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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 432	↓ -0,13	↓ -0,75
S&P500	2 174	↑ 0,16	↓ -0,07
Nasdaq100	4 730	↑ 0,19	↑ 1,38
Russell2000	1 220	↑ 0,22	↑ 0,84
Stoxx600	342	↑ 0,71	↑ 0,46
DAX	10 338	↑ 0,61	↑ 1,87
FTSE 100	6 724	↑ 0,05	↓ -0,09
CAC40	4 440	↑ 0,44	↑ 1,34
ATX	2 233	↑ 0,24	↓ -0,06
IBEX35	8 587	↑ 1,27	↓ -0,15
Nikkei 225	16 636	↑ 0,40	↑ 0,05
Hang Seng	22 190	↑ 1,36	↑ 0,89
SSEC	2 953	↓ -0,88	↓ -2,07
SENSEX	28 192	↑ 0,50	↓ -0,60
RTS	928	↑ 0,45	↓ -0,90
Bovespa	57 308	↑ 1,13	↑ 0,54

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1170	↑ 0,86	↑ 1,60
EUR/CHF	1,0832	↓ -0,25	↓ -0,05
USD/GBP	1,3226	↑ 0,48	↑ 0,65
USD/JPY	102,48	↑ 0,42	↓ -3,10
AUD/USD	0,7595	→ 0,00	↑ 1,73
USD/CAD	1,3044	↑ 0,12	↓ -1,28
USD/RUB	65,91	↓ -0,11	↑ 0,77

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	11,9	↓ -0,9	↓ -0,2
CDS 5Y PIIS	12	↓ -0,4	↓ -2,5
CDS 5Y Italy	116	↓ -0,8	↓ -0,4
CDS 5Y Belg.	113	↓ 0,0	↓ -3,8
iTraxx 5Y EU	31,4	↓ -2,3	↓ -0,6
US TED Spread	67,8	→ 0,0	↑ 9,2

Source: Reuters, OTP Research

Summary

- The US economy's annualized 1.2% Q2 growth was well short of expectations.
- The EBA's stress test paints a rosier picture of Europe's banking sector than had been thought, but some banks' capital position needs improvement.
- Monte dei Paschi, Italy's third largest, troubled bank decided to increase its capital and sell part of its non-performing loans.

In Friday's buoyant trading on global markets, the Stoxx 600 soared 0.7%, the DAX gained 0.6%, the CAC40 increased by 0.4%, and the FTSE100 edged up 0.1% while in the USA the S&P500, the NASDAQ100, and the Russell2000 advanced 0.2% each.

On Friday night the European Banking Authority (EBA) published the results of its 2016 stress test. The test results are basically reassuring for markets, as the capital position of the 51 examined banks has improved since 2014. That said, Italy's Monte dei Paschi, Ireland's Allied Irish Banks and the UK's Barclays did not do well in the stress test, and they would need to raise additional capital if financial markets came under strain. Monte dei Paschi's Tier1 ratio would fall to -2.4% in the EBA's adverse scenario. Investors had also worried about some big European banks like Deutsche Bank, Unicredit, and Raiffeisen, but they ultimately made the grade. The average Tier1 ratio was 13.2%, which is 200 basis points higher than in 2014 and 400 more than in 2011.

A few hours before the EBA stress test results were published, Monte dei Paschi had announced to raise EUR 5 billion capital this year and sell EUR 9 billion non-performing loan. The EBA stress test could not take into consideration the effects of this announcement.

Analysts at Morgan Stanley opine that the USD may lose 5% in the coming months, as the Fed is unlikely to raise interest rates anytime soon; the poor Q2 GDP data support this possibility. They also forecast further contraction in domestic demand later in the year.

Following the poor GDP data, the USD retreated 0.9% against the EUR; it also lost versus the JPY and the GBP.

