

OTP Morning Brief



- *The BUX benefited from the optimism on global stock markets.*
- *The EC published its EUR 750 bn Recovery Fund plan*
- *The USA-China tension may further escalate*
- *The Fed's May Beige Book paints a gloomy picture on the US economy.*

The BUX benefited from the optimism on Europe's stock markets

Hungary's BUX closed 0.7% higher as OTP surged 2.1%, MTelekom grew by 1.1%, Richter advanced 0.6%, and MOL slipped 1%.

Europe's stock markets ended the day with strong gains: France's CAC40 went up 1.8%, Germany's DAX and the UK's FTSE100 rose by 1.3%, and the Stoxx600 added 0.2%. The positive sentiment owed a lot to reports on the euro area's new EUR 750 billion Recovery Fund program. The banking sector headed the rise: Banco Santander grew by 2.4%, BNP Paribas shot up 8.8%, and Société General surged 6.6%. Even some sectors that were severely affected by the coronavirus crisis, such as tourism (+0.8%) and car manufacturers (+4.7%) achieved gains. Renault's share price jumped 17.5% higher as the company confirmed plans to work closely with Nissan in cutting costs. On the other hand, the health care (-2.5%) and technology (-1.4%) sectors, which were less affected by covid-19, underperformed yesterday.

The European Commission yesterday proposed to create a EUR 750 billion economic recovery fund, to be jointly financed through bond issuance. The details of the EUR 1,100 billion financial framework for 2021-2027 were also published. Both plans are yet to be adopted by the European Council, in the second half of 2020. When allocating the Recovery Fund's resources, the sectors severely affected by the epidemic, the digital transformation-related industries, and green energy will be given priority. The Fund and the seven-year financial framework will exceed 13% of the European Union's GDP. However, the adoption of ambitious plans is far from being self-evident: difficult negotiations will follow, German Chancellor Angela Merkel has warned.

America's key markets also ended in positive territory

US stock markets grew dynamically on Wednesday, with the Dow advancing 2.2%, the S&P500 rising by 1.5%, and the Nasdaq100 nudging 0.6% higher. Even reports on the intensifying US-China tensions could not prevent stock markets from rising. In the USA, too, the banking sector was the winner of the day, while the Nasdaq underperformed its peers, as tech shares were ailing. Amazon closed 0.5% lower, and Facebook dropped 1.3%. Boeing announced plans to lay off thousands of people, as part of cost-cutting measures. The company was already in a difficult position before the pandemic, due to problems with its 737 Max aircraft; and the coronavirus crisis hit the entire aviation industry extremely hard. The company's stock price took off 3.3% in yesterday's trading.

In a formal resolution sent to Congress yesterday, US Secretary of State Mike Pompeo stated that Hong Kong was no longer entitled to special treatment under USA law. This follows China's announcement of the plan to introduce a new national security law in Hong Kong. It is up to US President Donald Trump to decide whether to repeal all, or part of, the special rules, and thus undermining Hong Kong's role in the international financial system.

Hungarian bond yields have increased

In yesterday's collateralized loan tender, the MNB accepted HUF 70 billion of the HUF 281 billion bids, exclusively on the 5Y maturity. Together with next week's transactions, the total volume will be nearing HUF 1,040 billion.

In Wednesday's successful government securities auction, the ÁKK offered HUF 20 billion government debt in 12M Treasury bills. The bid/cover ratio exceeded 5.0, and the average yield was set at 0.84%. On the secondary market, the yield on the 12M benchmark upped two basis points, and yields on the 3Y, 5Y, and 10Y benchmarks increased by 8-13 bps, while the yield on the 3M T-bill sank six points.

A slight forint weakening pushed the EUR/HUF 0.2% higher, above 348 again.

Word on the European Commission's economic recovery program brought down government bond yields in the euro area periphery. Spain's 10Y bond yields dropped 4.5 bps, those of Portugal fell 4.7 bps, and Italy's bond yields came down 6.2 points.

