

OTP Morning Brief

- The developed world's major stock markets subsided in Tuesday's trading
- ECB and Fed policymakers made the case for persistently high interest rates
- Developed markets' bond yields continued to fall
- The dollar weakened against the euro
- The MNB's Monetary Council reduced its base rate by 75 bps, to 11.5%
- The USA releases durable goods orders data for October, and the eurozone publishes consumer confidence index for November today

22 November 2023

Western Europe's leading stock exchanges posted losses in Tuesday's trading

The key indices in Western Europe ended Tuesday's trading lower; Germany's DAX saw the smallest decline and Italy's FTSE MIB was the worst performer. The former's relatively good performance benefited from the Rheinmetall (+3.7%) defence company's strong revenue and operating margin expectation for 2026. Italy's stock market was dragged down chiefly by banking shares: Monte dei Paschi di Siena slumped 7.9% after Italy sold its 25% stake in the bank, and Banco BPM plunged 4.0% when Deutsche Bank changed its recommendation from Buy to Hold, and removed BPM from its European banks top picks. The pan-European Stoxx600 edged lower as most of its sector indices closed in red, particularly real estate, which is highly sensitive to the interest rate environment; Pablo Hernandez de Cos (on Monday) and ECB policymaker Francois Villeroy de Galhau (on Tuesday) both said that interest rates were to remain with us in the coming quarters.

Of the CEE region's stock exchanges, only the Prague index could close higher. Hungary's BUX lost 0.8%; OTP was its only blue chip to rise. After market hours, MTelekom announced that Hungary's Parliament had adopted a law that repeals the utility tax on telecommunications cables, effective from 1 January 2024.

Reversing Monday's increase, natural gas price fell 4.5%, to 45 EUR/MWh in Europe yesterday.

Wall Street's indices closed in the red; US rate cuts are still a long way off

After Monday's bright session, clouds gathered above Wall Street yesterday: its leading indices all dropped yesterday. Investors awaited the minutes of the Fed's latest meeting, which revealed that cutting interest rates was not on the table, and participants confirmed that the stance of monetary policy should be kept sufficiently restrictive in order to return inflation to the 2% target. Most of the S&P's sector indices closed in red, but healthcare eked out 0.6% gain, while technology and real estate, which are particularly susceptible to the interest rate environment, were the weakest sectors. After the closing bell, Nvidia released its quarterly report, with figures that exceeded economists' expectations.

Crude oil prices made but subtle moves, as investors await this Sunday's OPEC+ meeting to decide on the future of monthly production quotas. The ripple effects of the Fed minutes pushed up the price of gold (+1.0%), which crossed the psychologically important USD 2,000 mark.

22 November 2023

Developed markets' bond yields continued to fall; the MNB reduced its base rate to 11.5%

Bond yields continued to edge lower yesterday, when the 10Y UST yield shed two basis points, to 4.4%. In Europe, long-term yields sank by five basis points; Germany's ten-year Bund yield closed near 2.55%. The dollar's continued weakening left the EUR/USD above 1.09.

As expected, Hungary's MNB lowered its base rate by 75 basis points, to 11.5%, and deputy governor Barnabás Virág confirmed that in a positive scenario, the base rate may fall below 11% by the end of 2023, and below 10% by February 2024, which implies further 75-basis-point rate cuts. A slight forint weakening pushed the EUR/HUF above 380 yesterday. Hungary's government bond yields fell by 15-20 basis points in the morning, causing a similar drop in the ÁKK's benchmark yields; the 10Y benchmark yield slipped to 6.65%. By the evening, however, the sentiment had changed, and yields picked up, rising more than 10 basis points. Presumably, this substantial swing is not related to the MNB's interest rate decision. The strong demand at the ÁKK's auction of three-month discount Treasury bills prompted the agency to raise the allotted amount to HUF 25 billion (from HUF 15bn), at an average yield of 7.94%.

Today's highlights

The leading stock markets in Asia-Pacific saw a calm trading session today. China's real property sector fared well, in response to a report by Bloomberg that China's authorities drafted a list of 50 property developers who are eligible for a range of financing. Chip makers also did well following Microsoft's announcement that Sam Altman, OpenAI's former leader will become the head of its new advanced AI research team.

The USA publishes the October reading of durable goods orders. The steep rise in the previous month mostly reflected the jump in demand for commercial aircraft, suggesting that October's month-on-month would fall sharply.

The euro area releases consumer confidence figures for November, offering a glimpse into the outlook for consumption, the largest component of GDP. The gauge is not expected to reflect large swing from the previous month.

In Hungary, the ÁKK offers HUF 20 billion worth of 6M discount T-Bills today.

