

OTP Morning Brief



- *Developed economies' stock indices closed in the red on Tuesday*
- *The EC cut its forecast on the growth prospects of the EU and the EZ*
- *The BUX fell and the HUF weakened yesterday*
- *America's pandemic figures remained critical*
- *Gold price hit nine-year high*

Tuesday's trading was rather pessimistic in Europe

Risk aversion returned to Europe's stock markets on Tuesday, when the European Commission revised down its spring forecast, projecting -8.3% growth rate in the European Union (down from -7.4%), and 8.7% recession in the euro (from 7.7% contraction). In another negative surprise for investors, Germany's industrial production increased by 7.8% month/month only, missing the 10% growth forecast; production is still 20% below February levels.

New York financial supervisors condemned Deutsche Bank again: this time the bank was fined USD 150 million, for significant compliance failures with dealings with Jeffrey Epstein.

There have been mixed reports about the spread of the coronavirus in Europe: there were new outbreaks in several countries, but the affected areas seem to have been locked down in time. In Serbia, however, the stay-at-home order will be re-launched on Friday, due to the growing number of cases. Slovenia and Croatia are also planning more rigorous distancing measures.

Kerstin af Jochnick, member of the Supervisory Board of the ECB's Single Supervisory Mechanism, said the ECB considered extending the recommendation to limit dividend payments and share repurchases that expire in October, Reuters reported.

The Budapest Stock Exchange did not fare well on Tuesday. Despite a correction at the end of the day, the BUX closed 2.0% in the red. MTelekom was its only blue chip to stay afloat, with OTP and Richter dropped 2.4% each. Jefferies issued Buy recommendation for Richter, with a target price of HUF 8,000. The European Commission maintained its forecast of 7.0% recession in Hungary this year, to be followed by a 6% year/year rebound in 2021.

Wall Street's indices closed in the red

Wall Street's indices fell as investors worried about the pandemic and Europe's growth prospects. The weakest of them, the Dow slipped 1.5%, but even the Nasdaq100 reversed from a record high to close Tuesday's session 0.8% lower. Among the S&P's sub-indices, energy, finance, and industry were the weakest sectors.

The rising number of new confirmed cases prompted the USA to re-impose distancing measures in several locations. Meanwhile, Donald Trump insists that the United States quits the WHO and Congress has already received notice to start the process, CNN reported. The World Health Organization cannot rule out the airborne spread of the virus, so its recommendation on wear face masks is likely to change accordingly.

Strong demand at ÁKK's bond auction; gold price has risen

In Tuesday's auction of 3M discount Treasury bills, Hungary's ÁKK accepted bids for the amount on offer, HUF 20 billion, at an average yield of 0.29%, with the bid/cover ratio exceeding 2.0. On the secondary market, bond yields increased by 2-10 basis points.

The MNB cancelled its government bond buying auction again yesterday; purchases have been suspended for six weeks now.

Reversing Monday's appreciation, the forint weakened on Tuesday. Accordingly, the EUR/HUF rose to 354.1 and the USD/HUF ended at 314.2. Elsewhere in the CEE region, the Polish zloty and the Czech koruna also lost some of their values, albeit to a lesser extent than the forint.

US 10Y yields fell four basis points, to 0.64%. The dollar's strengthening brought down the EUR/USD to 1.13 on Tuesday. Brazil's currency, the real weakened against the dollar after President Jair Bolsonaro tested positive for coronavirus.

Brent and WTI fell as API's data signified an increase in US oil inventories. In line with the deteriorating investor sentiment worldwide, the price of gold rose further, beyond USD 1,795, a level last seen in November 2011.

Asia's stock markets moved mixed

Asia's benchmark indices performed mixed in today's trading, but only Japan's Nikkei225 stood in the red. In today's press briefing, Fu Cong, a senior official at China's Ministry of foreign trade said China would be happy to participate in the USA–Russia arms limitation talks, if the USA was willing to reduce its nuclear arsenal to China's level.

Today's highlights

In the USA, the weekly oil inventory data of EIA, and the June reading of vehicles sales will be out today.

Hungary will publish CPI inflation figures for June. Economists expect the year/year index to have risen to around 3%, up from 2.2% in May.

The MNB will hold collateralized loan tender today. The ÁKK will put up for sale HUF 30 bn government debt in discount T-Bills and bonds.

