

OTP Morning Brief

- Fears of a banking crisis have eased further as a new rescue package for US First Republic Bank is being outlined
- The US Treasury Department is ready to provide further assistance to depositors above the ordinary deposit insurance threshold
- Leading indices closed Tuesday's trading higher; equity markets in the CEE region followed the major indices
- Fears of a banking crisis eased further on the rates market as well, with expectations of interest rate hikes in developed markets rising
- The forint strengthened in Tuesday's trading, closing below 389 against the euro
- Today's Fed rate decision and following press conference will be worth watching

22 March 2023

Fears of a banking crisis have eased further as a new bailout of US First Republic Bank is being outlined, while the Treasury says it is ready to step up support

Shares of First Republic Bank rose nearly 30% in Tuesday trading, following a 47% plunge on Monday. Tuesday's jump came after the Wall Street Journal reported that JPMorgan Chase CEO Jamie Dimon is in talks with other bank executives about further rescue plan for the troubled bank. Led by JPMorgan, major US banks last week injected \$30bn in funding into the San Francisco-based financial institution. First Republic was one of the banks swept away in the wave of sell-offs that followed the March 10 failure of Silicon Valley Bank due to some similarities, such as their size, their largely affluent customer base and the largely uninsured nature of their deposit base.

Market optimism was further boosted by Treasury Secretary Janet Yellen's statement on Tuesday that the federal government may step in to protect depositors at additional banks if regulators see the potential for a systemically risky bank-run. Ms Yellen made the comments at a meeting of the American Bankers Association in Washington as she and other federal officials seek to bolster confidence in the US banking sector after the collapse of Silicon Valley Bank and Signature Bank. Federal regulators had earlier taken emergency measures to guarantee uninsured deposits of SVB and Signature Bank, while also creating a new Federal Reserve lending program to help the banks meet requests for withdrawals.

Leading indices closed Tuesday's trading session higher; stock markets in the CEE region followed the main indices

Major European stock markets rose on Tuesday, with sectoral indices ending the day broadly higher, with the exception of the housing sector. With fears easing in the banking sector, the rise was led by a bounce in financials with a 3.8% intraday rally, while cyclical energy, industrials and consumer durables sector indices followed financials. The pan-European STOXX 600 index rose 1.3% intraday, while the French CAC40 (1.4%), the financials-heavy Italian FTSE-MIB (2.5%), the British FTSE 100 (1.8%) and the German DAX (1.8%) also ended the trading day higher.

Equity markets in the CEE region followed the main indices higher. Poland's WIG gained 1.9%, the Czech PX50 rose 1.5%, while the domestic BUX index gained 2.0%. Among the domestic blue chips OTP (4.5%), Richter (1.3%) and MTelekom (0.3%) closed higher, while Mol's share remained flat.

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Fears of a banking crisis eased further, interest rate hike expectations strengthened and the forint closed below 389 against the euro

As on Monday, concerns about the health of the banking system eased further yesterday in the currency and bond markets. Overseas, Treasury Secretary Janet Yellen and in Europe, ECB President Christine Lagarde reassured the market that they were ready to provide further support to the financial intermediary system if needed. As risk appetite strengthened, the dollar weakened by a further half a percent against the euro, with EURUSD jumping above 1.075. Interest rate hike expectations have risen, with the market taking today's 25 basis point hike in the US almost for granted and pricing in another one for the next meeting in May, so that the current pricing suggests that the US rate hike cycle could end at 5-5.25% range. European rate hike expectations have similarly increased, with the market projecting a 25-25 basis point tightening for the next two meetings. Bond yields moved 10-15 basis points higher in the US and 20-25 basis points higher in Europe, with the US 10-year yield reaching 3.6% and the German at 2.3%.

The benchmark instrument, the overnight deposit tender, was yet again announced at a rate of 18% by the MNB yesterday. The forint strengthened by a further 1.5% against the euro, below the 389 level, on the back of good international sentiment. Demand was strong yesterday at the ÁKK's three-month DKJ auction, with bids receiving more than five times the HUF 15 Bn offered, but the debt manager sold only the planned amount at an average yield of 14.9%. The rise in yields in developed bond markets was offset by a contraction in the risk premium, with domestic government bond yields falling by 5-10 basis points until benchmark yields were fixed in the early afternoon, followed by a further similar decline into the evening. The ten-year bond yield thus sank to near 8.5%. The tenures of two members of the central bank's Monetary Council - Bianka Parragh and György Kocziszky - are due to expire, they are expected to be replaced by Éva Búza, CEO of Garantiqa Hitelgarancia, and Zoltán Kovács, former board member of Magyar Posta, Bloomberg reported.

Today's highlights

Asia's leading stock indexes rose this morning, Japan's Nikkei (+1.9%), Hong Kong's Hang Seng (+1.9%) and China's Shanghai Composite (+0.2%) closed higher. According to the forward contracts, European markets will open slightly in the green today.

Today, the market will focus on the Fed rate decision and the subsequent press conference. There is a good chance that the MNB will announce the overnight deposit tender with an unchanged interest rate of 18% today. Furthermore, the ÁKK will hold a six-month DKJ auction.

