

# OTP Morning Brief



- *Western Europe's stock markets closed their best day since March*
- *Hungary's BUX underperformed*
- *The sentiment was benign in the USA*
- *The EUR/HUF closed the week above 400 for the first time; Hungary's benchmark yields fell again on Friday*
- *The EZ June inflation reading and the MNB's rate decision are the highlights of the week*

## Western Europe's stock markets closed their best day since March; the BUX underperformed

As Europe's stock markets fell to near March 2020 lows in terms of P/E ratio, the low prices attracted buyers, causing a significant rally on Friday. Many equities saw their largest daily gains since mid-March. The Stoxx 600 closed 2.6% higher, the DAX advanced 1.6%, the CAC40 shot up 3.2%, the FTSE100 grew by 2.7%, and the FTSEMIB gained 2.3%. The University of Michigan's consumer sentiment index, released in the afternoon in the USA, confirmed that consumers' inflation expectations had slightly eased from the 14-year high. All sub-indices of the STOXX rose by 0.4-3.7%; the tech sector headed the growth, consumer goods and media also did well, while mining was the weakest sector. Investors shrugged off Germany's weaker-than-expected IFO index for June (92.3, missing the expected 92.9). In weekly comparison, Friday's trading also sent the mixed performance of the previous days into positive territory: the STOXX increased by 2.4%, the CAC40 gained 3.2%, the FTSE100 grew by 2.7%, and the FTSEMIB closed 1.5% higher. However, the DAX ended the week 0.1% down, as news of a possible gas crisis caused the biggest alarm in German industry during the week.

Against this supportive backdrop, the BUX lost 0.5% on Friday. Although the OTP added 0.6%, all other blue chips fell (Richter: -2.2%, MTelekom: -1.2%, MOL: -0.1%). After outperforming two weeks ago, the BUX (0.3%) underperformed most Western European stock markets last week. Last week, MOL (+1.2%) was the top performer, Richter upped 0.4%, but OTP fell 0.7% and MTelekom lost 2.2%.

## Benign sentiment in the USA

America's stock markets were also upbeat, as investors were hungry for good news after the long downturn, and the University of Michigan's slightly declining consumer inflation expectations index, and the stronger-than-expected new home sales figures for May had their impact. Although U.S. bond yields did not fall further on Friday, they closed last week with marked decline, which benefited growth stocks. On Friday, the S&P (+3.1%), the Dow (+2.7%), and the Nasdaq (+3.3%) all gained. The S&P sectors all rose, particularly commodities and telco, but the IT and financial sectors also fared well. In week/week terms, the S&P (+6.4%), the Dow (+5.4%) and the Nasdaq (+7.5%) all posted impressive gains.

In this positive sentiment, crude oil prices marched higher (~ 3%), reversing the previous days' decline, but WTI slid 2% and Brent stagnated last week. Europe's gas prices fell by about 0.7% on Friday, but worries about declining Russian gas supplies earlier in the week had sent prices so high that they surged 13% over the past week. The price of gas closed above EUR 127.

## The EUR/HUF closed the week above 400 for the first time; Hungary's benchmark yields fell again

In the middle of last week, the forint seemed to be recovering in the improving global sentiment, and the EUR/HUF moved away from the 400 level – but the HUF's weakening resumed when the MNB left the interest rate of its main instrument (the one-week deposit) unchanged. The EUR/HUF closed near 400 on Thursday evening, then near 402 on Friday, which is consistent with about 0.5% daily and weekly depreciation, and both mark the weakest performance in the CEE region.

Long-term yields on advanced economies' government bonds edged higher on Friday (US: +5 basis points to 3.13; German: +1bp, to 1.44%). Apparently, the rapid fall in yields from the highs hit two weeks ago has halted. So has the easing of US and European interest rate hike expectations, which pushed long-term yields in key economies' bond yields 10-20 bps lower in one week, and by 40-50 bps from the peaks. In weekly comparison, Hungary's government bond yields followed a similar pattern: bond yields fell 50-70 basis points on Friday, from about 8.5% at the beginning of the week. Thus the ÁKK's 10Y-20Y benchmark yields dropped below 8%. However, Hungary's yields picked up after the benchmark fixing in the early afternoon, hand in hand with those in developed markets.

