

# OTP Morning Brief



- *Optimism persisted in Europe's stock markets*
- *US indices rose slightly*
- *The MNB's asset purchase program is suspended*
- *Crude oil prices increased*
- *Europe and the USA publish job market data today*

## Optimism persisted in Europe's stock markets

Tuesday's trading was fairly buoyant in Europe's stock markets. The winner of the day, Germany's DAX, surged 3.7% after Monday's holiday, largely driven by automakers and their suppliers. Investors appreciated Germany's plan for another economic rescue package of EUR 80 billion. In addition, more and more European countries are opening their borders to passenger traffic, including Italy, which was the European epicentre of the pandemic.

Hungary's and Poland's stock markets outperformed their regional and European peers yesterday; the BUX increased by 0.3%. OTP shot up 4.2%, while MOL and Richter plunged more than 2% – the former's refinery margin fell to 0.4 USD/barrel in May, down from 9.0 USD/barrel in the previous two months, while the latter released extraordinary information on dividend payment yesterday.

## Modest rise in US stock markets

America's markets ended the second day of the week with moderate gains. News on increased mobility and restarting the economy made investors hopeful. Weapon producers shot up as USA-wide demonstrations, which started on 27 May, have raised the possibility of deploying a large number of troops. Of the S&P's sector indices, the energy sector was the strongest performer, benefiting from crude oil prices' march higher.

## The MNB's asset purchase programme is suspended

The ÁKK sold 3M discount T-bills at yesterday's auction in the amount on offer (HUF 30 billion), with subdued demand, and at an average yield of 0.75%.

In yesterday's FX swap tender, the MNB accepted offers corresponding to the expiring HUF 77 billion (3M: HUF 16 bn, 6M: HUF 31 bn, 12M: HUF 31 bn), so the volume will essentially stagnate, at HUF 1,922 billion. The MNB's asset purchase programme is suspended – on Tuesday the MNB said it would not purchase government securities today; accordingly, long-term yields rose by 2-9 basis points. Last week, the MNB did not buy government securities outside auction, and the amount of purchases at auctions fell to HUF 10 billion, which is only a fraction of the previously forecasted HUF 80 billion per week. Last week, the MNB bought mortgage bonds for HUF 5 billion, down from HUF 10 billion in previous weeks, and less than the announced amount of 25 billion HUF/week.

For the first time, Hungary issued international Green Bond, to the tune of EUR 1.5 billion yesterday. The yield on the 15Y fixed-rate series, at 1.75%, is 1.9% higher than the EUR midswap yield on the same maturity. Due to the outstanding interest, the bonds were more than five times oversubscribed.

The euro strengthened by 0.3% against the dollar. A slight forint weakening took the EUR/HUF to 344.0 by the close.

Brent and WTI quotes rose more than 3% as investors continue to hope that Thursday's OPEC+ meeting will extend the 9.7 million barrel/day production cap by a few months. Although Saudi Arabia seems to agree now, Russia had previously indicated that it would increase production in July, sticking to original plans.

## Asia's key indices were in positive territory this morning

Asia's major indices stood in positive territory today. China's Caixin services sector PMI for May, published this morning, shows an improvement from the previous month's data, so it already exceeds 50 points, the dividing line between growth and recession.

The yen started the day on a stronger note against the dollar. Europe's index futures point to a rise.

## Today's highlights

The MNB holds a 5Y collateralized loan tender today.

In Europe and the USA, job market data will abound today. The eurozone's employment figures for April are expected to have exceeded 8%. The unemployment rate in Italy is widely forecast to have surpassed 9%. In the USA, the ADP Institute will release its April data on non-farm employment changes before Friday's official data release. It is estimated that millions of Americans had lost their jobs in April, just like in March, owing to the lockdown measures.

