

OTP Morning Brief



- *Western Europe's key indices closed higher*
- *Boris Johnson has implemented new lockdown measures*
- *US markets preserved gains by the close; the dollar strengthened*
- *Tuesday's meeting of the MNB's Monetary Council left its base rate on hold; the MNB updated its growth forecast as well as its inflation forecast*
- *Manufacturing and services purchasing managers' indices (PMIS) are due out in Europe and America.*

Europe's stock markets closed mixed on Tuesday

Following Monday's selling wave, Europe's stock markets started off Tuesday's session but closed mixed: the German and UK bourses edged higher, with the CAC40 closed in the red on Tuesday. As on Monday, the technology and the Energy, Insurance and Travel & Leisure sectors were the weakest performers.

German Ifo Institute revised its GDP forecast for this year: recession could be 5.2% instead of the previously expected 6.7% fall. The growth rate projected for 2021 was lowered to +5.1% (from +6.4%).

UK Prime Minister Boris Johnson has implemented new lockdown measures as the number of new COVID-19 cases rise.

Hungary's BUX closed 0.2% higher; OTP was the only blue chip to miss out on the recovery.

Wall Street indices closed higher

US markets opened higher, fuelled by the tech sector's recovery; Wall Street indices closed stronger. Of the S&P sector indices, finance and energy were the weakest ones, while consumer discretionary and communications services made the steepest increases.

Fed Chair Jerome Powell and Treasury Secretary Steven Mnuchin testified before the House Financial Services Committee about their actions to deal with the COVID-19 crisis. Powell said the Fed will use its "full range of tools to support the economy for as long as is needed" and they think more fiscal stimulus would be necessary. Mnuchin said a new stimulus package "should be much more targeted, it should be focused on kids and jobs and areas of the economy that are still hard hit."

U.S. home sales jumped in August to their highest level since 2006.

MNB's Monetary Council left its base rate on hold; the USD strengthened against the EUR

In Hungary, the ÁKK's 3M discount Treasury bill auction faced weak demand yesterday: HUF 14.9 billion bids were submitted for the HUF 15 billion on offer. The agency allotted HUF 9 billion at an average yield of 0.32%. In the secondary market, most yields increased; yield on the 3M instrument increased by 14 basis points as the list of benchmark securities changed.

At the MNB's government bond purchase auction yesterday, bids totalled HUF 78.6 bn, of which the MNB accepted HUF 40 bn, with average yields 1-3 bps below Tuesday's benchmarks.

As expected, the MNB's Monetary Council left its base rate and the interest rate corridor unchanged. However, the MNB updated its growth forecast as well as its inflation forecast. Concerning the growth forecast, the central bank expects a 5.1-6.8% decline in GDP for 2020, which could be followed by a 4.4-6.8% GDP growth next year. Inflation is expected to be 3.5-3.6% this year, 3.4-3.6% next year and only reaching the 3% inflation target in 2022. In the Press Release, the MNB made it clear again that – despite the downgraded economic forecast – it does not see further room for lower money market rates. Additionally, the MNB stated that: "If warranted by a persistent change in the outlook for inflation, the Council will be ready to use the appropriate instruments." To sum it up, we maintain our previous view, that any further loosening is off the table, but despite the current inflation levels, we see limited chance of a rate hike before the end of 2021 due to the negative economic effects of the pandemic.

A trivial forint weakening led the EUR/HUF higher, to 362.9.

In Tuesday's trading, the dollar strengthened 0.5% versus the EUR (1.17). US 10Y yields increased 1 basis point and Germany's yield rose 3 bps.

On Tuesday, crude oil prices picked up from Monday's fall. Gold and silver prices decreased.

Asia's indices moved mixed

Toward the end of today's trading, Asia's key indices were mixed: the stock markets of mainland China and Hong Kong were 0.3% in the green, while Japan's Nikkei was seen falling 0.1%.

Today's highlights

In Hungary, the MNB holds collateralized loan tender today.

Manufacturing and services purchasing managers' indices (PMIS) are due out in Europe and America.

