

OTP Morning Brief

- Most stock exchanges in Western Europe posted losses on Tuesday, after Monday's rise
- Crude oil supplies on the southern branch of the Friendship pipeline stopped
- MOL fell sharply (-4.2%); the BUX slumped 3%
- Hungary inflation accelerated to 13.7% YoY; core inflation hit 16.7% YoY
- The EUR/HUF closed near 397
- European gas prices fell further on the TTF gas hub
- Today the USA releases CPI for July; inflation is expected to have slowed to 8.7% YoY

10 August 2022

Western Europe's stock markets turned pessimistic; Hungary's BUX slid 3%

Western Europe's leading indices started the day slightly down, but their losses kept increasing as the closing approached. Only the UK's FTSE100 could eke out a trivial gain. Germany's DAX was the weakest link, as recession concerns are intensifying in the wake of the energy crisis. Investors' attention has increasingly turned from earnings figures to today's release of US inflation data, which will serve as a compass for the pace of the Fed's monetary tightening. The Stoxx Europe 600 closed 0.7% lower, dragged down by technology (-3.3%), and travel & leisure (-2.5%), while oil & gas stocks were the best performers (+1.0%).

Crude oil supplies through the southern branch of the Friendship oil pipeline to Slovakia, the Czech Republic, and Hungary stopped due to transit fee settlement problems. This slashed MOL's (-4.2%) share price. All Hungarian blue chips closed in the red, OTP lost 4.0%. The BUX did poorly before the oil news came to light, and it closed 3.0% in the red. Elsewhere in CEE, Prague's PX rose 0.6% and Warsaw's WIG slipped 0.7%.

MTelekom published its second-quarter figures after market close. Its sales revenue (+10.9%) growth exceeded expectations. After-tax profit fell 19.2% year-on-year, yet it beat expectations. EBITDA dropped by 2.3% year-on-year in Q2.

Hungary's inflation jumped to a whopping 13.7% in July, beating analysts' consensus of 13.1%; core inflation rose to 16.7% YoY. The acceleration was also broad-based, and all underlying inflation indicators accelerated significantly. Some of the previously announced budget measures (extension of the public health product tax, increasing the windfall tax on the retail sector, raising the excise tax on alcohol) have already appeared in the consumer price index. The higher inflation path may force the MNB to raise interest rates more aggressively.

US trading was also pessimistic; investors punished chipmakers

Monday's small losses were followed by further slight falls on US stock markets. In addition to today's inflation data, the market was moved by disappointing corporate earnings reports. In addition to Nvidia's dismal figures posted on Monday, Micron also warned its investors yesterday of weaker-than-expected earnings - that left its mark on the performance of semiconductor manufacturers, and the tech sector, on the second day in a row. Novavax plunged nearly 30% after cutting its full-year revenue forecast due to weak demand for its Covid vaccines. Of the S&P's sector indices, consumer cyclicals were hit the hardest.

In the second quarter, US unit labour costs in the non-farm business sector grew by 10.8% QoQ, stronger than had been expected. Non-farm productivity slumped 4.6% YoY.

10 August 2022

The HUF weakened further; the price of gas fell on the Dutch TTF

The forint seemed to shrug off the morning's release of CPI data but the afternoon's news that oil transit via the Friendship oil pipeline had halted made the HUF the weakest performer in the CEE region by the end of the day; the EUR/HUF rose by 0.6%, to close near 397. The short end of Hungary's yield curve upped 1-4 bps, and bond yields rose by 8-16 basis points, based on the ÁKK's early afternoon benchmark fixing. At yesterday's auction, the ÁKK's sold HUF 15 billion in 3M discount T-bills from the HUF 20 billion on offer, owing to the subdued demand. The average yield was 8.88%, which is 41 basis points higher than Monday's benchmark and 39 basis points higher than Tuesday's one.

German and American 10-year bond yields rose by 3 basis points each, after Monday's drop. The euro strengthened versus the dollar on Tuesday again, paring the greenback's gain made on Friday. Gold price climbed higher as the dollar weakened.

Brent and WTI ended Tuesday's trading with a trivial loss, paring the day's increase. In Europe, gas price declined further, to 190 EUR/MWh on the Dutch TTF gas hub.

Today's highlights

Asia's indices turned red this morning, following the release of China's CPI data: consumer prices rose by 2.7% year-on-year in July. Although this is the highest level since July 2020, it fell short of the consensus forecast (2.9%).

In today's switch auction, the ÁKK offers HUF 5 billion worth of 2031/A bonds in exchange for 2023A bonds.

Today, US inflation data can move markets. Both headline and core inflation are expected to have slowed. Another negative surprise may further intensify rate hike expectations.

