

OTP Morning Brief

- Europe' stock markets closed higher; the focus was on corporate earnings reports
- US indices declined yesterday, ending a long winning streak
- Further interest rate hikes might be necessary, Jerome Powell's words suggested
- Oil prices picked up
- Developed markets' bond yields rose
- OTP Group has published its 9M report
- The HUF appreciated before today's inflation data
- Britain's GDP, the University of Michigan's consumer sentiment index, and Hungary's CPI are data to watch today

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Europe's stock markets posted gains, corporate earnings reports were in the focus

In Europe, stock exchanges closed higher on Thursday, benefiting from cheering quarterly reports. Of the many important companies that released their earnings before the opening, AstraZeneca surged 2.6% in London as the pharmaceutical company's third-quarter results beat expectations, and it also raised its full-year profit forecast, citing strong demand for its cancer drugs. Magyar Telekom published its earnings after market close on Wednesday, and its parent company Deutsche Telekom, released its figures yesterday, posting stronger-than-expected profit, and stronger expectations for this year. The management attributed the favourable figures to the lower-than-expected costs of the merging T-Mobile US and Sprint. On the back of the earnings report, DT's shares closed 0.9% higher.

In the CEE region, Hungary's BUX moved sideways, Czechia's PX50 shed 0.4%, while Poland's WIG advanced 1.4%. Of Budapest's blue chips, Mol dropped, MTelekom added 1.4% in response to its recent quarterly report; OTP and Richter nudged somewhat higher.

Ending a long winning streak, US indices fell yesterday; more interest rate hikes may be needed, Jerome Powell's speech suggested; oil prices slightly increased

America's key indices fell yesterday, snapping a long-unseen upward trend. Their fall was exacerbated by Jerome Powell's speech, in which he raised the possibility of further interest rate hikes. The weekly initial jobless claims were in line with expectations (217,000, vs forecast of 218,000) but the continuing jobless claims figure rose by 22,000, to 1.834 million, exceeding expectation of 1.82 million. Apparently, it has become somewhat more difficult for job seekers to find employment than before, but the labour market remained tight. The semiconductor company Arm reported its earnings for the first time since going public in September. Its results surpassed expectations, yet its shares fell 5.2%, owing to the management's lower-than-expected revenue forecast.

Having declined in recent days, oil prices picked up on Thursday - even though inflation data from China indicated weak economic performance. The reason for the rise may be a recovery from the previous fall, while the diminishing risk that the Middle East conflict spreads further, China's weak economy, and America's growing oil reserves all point to lower prices right now.

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OTP Group's results for the first nine months of 2023:

OTP Group generated HUF 858 billion after-tax profit in the first nine months of 2023, including HUF 281 billion in the third quarter, beating the consensus forecast by 25%. The consolidated balance sheet exceeded 100 billion in EUR terms.

In the first nine months of the year, the ratio of foreign subsidiary banks' adjusted profit contribution of was 66% (+24 percentage points year/year), and the nine-month profit of most foreign operations already exceeded that of full year 2022. OTP Group's third-quarter net interest margin (3.96%) improved by 19 basis points QoQ, and the third-quarter cost/income ratio fell below 40%.

While the non-performing (Stage 3) ratio slightly rose, performing loans expanded by 1% in the third quarter, bringing the nine-month organic growth rate to 4%, without the two acquisitions (NKBM in Slovenia and Ipoteka Bank in Uzbekistan). Although the slow decline in Hungarian retail deposits continued in the third quarter, corporate deposits surged substantially: at group level, the deposit book grew by 4%. OTP Group's net loan/(deposit + retail bond) ratio was 74% at the end of September (-2 percentage points QoQ).

OTP Group's consolidated IFRS capital adequacy ratio (CET1) increased by 80 basis points, to 16.4% QoQ.

According to the Management Guidance for 2023, the organic growth of the FX-adjusted stock of performing loans may exceed 5%, while the adjusted ROE may go beyond 25%, owing to the improving net interest margin throughout 2023, and lower credit risk cost rate than in 2022.

Developed market bond yields rose; the forint strengthened before today's inflation data

On the US bond market, the ten-year yield jumped by 10 basis points to around 4.65%, after Fed President Jerome Powell said the Fed was not yet confident that the US interest rate is high enough. In Europe, where markets close earlier than in America, yields increased at slower pace: Germany's 10Y bond rose half that much, to 2.65%. Currently, yields are still nearly 44 basis points below their previous highs. The EUR/USD also stuck around 1.07 yesterday, but after the Fed Chairman Jerome Powell's words, the dollar appreciated almost 0.5%.

The forint strengthened to an almost-four-month high before today's inflation data: the EUR/HUF fell below 378, to its lowest since July. Hungary's benchmark government bond yields barely moved yesterday, the five-year section of the curve remained near 7.2%. There was strong demand at the ÁKK's auction of 12M discount T-Bills and floating-rate bonds on Thursday: instead of the planned HUF 45 billion, a total of more than HUF 90 billion worth of government securities changed hands.

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Today's highlights

Asia's stock markets fell on Thursday, tracing US markets' moves. Shares in Japan's SoftBank slumped 8.2% in the aftermath of a bigger-than-expected loss in the third quarter. The weaker yen dented profit, owing to massive dollar-denominated debt volumes. It also suffered losses on some investments, such as the SenseTime artificial intelligence firm in China, and the US-based WeWork, which filed for bankruptcy earlier this week. Nevertheless, the successful IPO of Arm, purchased by Softbank in 2019, was a positive development.

