

OTP Morning Brief



- *European monetary tightening could be stronger than previously expected*
- *U.S. macro data continued to fuel recession fears*
- *BUX underperformed yesterday*
- *International and domestic long-term yields have also declined due to fears of a recession*

European stock markets closed in red; the ECB's tightening could be stronger than previously expected

Stock markets continued to fall. The German, Italian and Spanish stock markets survived a drop of less than 1% yesterday; however, the English FTSE fell by almost 2% and the Dutch AEX by more. Eurozone stock markets were negatively affected by the ECB minutes, which indicated that more aggressive than previously thought interest rate hikes in Europe cannot be ruled out. On the news, the euro strengthened against the dollar, which was not good for the industrial sector. ABN Amro published its earnings report, which slightly exceeded expectations.

Brent-type oil rose by about 3%, while TTF gas declined by a similar amount. Overall, the oil market at such \$ 110-115 price levels appears to be already under severe selling pressure; this price level has been tested for the fourth time since mid-March.

The BUX Index underperformed both in the region and in Europe, as it fell more than 3%. Of the domestic blue chips, OTP was down 4.5% and Mol was down more than 5%, while Richter was essentially stagnant. The alternative energy companies, Alteo declined more than 1% while Pannergy is down by 0.2%.

U.S. macro data has further fueled recession fears

Overseas, the fall continued, driven by fears of rising interest rates and a recession. The latter was heavily heated by yesterday's macro data as the Philly Fed Manufacturing Index fell huge. In addition, the Conference Board's leading indicator fell more than expected; the number of new weekly unemployment claims has been higher than expected and has now been on the rise (albeit only slightly) since April. The existing home sales also fell short of expectations, and in this case, too, there has been a downward trend for several months. As a result, the Dow industry average fell the most among the top 3 U.S. indexes.

Divergence has already emerged between the S&P 500 subsectors after Wednesday's big drop, when everything fell. The health, raw materials and durables subsector closed yesterday in green. The big loser was again the consumer staples sector. The earnings reports released overseas yesterday painted a mixed picture. Today releases its earnings report the agricultural machinery manufacturer Deere.

U.S. 10-year yields continued to fall, now 35 basis points lower than the May 9 peak. This suggests that the market is slowly beginning to become uncertain about how long the Fed will raise interest rates in parallel with the economic slowdown.

After the downturn, the forint weakened slightly at the end of the day and long-term yields declined

The ECB minutes about the interest rate decision meeting in April, published yesterday, projected policymakers' concerns about inflation and the forthcoming monetary tightening. As a result the dollar weakened by more than 1% against the euro, pushing the EURUSD back above 1.05. In the case of regional currencies, there was no significant shift; the forint, the zloty and the Czech koruna also weakened by 0.1-0.2%. An offer worth HUF 9715 billion was received for the MNB's one-week deposit tender, which is about 528 billion less than the maturity amount, the central bank accepted the full amount as usual, and the interest rate remained at 6.45%. Long-term yields in developed countries' government securities markets fell moderately, by 3-4 basis points. The yields of the ÁKK benchmark over one year fell by 5-8 basis points, and after the benchmarks were fixed in the early afternoon, a further similar decline in yields occurred. At yesterday's bond auction, demand for 5- and 10-year bonds was strong, with the market oversubscribing HUF 20 billion and HUF 15 billion, respectively, and ÁKK with a non-competitive phase of almost HUF 100 bn. sold. However, interest in the 20-year paper was low, the total value of the bids submitted was 10% lower than the announced amount of HUF 10 billion, so the debt manager sold barely half of the planned amount in the case of this bond. For all three bonds, the average auction yield already reflected the fall in benchmarks.

Today's highlights

Japan's core inflation accelerated to 2.1% as expected, while the headline index accelerated from 1.2% to 2.5%. Asian stock markets are in green of over 1% this morning, which may provide some reassurance for today's mood. German industrial producer prices, UK retail sales data and euro area consumer confidence will be published.

