

The BUX gained more than 2% on Tuesday

Western Europe's optimism benefited the CEE region's stock markets, where the BUX advanced 2.5% as all Hungarian blue chips closed higher. The strongest name, OTP shot up 5.2%.

Hungary's Ministry of Finance Mihály Varga presented the 2021 draft budget, which did not contain surprises compared to the information available in the Convergence Programme, or to the Fiscal Council's opinion. Next year's deficit target is 2.9% of GDP, and the government expects 4.8% GDP growth. Free reserves amount to 0.3% of GDP, down from 0.8% in 2020. This year, the high level of free reserves largely supported stability, as it was not spent until March, so the budget started from a near-equilibrium position when the pandemic hit. Next year, however, the lower reserves will provide the government less room to manoeuvre to cushion any adverse shocks.

Europe's key stock markets rose sharply yesterday

In Tuesday's trading buyers outnumbered sellers on major European stock exchanges. Investors are optimistic about the growth prospects as more and more European countries open their borders to passenger traffic. There were also reassuring news about protection against the coronavirus, as the testing of the Novavax biotechnology company's vaccine entered a new phase. Accordingly, tourism & leisure shares fared well. Airlines fared particularly well, especially TUI, which is scheduled to resume its flights in a month's time.

Many European countries are planning to support businesses in the sectors most affected by the coronavirus. Ryanair contests the EUR 9 billion rescue package for Lufthansa, arguing that it is prohibited state aid and would distort competition. The French government will help France's carmakers by EUR 8 billion. Reportedly, Intesa Sanpaolo will provide EUR 6.3 billion loan to Fiat Chrysler with state guarantee.

The European Banking Authority's latest report found the reserves set up by European banks to be sufficient, but it believes some banks will have capital adequacy problems in the future. The EBA estimates that 117 major European banks could incur credit losses of EUR 315 billion.

The Trump administration is considering sanctions on Chinese officials

US stock exchanges began to rise sharply, but lost momentum after the Trump administration said it was considering sanctions on Chinese officials, over the situation in Hong Kong. On the first trading day after a long weekend, the key US Stock exchanges closed mixed: the Nasdaq100 sank 0.3%, the S&P500 advanced 1.2%, while the Dow rose in excess of 2%.

The bounce in US new homes sales was stronger than expected in April, but the May consumer confidence index was slightly short of expectations.

The MNB's Monetary Council did not change monetary conditions in Tuesday's meeting

With the bid/cover ratio exceeding 2.0, Hungary's ÁKK sold the announced amount (HUF 30 billion) in three-month discount treasury bills at yesterday's auction; the average yield was 0.79%. Yield on the 3M instrument increased by eight basis points as the list of benchmark securities changed.

In the fourth government securities purchase auction of the MNB's asset purchase programme, Hungary's central bank accepted only HUF 10 billion of the HUF 85 bn bids, with market-levels yields. The gradually declining volume of weekly purchases (HUF 50bn, 25bn, 15bn, and most recently HUF 10 billion) has

disappointed the market; as a result, yields at the long end of the yield curve rose by about 10 bps in the afternoon. Today, the central bank holds a collateralized loan tender; in recent weeks it allocated typically HUF 75 billion.

In line with expectations, the MNB's Monetary Council did not modify monetary conditions at yesterday's meeting, and neither did it change the message of the subsequent announcement. The long end of the yield curve has now fallen back to pre-pandemic levels, even though the MNB's bond purchase program was much less ambitious than originally communicated. We think that the expected extremely low international interest rate environment, and the economic fallout from the coronavirus may prompt the MNB to lower short-term yields in the second half of 2020. The forint strengthened 0.8%, to trade at 347.5 vs the euro.

The 10Y US yield rose four basis points to 0.69%, and the German Bund yields upped 6 bps, to -0.43%. The euro firmed 0.8% against the dollar, trading at 1.1.

Crude oil prices increased, gold and silver fell.

Asia's stock exchanges closed mixed today

The growing tension between China and the USA left its mark on the performance of mainland China's and Hong Kong's stock markets – both stood slightly in the red ahead of the close. Benefiting from reports on a possible second fiscal package, Japan's Nikkei225 ground 0.5% higher by the last hour of trading.

Today's highlights

The MNB holds a 5Y collateralized loan tender, and the ÁKK auctions 12M discount treasury bills today.

Two events, both related to the European Union are worth highlighting today. First, ECB President Christine Lagarde will speak about the ECB's response to the coronavirus pandemic, at the European Youth Event 2020. Second, the European Commission will discuss a proposal on possible means of recovery from the coronavirus shock. EU member states seem divided over this subject: one group is urging joint debt issuance, while the other camp would prefer a credit facility to help the most affected and economically vulnerable member states. The decision is also of paramount importance because it could be the first step towards a fiscal union.

