

OTP Morning Brief

- The main stock indices of Europe closed mixed with small movements
- In Hungary, inflation slowed to 21.5% in May, from 24% in April
- The USA's indexes closed higher on Thursday
- US initial jobless claims hit more than 18-month high
- Interest rate hike expectations on developed economies' government bond markets eased; the euro regained nearly 1% from the dollar
- The EUR/HUF remained below 370

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Europe's key stock indices made subtle moves in both directions; Hungary inflation slowed to 21.5% in May, from 24% in April

Making small movements, the main indices in Europe closed mixed; the pan-European STOXX 600 index essentially stagnated. The interest-sensitive technology sector shed 0.3% as investors expect the Fed to continue to send hawkish messages at next week's meeting, and the European Central Bank to further tighten monetary conditions. Mining and energy stocks benefited from rising commodity prices. Italy's FTSE MIB (0.8%), France's CAC40 (0.3%), and Germany's DAX (0.2%) all rose. Britain's FTSE 100 (-0.3%) was dragged down by exporters' ailing as the pound strengthened against major currencies amid expectations of further interest rate hikes.

In the CEE region, Czechia's PX (0.6%) and Hungary's BUX (1.1%) closed higher, while Poland's WIG (-0.8%) fell in Thursday's trading. Among Hungary's blue chips, OTP (3.3%) and MOL (0.8%) were the engines of growth, while Richter (-1.3%) and MTelekom (-0.1%) fell. OTP's rise may be attributed to recent treasury share purchases.

In Hungary, inflation slowed to 21.5% in May, from 24% in April, surprising both the market (consensus: 22.3%) and us. Energy and food prices played a significant role in disinflation.

Hungary's preliminary budget deficit of HUF 53.6 billion in May was roughly in line with our forecast, and was lower than in previous years. As the preliminary data do not include information on tax revenues and the volatile EU balance, the extent to which these items may have affected the deficit is unclear. The cumulative deficit was HUF 2,763 billion in the first five months of 2023, making up 81% of the planned deficit, which is high even if seasonality can help later in the year.

America's key stock indexes rose on Thursday; US initial jobless claims hit more-than-18-month high

The USA's major stock indexes ended higher on Thursday, regaining some of their momentum, thanks to gains in technology stocks, while market volatility fell to extremely low levels as many investors waited to see next week's inflation data and the Fed's policy meeting. The Nasdaq Composite (1%) headed Wall Street's rise, but the S&P 500 (0.6%) and the Dow Jones Industrial Average also increased.

Initial jobless claims (261,000) rose sharply in America, exceeding market expectations (235,000), and hitting its highest in more than a year and a half. The continuing jobless claims (1,795,000) figure also increased slightly, but fell short of the consensus forecast (1,800,000). Based on the indicators, the tightness of the US labour market has decreased over the past quarters.

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Interest rate hike expectations on advanced economies' government bond markets eased; the euro firmed nearly 1% against the dollar; the EUR/HUF remained below 370

Interest rate hike expectations eased on advanced economies' government bond markets, ahead of next week's rate-setting meetings, after Eurostat revised the Q4 2022 and Q1 2023 GDP growth rates to -0.1%, and US initial jobless claims jumped to 18-month high last week. The yield curve sank about five basis points on both sides of the Atlantic: the 10Y dollar yield decreased to 3.7%, and the German one to 2.4%.

The euro regained almost 1% from the dollar, sending the EUR/USD to 1.078.

In Hungary, inflation fell stronger than expected, slowing to 21.5% YoY in May, from 24% in April, whereas economists expected 22.3% rate. This strengthens expectations of interest rate cuts. In Thursday's bond auction, the ÁKK saw healthy demand, owing to the recently announced government measures to stimulate appetite for government bonds, and because of the pleasant surprise in inflation data. There was subdued demand for 12M discount T-Bills, but the 4Y floaters and the 10Y fixed-interest-rate bonds were sought after. The bid/cover ratio at the 12M treasury bill auction did not even reach 2.0, thus the ÁKK sold the planned amount (HUF 25 billion), at an average yield of 11.68%. The HUF 20 billion offered in the floating-rate bond was four times oversubscribed, and the 10Y fixed-interest-rate bond (barely HUF 10 billion) was six times oversubscribed. This prompted the ÁKK to significantly boost sales and it sold a total of HUF 120 billion worth of government bonds and T-Bills. The average yield at the 10Y auction fell below 7%, which was 30-40 basis points below Wednesday's yield level. By the afternoon, however, yields picked up: the ÁKK's reference yields, fixed in the early afternoon, shed less than 10 basis points (3Y-10Y), while the longer-term maturities closed flat. Despite a trivial forint weakening, the EUR/HUF remained below 370.

Today's highlights

Asia's main indices rose this morning. Japan's Nikkei (1.8%) drew near its all-time high. The Shanghai and the Hong Kong stock markets also gained. Index futures suggested that the major stock exchanges in Europe may open slightly higher today.

