

OTP Morning Brief

- Europe's stock indices declined yesterday
- German industrial production shrank slower than feared
- Poland's central bank left its base rate unchanged
- China has relaxed Covid rules
- Hungary raised oil producers' windfall tax rate to 95%
- Most US indices were dragged down by recession fears
- US interest rate hike expectations dropped further
- The euro strengthened against the dollar
- Withdrawing the petrol price cap caused temporary HUF fluctuations
- US unemployment data and Hungary's inflation are in the focus of attention today

08 December 2022

Europe's stock indices closed lower on Wednesday; Germany's IP shrank slower than feared; Poland's central bank left its base rate unchanged; China relaxed Covid rules

Growing recession fears drove Europe's stock markets into the red on Wednesday. The oil sector, which is sensitive to economic downturn, slid 2%, while the crisis-proof healthcare sector gained 0.7%, as a US court dismissed thousands of claims related to Zantac's alleged carcinogenic effect. Germany's industrial production edged down 0.1% MoM in October, after a 1.1% increase in September, beating the market forecast of -0.6%. One reason for the much-better-than-expected figure was the 4.2% surge in the volatile construction output. The production of consumer goods (-1.9%) and intermediate products (-1.8%) dropped, while that of capital goods (+1.4%) grew, partly because car production resumed. Energy production slumped 7.6%, and the production of energy-intensive industrial sectors slid 3.6%. In individual stories, Airbus shares descended 2.2% as the aerospace corporation cut its sales forecast for 2022, citing supplier problems.

As expected, the National Bank of Poland did not change its key interest rate.

On Wednesday, China said it would ease Covid restrictions. People will no longer need negative tests or authorization from a Covid application to travel between certain regions of the country, or to enter certain public spaces such as shopping malls. Furthermore, work and local production will only be suspended in high-risk regions. China's leaders recently promised to increase the vaccination rate of the elderly.

Hungary raised the windfall tax rate for oil producers to 95%

On Tuesday night Hungary suddenly ended the cap on petrol prices, and on Wednesday it raised the windfall tax rate for oil producers to 95%, from 40%. MOL shares slid 2.6% before the details of the tax hike came to light. The volume of Hungary's industrial production surged by a working-day adjusted 5.1% YoY in October. Based on seasonally and working-day-adjusted data, industrial output contracted by 3.5% from September. The MNB's international reserves rose to EUR 37.5 billion in October, from EUR 36.9 billion in September.

US indices mostly fell due to recession fears

America's indices closed with losses, on thin turnover; only the Dow stagnated. Investors weighed up how long consumer spending, financed by the savings from the Covid stimulus, could support the economy. The depletion of these reserves could push the US economy into recession next year. Shares in Carvana nose-dived 43% yesterday, amid concerns that the online retailer of used cars may go bankrupt, as its biggest

08 December 2022

creditors signed a co-operation agreement. MongoDB shares marched 23% higher, after the database platform company reported higher-than-expected Q2 sales and a mild loss. Canada's base rate increased by 50 basis points, as expected.

US interest rate hike expectations reduced further; the euro strengthened against the dollar; ending the petrol price cap caused temporary HUF fluctuations

Amid growing recession fears, the month-long fall in interest rate hike expectations and government bond yields continued on the US government bond market: the yield curve fell nearly 10 basis points, and the yield on the 10Y maturity fell below the technically important 3.5% level. To a lesser extent, bond yields also sank in Europe, partly because the euro zone's Q3 GDP data came in stronger than had been estimated. The euro strengthened roughly 0.5% against the dollar; the EUR/USD hit 1.05 again.

Withdrawing the petrol price cap caused only temporary fluctuations in Hungary's market. In the morning, the HUF strengthened against the euro (the EUR/HUF fell from 411 to 408.5), and yields moderated, but the currency weakened in the afternoon: returning from a spike above 413, the EUR/HUF closed below 411. Due to a drop from Tuesday's steep rise, yields on 5Y and longer bonds slipped 10-15 basis points; the 10Y yield sank to 8.5%. At the ÁKK's auction of 6M discount Treasury bills, the bid/cover ratio for the amount on offer (HUF 20 billion) was less than 2.0; the ÁKK boosted sales by HUF 3 billion. The average yield at the auction rose to 14.14%. Yesterday, the MNB announced the one-day deposit tender (currently its benchmark instrument) at 18% interest rate, and accepted all bids (worth HUF 5,400 billion).

Today's highlights

Reportedly, Hong Kong is considering plans to further ease Covid rules (e.g. abandoning outdoor mask rule); the Hang Seng index jumped 2.6%. Meanwhile, recession fears sent Japan's and Shanghai's indices lower. Index futures point to declines in European markets today.

The USA releases the weekly jobless claims figures today. Hungary publishes CPI for November and fiscal balance figures. The ÁKK auctions 12M discount T-Bills, 3Y fixed-interest-rate bonds (25/C), and 10Y floaters (32/B), offering HUF 20 billion in each.