In the United States, the Fed is to publish its Beige Book 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	2991,8	1,2	-7,4	VIX	28,0	-0,5	103	WTI	34,4	1,3	-43,7
	DOW	24995,1	2,2	-12,4	US 2Y	0,18	1	-138	Brent	36,17	1,8	-45,2
	Nasdaq100	9390,0	-0,3	7,5	US 10Y	0,70	4	-121	Gold	1711,2	-1,0	12,8
	DAX	11504,7	1,0	-13,2	GER 2Y	-0,64	4	-5	Silver	17,10	-0,6	-4,1
	CAC40	4606,2	1,5	-22,9	GER 10Y	-0,43	6	-24	EUR/USD	1,0980	0,7	-2,1
	FTSE 100	6067,8	1,2	-19,6	PT10Y	0,69	-2	24	EUR/GBP	0,8902	-0,4	5,3
	FTSE MIB	17860,5	1,5	-24,0	IT 10Y	1,55	-4	13	EUR/NOK	10,867	-0,9	10,5
	Stoxx600	348,9	1,1	-16,1	SP 10	0,70	-1	23	USD/CAD	1,3777	-1,5	6,1
	- Banks	73,1	6,2	-39,1	iTRAXX	79,1	0	79	AUD/USD	0,6651	1,6	-5,3
	Nikkei 225	21430,0	0,7	-9,4	JPY 2Y	-0,15	1	-3	USD/JPY	107,52	-0,2	-1,0
	SSEC	2845,0	-0,1	-6,7	JPY 10Y	0,01	0	3	GBP/USD	1,2331	1,2	-7,0
Regional	RTS	1225,0	1,0	-20,9	RUS10	5,5	1	-11	USD/RUB	70,662	-1,3	14,1
	WIG20	1709,71	4,0	-20,5	POL 10	1,4	0	-33	EUR/PLN	4,44	-1,3	4,3
	PX50	901,2	2,2	-19,2	CZ10	0,8	0	-52	EUR/RON	4,841	0,0	1,1
Hungary	BUX	36086	2,5	-21,7	3M DKJ	0,91	8	84	EUR/HUF	347,53	-0,8	5,0
	OTP	10240	5,2	-33,6	1Y	0,94	-3	86	USD/HUF	316,53	-1,6	7,3
	MOL	2014	0,7	-31,5	3Y	1,29	0	93	CHF/HUF	328,06	-1,0	7,7
	MTelekom	395	1,3	-11,4	5Y	1,60	3	35	PLN/HUF	78,65	1,0	1,1
	Richter	6905	1,2	7,6	10Y	2,15	10	7	GBP/HUF	391,81	-0,1	0,4

* 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	78,3	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)	-	10,0	-	15,0
14 : 00	HU	Interest rate decision (%)	May	0,9	0,9	0,9
15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Mar	3,9	3,4	3,5
16 : 00	US	New home sales (annualized monthly, '000s)	Apr	623	480	627
16 : 00	US	Consumer confidence (point)	May	86,6	87,5	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	-	88,5	101,0
11 : 00	EZ	EC Economic Sentiment Index (points)	May	-	70,3	67,0
13 : 00	PL	Interest rate decision (%)	May	-	0,5	0,5
14 : 00	DE	CPI (preliminary, YoY, %)	May	-	0,6	0,9
14 : 30	US	GDP (detailed, QoQ annualized, %)	Q1	-	-4,8	-4,8*
14 : 30	US	Durable goods orders (MoM, %)	Apr	-	-19,0	-14,7
14 : 30	US	Continuing jobless claims ('000s)	weekly	-	25750	25073
14 : 30	US	Initial jobless claims ('000s)	weekly	-	2100	2438
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	-	0,1	0,3
11 : 00	EZ	Core CPI (flash, YoY, %)	May	-	0,8	0,9
12 : 00	PT	GDP (detailed, QoQ, %)	Q1	-	-	-3,9*
14 : 30	US	Personal income (MoM, %)	Apr	-	-6,5	-2,0
14 : 30	US	Personal consumption (adjusted, MoM, %)	Apr	-	-12,6	-7,5
15 : 45	US	Chicago PMI (points)	May	-	40,0	35,4
3 : 00	CN	NBS Manufacturing PMI (points)	May	-	51,0	50,8
3 : 00	CN	NBS Non-manufacturing PMI (points)	May	-	-	53,2

* preliminary data

Sources: Reuters, OTP Research

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