	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	3145.3	-1.1	-2.6	VIX	29.4	5.3	114	WTI	40.4	-0.5	-33.8
	DOW	25890.2	-1.5	-9.3	US 2Y	0.17	0	-140	Brent	43.08	0.0	-34.7
	Nasdaq100	10524.0	-0.8	20.5	US 10Y	0.65	-4	-126	Gold	1794.3	0.6	18.3
	DAX	12616.8	-0.9	-4.8	GER 2Y	-0.67	2	-7	Silver	18.30	0.5	2.6
	CAC40	5043.7	-0.7	-15.6	GER 10Y	-0.42	1	-24	EUR/USD	1.1270	-0.3	0.5
	FTSE 100	6189.9	-1.5	-17.9	PT10Y	0.41	-2	-4	EUR/GBP	0.8987	-0.7	6.3
	FTSE MIB	20012.7	-0.1	-14.9	IT 10Y	1.29	-2	-14	EUR/NOK	10.706	0.8	8.8
	Stoxx600	369.0	-0.6	-11.3	SP 10	0.42	-1	-5	USD/CAD	1.3602	0.5	4.7
	- Banks	83.0	-1.7	-30.9	iTRAXX	60.8	0	37	AUD/USD	0.6946	-0.4	-1.1
	Nikkei 225	22458.5	-0.7	-5.1	JPY 2Y	-0.13	0	-1	USD/JPY	107.51	0.1	-1.0
SSEC	3363.9	0.6	10.3	JPY 10Y	0.03	-1	5	GBP/USD	1.2540	0.4	-5.4	
Regional	RTS	1247.8	0.1	-19.4	RUS10	5.9	-1	-5	USD/RUB	71.198	-0.5	15.0
	WIG20	1800.93	-1.0	-16.2	POL 10	1.4	0	-36	EUR/PLN	4.47	0.3	5.1
	PX50	936.8	-0.1	-16.0	CZ10	0.8	2	-51	EUR/RON	4.836	0.0	1.1
Hungary	BUX	35748	-2.0	-22.4	3M DKJ	0.22	0	15	EUR/HUF	354.13	0.7	7.0
	OTP	10940	-2.4	-29.1	1Y	0.40	0	32	USD/HUF	314.23	0.9	6.5
	MOL	1822	-2.0	-38.0	3Y	1.09	1	73	CHF/HUF	333.01	0.7	9.3
	MTelekom	383	0.0	-14.1	5Y	1.45	3	20	PLN/HUF	79.10	0.3	1.6
	Richter	6655	-2.4	3.7	10Y	2.44	10	36	GBP/HUF	394.56	1.4	1.1

* 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	7. 6.	8 : 00	DE	Industrial orders (MoM, %)	May	10.4	15.0	-26.2	
		9 : 00	HU	Retail sales (YoY, SA, %)	May	-3.1	-	-10.2	
		10 : 30	EZ	Sentix Investor confidence (points)	Jul	-18.2	-10.9	-24.8	
		11 : 00	EZ	Retail sales (MoM, %)	May	17.8	15.0	-11.7	
		15 : 00	HU	FX-swap tender (maturing / stock bn HUF)	-	23,65/1795	-	23,65/1818	
		16 : 00	US	ISM non-Manufacturing PMI (points)	Jun	57.1	50.1	45.4	
		7.	8 : 00	DE	Industrial production (MoM, %)	May	7.8	10.0	-17.9
			9 : 00	HU	Industrial production (preliminary, YoY, %)	May	-30.7	-24.4	-36.8
			9 : 00	HU	Guest nights in tourist acc. (y/y, %)	May	-93.0	-	-97.0
			10 : 00	HU	International reserves (preliminary, EURbn)	Jun	30.2	-	29.1
		10 : 00	IT	Retail sales (m/m, SA, %)	May	24.3	-	-10.5	
		13 : 00	HU	MNB gov't bond purchase auction	-	-	-	-	
	8.	9 : 00	HU	Inflation (YoY, %)	Jun		3.0	2.2	
		9 : 00	HU	Core inflation (YoY, SA, %)	Jun		4.0	4.0	
		11 : 00	HU	Fiscal balance (monthly, billion HUF)	Jun		-	-324.1	
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-		-	70.0	
	9.	8 : 00	DE	Export (MoM, SA, %)	May		13.80	-24.0	
		9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	May		-281.0	-561.0	
		14 : 30	US	Continuing jobless claims ('000s)	weekly		18950	19290	
		14 : 30	US	Initial jobless claims ('000s)	weekly		1375	1427	
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	1680	
	10.	8 : 45	FR	Industrial production (MoM, %)	May		15.0	-20.1	
		10 : 00	IT	Industrial production (m/m, SA, %)	May		19.2	-19.1	

Sources: Reuters, OTP Research

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