Asia's stock indices ended a buoyant session this morning: the Nikkei added 0.4% and the Hang Seng rallied 1.4%.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,66	↓ -4	↓ -5
US 10Y	1,46	↓ -4	↓ -11
JP 2Y	-0,25	↑ 9	↑ 7
JP 10Y	-0,18	↑ 9	↑ 4
GER 2Y	-0,61	↑ 2	↑ 2
GER 10Y	-0,06	↑ 2	↓ -5

CENTRAL BANKS' RATES

	Rate (%)	6M Consensus	1Y Consensus
Fed Funds	0,5	↑ 0,75	↑ 1,25
ECB Rate	0,00	→ 0,00	→ 0,00
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	0,76	↑ 1	↑ 4
US 2Y Swap	0,87	↑ 1	↓ -10
US 5Y Swap	1,05	↑ 2	↓ -13
EUR 3M Euribor	-0,30	↓ 0	→ 0
EUR 2Y Swap	-0,22	↓ 0	↓ -1
EUR 5Y Swap	-0,17	↓ -2	↓ -5
GB 3M Libor	0,49	↓ -1	↓ -3
GB 2Y Swap	0,47	↓ -1	↑ 9
GB 5Y Swap	0,53	↓ -1	↓ -3
JP 3M Libor	-0,01	↑ 0	↑ 0
JP 2Y Swap	-0,08	↑ 3	↑ 9
JP 5Y Swap	-0,08	↑ 5	↑ 11
CHF 3M Libor	-0,75	→ 0	↑ 1
CHF 2Y Swap	-0,75	↓ -2	↓ -1
CHF 5Y Swap	-0,68	↓ -2	↓ -3

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	43,8	↑ 3,23	↓ -1,99
Gold	1 347	↓ -0,24	↑ 2,44

Source: Reuters, OTP Research

A number of important countries released their GDP data on Friday. France's economic output missed expectations, while Spain's and the euro area's output matched forecasts. America's GDP was a major disappointment: instead of the expected 2.6% annualized growth rate, the US economy grew by 1.2% only.

Today a raft of purchasing managers' indices is due out from all corners of the world. China's and Japan's PMIs were underwhelming and project a pessimistic picture.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Friday	JP	Jul	BOJ base rate (%)	-0,1	-0,2	-0,1
	FR	Q2	GDP (preliminary, qoq, %)	0	0,2	0,6
	DE	Jun	Retail sales (mom,%)	-0,1	0,0	0,9
	SP	Q2	GDP (preliminary, qoq, %)	1	0,7	0,8
	SP	Q2	GDP (preliminary, yoy, %)	3,2	3,1	3,4
	EZ	Jul	Core consumer price index (preliminary, yoy, %)	0,8	1,0	0,9
	EZ	Jul	Consumer price index (preliminary, yoy, %)	0,2	0,1	0,1
	EZ	Jun	Unemployment rate (%)	10,1	10,1	10,1
	EZ	Q2	GDP (preliminary, yoy, %)	1,6	1,6	1,6
	EZ	Q2	GDP (preliminary, qoq, %)	0,3	0,3	0,6
	RU	Jul	Base rate (%)	10,5	10,5	10,5
	US	Q2	GDP (preliminary, annualized qoq, %)	1,2	2,6	1,1
Monday	US	Jul	Chicago purchasing manager index (points)	55,8	54,6	56,8
	CN	Jul	NBS non-manufacturing PMI (point)	53,9		53,7
	CN	Jul	NBS manufacturing PMI (point)	49,9	50,0	50,0
	JP	Jul	Nikkei Manufacturing PMI (point)	49,3		49,0
	DE	Jul	Markit Manufacturing PMI (point)		53,7	53,7
	FR	Jul	Markit Manufacturing PMI (point)		48,6	48,6
	IT	Jul	Manufacturing PMI (point)		52,0	53,5
	SP	Jul	Manufacturing PMI (point)			52,2
	US	Jun	Construction spending (mom, %)		0,5	-0,8
	US	Jul	ISM Manufacturing PMI (point)		53,3	53,2

Source: Reuters, OTP Research

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