and 2.5%, in that order.

## **US initial jobless claims hit 2.4 mn; many economies' PMI data beat expectations**

Last week, 2.4 million initial jobless claims were filed in the USA, in line with analysts' expectations but less than the 6.87 million reported at the end of March.

A number of major economies released Purchasing Managers' Indices on Thursday. Having bottomed out in April, confidence indicators for May signified improvement across the board, even if they remained well below 50, pointing to recession. The services sector bounced back remarkably, mostly exceeding analysts' consensus. The only exception, Germany's manufacturing PMI, where the May reading of 36.8 missed analysts' expectation of 39.2.

The April reading of the US leading index contracted by 4.4% relative to March, up from -6.7% in the previous month's reading, and wrong-footing analysts who had forecast 5.5% fall.

### **Today's highlights**

Asia's markets traded in negative territory today. Mainland China's SSEC slipped 1.3%, and Japan's Nikkei225 lost 1.2%. For the first time since 1990, China abandoned its annual GDP growth target, and did not set new target for this year. The budget deficit target was raised to 3.6%, from 2.8%.

The UK will publish the April gauge of retail statistics today. Elsewhere, any development about the USA-China diplomatic tensions relating to Hong Kong are worth keeping an eye on.

	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	2948,5	-0,8	-8,7	VIX	29,5	5,5	114	WTI	33,9	1,2	-44,4
	DOW	24474,1	-0,4	-14,2	US 2Y	0,17	1	-139	Brent	36,06	0,9	-45,4
	Nasdaq100	9378,0	-1,1	7,4	US 10Y	0,68	0	-123	Gold	1725,2	-1,4	13,7
	DAX	11065,9	-1,4	-16,5	GER 2Y	-0,69	-2	-10	Silver	17,06	-2,5	-4,3
	CAC40	4445,5	-1,1	-25,6	GER 10Y	-0,50	-3	-31	EUR/USD	1,0949	-0,3	-2,3
	FTSE 100	6015,3	-0,9	-20,2	PT10Y	0,77	0	32	EUR/GBP	0,8957	-0,1	5,9
	FTSE MIB	17087,1	-0,7	-27,3	IT 10Y	1,63	0	21	EUR/NOK	10,882	0,0	10,6
	Stoxx600	340,3	-0,7	-18,2	SP 10	0,71	-1	24	USD/CAD	1,3952	0,4	7,4
	- Banks	68,9	-2,5	-42,7	iTRAXX	78,0	0	76	AUD/USD	0,6564	-0,5	-6,5
	Nikkei 225	20353,4	-1,2	-14,0	JPY 2Y	-0,18	0	-5	USD/JPY	107,61	0,1	-0,9
SSEC	2830,4	-1,3	-7,2	JPY 10Y	0,00	0	2	GBP/USD	1,2222	-0,1	-7,8	
Regional	RTS	1206,3	-1,6	-22,1	RUS10	5,5	0	-13	USD/RUB	70,815	-0,3	14,4
	WIG20	1637,84	-0,9	-23,8	POL 10	1,4	1	-34	EUR/PLN	4,51	-0,5	6,0
	PX50	869,7	-1,0	-22,0	CZ10	0,8	-1	-52	EUR/RON	4,838	0,0	1,1
Hungary	BUX	35495	-0,4	-23,0	3M DKJ	0,83	0	76	EUR/HUF	347,50	-0,6	5,0
	OTP	9700	0,0	-37,1	1Y	0,98	-1	90	USD/HUF	317,82	-0,1	7,7
	MOL	2040	-0,8	-30,6	3Y	1,27	-10	91	CHF/HUF	327,77	-0,7	7,6
	MTelekom	385	-0,9	-13,8	5Y	1,55	2	30	PLN/HUF	76,96	-0,2	-1,1
	Richter	6940	-0,4	8,2	10Y	2,00	3	-8	GBP/HUF	388,54	-0,5	-0,5

\* 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.	9 : 15	FR	Markit Manufacturing PMI (points)	May	40,3	36,1	31,5
		9 : 15	FR	Markit Manufacturing PMI (points)	May	40,3	36,1	31,5
		9 : 15	FR	Markit Service PMI (points)	May	29,4	27,8	10,2
		9 : 30	DE	Markit Manufacturing PMI (points)	May	36,8	39	35
		9 : 30	DE	Markit Service PMI (points)	May	31,4	27	16
		10 : 00	EZ	Markit Manufacturing PMI (points)	May	39,5	38,0	33,4
		10 : 00	EZ	Markit Service PMI (points)	May	28,7	25,0	12,0
		10 : 30	UK	Manufacturing PMI (points)	May	40,6	36,0	32,6
		10 : 30	UK	Service PMI (points)	May	27,8	25	13
		13 : 00	TR	Interest rate decision (%)	May	8,25	8,3	8,8
		14 : 30	US	Continuing jobless claims ('000s)	weekly	25073	24765,0	22 833,0
		14 : 30	US	Initial jobless claims ('000s)	weekly	2438	2400,0	2 981,0
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-	751,8	-	862,7
		15 : 45	US	Markit Manufacturing PMI (points)	May	39,8	38,0	36,1
		15 : 45	US	Markit Service PMI (points)	May	36,9	30,0	26,7
		16 : 00	US	Existing home sales (MoM, %)	Apr	4330	4300,0	5 270,0
		16 : 00	US	Leading index (MoM, %)	Apr	-4,4	-5,5	-6,7
		20 : 30	US	Jerome Powell speech	-	-	-	-
	22.	1 : 30	JP	CPI (YoY, %)	Apr	0,1		0,4
		1 : 30	JP	core-CPI (YoY, %)	Apr	-0,2	-0,1	0,4

Sources: Reuters, OTP Research

22 MAY 2020

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