

Global Daily Report



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Summary

- The escalation of the trade war pushed global stock indices deeper into the red on Monday
- The yuan's weakening drove the USD/CNY above 7.0
- Precious metal prices rose, government bond yields and crude prices fell yesterday

A rare sell-off swept through global stock markets on Monday, following China's yuan devaluation in response to Friday's announcement on possible new US tariffs on Chinese imports. The S&P fell 3.0%, the Dow lost 800 points or 2.9%, and the Nasdaq100 slid 3.6%; assets worth more than USD 700 billion were lost on Wall Street yesterday. All of the S&P's sector indices fell sharply, particularly technology, which is the most susceptible to trade tensions. Apple shrank 5.2%, Micron Technology plunged 4.9%, and NVidia nose-dived 6.5%. America's banking shares were also hit hard: Bank of America plunged 5.5%, Citigroup lost 3.6%, and JPMorgan sank 3.0%. China's move to halt American agricultural purchases slashed John Deere's share price by nearly 5%.

Europe's benchmarks also closed in the red, with the Stoxx600 falling 2.3%, the FTSE sliding 2.5%, and the DAX dropping 1.8%. The raw materials sector was one of the biggest losers of the day; Rio Tinto and BHP dived 2.2% each, and ArcelorMittal slumped more than 4%. Consumer goods manufacturers saw the sharpest falls, but Europe's technology shares also suffered: SAP slid 3.2%, the chipmaker AMS fell 2.5%, STMicroelectronics contracted by 4.3%, and Infineon lost 4% of its value.

Investors' preference for less risky assets considerably reduced US bond yields: the 2Y benchmark yield came down 29 basis points, the 5Y one declined by 31 bps, and the 10Y one tumbled 33 bps in a single day. In Germany, the benchmark yield sank two basis points, to -0.52%, and that of the UK shed four points. Gold price grew by 1.3% on Monday, nearing 1,500 USD/ounce. Japan's yen, a popular defensive asset, appreciated 0.5% against the US dollar on Monday, bringing the past three trading days' total gain to 2.5%. The yuan weakened 1.4% versus the USD, trading above the 7.0 mark, in a territory it has not visited for more than a decade. The US Treasury Secretary called China a currency manipulator, and announced to engage with the International Monetary Fund to eliminate the unfair competitive advantage that benefits China. This morning the USD/CNY made a short visit above 7.1, before returning to 7.0735.

The greenback's weakening sent the EUR/USD 0.9% higher, to 1.1202. The GBP/USD barely moved yesterday. In commodities, Brent plunged more than 3.4%, and WTI slipped 1.8%. In addition to gold, silver also climbed higher, gaining more than 1% yesterday. Copper contracted by 1% at the London Metal Exchange, picking up from Friday's 3% fall.

The anxiety left its mark on the CEE region's stock markets, where Warsaw's WIG20 slid 2.4%, Prague's PX shed 1.4%, and Budapest's BUX closed 1% lower.

The pessimism has not abated in Asia, where most of the benchmark indices were in the red this morning. Nikkei sank 0.8% ahead of the close, the Shanghai Composite fell 1.3%, and the Hang Seng lost 1.0%.

Germany's industrial orders statistics, released today, indicate 2.5% month/month increase in June, but the revision of the May data signifies slower-than-thought drop. In the corporate world, the USA's Walt Disney, as well as Germany's Beiersdorf and Deutsche Post will release their earnings figures today.