	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	3901	-0.6	-18.2	VIX	29.4	-5.2	70	WTI	112.2	2.4	49.2
	DOW	31253	-0.8	-14.0	US 2Y	2.61	-6.2	188	Brent	112.04	2.7	44.0
	Nasdaq C.	11389	-0.3	-27.2	US 10Y	2.84	-4.7	133	Gold	1841.2	1.4	0.7
	DAX	13882	-0.9	-12.6	GER 2Y	0.36	-1.7	99	Silver	21.90	1.7	-6.2
	CAC40	6273	-1.3	-12.3	GER 10Y	0.95	-8.0	113	EUR/USD	1.0588	1.2	-6.9
	FTSE 100	7303	-1.8	-1.1	PT10Y	2.09	-6.3	163	EUR/GBP	0.8488	0.1	0.9
	FTSE MIB	24065	-0.1	-12.0	IT 10Y	2.90	-6.0	173	EUR/NOK	10.2497	-1.1	2.2
	Stoxx600	428.0	-1.4	-12.3	SP 10	2.04	-6.5	147	USD/CAD	1.2825	-0.5	1.5
	- Banks	131	-0.6	-9.7	iTRAXX	98.3	1.7	106	AUD/USD	0.7025	-0.3	-3.3
	Nikkei 225	26713	1.2	-7.2	JPY 2Y	-0.06	-0.1	3	USD/JPY	127.79	-0.3	11.0
	SSEC	3131	1.1	-14.0	JPY 10Y	0.23	-0.7	17	GBP/USD	1.2467	1.0	-7.9
Regional	RTS	1246	2.7	-21.9	RUS10	16.0	0.0	754	EURCZK	24.689	0.1	-0.8
	WIG20	1776	-1.4	-21.6	POL 10	6.5	-7.6	289	EUR/PLN	4.65	0.1	1.3
	PX50	1344	0.4	-5.7	CZ10	4.7	-12.0	195	EUR/RON	4.948	0.0	0.0
Hungary	BUX	41473	-3.3	-18.2	3M DKJ	6.15	0.0	399	EUR/HUF	384.63	0.3	4.2
	OTP	10290	-4.5	-38.0	1Y	6.53	0.0	296	USD/HUF	363.31	-0.9	12.0
	MOL	2716	-5.4	7.8	3Y	7.13	-5.0	294	CHF/HUF	373.52	0.7	5.0
	MTelekom	410	0.0	-0.4	5Y	7.40	-11.0	305	PLN/HUF	82.80	0.2	2.9
	Richter	7290	-0.1	-16.4	10Y	7.34	-8.0	283	GBP/HUF	453.46	0.2	3.3

* In the case of bond yields, the change is in basis points instead of percentage (VIX and iTRAXX not included).

Sources: Bloomberg, OTP Research

Date	Cd.	Event/Data	Period	Fact	Cons.	Prev.	
2022 5. 16	4 : 00	CN	Infrastructural spending (YoY, %)	Apr	6.8	7.0	0.2
	4 : 00	CN	Industrial production (YoY, %)	Apr	-3	0.3	5.0
	4 : 00	CN	Retail sales (YoY, %)	Apr	-11.1	-6.0	-3.5
	11 : 00	EU	EC's Economic Forecast		-	-	-
	14 : 30	US	New York Fed Manufacturing index (points)	May	-11.6	17.0	24.6
17.	8 : 00	UK	Unemployment rate (%)	Mar	3.7	3.8	3.8
	9 : 00	HU	GDP (preliminary, YoY, %)	Q1	8.2	6.9	7.1
	9 : 00	HU	GDP (preliminary, QoQ, %)	Q1	2.1	-	2
	9 : 00	SK	GDP (preliminary, QoQ, %)	Q1	0.4	-	0.4
	10 : 00	PL	GDP (preliminary, QoQ, %)	Q1	2.4	1.6	1.7
	11 : 00	EZ	GDP (preliminary, YoY, %)	Q1	5.1	5.0	5,0*
	11 : 00	EZ	GDP (preliminary, QoQ, %)	Q1	0.3	0.2	0,2*
	14 : 30	US	Retail sales (MoM, %)	Apr	0.9	0.9	0.5
	15 : 15	US	Industrial production (MoM, %)	Apr	1.1	0.5	0.9
	16 : 00	US	Business inventories (MoM, %)	Mar	2.0	1.9	1.5
18	1 : 50	JP	GDP (QoQ, %)	Q1	-0.2	-0.4	1.1
	8 : 00	UK	Inflation (YoY, %)	Apr	9.0	9.1	7.0
	14 : 30	US	Building permits (annualized monthly, '000s)	Apr	1819	1812	1879
	14 : 30	US	Housing starts (annualized monthly, '000s)	Apr	1724.0	1765	1728
19	13 : 30	EZ	ECB Minutes	Apr		-	-
	14 : 30	US	Initial jobless claims ('000s)	weekly	218.0	200	203
	14 : 30	US	Continuing jobless claims ('000s)	weekly	1317	1320	1343
	15 : 00	HU	1W deposit w fixed interest rate tender (IR %, HUFbn)	weekly	6,45/9715	-	6,45/10242,6
	16 : 00	US	Existing home sales (annualized monthly, '000s)	Apr	5610	5650	5770
	16 : 00	US	Leading index (MoM, %)	Apr	-0.3	0.0	0.3
2	1 : 30	JP	core-CPI (YoY, %)	Apr	2	2.1	0.8
	1 : 30	JP	CPI (YoY, %)	Apr	2.5		1.2
	8 : 00	UK	Retail sales (MoM, %)	Apr		-0.2	-1.4
	16 : 00	EZ	Consumer confidence (point)	May		-21.5	-22.0

* preliminary data

Sources: Refinitiv, OTP Research

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