The euro regained 0.2% from the dollar and 0.8% from the pound. The price of gold fell 0.1%, while silver rose by 1.2%. WTI (-4.5%) and Brent (-4%) both fell.

The U.S. economy has not improved a lot in mid-May

The Fed's latest Beige Book indicates that the US economic activity remained near its lows in mid-May, and most companies were pessimistic about the pace of the recovery. Tourism is still the weakest performing sector, but manufacturing has also fallen sharply, and the business environment is deteriorating in agriculture-related sectors.

In Hungary, the unemployment rate was 3.8% in April, up 0.1 percentage point from the previous month. The KSH statistical office said.

Today's highlights

Asia's stock indices performed mixed today: Japan's Nikkei225 rose 1.9% while China's SSEC shed 0.3%.

In Hungary, Q1 investment statistics and the March wage statistics are due out Today; the MNB holds a 1W forint deposit tender, and ÁKK puts up for sale 3Y and 5Y government bonds.

The European Commission's Economic Sentiment Index for May could provide further information on the pace of recovery from the crisis.

In the USA, the weekly initial jobless claims and the April reading of durable goods orders may also have an impact on stock markets 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	3036,1	1,5	-6,0	VIX	27,6	-1,4	100	WTI	32,8	-4,5	-46,3
	DOW	25548,3	2,2	-10,5	US 2Y	0,18	0	-138	Brent	34,74	-4,0	-47,4
	Nasdaq100	9442,1	0,6	8,1	US 10Y	0,68	-2	-123	Gold	1708,9	-0,1	12,6
	DAX	11657,7	1,3	-12,0	GER 2Y	-0,64	0	-5	Silver	17,30	1,2	-3,0
	CAC40	4688,7	1,8	-21,6	GER 10Y	-0,42	1	-23	EUR/USD	1,1003	0,2	-1,8
	FTSE 100	6144,3	1,3	-18,5	PT10Y	0,65	-5	20	EUR/GBP	0,8974	0,8	6,2
	FTSE MIB	17910,3	0,3	-23,8	IT 10Y	1,49	-6	6	EUR/NOK	10,859	-0,1	10,4
	Stoxx600	349,8	0,2	-15,9	SP 10	0,65	-4	18	USD/CAD	1,3750	-0,2	5,9
	- Banks	75,9	3,9	-36,8	iTRAXX	73,3	0	66	AUD/USD	0,6620	-0,5	-5,7
	Nikkei 225	21845,7	1,9	-7,7	JPY 2Y	-0,17	-1	-4	USD/JPY	107,71	0,2	-0,8
SSEC	2826,9	-0,3	-7,3	JPY 10Y	0,00	0	2	GBP/USD	1,2250	-0,7	-7,6	
Regional	RTS	1212,2	-1,0	-21,7	RUS10	5,6	1	-10	USD/RUB	70,956	0,4	14,6
	WIG20	1707,59	-0,1	-20,6	POL 10	1,4	-4	-36	EUR/PLN	4,43	-0,3	4,1
	PX50	907,1	0,7	-18,7	CZ10	0,8	0	-52	EUR/RON	4,840	0,0	1,1
Hungary	BUX	36346	0,7	-21,1	3M DKJ	0,85	-6	78	EUR/HUF	348,25	0,2	5,2
	OTP	10450	2,1	-32,3	1Y	0,96	2	88	USD/HUF	316,56	0,0	7,3
	MOL	1993	-1,0	-32,2	3Y	1,37	8	101	CHF/HUF	327,20	-0,3	7,4
	MTelekom	400	1,1	-10,4	5Y	1,73	13	48	PLN/HUF	78,57	-0,1	1,0
	Richter	6945	0,6	8,3	10Y	2,25	10	17	GBP/HUF	387,37	-1,1	-0,8

* 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	3,8	-	3,7
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-	70,0	-	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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This document was prepared on 28 May 2020.

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