## The week's highlights

The benign sentiment continued in this morning's Asian trading: the Nikkei225 was seen 1.3% higher, the SSECOMP upped 0.9% at one point. Index futures bode well for Europe and the USA. Crude oil prices were in positive territory.

There will also be two very important events this week: a flash estimate on the euro area's June inflation, and the MNB's interest rate decision.

Hungary's MNB is likely to continue the cycle of interest rate hikes this week, but now there is more uncertainty about the decision than a month ago, because the factors determining the central bank's room for manoeuvre have changed significantly in recent weeks. Europe and the USA released worse-than-expected inflation data, the Fed raised its key interest rate by 75 basis points, thus the key interest rate peaks expected from the ECB and the Fed rose by about 75 bps over the past month. Although global commodity prices have mostly fallen, gas prices have exploded in Europe. Risk aversion has intensified, questions about Hungary's access to EU funds have multiplied, Hungary's current account deficit and debt ratios have jumped, inflation has risen higher than expected, and the EUR/HUF has swung above the 400

mark. These developments forced the MNB to tighten by 50 bps two weeks ago, thus the interest rate path fell from the previously communicated one, where the base rate would have risen by 50 basis points each month, and the interest rate on its key rate (the one-week deposit rate) by 30 basis points. In addition, the Czech National Bank has since raised its key interest rate by 125 basis points to 7% (even though it might have been its last time to do so). The market expects to see a combination of 50 bps base rate hike and an 30 bps increase in the one-week deposit rate. But we expect the base rate to rise by 100 basis points (to 6.9%), and the 1W deposit rate to grow by 50 bps (to 7.75%); and to peak near 9%. The MNB will also publish its new Inflation Report.

The preliminary estimate on the euro area's June inflation data is much awaited, as the headline index of 8.1% YoY, published last month, was a huge surprise compared to the 7.5% expectation. Soaring food and energy prices continued to fuel the rise. Core inflation accelerated to its highest in the history of the monetary union, 3.8%, wrong-footing those forecasting stagnation (at 3.5%). Price pressures are expected to remain strong in June; the headline index may have accelerated to 8.3% and core inflation may have hit 3.9% YoY.

	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	3912	3.1	-17.9	VIX	27.2	-6.3	58	WTI	107.6	3.2	43.1
	DOW	31501	2.7	-13.3	US 2Y	3.06	4.9	233	Brent	113.12	2.8	45.4
	Nasdaq C.	11608	3.3	-25.8	US 10Y	3.13	4.3	162	Gold	1826.5	0.0	-0.1
	DAX	13118	1.6	-17.4	GER 2Y	0.79	-0.2	143	Silver	21.13	0.4	-9.5
	CAC40	6073	3.2	-15.1	GER 10Y	1.44	1.2	162	EUR/USD	1.0553	0.3	-7.2
	FTSE 100	7209	2.7	-2.4	PT10Y	2.51	3.1	205	EUR/GBP	0.8600	0.2	2.2
	FTSE MIB	22119	2.3	-19.1	IT 10Y	3.44	6.0	227	EUR/NOK	10.4015	-1.0	3.8
	Stoxx600	412.9	2.6	-15.3	SP 10	2.54	3.3	198	USD/CAD	1.2891	-0.8	2.0
	- Banks	129	1.9	-11.1	iTRAXX	109.3	-3.6	129	AUD/USD	0.6917	-0.4	-4.8
	Nikkei 225	26841	1.3	-6.8	JPY 2Y	-0.07	1.5	2	USD/JPY	135.23	0.2	17.5
SSEC	3379	0.9	-7.2	JPY 10Y	0.23	0.3	16	GBP/USD	1.2268	0.1	-9.3	
Regional	RTS	1415	-0.1	-11.3	RUS10	16.0	0.0	754	EURCZK	24.733	-0.1	-0.6
	WIG20	1682	1.7	-25.8	POL 10	7.0	8.5	334	EUR/PLN	4.69	-0.3	2.3
	PX50	1288	0.7	-9.7	CZ10	5.0	4.4	218	EUR/RON	4.944	-0.1	-0.1
Hungary	BUX	39413	-0.5	-22.3	3M DKJ	6.31	-8.0	415	EUR/HUF	401.81	0.6	8.8
	OTP	8400	0.6	-49.4	1Y	6.99	-21.0	342	USD/HUF	380.50	0.2	17.3
	MOL	2926	-0.1	16.1	3Y	8.04	-10.0	385	CHF/HUF	397.00	0.5	11.6
	MTelekom	332	-1.2	-19.4	5Y	8.16	-11.0	381	PLN/HUF	85.61	0.8	6.4
	Richter	6850	-2.2	-21.5	10Y	7.85	-15.0	334	GBP/HUF	466.90	0.2	6.3