22 November 2023

	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	4538	-0,2	18,2	VIX	13,4	-0,4	-38,4	WTI	77,77	0,2	-3,1
	DOW	35088	-0,2	5,9	US 2Y	4,88	-2,8	48,0	Brent	82,45	0,2	-4,0
	Nasdaq Comp.	14200	-0,6	35,7	US 10Y	4,42	-0,4	58,7	TTF Natural Gas	43,7	-4,5	-41,0
	DAX	15901	0,0	14,2	GER 2Y	2,98	-4,1	24,5	Gold	1998,37	1,1	9,5
	CAC40	7229	-0,2	11,7	GER 10Y	2,56	-6,0	-0,5	EUR/USD	1,0911	-0,3	1,9
	FTSE 100	7482	-0,2	0,4	PT10Y	3,21	-4,7	-35,8	EUR/GBP	0,8702	-0,5	-1,6
	FTSE MIB	29153	-1,3	23,0	IT 10Y	4,32	-3,8	-38,3	EUR/NOK	11,6534	-0,5	11,0
	Stoxx600	455,9	-0,1	7,3	SP 10	3,56	-4,9	-9,7	USD/CAD	1,3701	-0,2	1,1
	- Banks	161	-0,5	14,6	iTRAXX	69,1	1,0	-23,3	AUD/USD	0,6555	0,0	-3,8
	Nikkei 225	33452	0,3	28,2	JPY 2Y	0,05	1,0	1,5	USD/JPY	148,40	0,0	13,2
	SSEC	3051	-0,6	-1,3	JPY 10Y	0,73	3,4	31,3	GBP/USD	1,2540	0,3	3,6
Regional	RTS	1154	1,0	18,9	RUS10	12,0	0,0	15,7	EUR/CZK	24,525	0,0	1,5
	WIG20	2241	-0,4	25,1	POL 10	5,5	-0,7	-20,3	EUR/PLN	4,37	0,5	-6,7
	PX50	1389	0,1	15,5	CZ10	4,2	-1,1	-17,3	EUR/RON	4,969	-0,1	0,5
Hungary	BUX	56450	-0,8	28,9	3M DKJ	7,90	-5,0	-442	EUR/HUF	381,00	0,3	-4,6
	OTP	13835	0,3	36,8	1Y	8,17	-1,0	-565	USD/HUF	349,17	0,6	-6,5
	MOL	2780	-1,1	6,8	3Y	7,32	-10,0	-339	CHF/HUF	394,30	0,5	-2,8
	MTelekom	607	-1,0	79,1	5Y	6,58	-20,0	-315	PLN/HUF	87,04	-0,1	1,6
	Richter	8500	-2,6	2,4	10Y	6,65	-19,0	-233	GBP/HUF	436,29	0,6	-3,5

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

Sources: Refinitiv, OTP Research

22 November 2023

Date		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2023 11. 20.	16 : 00	US	Leading index (MoM, %)	Oct	-0,8	-0,7	-0,7
	21. 14 : 00	HU	Interest rate decision (%)	Nov	11,5	11,5	12,25
	16 : 00	US	Existing home sales (annualized monthly, '000s)	Oct	3790	3900	3960
	19 : 15	DE	Lecture by ECB board member Isabel Schnabel		-	-	-
	20 : 00	US	FOMC Minutes	Nov	-	-	-
	22. 14 : 30	US	Durable goods orders (MoM, %)	Oct		-3,1	4,6
	14 : 30	US	Initial jobless claims ('000s)	weekly		226	231
	14 : 30	US	Continuing jobless claims ('000s)	weekly		1875	1865
	16 : 00	EZ	Consumer confidence (point)	Nov		-17,6	-17,9
	23. 8 : 30	HU	Gross wages (YoY, %)	Sept			15,2
	9 : 15	FR	HCOB Manufacturing PMI (points)	Nov		43,1	42,8
	9 : 15	FR	HCOB Service PMI (points)	Nov		45,6	45,2
	9 : 30	DE	HCOB Manufacturing PMI (points)	Nov		41,2	40,8
	9 : 30	DE	HCOB Service PMI (points)	Nov		48,5	48,2
	10 : 00	EZ	HCOB Manufacturing PMI (points)	Nov		43,4	43,1
	10 : 00	EZ	HCOB Service PMI (points)	Nov		48,1	47,8
	10 : 30	UK	S&P Global Manufacturing PMI (points)	Nov		45,0	44,8
	10 : 30	UK	S&P Global Service PMI (points)	Nov		49,5	49,5
	12 : 00	TR	Interest rate decision (%)	Nov		37,5	35,0
	13 : 30	EZ	ECB Minutes	Oct		-	-
	21 : 30	PT	Speech ECB board member Isabel Schnabel			-	-
	24. 0 : 30	JP	core-CPI (YoY, %)	Oct		3,0	2,8
	0 : 30	JP	CPI (YoY, %)	Oct			3,00
	8 : 00	DE	GDP (detailed, QoQ, %)	Q3		-0,1	-0,1*
	8 : 30	HU	Unemployment rate (%)	Oct			4,1
	10 : 00	DE	IFO Economic sentiment index (points)	Nov		87,5	86,9
	11 : 00	EZ	C. Lagarde and J. Nagel participate in a town hall (Bundesbank)			-	-
	15 : 45	US	S&P Global Manufacturing PMI (points)	Nov		49,8	50,0
	15 : 45	US	S&P Global Service PMI (points)	Nov		50,4	50,6

* preliminary data

Sources: Refinitiv, OTP Research

22 November 2023

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22 November 2023

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22 November 2023

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22 November 2023

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