08 December 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	3934	-0.2	-17.5	VIX	22.7	2.3	32	WTI	73.1	-2.1	-3.4
	DOW	33598	0.0	-7.5	US 2Y	4.26	-10.4	352	Brent	77.17	-2.7	-0.8
	Nasdaq Comp.	10959	-0.5	-30.0	US 10Y	3.41	-10.5	191	TTF Natural Gas	149.0	5.7	115.9
	DAX	14261	-0.6	-10.2	GER 2Y	2.01	-4.1	265	Gold	1786.22	0.9	-2.3
	CAC40	6661	-0.4	-6.9	GER 10Y	1.78	-1.3	196	EUR/USD	1.0506	0.3	-7.6
	FTSE 100	7489	-0.4	1.4	PT10Y	2.67	-4.8	218	EUR/GBP	0.8609	-0.2	2.5
	FTSE MIB	24241	-0.1	-11.4	IT 10Y	3.61	-4.3	242	EUR/NOK	10.5270	0.3	5.1
	Stoxx600	436.2	-0.6	-10.6	SP 10	2.77	-3.2	218	USD/CAD	1.3652	0.0	8.0
	- Banks	108	-0.8	-12.7	iTRAXX	91.6	0.3	92	AUD/USD	0.6724	0.5	-7.4
	Nikkei 225	27574	-0.4	-4.1	JPY 2Y	-0.01	0.0	8	USD/JPY	136.62	-0.3	18.7
SSEC	3195	-0.1	-12.2	JPY 10Y	0.25	0.0	18	GBP/USD	1.2201	0.5	-9.8	
Regional	RTS	1099	0.2	-31.1	RUS10	10.2	0.1	21	EUR/CZK	24.288	-0.2	-2.4
	WIG20	1736	0.1	-23.4	POL 10	6.5	-1.4	76	EUR/PLN	4.69	0.0	2.2
	PX50	1178	-0.5	-17.4	CZ10	4.7	-0.8	57	EUR/RON	4.917	0.0	-0.6
Hungary	BUX	44615	-1.6	-12.0	3M DKJ	11.77	18.0	961	EUR/HUF	411.03	0.1	11.3
	OTP	10000	-2.0	-39.8	1Y	13.50	-3.0	993	USD/HUF	391.15	-0.3	20.5
	MOL	2746	-2.6	9.0	3Y	10.03	3.0	584	CHF/HUF	417.43	-0.1	17.1
	MTelekom	330	1.2	-19.8	5Y	9.33	-9.0	498	PLN/HUF	87.66	-0.3	8.8
	Richter	8615	-0.6	-1.3	10Y	8.49	-12.0	398	GBP/HUF	477.71	-0.6	8.6

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

08 December 2022

Date		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 12. 5.	2 : 45	CN	Caixin Services PMI	Nov	46.7	-	48.4
	9 : 00	HU	Retail sales (YoY, SA, %)	Oct	0.6	-	3.0
	9 : 00	AT	GDP (detailed, QoQ, %)	Q3	0.2	-	-0,1*
	9 : 45	IT	S&P Global Service PMI (points)	Nov	49.5	48.3	46.4
	10 : 30	EZ	Sentix Investor confidence (points)	Dec	-21.0	-27.6	-30.9
	11 : 00	EZ	Retail sales (MoM, %)	Oct	-1.8	-1.7	0.4
	16 : 00	US	Factory orders (MoM, %)	Oct	1.0	0.7	0.3
	16 : 00	US	ISM non-Manufacturing PMI (points)	Nov	56.5	53.3	54.4
6.	8 : 00	DE	Industrial orders (MoM, %)	Oct	0.8	0.1	-2.9
	9 : 00	HU	Guest nights in tourist acc. (YoY, %)	Oct	-0.2	-	1.3
7.	4 : 00	CN	Export (YoY, %)	Nov	-8.7	-3.5	-0.3
	8 : 00	DE	Industrial production (MoM, %)	Oct	-0.1	-0.6	1.1
	9 : 00	HU	Industrial production (preliminary, YoY, %)	Oct	5.9	9.0	11.3
	10 : 00	IT	Retail sales (MoM, SA, %)	Oct	-0.4	-0.6	0.5
	10 : 00	HU	International reserves (preliminary, EURbn)	Oct	37.5	-	36.9
	16 : 00	CA	Interest rate decision (%)	Dec	4.3	4.3	3.8
	16 : 00	PL	Interest rate decision (%)	Dec	6.8	6.8	6.8
8.	9 : 00	HU	Core inflation (YoY, SA, %)	Nov		23.3	22.3
	9 : 00	HU	Inflation (YoY, %)	Nov		22.2	21.1
	9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	Oct			-745.0
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	Nov			101.3
	14 : 30	US	Initial jobless claims ('000s)	weekly		230.0	225.0
	14 : 30	US	Continuing jobless claims ('000s)	weekly		1600.0	1608.0
9.	16 : 00	US	Michigan Consumer confidence (preliminary, points)	Dec		56.9	56.8

* preliminary data

Sources: Refinitiv, OTP Research

08 December 2022

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08 December 2022

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08 December 2022

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08 December 2022

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08 December 2022

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