

Headquarter Treasury Sales

Tania Fantana

+4021 30758 76

tania.fantana@otpbank.ro

Alexandru Tibuleac

+4021 30758 52

alexandru.tibuleac@otpbank.ro

Alina Gheorghita

+4021 30758 25

alina.gheorghita@otpbank.ro

Andreea Nica

+4021 30758 27

andreea.nica@otpbank.ro

Regional Treasury Sales

Szilamer Kozma - Cluj

+40755 000 400

szilamer.kozma@otpbank.ro

Tudor Zaman - Bucuresti

+4021 30758 76

tudor.zaman@otpbank.ro



Daily Report – Global markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	17 585	↑ 1,23	↓ -1,34
S&P500	2 026	↑ 1,16	↓ -1,60
Nasdaq100	4 160	↑ 1,20	↓ -2,86
Russell2000	1 176	↑ 1,26	↓ -2,38
Stoxx600	333	↑ 0,48	↓ -2,73
DAX	9 518	↑ 0,51	↓ -2,93
FTSE 100	6 420	↑ 0,84	↓ -1,94
CAC40	4 113	↑ 0,72	↓ -3,75
ATX	2 138	↑ 0,46	↓ -1,00
IBEX35	9 891	↑ 0,21	↓ -3,78
Nikkei 225	17 167	↑ 1,67	↓ -1,63
Hang Seng	23 841	↑ 0,68	↑ 1,00
SSEC	3 303	↓ -2,10	↑ 2,12
SENSEX	26 909	↓ -0,29	↓ -0,60
RTS	746	→ 0,00	↓ -5,59
Bovespa	49 463	↑ 3,05	↓ -1,09

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1821	↓ -0,14	↓ -2,32
EUR/CHF	1,2009	→ 0,00	↓ -0,17
USD/GBP	1,5109	↓ -0,27	↓ -2,80
USD/JPY	119,85	↑ 0,50	↑ 0,07
AUD/USD	0,8103	↑ 0,32	↓ -0,90
USD/CAD	1,1822	↑ 0,08	↑ 1,78

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	19,3	↓ -1,8	↑ 3,4
CDS 5Y PIIS	19	↑ 7,2	↑ 5,3
CDS 5Y Italy	108	↑ 11,6	↑ 6,2
CDS 5Y Belg.	124	↑ 2,2	↓ 0,0
iTraxx 5Y EU	38,3	↑ 2,3	↑ 5,9
US TED Spread	66,1	→ 0,0	↑ 0,1

Source: Reuters, OTP Research

Summary

- In Wednesday's benign sentiment, Europe's leading indices closed 0.5-0.8% higher.
- The optimism on US markets lifted indices by more than 1%.
- The eurozone's inflation turned negative in December, the CPI dropped by 0.2% YoY.

Optimism ruled Western Europe's key markets yesterday. Buyers' camp was bolstered by better-than-expected macroeconomic statistics from the USA, a sharp turnaround on the oil's market, and the eurozone inflation's turning negative. This latter may urge the ECB to take timely and effective measures to avoid lasting deflation. Even the terror attack in Paris could not sour investors' willingness to buy; France's key stock index ended 0.7% higher. Germany's DAX upped by 0.5%, and the Footsie advanced 0.8%. Of the Stoxx 600's sectors, energy was the most vigorous: Total gained 2.3%, and Royal Dutch Shell grew by 1.3%. J. Sainsbury, a retail company, did not have a good day: its stock price fell 2.1% as its sales had contracted in Britain.

On Wednesday Greece's ten-year government bond yields exceeded 10%, a level last seen in September 2013. Yields are climbing higher as investors' anxiety about the parliamentary elections of 25 January is growing. Meanwhile, the yield on the 10Y German Bund, widely seen as the safest government bond, hit an all-time low of 0.469%.