In Hungary, the MNB is likely to leave the interest rate at today's one-day deposit tender at 17%.

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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	4294	0.6	11.8	VIX	13.7	-2.1	-37.0	WTI	71.29	-1.7	-11.2
	DOW	33834	0.5	2.1	US 2Y	4.52	-3.1	11.6	Brent	75.96	-1.3	-11.6
	Nasdaq Comp.	13239	1.0	26.5	US 10Y	3.71	-7.0	-11.7	TTF Natural Gas	27.0	0.9	-63.5
	DAX	15990	0.2	14.8	GER 2Y	2.97	-1.3	23.6	Gold	1967.76	1.5	7.9
	CAC40	7222	0.3	11.6	GER 10Y	2.42	-2.1	-14.0	EUR/USD	1.0783	0.8	0.7
	FTSE 100	7600	-0.3	2.0	PT10Y	3.15	0.3	-41.9	EUR/GBP	0.8586	-0.2	-2.9
	FTSE MIB	27275	0.8	15.1	IT 10Y	4.20	-6.9	-50.4	EUR/NOK	11.7429	-0.5	11.9
	Stoxx600	460.7	0.0	8.4	SP 10	3.42	-3.9	-23.9	USD/CAD	1.3353	-0.1	-1.5
	- Banks	152	0.2	8.6	iTRAXX	76.9	-0.2	-14.6	AUD/USD	0.6716	1.0	-1.4
	Nikkei 225	32265	2.0	23.6	JPY 2Y	-0.06	-0.6	-9.5	USD/JPY	138.93	-0.9	5.9
SSEC	3224	0.3	4.4	JPY 10Y	0.43	-0.5	1.4	GBP/USD	1.2555	0.9	3.8	
Regional	RTS	1033	-0.3	6.4	RUS10	10.8	0.1	4.6	EUR/CZK	23.665	0.1	-2.0
	WIG20	2036	0.0	13.6	POL 10	6.0	0.0	-13.1	EUR/PLN	4.47	-0.3	-4.6
	PX50	1315	0.6	9.4	CZ10	4.5	0.7	-12.4	EUR/RON	4.954	-0.1	0.2
Hungary	BUX	49342	1.1	12.7	3M DKJ	12.67	-3.0	35	EUR/HUF	369.25	0.1	-7.6
	OTP	11520	3.3	13.9	1Y	11.62	-4.0	-220	USD/HUF	342.43	-0.7	-8.3
	MOL	3010	0.8	15.7	3Y	9.16	-11.0	-155	CHF/HUF	380.31	0.4	-6.3
	MTelekom	410	-0.1	20.9	5Y	8.21	-7.0	-152	PLN/HUF	82.39	0.3	-3.8
	Richter	8430	-1.3	1.6	10Y	7.30	-7.0	-168	GBP/HUF	429.71	0.2	-4.9

* 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 6. 5.	3 : 45	CN	Caixin Services PMI	May	57.1		56.4
	8 : 00	DE	Export (MoM, SA, %)	Apr	1.2	-2.5	-5.2
	10 : 30	EZ	Sentix Investor confidence (points)	Jun	-17.0	-15.1	-13.1
	11 : 00	EZ	Producer Prices (MoM, %)	Apr	-3.2	-3.1	-1.6
	11 : 00	EZ	Producer Prices (YoY, %)	Apr	1.0	1.4	5.9
	15 : 00	EZ	C. Lagarde hearing before the ECON of the European Parliament		-	-	-
	16 : 00	US	Factory orders (MoM, %)	Apr	0.4	0.8	0.6
	16 : 00	US	ISM non-Manufacturing PMI (points)	May	50.3	52.2	51.9
6.	8 : 00	DE	Industrial orders (MoM, %)	Apr	-0.4	3.0	-10.7
	8 : 30	HU	Retail sales (YoY, SA, %)	Apr	-12.6	-	-13.1
	11 : 00	EZ	Retail sales (MoM, %)	Apr	0.0	0.2	-1.2
	14 : 00	PL	Interest rate decision (%)	Jun	6.8	6.8	6.8
7.	5 : 00	CN	Export (YoY, %)	May	-7.5	-0.4	8.5
	8 : 00	DE	Industrial production (MoM, %)	Apr	0.3	0.6	-2.1
	8 : 30	HU	Industrial production (preliminary, YoY, %)	Apr	-8.3	-2.5	-4.1
	10 : 00	HU	International reserves (preliminary, EURbn)	May	39.5	-	39.9
8.	8 : 30	HU	Core inflation (YoY, SA, %)	May	22.8	23.3	24.8
	8 : 30	HU	Inflation (YoY, %)	May	21.5	22.3	24.0
	8 : 30	HU	Trade balance (preliminary, monthly, EUR mn)	Apr	308.0	275	886
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	May	-53.6	-	-620
	14 : 30	US	Initial jobless claims ('000s)	weekly	261.0	235	233
	14 : 30	US	Continuing jobless claims ('000s)	weekly	1795.0	1800	1789

Sources: Refinitiv, OTP Research

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