

OTP Morning Brief



- *European and US stock exchanges started the week on a bright note*
- *The dollar has weakened, the pound strengthened as lockdown measures are relaxed*
- *Brent jumped 8.5% on hopes that output cuts will be extended*
- *Cheering economic data from China propelled industrial metal prices*

Stock markets closed higher on both sides of the Atlantic

In Friday's unenthusiastic trading on global stock exchanges, the BUX fell 1.3%. OTP lost 3%, Mol and MTelekom slipped, only Richter gained 0.7%.

Monday's session was brighter in both the USA and Europe: the Dow and the S&P added 0.4%, while the Stoxx600 Europe advanced 1.1%. In Europe, cyclical shares fuelled indices' growth: the travel sector, mining companies, financial service providers, and the energy sector all outperformed. Asia's stock indices climbed higher on Monday, after Donald Trump had said on Friday that he would stick with the phase one trade deal signed with China in January. Investor sentiment may also have benefited from the final statistics on the eurozone's manufacturing purchasing managers indices for May, which confirmed a significant improvement from the April low, even if the PMIs remained in the range that signifies contraction. The FTSE surged 1.5% and the CAC40 rose by 1.4%; the German stock market was closed on Whit Monday. In the eurozone periphery, the Spanish and Italian benchmarks grew by 1.8% each, and the Portuguese index jumped 2.2%.

The week started with gains on the New York Stock Exchange too: the Dow and S&P edged higher, the NASDAQ Composite (+0.7%) and NASDAQ100 (+0.5%) grew more dynamically. Stock indices quickly worked off the morning's losses, which stemmed from reports that China banned its companies from buying agricultural products from the USA. Even word on demonstrations and riots against racism and police violence in the USA, raging for the sixth day in a row, did not sour stock market sentiment. Apparently, the May reading of China's Caixin manufacturing manager index, above 50 points, also cheered up investors. As to the S&P's sector indices, the real estate and energy sectors excelled, while healthcare and technology were ailing. Pfizer fell 7% as its breast cancer treatment results caused disappointment. Gilead Sciences lost 3% as the clinical trials of its covid medicament's effectiveness led to mixed results.

The dollar has weakened, the forint strengthened; Hungarian government securities' yields fell

The dollar's depreciation led the EUR/USD higher, to 1.1133 on Monday; the Bloomberg Dollar Spot Index fell 0.7%. The pound strengthened 1.3% against the dollar as some lockdown restrictions were relaxed on Monday: schools, open-air markets, and car showrooms have all re-opened, while the EU-UK trade talks are also expected to resume this week. Long-term yields rose in Europe on Monday; Germany's 10Y benchmark yield upped four basis points.

On the secondary market of Hungarian government securities, bond yields dropped by 10–31 basis points on Friday, while short-term yields sank by 1–8 bps. The forint's strengthening pushed the EUR/HUF 0.5% lower, to less than 345. Likewise, the USD/HUF (-0.8%) closed below 310.

In commodities, gold and silver both upped 0.3%. In industrial metals, copper prices rose 2% due to favourable Chinese manufacturing data, but zinc (1.7%) and tin (1.9%) prices also climbed higher. On Monday, Brent price jumped 8.5% on news that OPEC and Russia are about to reach an agreement to further extend production cuts. In contrast, WTI shed 0.1%.

International PMI data reflect a slow improvement in manufacturing

The May reading of the US ISM manufacturing PMI, at 43.1, has improved relative to April, but missed the forecast of 43.6, and the below-50 gauge indicates economic contraction.

Similarly, the May data for Markit PMI, which measures manufacturing activity in the eurozone, is short of 50 points, the final statistics indicate. The eurozone's indicator jumped to 39.4 points, from 33.4 points in April, while Germany's figure grew to 36.6 points, from 34.5 points in April.

The May reading of China's Caixin manufacturing PMI hit 50.7 points, beating expectations.

Today's highlights

Asia's stock exchanges were confident in today's trading: Japan's Nikkei grew by 1.4%, mainland China's Shanghai Composite edged 0.14% higher, and Hong Kong's Hang Seng rose by 0.7%. Index futures signify growth in Europe and a decline in the USA. The tension in the USA, caused by protests and riots, is growing; Donald Trump threatened to deploy the military, to end protests. New York's mayor announced a curfew on Monday night.

Today Hungary publishes detailed trade balance data for March, and industrial producer prices for April. The MNB holds an FX swap tender and a government securities purchase auction today.

Later in the week, the ECB's interest rate decision meeting and US labour market data may be the focus of attention. The European Central Bank may revisit its asset purchase programme and increase its amount, or even extend its duration until mid-2021. Analysts polled by Bloomberg expect the ECB to boost its budget by EUR 500 billion while keeping interest rates on hold.

Friday's release of US non-farm payroll figures may bring the unemployment rate to as much as 19.7%.