\* 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 6. 26	DE	G7 Summit (3 days)			-	-
27.	14 : 30	US	Durable goods orders (MoM, %)	May	0.1	0.5
	16 : 00	US	Pending home sales (MoM, %)	May		-3.9
28	14 : 00	HU	Interest rate decision (%)	Jun	6.4	5.9
	15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Apr	21.0	21.2
	16 : 00	US	Consumer confidence (point)	Jun	101.4	106.4
29	9 : 00	ES	Retail sales (YoY, %)	May		1.5
	11 : 00	EZ	EC Economic Sentiment Index (points)	Jun	103.0	105.0
	12 : 30	PT	ECB Forum on CB (Fed Bank of Cleveland President Loretta		-	-
	14 : 30	PT	ECB Forum on CB (J. Powell, C. Lagarde, A. Bailey, A. Carstens)		-	-
		HU	FX-swap tender (FX liquidity, HUF bn)		-	-
30	3 : 30	CN	NBS Non-manufacturing PMI (points)	Jun		47.8
	3 : 30	CN	NBS Manufacturing PMI (points)	Jun		49.6
	8 : 00	DE	Retail sales (MoM, %)	May	0.8	-5.4
	9 : 00	HU	Industrial producer prices (YoY, %)	May		28.8
	10 : 00	IT	Unemployment rate (%)	May		8.4
	10 : 00	HU	MNB Inflation Report		-	-
	11 : 00	EZ	Unemployment rate (%)	May	6.8	6.8
	14 : 00	DE	CPI (preliminary, YoY, %)	Jun	7.9	7.9
	14 : 30	US	Personal income (MoM, %)	May	0.5	0.4
	14 : 30	US	Personal consumption (adjusted, MoM, %)	May	0.5	0.9
	14 : 30	US	Household core PCE index (MoM, %)	May	0.4	0.3
	14 : 30	US	Initial jobless claims ('000s)	weekly	229	229
	14 : 30	US	Continuing jobless claims ('000s)	weekly		1315
	15 : 00	HU	1W deposit w fixed interest rate tender (IR %, HUFbn)	weekly	-	7,25/7848
	15 : 45	US	Chicago PMI (points)	Jun	58.8	60.3
		HU	FX-swap tender (FX liquidity, HUF bn)		-	-
1.	3 : 45	CN	Caixin Manufacturing PMI (points)	Jun		48.1
	9 : 00	HU	Manufacturing PMI (points)	Jun		51.5
	9 : 00	HU	Trade balance (detailed, monthly, EUR mn)	Apr		-475*
	9 : 00	HU	Balance of general government sector (GDP %)	Q1		11.9
	9 : 45	IT	S&P Global Manufacturing PMI (points)	Jun	50.7	51.9
	11 : 00	EZ	CPI (flash, YoY, %)	Jun	8.3	8.1
	11 : 00	EZ	Core CPI (flash, YoY, %)	Jun	3.9	3.8
	16 : 00	US	Construction spending (MoM, %)	May	0.4	0.2
	16 : 00	US	ISM Manufacturing PMI (points)	Jun	55.0	56.1