The buoyancy in the USA drove all indices higher. The bright sentiment was helped by a better-than-expected macroeconomic reading. Market observers say this was a positive correction of the overboughtness seen in recent days. After two days of downward ride, the Dow, the S&P and the Nasdaq closed 1.2% higher yesterday. All of the S&P's constituents finished with gains, with health care posting the strongest gain (2.4%). Banking shares fared well: the Bank of America rose by 0.5%, JP Morgan upped 0.2%, and Citigroup advanced 1%. Oil companies also had a good day on Wednesday; Exxon Mobile went up 1%. In the tech sector, Apple gained 1.4% and Microsoft added 1.3%. Retail companies did well too: Wal-Mart upped by 2.7%, while Home Depot rallied 3.4%.

In today's cheerful trading in Asia, only the Shanghai Composite fell.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,62	↓ -1	↓ -6
US 10Y	1,98	↑ 3	↓ -21
JP 2Y	-0,02	→ 0	↑ 0
JP 10Y	0,30	↑ 2	↓ -2
GER 2Y	-0,10	→ 0	↑ 1
GER 10Y	0,46	↓ -4	↓ -8

CENTRAL BANKS' RATES

	Rate (%)	6M Consensus	1Y Consensus
Fed Funds	0,25	↑ 0,5	↑ 1,00
ECB Rate	0,05	→ 0,05	→ 0,05
BOE Rate	0,50	→ 0,50	↑ 1,00
BOJ Rate	0,10	→ 0,10	→ 0,10
SNB Target	0,00	→ 0,00	→ 0,00

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
US 3M Libor	0,25	↓ 0	↓ 0
US 2Y Swap	0,83	↑ 1	↓ -3
US 5Y Swap	1,63	↑ 5	↓ -11
EUR 3M Euribor	0,07	↓ 0	↓ -1
EUR 2Y Swap	0,15	↓ -1	↓ -1
EUR 5Y Swap	0,34	↑ 1	↓ 0
GB 3M Libor	0,56	↑ 0	↑ 0
GB 2Y Swap	0,00	↑ 1	↑ 0
GB 5Y Swap	0,00	↓ -1	↑ 0
JP 3M Libor	0,11	→ 0	↓ 0
JP 2Y Swap	0,13	↓ 0	↑ 0
JP 5Y Swap	0,20	↓ -1	↑ 0
CHF 3M Libor	-0,09	↓ -2	↓ -2
CHF 2Y Swap	-0,21	↓ -1	↓ -7
CHF 5Y Swap	-0,03	↑ 1	↓ -5

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	51,3	↑ 0,23	↓ -10,57
Gold	1 208	↓ -0,19	↑ 2,21

Source: Reuters, OTP Research

The eurozone's inflation turned negative in December; the annual price index dropped by 0.2%. This reading misses market expectations and suggests that the weighted average of product categories is falling already, indicating that the economy tipped into deflation. In year on year comparison, core inflation (excluding energy and food prices) is at 0.8%, which is 0.1 percentage point higher than in the previous month.

The US economy created 241,000 new jobs in December, ADP reported. The Christmas shopping frenzy is not a negligible factor in the job growth.

Last night the Fed published the minutes of its December meeting, which revealed that the central bank would not necessarily wait for reaching the 2% inflation target before lifting the interest rate. Markets did not react noticeably to the news.

	COUNTRY	DATE	INDICATOR	FACT	CONSENSUS	PREVIOUS
Wednesday	EZ	Dec	Inflation (flash, yoy, %)		-0,1	0,3
	EZ	Nov	Unemployment rate (%)		11,5	11,5
	DE	Nov	Retail sales (yoy, %)		1,0	1,9
Thursday	DE	Nov	Industrial orders (mom, %)	-2,4	-0,7	2,5
	EZ	Nov	Retail sales (mom, %)		0,1	0,4
	GB	Jan	Rate decision (%)		0,5	0,5
	US	weekly	Initial jobless claims ('000)		290,0	298,0
	US	weekly	Continued jobless claims (million)		2 368,0	2 353,0

Source: Reuters, OTP Research

Chief Economist
Gergely Tardos
tardosg@otpbank.hu
+36 1 374 7273

Fundamental Analyst
Piroska Beáta Balogh
szabopb@otpbank.hu
+36 1 374 7276

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