10 August 2022

	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	4122	-0,4	-13,5	VIX	21,8	2,3	26	WTI	90,5	-0,3	46,0
	DOW	32774	-0,2	-15,3	US 2Y	3,29	7,0	255	Brent	96,31	-0,4	23,8
	Nasdaq Comp.	12494	-1,2	-29,5	US 10Y	2,80	3,4	130	TTF Natural Gas	190,0	-1,2	185,7
	DAX	13535	-1,1	-14,8	GER 2Y	0,48	4,6	112	Arany	1794,08	0,3	-1,9
	CAC40	6490	-0,5	-9,3	GER 10Y	0,92	2,6	110	EUR/USD	1,0213	0,2	-10,2
	FTSE 100	7488	0,1	1,4	PT10Y	1,97	4,5	147	EUR/GBP	0,8452	0,2	0,6
	FTSE MIB	22488	-1,1	-17,8	IT 10Y	3,06	1,6	187	EUR/NOK	9,9350	0,0	-0,8
	Stoxx600	436,0	-0,7	-10,6	SP 10	2,03	3,2	144	USD/CAD	1,2890	0,3	2,0
	- Banks	100	0,1	-18,6	iTRAXX	102,8	3,1	116	AUD/USD	0,6965	-0,3	-4,1
	Nikkei 225	27783	-0,8	-2,7	JPY 2Y	-0,09	0,6	-1	USD/JPY	135,15	0,1	17,4
SSEC	3235	-0,4	-11,1	JPY 10Y	0,18	1,9	11	GBP/USD	1,2082	0,0	-10,7	
Regional	RTS	1116	3,0	-30,0	RUS10	9,1	0,1	7	EUR/CZK	4,903	0,0	-0,9
	WIG20	1684	-0,7	-25,7	POL 10	5,6	1,3	51	EUR/PLN	4,70	0,1	2,4
	PX50	1244	0,6	-12,8	CZ10	3,9	2,8	32	EUR/RON	4,903	0,0	-0,9
Hungary	BUX	42733	-3,0	-15,7	3M DKJ	8,49	2,0	633	EUR/HUF	396,86	0,6	7,4
	OTP	8918	-4,0	-46,3	1Y	9,82	4,0	625	USD/HUF	388,75	0,5	19,7
	MOL	2814	-4,2	11,7	3Y	10,05	8,0	586	CHF/HUF	407,65	0,7	14,4
	MTelekom	314	-0,6	-23,7	5Y	9,16	13,0	481	PLN/HUF	84,45	1,0	4,8
	Richter	8200	-1,2	-6,0	10Y	7,95	14,0	344	GBP/HUF	469,35	0,4	6,7

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

Sources: Refinitiv, OTP Research

10 August 2022

Date		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 8. 8.	9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	Jun	-471,0	-	-95,0
	10 : 30	EZ	Sentix Investor confidence (points)	Aug	-25,2	-24,7	-26,4
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	Jul	255,7	-	-155,0
9.	9 : 00	HU	Core inflation (YoY, SA, %)	Jul	16,7	14,8	13,8
	9 : 00	HU	Inflation (YoY, %)	Jul	13,7	13,1	11,7
	14 : 30	US	Non-farm productivity growth (preliminary, QoQ, %)	Q2	10,8	9,5	12,6
	14 : 30	US	Non-farm productivity growth (preliminary, YoY, %)	Q2	9,5	-	8,2
	14 : 30	US	Non-farm Unit Labor Costs (preliminary, QoQ, %)	Q2	-4,6	-4,7	-7,3
10.	14 : 30	US	CPI (YoY, %)	Jul		8,7	9,1
	14 : 30	US	CPI (MoM, SA, %)	Jul		0,2	1,3
	14 : 30	US	core-CPI (YoY, %)	Jul		6,1	5,9
	14 : 30	US	core-CPI (MoM, SA, %)	Jul		0,5	0,7
	20 : 00	US	Federal budget balance (USDbn)	Jul			-89,0
11.	14 : 30	US	Continuing jobless claims ('000s)	weekly		1416	1416
	14 : 30	US	Initial jobless claims ('000s)	weekly		263	260
	15 : 00	HU	1W deposit w fixed interest rate tender (IR %, HUFbn)	weekly			10,75/9330,4
12.	8 : 00	UK	GDP (preliminary, QoQ, %)	Q2		-0,2	0,8
	8 : 00	UK	GDP (preliminary, YoY, %)	Q2		2,8	8,7
	9 : 00	HU	Industrial production (second estimate, YoY, %)	Jun			1,5*
	11 : 00	EZ	Industrial production (MoM, %)	Jun		0,2	0,8
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	Aug		52,2	51,5
		HU	S&P Credit Rating decision	-		-	BBB (stabil)

* preliminary data

Sources: Refinitiv, OTP Research

10 August 2022

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10 August 2022

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10 August 2022

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10 August 2022

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