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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 095	↓ -0,91	↓ -0,14
S&P500	2 146	↓ -0,86	↑ 0,33
Nasdaq100	4 817	↓ -0,86	↑ 0,44
Russell2000	1 241	↓ -1,09	↑ 1,03
Stoxx600	340	↓ -1,55	↓ -0,37
DAX	10 394	↓ -2,19	↑ 0,19
FTSE 100	6 818	↓ -1,32	↑ 0,07
CAC40	4 408	↓ -1,80	↑ 0,31
ATX	2 381	↓ -0,90	↑ 1,33
IBEX35	8 711	↓ -1,27	↓ -0,05
Nikkei 225	16 684	↑ 0,84	↑ 2,21
Hang Seng	22 129	↑ 1,13	↑ 0,22
SSEC	2 977	↓ -0,13	↓ -1,53
SENSEX	28 381	↑ 0,31	↓ -0,60
RTS	987	↓ -0,72	↑ 1,76
Bovespa	58 054	↓ -1,10	↑ 1,23

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1253	↑ 0,28	↑ 0,80
EUR/CHF	1,0904	↑ 0,11	↓ -0,09
GBP/USD	1,2975	↑ 0,02	↓ -0,10
USD/JPY	100,84	↑ 0,52	↓ -0,84
AUD/USD	0,7670	↑ 0,45	↑ 1,51
USD/CAD	1,3179	↓ -0,33	↓ -0,06
USD/RUB	63,69	↓ -0,28	↓ -1,50

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	14,5	↑ 2,2	↓ -1,0
CDS 5Y PIIS	15	↑ 0,7	↑ 1,0
CDS 5Y Italy	122	↑ 1,3	↑ 3,3
CDS 5Y Belg.	119	→ 0,0	↓ -0,1
iTraxx 5Y EU	21,9	↑ 2,0	↑ 3,8
US TED Spread	72,7	→ 0,0	↑ 5,8

Source: Reuters, OTP Research

Summary

- Trading sentiment remained sour on Monday. The fret about Deutsche Bank's financial problems dragged down Europe's and America's banking sector, and the uncertainty about the US presidential election does not help equity investments either.
- Oil prices are on the rise, but a new agreement to cap output is unlikely to be made on Wednesday.
- Mario Draghi is optimistic about the outlook for Europe, but warned about risks.

Stock markets in Western Europe closed with heavy losses on Monday, as worries about Deutsche Bank's solvency came to the forefront as Germany reportedly ruled out a bail-out for the financial institution before next week's elections. At the heart of the issue is the USD 14 billion fine imposed by the US Department of Justice in mid-September, which the bank is not planning to pay. Considering the original amount of the fines levied for selling mortgage-backed securities, which greatly contributed to the financial crisis in 2008, and the amounts the wrongdoers finally paid, this amount can be indeed substantially reduced. But some observers estimate that even a more-than-five-billion-dollar fine would force Deutsche Bank to raise capital. DB's share price collapsed 7.5% during the day, thus its market value halved this year. Its share price hit an all-time low, dragging down the whole European financial sector, and once again highlighting the weak spots of the European banking system. The Bank of Ireland plunged 5.4%, Unicredit dived 3.6%, and BNP Paribas fell 3.3% on Monday. The Stoxx600 index dropped 1.6% yesterday, the DAX fell 2.2%, and the FTSE closed 1.3% in the red. All components of the DAX dipped yesterday – in addition to the financial sector, car manufacturers also underperformed: BMW pulled back 2.5%, Daimler reversed 2.3%, and Volkswagen retreated 2.2%. In London, Tesco, IAG and Dialog Semiconductor were in the focus of attention. The retail chain's stock price shrank 2.8% on the back of reports that its pension fund's deficit had doubled last year. British Airways' parent company, IAG SA also descended 2.8% after giving account of USD 905 million loss in the first six months of the year. The chipmaker Dialog, whose biggest client is Apple, contracted 3% on Monday, on the heels of speculation about the disappointing sales data of iPhone7, in the USA after Friday's trading.

The sentiment was not any better in America, where financial service providers were also hit by Deutsche Bank's nose-diving, and the uncertainty about the presidential elections (with the first Clinton-Trump televised debate aired yesterday) did not help market sentiment. The Dow, the S&P and the NASDAQ100 all closed 0.9% down. Of the S&P's sector indices, financial service providers were the worst performers, followed by the healthcare and the consumer discretionary sectors. The Bank of America and Morgan Stanley lost 2.8% each, Citigroup fell 2.7%, while Goldman and JP Morgan sank 2.2% each. A research note by Citigroup's analysts warned yesterday that major swings were likely on the market of gold and currencies in the fourth quarter; the odds of Donald Trump's victory have increased from 35% to 40% at Citi.

