

# OTP Morning Brief



- *Europe's and America's stock markets saw pessimistic traders on Thursday*
- *The USA plans further restrictions on Chinese firms*
- *The HUF strengthened and oil prices declined*
- *US initial jobless claims dropped further*

## Europe's and America's stock markets saw pessimistic traders on Thursday

In Thursday's unenthusiastic global environment, Hungary's BUX dropped 0.4% as OTP fell 1%, Richter shed 0.3%, and MOL edged 0.1% lower; Magyar Telekom (+0.9%) was the only blue chip to gain.

Europe's stock indices closed in the red: the FTSE100 slipped 1.7%, the CAC40 dropped 1.2%, the Stoxx600 shed 0.8%, and the DAX closed flat. The alarming covid-19 figures from the USA massively contributed to the sour sentiment. Moreover, worries about weakening demand for oil brought crude prices down, making energy companies the losers of the day. The shares of British Petrol and Royal Dutch Shell fell 4% in Thursday's trading. The winner of the day, the SAP software company saw its share price surge 4.6% after reaffirming profit expectations for this year. In Europe, only technology names advanced: the respective sector index rose by 0.9%, while the banking and utilities sectors closed 2% in the red. The share price of Merck KGaA and Roche pharmaceutical companies rose by 1.7% and 0.7%, respectively, on reports that the European Commission secured potential covid drugs from them.

In the USA, the Dow slid 1.4%, the S&P500 closed 0.6% down but the Nasdaq100 upped 0.8%. One reason for the lack of risk appetite was that more than 60,000 new coronavirus cases were registered in the USA on Wednesday, while the daily death toll broke records in Florida and Texas. One of the biggest losers of the day was the Walgreens Boots Alliance, whose share price fell 8.2% owing to the loss reported in the pharmaceutical manufacturing and distribution company's quarterly earnings. The technology sector's growth (Amazon +3.3%, Microsoft +0.7%, and Apple +0.4%) sent the Nasdaq100 higher yesterday.

## The USA plans further restrictions against a number of Chinese companies

The Trump administration is planning further restrictions against Beijing, banning US federal organizations from purchasing goods and services from five Chinese companies, including Huawei, to prevent China from accessing US government information, the White House said.

The European Court of Justice ruled that buyers could sue Volkswagen in the country where they bought the vehicles that had emission-cheating software. Car owners are entitled for compensation only if the vehicle's price exceeded its value, the ECJ said. This verdict opens the way to class action lawsuits. Volkswagen's share price reversed 0.4% in Thursday's trading.

## The HUF firmed; oil prices dropped

The forint's strengthening sent the EUR/HUF 0.3% lower, near 353. The USD and the GBP gained 0.4% from the EUR.

By accepting all bids in Thursday's one-week deposit tender, the MNB withdrew HUF 2401.2 bn liquidity from the financial system, at 0.75% interest rate.

In Thursday's auction, Hungary's ÁKK put up for sale 3Y, 5Y, and 20Y government bonds. There was strong demand for 3Y and 5Y instruments: the bid/cover ratios were at 2.0 and 3.1 respectively, the average yields were 1% and 1.35%. Investors were less enthusiastic about 20Y bonds: the bids received amounted to less than HUF 10 bn and the ÁKK accepted only HUF 5 bn, at an average yield of 3.18%.

Elsewhere in the world, US 10Y bond yields sank 4.8 bps, and the German Bund yield dropped 1.9 bps.

In commodities, WTI and Brent crude prices fell by 3.2% and 2.2%, respectively. Precious metal prices fell: gold shed 0.4% and silver became 0.6% cheaper.

## **US initial jobless claims dropped further**

Over the past week, 1,314,000 Americans filed for initial jobless claims. This is nearly 100,000 less than in the preceding week, and misses analysts' forecast of 1,375,000. Initial jobless claims have been falling for 14 weeks in a row.

Hungary's surplus in external trade in goods amounted EUR 155 million in May, significantly less than a year earlier (EUR 647 mn). The coronavirus crisis dragged down exports by 28.9% year/year, while imports contracted by 25.5% only.

## **Today's highlights**

Asian stock markets fell sharply in today's trading. China's SSEC slid 1.1% and Japan's Nikkei225 lost 1.3%.

Industrial production statistics will see the light of day in France and Italy today. Coronavirus-related developments are also worth keeping an eye on.

	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	3152.1	-0.6	-2.4	VIX	29.3	4.2	112	WTI	39.6	-3.2	-35.1
	DOW	25706.1	-1.4	-9.9	US 2Y	0.15	0	-141	Brent	42.35	-2.2	-35.8
	Nasdaq100	10754.6	0.8	23.1	US 10Y	0.61	-5	-131	Gold	1802.8	-0.4	18.8
	DAX	12489.5	0.0	-5.7	GER 2Y	-0.68	-1	-8	Silver	18.66	-0.6	4.7
	CAC40	4921.0	-1.2	-17.7	GER 10Y	-0.46	-2	-27	EUR/USD	1.1281	-0.4	0.6
	FTSE 100	6049.6	-1.7	-19.8	PT10Y	0.41	0	-4	EUR/GBP	0.8949	-0.4	5.9
	FTSE MIB	19506.0	-2.0	-17.0	IT 10Y	1.28	1	-15	EUR/NOK	10.684	0.5	8.6
	Stoxx600	363.6	-0.8	-12.6	SP 10	0.41	0	-6	USD/CAD	1.3584	0.5	4.6
	- Banks	80.0	-2.4	-33.4	iTRAXX	62.8	0	42	AUD/USD	0.6963	-0.3	-0.8
	Nikkei 225	22370.9	-1.3	-5.4	JPY 2Y	-0.14	0	-1	USD/JPY	107.19	-0.1	-1.3
SSEC	3414.2	-1.1	11.9	JPY 10Y	0.01	-1	4	GBP/USD	1.2604	0.0	-4.9	
Regional	RTS	1234.4	-0.9	-20.3	RUS10	5.8	-1	-7	USD/RUB	70.657	-0.6	14.1
	WIG20	1791.68	0.2	-16.7	POL 10	1.3	-1	-37	EUR/PLN	4.47	-0.1	4.9
	PX50	945.6	0.7	-15.2	CZ10	0.8	0	-52	EUR/RON	4.836	0.0	1.1
Hungary	BUX	35780	-0.4	-22.4	3M DKJ	0.23	0	16	EUR/HUF	353.12	-0.3	6.7
	OTP	10810	-1.0	-29.9	1Y	0.39	0	31	USD/HUF	313.07	0.1	6.1
	MOL	1865	-0.1	-36.6	3Y	1.09	0	73	CHF/HUF	332.82	-0.4	9.3
	MTelekom	385	0.9	-13.8	5Y	1.43	0	18	PLN/HUF	79.00	-0.2	1.5
	Richter	6675	-0.3	4.1	10Y	2.43	2	35	GBP/HUF	394.53	0.0	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	2.9
	9 : 00	HU			Core inflation (YoY, SA, %)	Jun	4	4.0	4.0
	11 : 00	HU			Fiscal balance (monthly, billion HUF)	Jun	-785.5	-	-324.1
	15 : 00	HU			5Y collateralized loan w fixed interest rate, tender (HUFbn)	-	60.0	-	70.0
9.		8 : 00	DE	Export (MoM, SA, %)	May	9.0	13.80	-24.0	
		9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	May	155.0	-281.0	-561.0	
		14 : 30	US	Continuing jobless claims ('000s)	weekly	18062	18950	19290	
		14 : 30	US	Initial jobless claims ('000s)	weekly	1314.0	1375	1427	
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-	2401.2	-	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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