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Global Daily Report

Summary

- Optimism ruled most of the world's stock markets on Wednesday
- The EUR/USD was dragged down by the Italian coalition government proposals
- Morgan Stanley expects crude prices to surge to nearly 90 USD/barrel by 2020, owing to a change in international shipping regulations
- Argentine issued governments bonds with 40% yield

On the whole, optimism ruled the world's stock markets on Wednesday. In America, the S&P500 was up 0.5% and the NASDAQ100 gained 0.6%. Of Europe's key indices, the DAX picked up 0.2%, the CAC40 added 0.3% and the FTSE100 nudged 0.1% higher. But Italy's stock exchange dived more than 2% as the government coalition's draft programme had leaked out, which included proposals for debt relief. This did not benefit Europe's banking shares – the Stoxx600's banking sub-index fell 2% in Wednesday's trading.

The euro weakened against the USD and the GBP.

The 14 May draft of the Italian government coalition's agreement, obtained by Huffington Post Italia, reveals plans to ask the European Central Bank to forgive EUR 250 billion of Italian government debt (the proposal is the equivalent of Italy's defaulting on its debts. In addition, the programme recommends financial rules that would make it easier for Italy to leave the eurozone. Other plans in the draft include re-channelling EU funds into creating 'citizen's income', introducing tax cuts, and revising the 2011 pension law. One of the proposals was to lift the sanctions on Russia. But seeing Tuesday's market reaction, participants of the coalition talks started to back down, narrowing the proposal to a request that Italy's government bonds held by the ECB were not recognized in the former's public debt. Italian bond yields jumped by more than 20 basis points yesterday, and the Milan stock exchange closed in the red.

Argentina issued 1M government securities at 40% yield, to refinance the soon-to-mature USD 26 billion government debt. The six-month papers yield 38%. Such levels are not sustainable in the long term, therefore Argentina probably wants to maintain this rather pricy financing option until it reaches an agreement with the IMF. Without a deal with the Fund, defaulting on its debts would be unavoidable, at such high interest rates.

Back in Europe, the Netherlands became a net importer of natural gas in 2017, as its North Sea gas fields shrank faster than had been expected. Europe consumed 491 billion cubic metres of gas in 2017, nearly three-quarters of which was imported. The output of the Groningen field in the Netherlands may fall from the current 21.6 billion to 12 bn m³ by 2022, and it may completely exhaust by 2030. LNG (liquefied natural gas) covered only 14% of Europe's total imports in 2017 but a Bloomberg survey projects 23% ratio by 2030.

Crude prices extended their gains by 1% yesterday. Gold price was nearly flat but that of silver was up 0.7%.

Morgan Stanley forecasts oil price to near 90-dollar levels by 2020, and for reasons other than Iran or OPEC's production freeze. Analysts at Morgan Stanley point out that the new regulation on international shipping, effective from 2020, will force vessels to consume substantially lower-sulphur fuel (0.5% down from the current 3.5%). This will shift demand towards diesel and marine diesel oil, which will ultimately significantly boost demand for crude oil.

