

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	17 403	↓ -1,21	↑ 0,37
S&P500	2 084	↓ -0,96	↑ 0,52
Nasdaq100	4 514	↓ -1,29	↓ -1,17
Russell2000	1 211	↓ -0,94	↓ -1,67
Stoxx600	394	↓ -1,55	↑ 0,27
DAX	11 294	↓ -2,68	↑ 1,30
FTSE 100	6 665	↓ -1,06	↑ 0,74
CAC40	5 099	↓ -1,86	↑ 1,63
ATX	2 468	↓ -1,14	↑ 0,29
IBEX35	11 152	↓ -1,41	↑ 1,45
Nikkei 225	20 429	↓ -1,41	↓ -0,90
Hang Seng	24 008	↓ -2,00	↓ -2,07
SSEC	3 914	↓ -0,35	↑ 5,95
SENSEX	27 776	↓ -0,32	↓ -0,60
RTS	830	↓ -2,09	↑ 1,27
Bovespa	49 072	↓ -0,57	↓ -1,41

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1040	↑ 0,22	↑ 1,59
EUR/CHF	1,0908	↑ 0,67	↑ 2,20
USD/GBP	1,5572	↓ -0,09	↓ -0,18
USD/JPY	125,05	↓ -0,04	↑ 0,14
AUD/USD	0,7259	↓ -0,59	↓ -1,28
USD/CAD	1,3123	↑ 0,10	↓ -0,42
USD/RUB	64,35	↑ 0,24	↑ 1,35

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	13,7	↑ 1,5	↑ 0,7
CDS 5Y PIIS	14	↑ 0,4	↓ -0,1
CDS 5Y Italy	93	↑ 0,4	↓ -2,0
CDS 5Y Belg.	102	↓ -0,8	↓ -1,8
iTraxx 5Y EU	29,9	↓ -1,7	↑ 1,2
US TED Spread	63,6	→ 0,0	↓ -0,9

Source: Reuters, OTP Research

Summary

- Tuesday's trading sentiment was negative on both sides of the Atlantic.
- China's central bank devalued the yuan for the second day.
- Germany's ZEW economic sentiment index dropped in August, instead of the expected growth.

Unfavourable trading sentiment ruled Europe's major stock exchanges on Tuesday. This was mostly caused by the developments in China, where the central bank devalued the yuan (CNY) by almost 2% versus the USD, to indirectly help exports. The People's Bank of China shifted the midpoint around which the yuan can rise or fall in a +/- 1% bracket. This move, coupled with the weaker-than-expected macroeconomic data in recent months reinforced investors' fears about China's slowing economy. On equity markets, this was perceptible in the key indices' fall as well as in the lower share price of businesses interested in the Chinese market. The DAX plunged 2.7%, the CAC40 fell 1.7%, and the Footsie closed 1% down. The faltering of car manufacturers played an important role in the DAX's underperformance: BMW, Daimler, and Volkswagen reversed 4-5% each. Neither did luxury goods manufacturers fare well: Swatch and LVMH both closed about 5% down.

The Athens stock exchange rose by more than 2%, as the Greek government struck a deal with its lenders about the budget's 2016 targets.

Sellers gained the upper hand throughout the US trading session. Concerns surrounding the deceleration of the Chinese economy were coupled with worries about the falling oil price. All of the key indices slipped about 1% into the red. Of the S&P sector indices, the utilities and energy components achieved gains. The commodity sector was hit the hardest, shrinking almost 2%. Symantec Corp., which makes the Norton antivirus software, is to sell its data storage and recovery division Veritas for USD 8 billion. This move will bring it back to its traditionally stronger core activity; it needs the cash on its growing cyber security market. Its shares dived almost 7% yesterday. US markets were also dragged down by shares of businesses with strong exports to China. Thus Apple's 5.2% loss and General Motors' 3.5% contraction came as no surprise.

The forward rate of the WTI oil for September sank to a six-year low of just above USD 43 after China devalued the yuan. China's move strengthens fears surrounding the economy's deceleration; the modest economic growth could easily erode demand for oil in China.

In this morning's unenthusiastic trading on Asia's stock markets, the key indices sank 0.5-2%. China's central bank devalued the yuan (CNY) for the second day. The PBoC also said that it would adjust the yuan's exchange rate to the market at the end of each day. Investors fret that the currency devaluations could trigger a currency war between China and its trading partners; moreover, by the drastically devaluating its currency China also admits that its economy is slowing faster than had been expected.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,68	↓ -4	↓ -6
US 10Y	2,15	↓ -8	↓ -8
JP 2Y	0,01	↓ -1	↓ -1
JP 10Y	0,38	↓ -3	↓ -1
GER 2Y	-0,27	↓ -1	↓ -3
GER 10Y	0,67	↑ 1	↑ 4

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	-0,75	→ -0,75	→ -0,75

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
US 3M Libor	0,31	↑ 0	↑ 0
US 2Y Swap	0,87	↓ -2	↓ -7
US 5Y Swap	1,58	↓ -5	↓ -16
EUR 3M Euribor	-0,02	→ 0	↓ 0
EUR 2Y Swap	0,08	↑ 0	↓ -1
EUR 5Y Swap	0,38	↓ -3	↓ -4
GB 3M Libor	0,59	↓ 0	↑ 1
GB 2Y Swap	1,08	↑ 2	↑ 1
GB 5Y Swap	1,65	↓ -1	↓ -2
JP 3M Libor	0,09	→ 0	→ 0
JP 2Y Swap	0,12	↓ -1	↑ 1
JP 5Y Swap	0,21	↓ -1	↓ -2
CHF 3M Libor	-0,73	↑ 0	↑ 1
CHF 2Y Swap	-0,66	↑ 2	↑ 2
CHF 5Y Swap	-0,36	↓ -2	↓ -3

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	49,0	↓ -0,45	↓ -1,27
Gold	1 113	↑ 0,36	↑ 2,58

Source: Reuters, OTP Research

Wrong-footing analysts who had forecast growth after the July reading of 29.7, Germany's ZEW economic sentiment index contracted in August again, for the fifth time in a row. On top of reports on China's decelerating economy, this is another figure to suggest that world economic growth may be cooling.

	COUNTRY	DATE	INDICATOR	FACT	CONSENSUS	PREVIOUS
Tuesday	DE	aug.	ZEW Economic Sentiment (points)	25,0	32,0	29,7
	US	Q2	Productivity (%)	1,3	1,6	-3,1
	US	Jun	Wholesale inventories (mom, %)	0,9	0,4	0,8
Wednesday	CN	Jul	Industrial output (yoy, %)	6,0	6,6	6,8
	CN	Jul	Retail sales (yoy, %)	10,5	10,6	10,6
	UK	Jun	Unemployment (%)		5,6	5,6
	EZ	Jun	Industrial output (mom, %)		-0,2	-0,4
	US	Jan	Federal budget (monthly, USD bn)		-132,0	51,8

Source: Reuters, OTP Research

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