This morning an air of optimism was felt in Asia, where Japan and Hong Kong achieved gains, even though investors tried to steer clear of banking shares. With Hillary Clinton getting the upper hand in yesterday's TV debate, the Mexican peso is strengthening. Most of Europe's index futures signify growth, and the Dow futures went up 100 points.

GOV'T BOND MARKET

	Yield (%)		Daily chg (bp)		Weekly chg (bp)
US 2Y	0,75	↓	0	↓	-3
US 10Y	1,59	↓	-3	↓	-12
JP 2Y	-0,23	↓	-1	↑	4
JP 10Y	-0,06	↓	-2	↓	-2
GER 2Y	-0,67	↓	0	↓	-1
GER 10Y	-0,09	→	0	↓	-9

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	0,25	→	0,25	→	0,25
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	↓	0	↓	0
US 2Y Swap	0,98	↑	1	↓	-5
US 5Y Swap	1,15	↑	3	↓	-5
EUR 3M Euribor	-0,30	↓	0	↓	0
EUR 2Y Swap	-0,25	↓	-1	↓	-1
EUR 5Y Swap	-0,17	↓	0	↓	-5
GB 3M Libor	0,00	↓	0	↓	0
GB 2Y Swap	0,41	↓	0	↑	1
GB 5Y Swap	0,46	↓	-2	↓	-9
JP 3M Libor	0,00	↑	0	↑	2
JP 2Y Swap	-0,10	↓	-1	↑	1
JP 5Y Swap	-0,10	↓	-1	↑	0
CHF 3M Libor	0,00	↓	0	↓	0
CHF 2Y Swap	-0,69	↓	-1	↓	-2
CHF 5Y Swap	-0,59	↓	-2	↓	-6

COMMODITIES

	Close		Daily chg. (%)		Weekly chg. (%)
Oil Brent	47,4	↑	3,18	↑	2,75
Gold	1 338	↑	0,03	↑	1,52

Source: Reuters, OTP Research

Oil prices underwent a correction on Monday. Picking up after Friday's sharp fall, the Brent rallied 2.5% and the WTI advanced 2.6%. Ahead of Wednesday's meeting of OPEC countries and non-members in Algiers, Saudi Arabia and Iran held two-day preliminary talks, but reportedly they did not bear fruit. Saudi Arabia offered to limit its production to January levels if Iran also agrees to hold back its own output. But experts say they Saudi Arabia's commitment by itself is not enough, given that production in Iran and Libya is on the rise, the interruptions in Nigeria are less and less frequent, and the US supply is expanding. On top of that, an agreement with Russia (the producer of a whopping 11.09 million barrels in September) also seems unlikely as the government has little influence on the operation of big oil producer companies.

The European Central Bank President's speech at the European Parliament was fairly optimistic regarding Europe's growth. Accordingly, the EUR firmed 0.3% against the USD. But Mario Draghi warned about the worsened prospect of external demand, thus the recovery may be slower than had been expected in June. The ECB's scenario expects financing conditions to remain favourable in the eurozone, but the effect of the low-interest-rate environment on economic entities must be constantly monitored.

The IFO index published on Monday topped expectations, offering hope that the German economy's growth prospects could be as encouraging as had been thought.

However, the August reading of new home sales disappointed with almost 8% month/month contraction, down from the nine-year high hit in July.

Today a number of figures will be out in the United States, including the CaseShiller home price index, the services purchasing managers' index, the consumer confidence index, as well as the Richmond Fed manufacturing index. Stanley Fischer, a member of the Fed governing council will speak at Harvard University.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Monday	DE	Sep	IFO Business Climate	109,5	106,4	106,2
	US	Aug	New home sales (annualized monthly, thousand)	609	601	654
	EZ	Sep	Draghe speaking before the European Parliament	-	-	-
Tuesday	US	Jul	CaseShillet home price index, SA (mom, %)		0	-0,1
	US	Sep	Mrkit Services PMI, flash (points)		51,1	51
	US	Sep	Consumer Confidence Index (points)		99,0	101,1
	US	Sep	Rischmond Fed Manufacturing Index (points)		-2	-11

Source: Reuters, OTP Research

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