	Stocks				Bonds				Commodity & FX			
	Product name	Close	Daily change (%)	YTD (%)	Product name	Yield	Daily change*	YTD	Product name	Close	Daily change (%)	YTD (%)
Global	S&P500	2722,5	0,4	1,8	VIX	13,4	-8,3	22	WTI	71,4	0,7	18,2
	DOW	24768,9	0,3	0,2	US 2Y	2,59	0,4	70	Brent	79,28	1,1	18,6
	Nasdaq100	6930,0	0,6	8,3	US 10Y	3,10	1,5	68	Gold	1290,2	0,0	-0,9
	DAX	12996,3	0,2	0,6	GER 2Y	-0,56	-1,8	8	Silver	16,35	0,7	-3,5
	CAC40	5567,5	0,3	4,8	GER 10Y	0,62	-2,7	19	EUR/USD	1,18	-0,3	-1,6
	FTSE 100	7734,2	0,1	0,6	PT10Y	1,82	6,5	-11	EUR/GBP	0,88	-0,1	-1,5
	FTSE MIB	23734,2	-2,3	8,6	IT 10Y	2,10	15,7	10	EUR/NOK	9,54	-0,8	-3,1
	Stoxx600	393,2	0,2	1,0	SP 10	1,41	5,4	-16	USD/CAD	1,28	-0,7	1,6
	- Banks	155,8	-2,0	-5,6	ITRAXX	56,5	2,4	25	AUD/USD	0,75	0,6	-3,7
	Nikkei 225	22838,4	0,5	0,3	JPY 2Y	-0,13	-1	0	USD/JPY	110,38	0,0	-2,0
SSEC	3154,5	-0,5	-4,6	JPY 10Y	0,06	0	1	GBP/USD	1,35	-0,1	-0,2	
Regional	RTS	1189,8	0,9	3,1	RUS10	7,4	0,0	-3	USD/RUB	61,713	-0,9	7,0
	WIG20	2275,91	0,0	-7,5	POL 10	3,3	-0,5	-1	EUR/PLN	4,27	-0,5	2,3
	PX50	1106,1	0,0	2,6	CZ10	1,9	-1,7	22	EUR/RON	4,631	-0,1	-1,0
Hungary	BUX	37575	-0,2	-4,6	3M DKJ	0,16	2	12	EUR/HUF	315,88	-0,2	1,7
	OTP	10700	-0,6	-0,2	1Y	0,25	2	20	USD/HUF	267,44	0,0	3,3
	MOL	2810	-1,2	-6,5	3Y	1,14	3	59	CHF/HUF	267,52	0,2	1,0
	MTelekom	424	0,5	-7,4	5Y	1,74	1	57	PLN/HUF	73,89	0,3	-0,5
	Richter	5595	1,7	-17,5	10Y	3,09	5	104	GBP/HUF	360,58	-0,1	3,2

* In the case of bond yields, the change is in basis points instead of percentage (VIX and ITRAXX not included).

Sources: Reuters, OTP Research

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2018 5. 14.	9 : 00	HU Industrial production (second estimate, yoy, %)	March	-2,4	-	-2,4*
15.	4 : 00	CN Infrastructural spending (yoy, %)	Apr.	7,0	7,4	7,5
	4 : 00	CN Industrial production (yoy, %)	Apr.	7,0	6,3	6,0
	4 : 00	CN Retail sales (yoy, %)	Apr.	9,4	10,0	10,1
	8 : 00	DE GDP (first estimate, yoy, SA,%)	Q1	2,3	2,4	2,9
	8 : 00	DE GDP (first estimate, qoq, SA%)	Q1	0,3	0,4	0,6
	8 : 00	RO GDP (first estimate, yoy, %)	Q1	4,0	5,7	6,7
	9 : 00	CZ GDP (first estimate, yoy, %)	Q1	4,5	4,8	5,1
	9 : 00	HU GDP (first estimate, yoy, %)	Q1	4,4	4,1	4,4
	9 : 00	HU GDP (first estimate, qoq, %)	Q1	1,2	-	1,3
	10 : 00	PL GDP (first estimate, yoy, %)	Q1	5,1	4,8	4,9
	11 : 00	EZ Industrial production (mom, %)	March	0,5	0,7	-0,8
	11 : 00	DE ZEW Economic Sentiment (points)	May	-8,2	-8,2	-8,2
	11 : 00	EZ GDP (second estimate, yoy, %)	Q1	0,4	0,4	0,4*
	11 : 00	EZ GDP (second estimate, qoq, %)	Q1	2,5	2,5	2,5*
	14 : 30	US Retail sales (mom, %)	Apr.	0,3	0,3	0,6
	14 : 30	US New York Fed Manufacturing index (points)	May	20,1	15,0	16
	16 : 00	US Business inventories (mom, %)	March	0,0	0,1	0,6
16.	1 : 50	JP GDP (preliminary, qoq, %)	Q1	-0,2	0,0	0,4
	8 : 00	DE CPI (final, yoy, %)	Apr.	1,6	1,6	1,6*
	11 : 00	EZ CPI (final, yoy, %)	Apr.	1,2	1,2	1,2*
	14 : 00	PL Interest rate decision (%)	May		-	1,5
	14 : 30	US Housing starts (annualized monthly, '000s)	Apr.	1287,0	1310	1319
	14 : 30	US Building permits (annualized monthly, '000s)	Apr.	1352,0	1349	1379
	15 : 15	US Industrial production (mom, %)	Apr.	0,7	0,5	0,5
17.	16 : 00	US Leading index (mom, %)	Apr.		0,3	0,3
18.	1 : 30	JP CPI (yoy, %)	Apr.		-	1,1
	1 : 30	JP core-CPI (yoy, %)	Apr.		0,8	0,9

*preliminary data

Sources: Reuters, OTP Research

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