

OTP Morning Brief



- *Europe's stock markets opened the week on a positive note as Germany's IFO had improved a lot.*
- *US and UK stock markets were closed on Monday.*
- *The HUF started the week slightly weaker: the EUR/HUF drew close to 351.*
- *Hungary's MNB holds rate-setting meeting today.*

Stock markets grew dynamically on Monday as Europe is reopening after lockdown

Europe's stock markets started the week dynamically. The optimism stemmed from a surprise rebound in the Ifo index for May, from its all-time low of 79.2 in April; moreover, investors' fears about Sino-US relations abated. The Stoxx600 closed 2.1% higher, the DAX jumped 2.8%, while the French CAC40 surged 2.2% on Monday. In Germany, Lufthansa's share price jumped 7.5% as Germany approved EUR 9 billion state aid for the airline, and Lufthansa said it would restart 20 flights in mid-June. TUI, the tour operator rallied 15% on news that flights to a number of European holiday destinations will resume by the end of June. In France, Airbus shot up 8.5%. The Stoxx600 travel & leisure sub-index rose by 1.2% amid hopes that international tourism will pick up: Spain announced to reopen its borders for tourists on 1 July, the season in Croatia started this past weekend, and Greece also reopens the tourist season. In Germany, Bayer jumped 7% after reports on progress in settling the carcinogen Roundup herbicide case; the aircraft engine manufacturer MTU Aero Engines, SAP, and Wirecard also outperformed, all helping the DAX's march higher.

Hungary's BUX (+0.5%) underperformed its regional peers, the Czech PX (+0.6%) and Poland's WIG20 (+0.9%) on Monday. Its strongest blue chip, MTelekom surged 1.6%, Richter grew by 0.9%, OTP added 0.2%, and Mol stagnated.

The stock exchanges of the USA and the UK were closed yesterday.

The EUR/HUF drew near 351, secondary market bond yields barely moved; oil prices fell

The EUR/HUF climbed 0.3% higher, to 351 on Monday, from below 350 on Friday. This ended the forint's four-day winning streak. By the same token, the USD/HUF went up 0.3%.

On the secondary market of Hungarian government bonds, yield on the 12M bond inched up 1bp, and that on the 20Y tenor edged down 1bp on Monday.

In the forex market, the euro's 0.1% weakening pushed the EUR/USD to 1.0912. The pound weakened less than 0.1% against the dollar. The Bloomberg Dollar Spot Index barely changed. In global bond markets, Germany's and France's benchmark yields dropped one basis point, Italy's and Spain's benchmark yields sank two basis points each, Portugal's and Greece's benchmark yields shed three and four basis points, respectively.

In the benign sentiment, precious metal (gold, silver) prices slipped. In industrial metals, the price of copper rose by 0.9%. WTI crude oil upped 0.5%, and Brent nudged 0.2% higher.

Germany's IFO index beat expectations

Reversing from an all-time low of 74.2 in April, Germany's IFO index bounced back stronger than had been expected. Benefiting from a significant improvement in the expectations component, the headline index jumped to 79.5, surpassing analysts' forecast of 78.8. However, companies were rather pessimistic about the current situation, which was reflected by the sub-index.

Germany' detailed GDP data for the first quarter matched the preliminary statistics.

Today's highlights

Hungary's Minister of Finance, Mihály Varga will present the bill on the 2021 budget to the Speaker of the Parliament, at 10 am today.

Today, Hungary's MNB holds the fourth government securities purchase auction of its asset purchase programme. Last week, the MNB bought a total of HUF 25 billion worth of government securities (15 bn at auctions, and 10 bn bilaterally out of auction, according to the data published yesterday) as opposed to the projected HUF 80 bn/per week, as the market functioned well without central bank's assistance. However, yields have risen since last week, so today's auction may be indicative for the market (on the other hand, the ÁKK will not sell bonds with a maturity of more than five years this week, which is an argument for a smaller allocation). In yesterday's FX swap tender, the MNB accepted HUF 80 billion (1M: HUF 21 bn; 6M: HUF 46 bn, 12M: HUF 13bn) of the expiring HUF 87 billion, thus reducing the stock to HUF 1,921 billion.

Hungary's ÁKK will put up for sale HUF 30 billion government debt in 3M zero-coupon T-Bills today.

The MNB holds an interest-rate-setting meeting today. The deteriorating economic activity and declining inflationary pressures, as well as the stabilizing money market situation, all point to the possibility that Hungary's central bank may modify interest rates in the near future. But in today's meeting, the most important question is whether the communication will contain any hints at changes to conditions.

In today's optimistic trading, Asian markets were in positive territory, with the Nikkei surging 2.7%. Europe's and America's index futures were also rising; S&P futures were up 1.9% this morning. That said, the Sino-US tensions are likely to remain in focus.

