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Daily Report – Global markets

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|-------------|--------|----------------|-----------------|
| DJIA | 16 447 | ↓ -1,01 | ↓ -0,63 |
| S&P500 | 1 871 | ↓ -0,94 | ↓ -0,25 |
| Nasdaq100 | 3 565 | ↓ -0,78 | ↑ 0,27 |
| Russell2000 | 1 096 | ↓ -0,65 | ↓ -1,01 |
| Stoxx600 | 339 | ↓ -0,90 | ↓ -0,31 |
| DAX | 9 656 | ↓ -1,01 | ↑ 0,51 |
| FTSE 100 | 6 841 | ↓ -0,55 | ↑ 0,02 |
| CAC40 | 4 445 | ↓ -1,25 | ↓ -1,38 |
| ATX | 2 413 | ↓ -2,25 | ↓ -3,05 |
| IBEX35 | 10 365 | ↓ -2,35 | ↓ -2,14 |
| Nikkei 225 | 14 097 | ↓ -1,41 | ↓ -0,37 |
| Hang Seng | 22 652 | ↓ -0,35 | ↑ 1,34 |
| SSEC | 2 021 | ↓ -0,21 | ↑ 0,47 |
| SENSEX | 24 781 | ↑ 4,05 | ↑ 3,96 |
| RTS | 1 253 | ↓ -0,64 | ↑ 1,64 |
| Bovespa | 53 856 | ↓ -1,02 | ↑ 1,42 |

FX MARKET

| | Close | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/USD | 1,3714 | ↑ 0,03 | ↓ -0,31 |
| EUR/CHF | 1,2212 | ↑ 0,01 | ↑ 0,11 |
| USD/GBP | 1,6787 | ↑ 0,13 | ↓ -0,37 |
| USD/JPY | 101,53 | ↓ -0,03 | ↓ -0,31 |
| AUD/USD | 0,9347 | ↓ -0,10 | ↓ -0,14 |
| USD/CAD | 1,0871 | ↓ -0,13 | ↓ -0,20 |

RISK INDICATORS

| | Close | Daily chg (bp) | Weekly chg (bp) |
|---------------|-------|----------------|-----------------|
| VIX | 13,2 | ↑ 1,0 | ↓ -0,3 |
| CDS 5Y PIIS | 13 | ↑ 3,7 | ↓ -18,1 |
| CDS 5Y Italy | 71 | ↑ 5,9 | ↑ 1,9 |
| CDS 5Y Belg. | 95 | ↑ 1,0 | ↓ -1,6 |
| iTraxx 5Y EU | 23,5 | ↑ 0,4 | ↓ -2,0 |
| US TED Spread | 66,1 | → 0,0 | ↑ 0,6 |

Source: Reuters, OTP Research

Summary

- Thursday was another low-spirited day on global markets; corporate earnings and GDP data discouraged Europe, and a poor industrial output figure caused disappointment in the USA.
- Wal-Mart's earnings report and profit forecast impaired its share price. GM is to recall 2.7 million more cars.

Investors' pessimism did not ease on Thursday; advanced economies' stock markets closed lower. Europe's Stoxx600 index fell 0.9%; the DAX and the CAC40 lost more than 1% each in a single day; and Spain's IBEX35 plunged 2.4%. The gloom in Europe can be mostly put down to the eurozone's weaker-than-expected Q1 GDP; at the same time, Germany's economic growth has beaten forecasts. The unexpected decline in the US industrial production figure for April has made investors' mood even sourer. Of the Stoxx600 companies, 22 published their Q1 earnings reports on Thursday. Deutsche Post's somewhat disappointing figures slashed its stock price by 5.2% in yesterday's session. Thomas Cook, Europe's second largest tour operator nose-dived 13% on declining revenues and GBP 187 million loss in EBIT. Investors do not seem to appreciate the merger of Dixons, Britain's largest electronic retail company with Carphone Warehouse; after the publication of the agreement, Dixons plummeted 10%, and Carphone slid 8.1% on Thursday. The KBC Group posted EUR 1.58 billion Q1 profit, but as it undershot the EUR 1.7 billion expectation, investors slashed the Bank Group's share price by 5.8% yesterday. Among Thursday's winners, Sweden's H&M soared 3.7% following a report on 17% revenue growth in the first quarter. Switzerland's Richemont luxury goods manufacturer gained 4.2% after cheering investors by announcing stable operating profit and 40% higher dividend. Today's reports include that of Germany's TUI tour operator.

US indices fell further on Thursday. The Dow's 1% decline was its worst performance in a month. The S&P500 also dropped almost 1%, as nine of its ten constituents fell. Commodity companies were in the poorest health, and only telecommunications companies contributed positively to the index. The small enterprise segment's fall was particularly conspicuous: it contracted by 3.3% in the past three days. Of blue chips, Wal-Mart's 2.4% slump strikes the eye as the retail giant's Q2 profit forecast missed expectations. Its Q1 figures also disappointed. General Motors retreated 1.7%, after recalling 2.7 million more vehicles. On the other hand, Cisco Systems rallied 6%, after forecasting better-than-expected revenue and operating profit for the current quarter.

Except for the SENSEX, Asia's major indices closed in the red. India's equity index, and the rupee's dynamic surge, may be credited to the current opposition's landslide victory at the elections.