\*preliminary data

Sources: Refinitiv, OTP Resea

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**Chief Economist**

Gergely Tardos  
tardosg@otpbank.hu

**Analyst**

Mihály András Kovács  
Mihaly.Andras.Kovacs@otpbank.hu

## Global Markets Team

### Individual Investment Sales Desk

**Zsigmond Csillag**

Head of Department  
+36 1 288 7556

[zsigmond.csillag@otpbank.hu](mailto:zsigmond.csillag@otpbank.hu)

**Frigyes Soós**

+36 1 288 7571

[SoosF@otpbank.hu](mailto:SoosF@otpbank.hu)

**Pál András Saághy**

+36 1 288 7553

[Pal.Andras.Saaghy@otpbank.hu](mailto:Pal.Andras.Saaghy@otpbank.hu)

**Botond Varga**

+36 1 288 7552

[Botond.Varga@otpbank.hu](mailto:Botond.Varga@otpbank.hu)

**Tamás Szabó**

+36 1 288 7512

[Tamas.Szabo.1@otpbank.hu](mailto:Tamas.Szabo.1@otpbank.hu)

**Csaba Szemán**

+36 1 288 7554

[Csaba.Szeman@otpbank.hu](mailto:Csaba.Szeman@otpbank.hu)

**Ottó Izbéki**

+36 1 288 7521

[otto.izbeki@otpbank.hu](mailto:otto.izbeki@otpbank.hu)

**Sándor András**

+36 1 288 7559

[Sandor.Andrasi@otpbank.hu](mailto:Sandor.Andrasi@otpbank.hu)

**Bálint Torda**

+36 1 288 7562

[Balint.Torda@otpbank.hu](mailto:Balint.Torda@otpbank.hu)

### Institutional Sales Desk

**Attila Preisz**

Head of Department

+36 1 288 7526

[Attila.Preisz@otpbank.hu](mailto:Attila.Preisz@otpbank.hu)

**Zoltán Ballai**

+36 1 288 7545

[Zoltan.Ballai@otpbank.hu](mailto:Zoltan.Ballai@otpbank.hu)

**Kitti Palásthy**

+36 1 288 7574

[Kitti.Palasthy@otpbank.hu](mailto:Kitti.Palasthy@otpbank.hu)

**Péter Nagy**

+36 1 288 7551

[Peter.Nagy.4@otpbank.hu](mailto:Peter.Nagy.4@otpbank.hu)

**Judit Kornis**

+36 1 288 7548

[Judit.Kornis@otpbank.hu](mailto:Judit.Kornis@otpbank.hu)

### Markets Corporate Sales Desk

**János Imrei**

Head of Department

+36 1 288 7544

[Janos.Imrei@otpbank.hu](mailto:Janos.Imrei@otpbank.hu)

**Borbála André**

+36 1 288 7541

[Borbala.Sarolta.Andre@otpbank.hu](mailto:Borbala.Sarolta.Andre@otpbank.hu)

**Edit Kovács Gyimóti**

+36 1 288 7542

[KovacsGyE@otpbank.hu](mailto:KovacsGyE@otpbank.hu)

**Nóra Ilona Gordos**

+36 1 288 7549

[Nora.Ilona.Gordos@otpbank.hu](mailto:Nora.Ilona.Gordos@otpbank.hu)

**István Fodor**

+36 1 288 7555

[Istvan.Fodor.1@otpbank.hu](mailto:Istvan.Fodor.1@otpbank.hu)

**Andorka Rudolf Flórián**

OTP Trader

+36 1 288 7558

[Rudolf.Florian.Andorka.1@otpbank.hu](mailto:Rudolf.Florian.Andorka.1@otpbank.hu)

**Péter Huck**

OTP Trader

+36 1 288 7543

[Peter.Huck.2@otpbank.hu](mailto:Peter.Huck.2@otpbank.hu)

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