	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	3080,8	0,8	-4,6	VIX	26,8	-4,9	95	WTI	37,2	5,0	-39,1
	DOW	25742,7	1,1	-9,8	US 2Y	0,17	1	-139	Brent	39,57	3,3	-40,0
	Nasdaq100	9657,3	0,6	10,6	US 10Y	0,68	2	-123	Gold	1727,0	-0,7	13,8
	DAX	12021,3	3,7	-9,3	GER 2Y	-0,65	0	-6	Silver	18,09	-1,0	1,5
	CAC40	4859,0	2,0	-18,7	GER 10Y	-0,42	-2	-23	EUR/USD	1,1169	0,3	-0,4
	FTSE 100	6220,1	0,9	-17,5	PT10Y	0,54	3	9	EUR/GBP	0,8897	-0,2	5,2
	FTSE MIB	18971,1	2,4	-19,3	IT 10Y	1,51	4	8	EUR/NOK	10,662	-0,4	8,4
	Stoxx600	359,8	1,6	-13,5	SP 10	0,56	-2	10	USD/CAD	1,3516	-0,4	4,1
	- Banks	78,7	3,3	-34,5	iTRAXX	70,4	0	59	AUD/USD	0,6894	1,4	-1,8
	Nikkei 225	22544,0	1,0	-4,7	JPY 2Y	-0,16	0	-4	USD/JPY	108,66	1,0	0,0
SSEC	2936,1	0,5	-3,7	JPY 10Y	0,01	1	4	GBP/USD	1,2549	0,5	-5,4	
Regional	RTS	1277,9	2,4	-17,5	RUS10	5,5	1	-11	USD/RUB	68,610	-0,5	10,8
	WIG20	1736,36	0,2	-19,2	POL 10	1,3	4	-39	EUR/PLN	4,38	-0,3	3,0
	PX50	921,8	1,6	-17,4	CZ10	0,7	-9	-56	EUR/RON	4,830	-0,2	0,9
Hungary	BUX	35967	0,3	-22,0	3M DKJ	0,80	0	73	EUR/HUF	344,99	0,1	4,2
	OTP	10800	4,1	-30,0	1Y	0,88	-2	80	USD/HUF	309,05	-0,2	4,7
	MOL	1916	-2,7	-34,8	3Y	1,28	1	92	CHF/HUF	321,45	-0,9	5,5
	MTelekom	396	0,8	-11,2	5Y	1,60	2	35	PLN/HUF	78,65	0,8	1,1
	Richter	6650	-2,3	3,7	10Y	2,02	4	-6	GBP/HUF	387,14	0,5	-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 6. 1.	3 : 45 CN	Caixin Manufacturing PMI (points)	May	50,7	49,6	49,4
	9 : 00 HU	Manufacturing PMI (points)	máj.	40,3	-	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	-6,5	0,0
	16 : 00 US	ISM Manufacturing PMI (points)	May	43,1	43,6	41,5
	2. 9 : 00 HU	Industrial producer prices (YoY, %)	Apr	3,7	-	4,3
	9 : 00 HU	Trade balance (detailed, monthly, EUR mn)	Mar	301	-	436*
	13 : 00 HU	MNB gov't bond purchase auction (HUF bn)	-	-	-	10,0
	15 : 00 HU	FX-swap tender (maturing / stock bn HUF)	-	77,22/1922	-	76,89/1921
	3. 3 : 45 CN	Caixin Services PMI	May	55,0		44,4
	9 : 45 IT	Markit/IHS Services PMI (prelim.)	May		26,5	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		-9 000	-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		-14,0	-10,3
	16 : 00 US	ISM non-Manufacturing PMI (points)	May		44,0	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		20100,0	21 052
	14 : 30 US	Initial jobless claims ('000s)	weekly		1800,0	2 123
	14 : 30 HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	1066,3
	8 : 00 DE	Industrial orders (MoM, %)	Apr		-19,7	-15,6
	9 : 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		8,6	7,9
	14 : 30 US	Average earnings (MoM, %)	May		1,0	4,7
	14 : 30 US	Unemployment rate (%)	May		19,7	14,7
	14 : 30 US	Non-farm payroll (MoM, '000s)	May		-8 000	-20 500

\* preliminary data

Sources: Reuters, OTP Research

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