GOV'T BOND MARKET

| | Yield (%) | Daily chg (bp) | Weekly chg (bp) |
|---------|-----------|----------------|-----------------|
| US 2Y | 0,36 | ↓ -1 | ↓ -3 |
| US 10Y | 2,50 | ↓ -5 | ↓ -12 |
| JP 2Y | 0,09 | ↓ 0 | ↓ 0 |
| JP 10Y | 0,59 | ↓ -1 | ↓ -2 |
| GER 2Y | 0,10 | ↓ -1 | ↓ -5 |
| GER 10Y | 1,38 | ↓ -4 | ↓ -9 |

CENTRAL BANKS' RATES

| | Rate (%) | 6M Consensus | 1Y Consensus |
|------------|----------|--------------|--------------|
| Fed Funds | 0,25 | ⇒ 0,25 | ⇒ 0,25 |
| ECB Rate | 0,25 | ⇒ 0,25 | ⇒ 0,25 |
| BOE Rate | 0,50 | ⇒ 0,50 | ⇒ 0,50 |
| BOJ Rate | 0,10 | ⇒ 0,10 | ⇒ 0,10 |
| SNB Target | 0,00 | ⇒ 0,00 | ⇒ 0,00 |

MONEY MARKET

| | Rate (%) | Daily chg (bp) | Weekly chg (bp) |
|----------------|----------|----------------|-----------------|
| US 3M Libor | 0,23 | ↑ 0 | ↑ 0 |
| US 2Y Swap | 0,49 | ↑ 1 | ↓ -1 |
| US 5Y Swap | 1,62 | ↑ 2 | ↓ -6 |
| EUR 3M Euribor | 0,32 | ↓ -1 | ↓ -2 |
| EUR 2Y Swap | 0,38 | ↓ 0 | ↓ -5 |
| EUR 5Y Swap | 0,75 | ↓ -3 | ↓ -13 |
| GB 3M Libor | 0,53 | ↓ 0 | ↓ 0 |
| GB 2Y Swap | 1,05 | ⇒ 0 | ↓ 0 |
| GB 5Y Swap | 1,91 | ↓ 0 | ↓ -1 |
| JP 3M Libor | 0,14 | ⇒ 0 | ⇒ 0 |
| JP 2Y Swap | 0,18 | ↓ 0 | ↓ 0 |
| JP 5Y Swap | 0,31 | ↓ 0 | ↓ -1 |
| CHF 3M Libor | 0,01 | ↓ -1 | ↓ -1 |
| CHF 2Y Swap | -0,03 | ↓ -3 | ↓ -6 |
| CHF 5Y Swap | 0,24 | ↑ 0 | ↓ -11 |

COMMODITIES

| | Close | Daily chg. (%) | Weekly chg. (%) |
|-----------|-------|----------------|-----------------|
| Oil Brent | 109,3 | ↓ -1,06 | ↑ 1,28 |
| Gold | 1 296 | ↓ -0,04 | ↑ 0,52 |

Source: Reuters, OTP Research

The eurozone's Q1 GDP reading missed expectations, but the economic output of members is greatly varied. Germany's growth has exceeded market consensus, but France's GDP came in worse than had been thought. Germany's surge is propelled by domestic demand; its construction investments were particularly pleasing. France's data indicated stagnation, only inventories and government spending contributed positively. Italy, Portugal and the Netherland reported GDP contraction (-0.1%, -0.1%, and -1.4% respectively). Spain grew by 0.4%.

In the USA, April's industrial production caused huge disappointment: instead of the expected slight rise, it declined 0.6% since the previous month. In part, the poor figure may be put down to the reversal of the long and harsh winter's effect, but manufacturing has also declined. Looking forward, it is somewhat positive that the New York Fed manufacturing index signified a material improvement in this month; moreover, it has meaningfully exceeded the market consensus. Some sub-indices (e.g. improving employment index) of the Philadelphia Fed index may be a reason for optimism too. The weekly gauge of the initial jobless claims declined again; the 297,000 reading is the lowest since May 2007.

Today's important data from the USA are the housing starts and the building permit statistics. Analysts' poll expects both figures to increase.

| | COUNTRY | DATE | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|----------|---------|------|--|---------------------------------------|-----------|----------|
| Thursday | JP | Q1 | GDP (annualised QoQ, %) | 5,9 | 4,2 | 0,7 |
| | FR | Q1 | GDP (flash, QoQ, %) | 0,0 | 0,2 | 0,3 |
| | DE | Q1 | GDP (flash, QoQ, %) | 0,8 | 0,7 | 0,4 |
| | EZ | Q1 | GDP (flash, QoQ, %) | 0,2 | 0,4 | 0,3 |
| | US | Apr | CPI, (YoY, %) | 2,0 | 1,9 | 1,5 |
| | US | May | New York Fed manufacturing index (point) | 19,0 | 5,5 | 1,3 |
| | US | Apr | Industrial production (MoM, %) | -0,6 | 0,2 | 0,7 |
| | US | Mar | Philadelphia Fed business index (%) | 15,4 | 15,4 | 16,6 |
| | Friday | US | Apr | Housing starts (annualized, MoM, ths) | | 983,0 |
| US | | Apr | Building permits (annualized, MoM, ths) | | 1 015,0 | 997,0 |

Source: Reuters, OTP Research

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