	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	3055,7	0,4	-5,4	VIX	28,2	2,6	105	WTI	35,4	-0,1	-42,0
	DOW	25475,0	0,4	-10,7	US 2Y	0,16	0	-140	Brent	38,32	8,5	-41,9
	Nasdaq100	9598,9	0,5	9,9	US 10Y	0,66	2	-125	Gold	1740,0	0,8	14,7
	DAX	11586,9	0,0	-12,5	GER 2Y	-0,65	0	-6	Silver	18,27	2,4	2,5
	CAC40	4762,8	1,4	-20,3	GER 10Y	-0,39	5	-21	EUR/USD	1,1134	0,3	-0,7
	FTSE 100	6166,4	1,5	-18,2	PT10Y	0,51	0	6	EUR/GBP	0,8911	-0,9	5,4
	FTSE MIB	18523,7	1,8	-21,2	IT 10Y	1,47	-2	4	EUR/NOK	10,703	-0,8	8,8
	Stoxx600	354,2	1,1	-14,8	SP 10	0,59	2	12	USD/CAD	1,3571	-1,4	4,5
	- Banks	76,2	2,8	-36,5	iTRAXX	72,3	0	63	AUD/USD	0,6797	2,0	-3,2
	Nikkei 225	22373,6	1,4	-5,4	JPY 2Y	-0,16	0	-4	USD/JPY	107,58	-0,2	-0,9
SSEC	2917,3	0,1	-4,4	JPY 10Y	0,01	0	3	GBP/USD	1,2492	1,2	-5,8	
Regional	RTS	1247,6	2,3	-19,5	RUS10	5,5	-1	-12	USD/RUB	68,940	-1,7	11,3
	WIG20	1733,52	0,6	-19,4	POL 10	1,2	5	-42	EUR/PLN	4,40	-1,0	3,4
	PX50	907,6	1,4	-18,6	CZ10	0,8	11	-51	EUR/RON	4,838	-0,1	1,1
Hungary	BUX	35876	0,0	-22,1	3M DKJ	0,80	0	73	EUR/HUF	344,60	-0,5	4,1
	OTP	10370	0,0	-32,8	1Y	0,90	0	82	USD/HUF	309,52	-0,8	4,9
	MOL	1970	0,0	-33,0	3Y	1,27	0	91	CHF/HUF	324,28	0,0	6,5
	MTelekom	393	0,0	-11,9	5Y	1,58	0	33	PLN/HUF	78,04	0,2	0,3
	Richter	6810	0,0	6,2	10Y	1,98	0	-10	GBP/HUF	385,24	0,0	-1,3

* 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	6. 1.	3 : 45	CN	Caixin Manufacturing PMI (points)	May	50,7	49,6	49,4
		9 : 00	HU	Manufacturing PMI (points)	máj.		-	33,6
		9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	May	45,4	37,0	31,1
		16 : 00	US	Construction expenditure (MoM, %)	Apr	-2,9	-6,0	0,0
		16 : 00	US	ISM Manufacturing PMI (points)	May	43,1	43,5	41,5
	2.	9 : 00	HU	Industrial producer prices (YoY, %)	Apr		-	4,3
		9 : 00	HU	Trade balance (detailed, monthly, EUR mn)	Mar		-	436*
		13 : 00	HU	MNB gov't bond purchase auction (HUF bn)	-		-	10,0
		15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-		-	76,89/1921
	3.	3 : 45	CN	Caixin Services PMI	May			44,4
		9 : 45	IT	Markit/IHS Services PMI (prelim.)	May		27,0	10,8
		10 : 00	IT	Unemployment rate (%)	Apr		9	8,4
		11 : 00	EZ	Unemployment rate (%)	Apr		8,2	7,4
		14 : 15	US	ADP non-farm employment (MoM, '000s)	May		-9 500	-20 236
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-		-	70,0
		15 : 00	CA	Interest rate decision (%)	Jun		0,3	0,3
		16 : 00	US	Factory orders (MoM, %)	Apr		-12,4	-10,3
		16 : 00	US	ISM non-Manufacturing PMI (points)	May		43,0	41,8
		16 : 00	HU	Retail sales (YoY, SA, %)	Apr		-	3,5
	4.	9 : 00	EZ	Retail sales (MoM, %)	Apr		-15,0	-11,2
		11 : 00	EZ	Interest rate decision (deposit rate, %)	Jun		-0,5	-0,5
		13 : 45	EZ	Interest rate decision (lending rate, %)	Jun		0,0	0,0
		13 : 45	US	Continuing jobless claims ('000s)	weekly			21 052
		14 : 30	US	Initial jobless claims ('000s)	weekly			2 123
		14 : 30	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	1066,3
		15 : 00	DE	Industrial orders (MoM, %)	Apr		-20,0	-15,6
	5.	8 : 00	HU	Industrial production (preliminary, YoY, %)	Apr		-	-5,6
		9 : 00	HU	Guest nights in tourist acc. (y/y, %)	Apr			-64,6
		9 : 00	IT	Retail sales (m/m, SA, %)	Apr			-20,5
		10 : 00	US	Average earnings (YoY, %)	May			7,9
		14 : 30	US	Average earnings (MoM, %)	May		0,7	4,7
		14 : 30	US	Unemployment rate (%)	May		19,6	14,7
		14 : 30	US	Non-farm payroll (MoM, '000s)	May		-10 000	-20 500

* preliminary data

Sources: Reuters, OTP Research

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