	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	2844,7	-3,0	13,5	VIX	24,6	39,6	-3	WTI	54,7	-1,8	20,4
	DOW	25717,7	-2,9	10,2	US 2Y	1,58	-14	-92	Brent	59,81	-3,4	11,2
	Nasdaq100	7415,7	-3,6	17,2	US 10Y	1,74	-12	-96	Gold	1463,6	1,6	14,1
	DAX	11658,5	-1,8	10,4	GER 2Y	-0,81	-2	-22	Silver	16,39	1,1	5,9
	CAC40	5241,6	-2,2	10,8	GER 10Y	-0,51	-2	-76	EUR/USD	1,1202	0,9	-2,3
	FTSE 100	7223,9	-2,5	7,4	PT10Y	0,30	0	-142	EUR/GBP	0,9223	1,0	2,7
	FTSE MIB	20773,3	-1,3	13,4	IT 10Y	1,56	2	-121	EUR/NOK	10,0008	1,0	1,0
	Stoxx600	369,4	-2,3	9,4	SP 10	0,26	0	-117	USD/CAD	1,3213	0,1	-3,1
	- Banks	103,5	-1,5	-8,4	iTRAXX	57,9	7,2	-34	AUD/USD	0,6756	-0,6	-4,2
	Nikkei 225	20561,6	-0,5	2,7	JPY 2Y	-0,22	-1	-8	USD/JPY	105,94	-0,6	-3,3
	SSEC	2781,2	-1,4	11,5	JPY 10Y	-0,18	1	-19	GBP/USD	1,2141	-0,1	-4,8
Regional	RTS	1282,3	-0,8	20,0	RUS10	7,4	-1	-15	USD/RUB	65,430	0,2	-6,1
	WIG20	2164,14	-2,4	-4,9	POL 10	2,0	-3	-28	EUR/PLN	4,32	0,3	0,7
	PX50	1025,5	-1,4	4,0	CZ10	1,0	-6	-46	EUR/RON	4,730	0,2	1,7
Hungary	BUX	39896	-1,0	1,9	3M DKJ	0,12	0	5	EUR/HUF	326,76	-0,2	1,8
	OTP	11870	-1,7	5,1	1Y	0,11	0	-34	USD/HUF	291,58	-1,0	4,2
	MOL	2940	-1,0	-4,5	3Y	0,67	-9	-59	CHF/HUF	299,83	0,1	5,1
	MTelekom	424	-1,2	-3,8	5Y	1,10	-14	-143	PLN/HUF	75,62	-0,4	1,4
	Richter	5140	-0,3	-5,3	10Y	1,98	-16	-106	GBP/HUF	354,67	-0,6	-0,4

* 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.
2019	8. 5.	9 : 00	TR Inflation (YoY, %)	Jul	21,7	-	15,7
		10 : 30	EZ Markit Composite PMI (points, final)	Jul	51,5	51,5	52,2
		14 : 00	RO Interest rate decision (%)	Aug	2,5	2,5	2,5
		16 : 00	US ISM non-Manufacturing PMI (points)	Jul	53,7	55,5	55,1
	6.	8 : 00	DE Industrial orders (MoM, %)	Jun	2,5	0,5	-2,0
	7.	8 : 00	DE Industrial production (MoM, %)	Jun		-0,5	0,3
		9 : 00	HU Industrial production (preliminary, YoY, %)	Jun		-	8,7
		10 : 00	HU International reserves (preliminary, EURbn)	Jul		-	27,1
		9 : 00	HU Inflation (YoY, %)	Jul		3,4	3,4
		9 : 00	HU Core inflation (YoY, SA, %)	Jul			3,8
		9 : 00	HU Trade balance (preliminary, monthly, EUR mn)	Jun			245,0
		11 : 00	HU Fiscal balance (monthly, billion HUF)	Jul			-213,6
		14 : 30	US Continuing jobless claims ('000s)	weekly			1699
		14 : 30	US Initial jobless claims ('000s)	weekly			215
	9.	1 : 50	JP GDP (QoQ, %)	Q2		0,1	0,6
		8 : 00	DE Export (MoM, %)	Jun			1,1
		10 : 30	UK Industrial production (MoM, %)	Jun		-0,2	1,4
		10 : 30	UK GDP (QoQ, %)	Q2		0,0	0,5
		10 : 30	UK GDP (YoY, %)	Q2		1,4	1,8

* preliminary data

Sources: Reuters, OTP Research

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