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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	17 790	↑ 0,01	↓ -0,35
S&P500	2 099	↑ 0,11	↑ 0,42
Nasdaq100	4 520	↓ -0,08	↑ 0,97
Russell2000	1 163	↑ 0,71	↑ 2,04
Stoxx600	344	↓ -0,96	↓ -1,27
DAX	10 204	↓ -0,57	↓ -0,01
FTSE 100	6 192	↓ -0,62	↓ -1,13
CAC40	4 475	↓ -0,67	↓ -0,14
ATX	2 222	↓ -1,71	↓ -2,23
IBEX35	8 917	↓ -1,30	↓ -2,28
Nikkei 225	16 611	↓ -2,03	↓ -0,87
Hang Seng	20 786	↑ 0,12	↑ 1,91
SSEC	2 909	↓ -0,16	↑ 3,06
SENSEX	26 684	↓ -0,11	↓ -0,60
RTS	891	↓ -1,53	↓ -1,92
Bovespa	49 013	↑ 1,12	↓ -0,95

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1185	↑ 0,50	↑ 0,10
EUR/CHF	1,1053	↓ -0,08	↓ -0,14
USD/GBP	1,4414	↓ -0,44	↓ -1,70
USD/JPY	109,11	↓ -0,37	↓ -0,58
AUD/USD	0,7245	↓ -0,18	↑ 0,28
USD/CAD	1,3062	↓ -0,10	↑ 0,66
USD/RUB	66,95	↑ 0,04	↑ 1,65

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	14,2	↑ 0,0	↓ -0,2
CDS 5Y PIIS	14	↑ 0,9	↓ -0,8
CDS 5Y Italy	113	↑ 1,7	↓ -1,3
CDS 5Y Belg.	109	↓ -0,1	↓ -0,1
iTraxx 5Y EU	36,8	↑ 1,8	↓ -5,9
US TED Spread	72,2	⇒ 0,0	↑ 7,6

Source: Reuters, OTP Research

Summary

- Investor sentiment was negative in Europe, the performance of US markets varied.
- Dollar depreciates against other major currencies
- ECB holds Governing Council meeting, monetary conditions will likely not be changed.

Investor sentiment on European markets was negative. Among the main European indices Stoxx600 dropped 1.0%, DAX and FTSE100 decreased by 0.6%, and CAC40 decreased by 0.7%. The weakest was the commodities sector with the sector index losing 2.8%, after weak data was published about the Chinese manufacturing sector: the PMI in May decreased for the 15th month in a row. Travel and leisure also closed in negative territory, the sector index decreased by 1.9%, after the United States warned about potential terrorist attacks during the summer. The financial sector decreased, led by banks of the periphery. The Banco Popolare lost 6.3% after, the Italian authorities allowed the bank to go on with its cash call. The Banco Commercial Portuges fell 10.8% as borrowing cost are increasing in the periphery, due to the uncertainties connected to Brexit. Today the ECB's Governing Council holds a meeting. Presumably neither the interest rates nor the non-conventional tools will be modified. This is supported by the fact that the inflation in the Eurozone is around 0%, however the 0.5% Q-o-Q GDP growth in the first quarter of 2016 was a positive surprise.

On the other side of the Atlantic, the performance of main indices varied. S&P500 added 0.1%, Russe2000 added 0.7%, while the Nasdaq100 decreased by 0.1, and the DOW closed the day at its opening value. The Fed published its Beige book yesterday evening, which says in the United States inflationary pressures modestly increased, while wages are increasing at an accelerating pace. The favourable labour market conditions are increasing the probability of a base rate hike during the summer.

The Asian markets showed weak performance as they closed today morning. The Nikkei225 dropped 2%, SSEC decreased by 0.2%, SENSEX decreased by 0.1%, only the Hang Seng was able to increase by 0.1%. The likely explanation for drop of the Nikkei225 is the announcement by the Japanese Prime Minister Shinzo Abe, that the government will postpone the planned VAT-hike until 2019. This is not the first time the Japanese postpone this tax-hike, which increases the worries about the sustainability of the Japanese debt trajectory, as government debt is already above 200%. After the announcement the yen started to appreciate against the dollar.

Source: Reuters, OTP Research

GOV'T BOND MARKET

	Yield (%)		Daily chg (bp)		Weekly chg (bp)
US 2Y	0,90	↑	2	↓	-2
US 10Y	1,84	↓	-1	↓	-2
JP 2Y	-0,24	↓	-1	↓	-1
JP 10Y	-0,11	↓	-1	↓	-2
GER 2Y	-0,51	↑	0	↓	0
GER 10Y	0,14	↓	-3	↓	-4

CENTRAL BANKS' RATES

	Rate (%)		6M Consensus		1Y Consensus
Fed Funds	0,5	↑	0,75	↑	1,25
ECB Rate	0,00	↑	0,05	↑	0,05
BOE Rate	0,50	↑	0,75	↑	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	0,00	↑	1	↑	2
US 2Y Swap	1,03	→	0	↑	4
US 5Y Swap	1,33	↓	-1	↑	3
EUR 3M Euribor	-0,26	→	0	↓	0
EUR 2Y Swap	-0,18	↓	0	↓	-2
EUR 5Y Swap	-0,01	↓	-1	↓	-1
GB 3M Libor	0,00	↓	0	↓	0
GB 2Y Swap	0,80	↓	-3	↓	-1
GB 5Y Swap	1,04	↓	-5	↓	-8
JP 3M Libor	0,00	↑	0	↑	0
JP 2Y Swap	-0,15	↓	0	↓	-1
JP 5Y Swap	-0,12	↓	0	↓	-1
CHF 3M Libor	0,00	↓	0	↓	0
CHF 2Y Swap	-0,69	↓	-1	↓	-2
CHF 5Y Swap	0,00	↓	-1	↓	-2

COMMODITIES

	Close		Daily chg. (%)		Weekly chg. (%)
Oil Brent	49,9	↑	0,28	↑	0,54
Gold	1 214	↑	0,16	↓	-0,45

The dollar fell 0.5% against the euro and 0.4% against the Japanese yen.

The price of Brent-oil rose 0.42% yesterday. The OPEC countries hold their next meeting today, to discuss their proposals about fixing the oil production level. Currently the daily quota is 30 million barrels, but it is routinely exceeded by members. Based on recent statements the Saudis would support fixing production, however return of the oil price close to 50 dollars is decreasing the likelihood of enforcing the quota.

Unfavorable data was published about the American construction sector. The construction orders in April decreased by 1.8%, while analyst expected an increase of 0.6%. The American vehicle sales in May was 17.5 million as opposed to the consensus of 17.3 million.

The American ADP labor market statistics is published today.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Wednesday	US	Apr	Construction orders (yoy, %)	-1,8	0,6	0,3
	US	May	Total vehicle sales (annualized monthly, millions)	17,5	17,3	17,4
Thursday	EZ	Jun	Base rate (loans, %)		0,0	0,0
	EZ	Jun	Base rate (deposit, %)		-0,4	-0,4
	US	May	ADP non-farm payrolls (mom, ths)		175	156

Source: Reuters, OTP Research

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