	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	2955,5	0,0	-8,5	VIX	28,2	0,0	104	WTI	33,4	0,5	-45,3
	DOW	24465,2	0,0	-14,3	US 2Y	0,17	0	-139	Brent	35,53	1,1	-46,2
	Nasdaq100	9414,0	0,0	7,8	US 10Y	0,66	0	-125	Gold	1729,2	-0,3	14,0
	DAX	11391,3	2,9	-14,0	GER 2Y	-0,68	0	-9	Silver	17,20	0,1	-3,5
	CAC40	4539,9	2,1	-24,1	GER 10Y	-0,49	0	-30	EUR/USD	1,0899	0,0	-2,8
	FTSE 100	5993,3	0,0	-20,5	PT10Y	0,71	-3	26	EUR/GBP	0,8940	-0,2	5,7
	FTSE MIB	17595,9	1,6	-25,1	IT 10Y	1,59	-2	16	EUR/NOK	10,964	0,5	11,4
	Stoxx600	345,2	1,5	-17,0	SP 10	0,70	0	23	USD/CAD	1,3984	-0,1	7,7
	- Banks	68,8	1,1	-42,7	iTRAXX	80,0	0	81	AUD/USD	0,6544	0,1	-6,8
	Nikkei 225	21247,5	2,7	-10,2	JPY 2Y	-0,16	1	-3	USD/JPY	107,69	0,1	-0,8
SSEC	2837,1	0,7	-7,0	JPY 10Y	0,00	0	3	GBP/USD	1,2182	0,1	-8,1	
Regional	RTS	1213,4	2,1	-21,7	RUS10	5,5	0	-12	USD/RUB	71,575	0,2	15,6
	WIG20	1644,74	0,9	-23,5	POL 10	1,4	-1	-33	EUR/PLN	4,50	-0,1	5,7
	PX50	882,0	0,6	-20,9	CZ10	0,8	1	-52	EUR/RON	4,839	0,0	1,1
Hungary	BUX	35211	0,5	-23,6	3M DKJ	0,83	0	76	EUR/HUF	350,50	0,3	5,9
	OTP	9735	0,2	-36,9	1Y	0,97	1	89	USD/HUF	321,74	0,4	9,0
	MOL	2000	0,0	-32,0	3Y	1,29	0	93	CHF/HUF	331,24	0,1	8,7
	MTelekom	390	1,6	-12,6	5Y	1,57	-1	32	PLN/HUF	77,84	0,3	0,0
	Richter	6820	0,9	6,3	10Y	2,05	0	-3	GBP/HUF	392,26	0,1	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. 25.	8 : 00	DE	GDP (detailed, QoQ, %)	Q1	-2,2	-2,2	-2,2*
		10 : 00	DE	IFO Economic sentiment index (points)	máj.	79,5	78,8	74,3
		15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-	76,89/1921	-	87,24/1929
	26	13 : 00	HU	MNB gov't bond purchase auction (HUF bn)	-		-	15,0
		14 : 00	HU	Interest rate decision (%)	May		0,9	0,9
		15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Mar			4
		16 : 00	US	New home sales (annualized monthly, '000s)	Apr		495	627
		16 : 00	US	Consumer confidence (point)	May		88,0	86,9
	27.	9 : 00	HU	Unemployment rate (%)	Apr		-	3,7
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-		-	75,0
		20 : 00	US	Beige Book	-		-	-
	28.	9 : 00	ES	Retail sales (YoY, %)	Apr			-14,1
		9 : 00	HU	Investment (YoY, %)	Q1		-	5,9
		9 : 00	HU	Gross wages (YoY, %)	Mar		-	9,1
		10 : 00	IT	Consumer confidence (point)	May		90,0	101,0
		11 : 00	EZ	EC Economic Sentiment Index (points)	May		71	67
		13 : 00	PL	Interest rate decision (%)	May		1	1
		14 : 00	DE	CPI (preliminary, YoY, %)	May		0,6	0,9
		14 : 30	US	GDP (detailed, QoQ annualized, %)	Q1		-5,0	-4,8*
		14 : 30	US	Durable goods orders (MoM, %)	Apr		-18,1	-14,7
		14 : 30	US	Continuing jobless claims ('000s)	weekly			25073
		14 : 30	US	Initial jobless claims ('000s)	weekly		2000,0	2438,0
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	751,8
		16 : 00	US	Pending home sales (MoM, %)	Apr		-15,0	-20,8
	29.	8 : 45	FR	GDP (detailed, QoQ, %)	Q1		-5,8	-5,8*
		9 : 00	AT	GDP (detailed, QoQ, %)	Q1			-2,5*
		9 : 00	HU	GDP (detailed, QoQ, %)	Q1			-0,4*
		10 : 00	IT	GDP (detailed, QoQ, %)	Q1		-4,7	-4,7*
		10 : 00	TR	GDP (first estimate, YoY, %)	Q1			1,9
		11 : 00	EZ	CPI (flash, YoY, %)	May		0,2	0,3
		11 : 00	EZ	Core CPI (flash, YoY, %)	May		0,9	0,9
		12 : 00	PT	GDP (detailed, QoQ, %)	Q1			-3,9*

* preliminary

Sources: Reuters, OTP Research

26 MAY 2020

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This document was prepared on 26 May 2020.

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