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	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	4003	1,3	4,3	VIX	21,4	-11,5	-1	WTI	69,67	3,0	-13,2
	DOW	32561	1,0	-1,8	US 2Y	4,18	25,3	-23	Brent	75,32	2,1	-12,3
	Nasdaq Comp.	11860	1,6	13,3	US 10Y	3,61	12,9	-23	TTF Natural Gas	39,5	-2,5	-46,6
	DAX	15195	1,8	9,1	GER 2Y	2,58	25,7	-15	Gold	1940,15	-1,9	6,3
	CAC40	7113	1,4	9,9	GER 10Y	2,28	17,9	-28	EUR/USD	1,0769	0,4	0,6
	FTSE 100	7536	1,8	1,1	PT10Y	3,14	12,5	-44	EUR/GBP	0,8814	0,9	-0,4
	FTSE MIB	26554	2,5	12,0	IT 10Y	4,11	13,2	-59	EUR/NOK	11,3577	-0,5	8,2
	Stoxx600	446,5	1,3	5,1	SP 10	3,33	13,6	-33	USD/CAD	1,3715	0,4	1,2
	- Banks	148	3,8	5,6	iTRAXX	91,3	-7,4	1	AUD/USD	0,6669	-0,8	-2,1
	Nikkei 225	27467	1,9	5,3	JPY 2Y	-0,05	2,1	-9	USD/JPY	132,52	0,9	1,1
SSEC	3256	0,0	5,4	JPY 10Y	0,33	7,7	-9	GBP/USD	1,2216	-0,5	1,0	
Regional	RTS	984	0,4	1,4	RUS10	11,2	-0,4	8	EUR/CZK	23,795	-0,8	-1,5
	WIG20	1719	1,9	-4,1	POL 10	6,0	0,6	-13	EUR/PLN	4,68	-0,5	-0,2
	PX50	1345	1,5	11,9	CZ10	4,5	2,1	-13	EUR/RON	4,924	0,0	-0,4
Hungary	BUX	42151	2,0	-3,8	3M DKJ	14,94	59,0	262	EUR/HUF	388,96	-1,5	-2,6
	OTP	9908	4,5	-2,0	1Y	14,64	3,0	82	USD/HUF	361,13	-1,9	-3,3
	MOL	2500	0,0	-3,9	3Y	10,58	-8,0	-13	CHF/HUF	392,21	-1,7	-3,3
	MTelekom	383	0,3	13,0	5Y	9,53	-4,0	-20	PLN/HUF	83,07	-1,2	-3,1
	Richter	7545	1,3	-9,1	10Y	8,62	-5,0	-36	GBP/HUF	440,61	-2,8	-2,5

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

Sources: Refinitiv, OTP Research

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Date		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2023 3. 21.	11 : 00	DE	ZEW Economic Sentiment (points)	Mar	13,0	16,4	28,1
	15 : 00	US	Existing home sales (annualized monthly, '000s)	Feb	4580,0	4180,0	4000,0
22.	8 : 00	UK	Inflation (YoY, %)	Feb		9,8	10,1
	19 : 00	US	Interest rate decision (%)	Mar		4,75-5,0	4,5-4,75
23.	12 : 00	TR	Interest rate decision (%)	Mar			8,5
	13 : 00	UK	Interest rate decision (%)	Mar		4,3	4,0
	13 : 30	US	Initial jobless claims ('000s)	weekly			192,0
	13 : 30	US	Continuing jobless claims ('000s)	weekly			1684,0
	15 : 00	US	New home sales (annualized monthly, '000s)	Feb		640,0	670,0
	16 : 00	EZ	Consumer confidence (point)	Mar		-18,2	-19,0
24.	0 : 30	JP	core-CPI (YoY, %)	Feb		3,1	4,2
	0 : 30	JP	CPI (YoY, %)	Feb			4,3
	8 : 00	UK	Retail sales (MoM, %)	Feb		0,2	0,5
	8 : 30	HU	Unemployment rate (%)	Feb			4,0
	9 : 15	FR	S&P Global Manufacturing PMI (points)	Mar		48,1	47,4
	9 : 15	FR	S&P Global Service PMI (points)	Mar		52,5	53,1
	9 : 30	DE	S&P Global Manufacturing PMI (points)	Mar		47	46
	9 : 30	DE	S&P Global Service PMI (points)	Mar		51	51
	10 : 00	EZ	S&P Global Manufacturing PMI (points)	Mar		49	49
	10 : 00	EZ	S&P Global Service PMI (points)	Mar		53	53
	10 : 30	UK	S&P Global Manufacturing PMI (points)	Mar		50,0	49,3
	10 : 30	UK	S&P Global Service PMI (points)	Mar		53,0	53,5
	13 : 30	US	Durable goods orders (MoM, %)	Feb		0,9	-4,5
	14 : 45	US	S&P Global Manufacturing PMI (points)	Mar		47,6	47,3
	14 : 45	US	S&P Global Service PMI (points)	Mar		50,9	50,6

* preliminary data

Sources: Refinitiv, OTP Research

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