Today, the United Kingdom releases GDP figures. In the USA, the consumer sentiment index of the University of Michigan is worth checking. Hungary publishes October's inflation data.

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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	4347	-0.8	13.2	VIX	15.3	5.8	-29.4	WTI	75.74	0.5	-5.6
	DOW	33892	-0.6	2.2	US 2Y	5.02	8.6	61.9	Brent	80.01	0.6	-6.9
	Nasdaq Comp.	13521	-0.9	29.2	US 10Y	4.63	10.7	79.9	TTF Natural Gas	48.1	5.4	-35.0
	DAX	15353	0.8	10.3	GER 2Y	3.09	1.7	35.9	Gold	1958.19	0.4	7.3
	CAC40	7114	1.1	9.9	GER 10Y	2.65	4.1	9.2	EUR/USD	1.0668	-0.4	-0.3
	FTSE 100	7456	0.7	0.1	PT10Y	3.39	3.1	-18.3	EUR/GBP	0.8727	0.1	-1.3
	FTSE MIB	28644	0.7	20.8	IT 10Y	4.51	3.5	-19.1	EUR/NOK	11.9644	0.0	14.0
	Stoxx600	447.8	0.8	5.4	SP 10	3.70	3.5	4.1	USD/CAD	1.3808	0.1	1.9
	- Banks	157	0.6	11.5	iTRAXX	75.7	-0.5	-16.0	AUD/USD	0.6366	-0.6	-6.6
	Nikkei 225	32568	-0.2	24.8	JPY 2Y	0.11	0.4	7.9	USD/JPY	151.35	0.2	15.4
Regional	SSEC	3039	-0.5	-1.6	JPY 10Y	0.86	1.7	43.9	GBP/USD	1.2223	-0.5	1.0
	RTS	1109	-0.4	14.2	RUS10	11.9	-2.0	14.9	EUR/CZK	24.551	-0.3	1.6
	WIG20	2171	1.4	21.1	POL 10	5.6	2.0	-18.7	EUR/PLN	4.44	-0.1	-5.4
Hungary	PX50	1370	-0.4	14.0	CZ10	4.5	1.2	-11.7	EUR/RON	4.969	0.0	0.5
	BUX	57303	0.0	30.8	3M DKJ	8.10	0.0	-422	EUR/HUF	379.70	0.3	-4.9
	OTP	13750	0.1	36.0	1Y	8.44	2.0	-538	USD/HUF	355.87	0.6	-4.7
	MOL	2856	-0.6	9.8	3Y	7.79	-1.0	-292	CHF/HUF	392.03	-0.5	-3.4
	MTelekom	614	1.2	81.1	5Y	7.16	2.0	-257	PLN/HUF	85.37	0.1	-0.4
	Richter	8920	0.3	7.5	10Y	7.16	1.0	-182	GBP/HUF	433.04	-0.4	-4.2

* 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 11. 6.	8 : 00	DE	Industrial orders (MoM, %)	Sept	0.2	-1.0	3.9
	10 : 30	EZ	Sentix Investor confidence (points)	Nov	-18.6	-22.2	-21.9
7.	4 : 00	CN	Export (YoY, %)	Oct	-6.4	-3.1	-6.2
	8 : 00	DE	Industrial production (MoM, %)	Sept	-1.4	-0.1	-0.2
	8 : 30	HU	Industrial production (preliminary, YoY, %)	Sept	-7.3	-8.2	-5.3
	11 : 00	EZ	Producer Prices (MoM, %)	Sept	0.5	0.5	0.6
	11 : 00	EZ	Producer Prices (YoY, %)	Sept	-12.4	-12.5	-11.5
	8 : 30	HU	Retail sales (YoY, SA, %)	Sept	-7.3	-	-7.1
8.	8 : 30	HU	Trade balance (preliminary, monthly, EUR mn)	Sept	1300.0	702	665
	8 : 30	HU	Guest nights in tourist acc. (YoY, %)	Sept	5.8	-	0.8
	8 : 30	HU	International reserves (preliminary, EURbn)	Oct	40.3	-	39.7
	11 : 00	EZ	Retail sales (MoM, %)	Sept	-0.3	-0.2	-1.2
	16 : 00	PL	Interest rate decision (%)	Nov	5.75	5.5	5.75
	11 : 00	HU	Fiscal balance (monthly, billion HUF)	Oct	-222.6		33.7
9.	14 : 30	US	Initial jobless claims ('000s)	weekly	217.0	218	220
	14 : 30	US	Continuing jobless claims ('000s)	weekly	1834.0	1820	1812
10.	8 : 00	UK	GDP (preliminary, QoQ, %)	Q3		-0.1	0.2
	8 : 00	UK	GDP (preliminary, YoY, %)	Q3		0.5	0.6
	8 : 30	HU	Core inflation (YoY, SA, %)	Oct		11.4	13.1
	8 : 30	HU	Inflation (YoY, %)	Oct		10.4	12.2
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	Nov		63.7	63.8

Sources: Refinitiv, OTP Research

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