	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	3315.6	1.1	2.6	VIX	26.9	-3.3	95	WTI	39.7	0.9	-35.0
	DOW	27288.2	0.5	-4.4	US 2Y	0.14	0	-143	Brent	41.72	0.7	-36.8
	Nasdaq100	11186.4	1.9	28.1	US 10Y	0.66	-1	-125	Gold	1899.3	-0.7	25.2
	DAX	12594.4	0.4	-4.9	GER 2Y	-0.70	2	-11	Silver	24.42	-1.3	36.9
	CAC40	4772.8	-0.4	-20.2	GER 10Y	-0.50	3	-31	EUR/USD	1.1706	-0.5	4.4
	FTSE 100	5829.5	0.4	-22.7	PT10Y	0.27	-5	-18	EUR/GBP	0.9193	0.1	8.7
	FTSE MIB	18895.6	0.5	-19.6	IT 10Y	0.87	-7	-56	EUR/NOK	10.948	0.2	11.3
	Stoxx600	357.6	0.2	-14.0	SP 10	0.24	-2	-23	USD/CAD	1.3301	0.0	2.4
	- Banks	70.8	-0.5	-41.1	iTRAXX	57.6	5	30	AUD/USD	0.7174	-0.7	2.2
	Nikkei 225	23273.5	-0.4	-1.6	JPY 2Y	-0.15	-1	-3	USD/JPY	104.91	0.3	-3.4
Regional	SSEC	3279.7	0.2	7.5	JPY 10Y	0.01	-1	3	GBP/USD	1.2731	-0.6	-4.0
	RTS	1193.1	1.0	-23.0	RUS10	6.3	0	1	USD/RUB	75.885	-0.3	22.6
	WIG20	1693.09	0.6	-21.3	POL 10	1.3	3	-37	EUR/PLN	4.48	-0.2	5.3
Hungary	PX50	868.1	0.7	-22.2	CZ10	0.8	-3	-48	EUR/RON	4.859	0.1	1.5
	BUX	32297	0.2	-29.9	3M DKJ	0.49	14	50	EUR/HUF	362.87	0.3	9.6
	OTP	9150	-1.5	-40.7	1Y	0.68	11	66	USD/HUF	310.07	0.9	5.1
	MOL	1635	2.3	-44.4	3Y	1.24	1	96	CHF/HUF	336.72	0.0	10.5
	MTelekom	367	0.0	-17.7	5Y	1.73	3	56	PLN/HUF	80.77	0.2	3.8
	Richter	6500	0.4	1.3	10Y	2.42	4	41	GBP/HUF	394.55	-0.1	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	9. 21.	8 : 30	HU	Balance of payments (quarterly, EUR bn)	Q2	-0.8	-1.2	0.0
		15 : 00	HU	FX-swap tender (HUF liquidity, maturing/stock bn HUF)*	-	-	-	43,75/1786
	22.	13 : 00	HU	MNB gov't bond purchase auction	-	40.0	-	40.0
		14 : 00	HU	Interest rate decision (%)	Sept	0.6	0.6	0.6
		16 : 00	US	Existing home sales (MoM, %)	Aug	6000	6000	5860
		16 : 00	EZ	Consumer confidence (point)	Sept	-13.9	-14.6	-14.7
	23.	9 : 15	FR	Markit Manufacturing PMI (points)	Sept		50.5	49.8
		9 : 15	FR	Markit Service PMI (points)	Sept		51.5	51.5
		9 : 30	DE	Markit Manufacturing PMI (points)	Sept		52.5	52.2
		9 : 30	DE	Markit Service PMI (points)	Sept		53.0	52.5
		10 : 00	EZ	Markit Manufacturing PMI (points)	Sept		51.9	51.7
		10 : 00	EZ	Markit Service PMI (points)	Sept		50.5	50.5
		10 : 30	UK	Manufacturing PMI (points)	Sept		54.0	55.2
		10 : 30	UK	Service PMI (points)	Sept		56.0	58.8
		14 : 30	CZ	Interest rate decision (%)	Sept		0.3	0.25
		15 : 00	HU	5Y collateralized loan w fixed interest rate, tender (HUFbn)	-		-	30.0
		15 : 45	US	Markit Manufacturing PMI (points)	Sept		53.1	53.1
		15 : 45	US	Markit Service PMI (points)	Sept		54.7	55.0
	24.	10 : 00	HU	MNB Inflation Report	-		-	-
		10 : 00	DE	IFO Economic sentiment index (points)	Sept		93.8	92.6
		13 : 00	TR	Interest rate decision (%)	Sept		8.3	8.25
		14 : 30	US	Continuing jobless claims ('000s)	weekly		12339	12628
		14 : 30	US	Initial jobless claims ('000s)	weekly		843	860
		15 : 00	HU	1W deposit w fixed interest rate, tender (HUFbn)	-		-	2209
		16 : 00	US	New home sales (annualized monthly, '000s)	Aug		890	901
	25.	9 : 30	HU	FX-swap tender (FX liquidity, bn HUF)	-		-	207,23
		10 : 00	IT	Consumer confidence (point)	Sept		100.8	100.8
		14 : 30	US	Durable goods orders (MoM, %)	Aug		1.5	11.4
			HU	Moody's Credit Rating decision	-		-	Baa3

*'Fact' refers to the accepted volume, 'Prev.' refers to the deals due on the current week

Sources: Reuters, OTP Research

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