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Daily Report – Global markets

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|-------------|--------|----------------|-----------------|
| DJIA | 17 068 | ↑ 0,54 | ↑ 1,32 |
| S&P500 | 1 985 | ↑ 0,55 | ↑ 1,44 |
| Nasdaq100 | 3 923 | ↑ 0,61 | ↑ 2,04 |
| Russell2000 | 1 208 | ↑ 0,72 | ↑ 1,57 |
| Stoxx600 | 349 | ↑ 0,93 | ↑ 2,06 |
| DAX | 10 029 | ↑ 1,19 | ↑ 2,29 |
| FTSE 100 | 6 865 | ↑ 0,72 | ↑ 1,93 |
| CAC40 | 4 490 | ↑ 1,02 | ↑ 1,13 |
| ATX | 2 537 | ↑ 0,48 | ↑ 1,54 |
| IBEX35 | 11 090 | ↑ 0,67 | ↑ 0,92 |
| Nikkei 225 | 15 431 | ↑ 0,54 | ↑ 1,77 |
| Hang Seng | 23 573 | ↑ 0,18 | ↑ 1,65 |
| SSEC | 2 059 | ↓ -0,20 | ↑ 1,11 |
| SENSEX | 25 844 | ↑ 0,01 | ↑ 2,88 |
| RTS | 1 391 | ↑ 0,02 | ↑ 0,97 |
| Bovespa | 53 875 | ↑ 1,59 | ↑ 1,35 |

FX MARKET

| | Close | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/USD | 1,3605 | ↓ -0,04 | ↓ -0,31 |
| EUR/CHF | 1,2154 | ↓ -0,01 | ↓ -0,04 |
| USD/GBP | 1,7153 | ↓ -0,06 | ↑ 0,70 |
| USD/JPY | 102,01 | ↓ -0,17 | ↑ 0,64 |
| AUD/USD | 0,9363 | ↑ 0,20 | ↓ -0,59 |
| USD/CAD | 1,0635 | ↑ 0,02 | ↓ -0,28 |

RISK INDICATORS

| | Close | Daily chg (bp) | Weekly chg (bp) |
|---------------|-------|----------------|-----------------|
| VIX | 10,3 | ↓ -0,5 | ↓ -1,3 |
| CDS 5Y PIIS | 10 | ↓ -1,0 | ↑ 3,4 |
| CDS 5Y Italy | 78 | ↓ -1,7 | ↑ 1,8 |
| CDS 5Y Belg. | 80 | ↑ 4,0 | ↑ 2,0 |
| iTraxx 5Y EU | 31,9 | ↓ -1,3 | ↓ -0,3 |
| US TED Spread | 58,3 | ⇒ 0,0 | ↑ 1,8 |

Source: Reuters, OTP Research

Summary

- Europe's leading indices gained 0.7-1.2% in Thursday's benign sentiment.
- The S&P and the Dow closed at all-time highs in yesterday's shortened session. US markets will be closed for Independence Day today.
- The ECB's rate setting meeting left its benchmark rate on hold, but President Draghi pointed out that unconventional instruments may be used if needed.
- The US economy created 288,000 new jobs in June, beating forecasts of 210,000.

Optimism ruled Europe's key markets on Thursday. The bright mood was supported by the better-than-expected American labour market data and by the European Central Bank's messages. In yesterday's meeting, the ECB left its key policy rate unchanged but President Draghi said that unconventional tools may be used if conditions make it necessary. The Frankfurt stock index advanced 1.2%, that of Paris added 1%, and the London benchmark rose by 0.7% yesterday. In corporate headlines, Man Group rallied 6.1%. Mining companies also fared well on Thursday: Antofagasta grew 4.9, and Fresnillo firmed 3.2%. Vodafone went up 1% as the EU granted the telecommunications company permission to buy Spain's Ono.

The likewise cheering sentiment in the USA brought benchmarks to new highs in Thursday's shortened trading. Rising by 0.54% led the Dow to the record-breaking 17,068 mark, and the S&P ended with an all-time high of 1,985, adding 0.5%. The Nasdaq advanced 0.6% in yesterday's session. Of the S&P's sector indices only utilities failed to make gains, ending the day 1% lower. Thursday's strongest constituent was industry, with 0.8% increase.

Today American stock markets are closed for Independence Day.

This morning's trading in Asia ended with mixed moves: Japan and Hong Kong made gains while the Shanghai Composite edged 0.2% down.

GOV'T BOND MARKET

| | Yield (%) | | Daily chg (bp) | | Weekly chg (bp) |
|---------|-----------|---|----------------|---|-----------------|
| US 2Y | 0,49 | ↑ | 2 | → | 0 |
| US 10Y | 2,63 | ↑ | 6 | ↑ | 6 |
| JP 2Y | 0,07 | ↑ | 0 | ↓ | -1 |
| JP 10Y | 0,57 | ↓ | 0 | ↓ | 0 |
| GER 2Y | 0,02 | ↓ | -1 | ↓ | -1 |
| GER 10Y | 1,25 | ↓ | 0 | ↓ | -5 |

CENTRAL BANKS' RATES

| | Rate (%) | | 6M Consensus | | 1Y Consensus |
|------------|----------|---|--------------|---|--------------|
| Fed Funds | 0,25 | → | 0,25 | → | 0,25 |
| ECB Rate | 0,15 | → | 0,15 | → | 0,15 |
| BOE Rate | 0,50 | → | 0,50 | ↑ | 1,00 |
| 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 | 0,63 | ↑ | 1 | ↑ | 7 |
| US 5Y Swap | 1,80 | ↑ | 3 | ↑ | 11 |
| EUR 3M Euribor | 0,21 | ↑ | 0 | ↓ | 0 |
| EUR 2Y Swap | 0,31 | ↑ | 1 | ↑ | 1 |
| EUR 5Y Swap | 0,67 | ↓ | 0 | ↑ | 0 |
| GB 3M Libor | 0,56 | ↑ | 0 | ↑ | 0 |
| GB 2Y Swap | 1,36 | ↓ | -1 | → | 0 |
| GB 5Y Swap | 2,23 | ↑ | 1 | ↑ | 0 |
| JP 3M Libor | 0,13 | → | 0 | → | 0 |
| JP 2Y Swap | 0,16 | ↑ | 1 | → | 0 |
| JP 5Y Swap | 0,26 | ↑ | 1 | ↑ | 0 |
| CHF 3M Libor | 0,01 | → | 0 | ↓ | 0 |
| CHF 2Y Swap | 0,05 | ↑ | 1 | ↓ | -1 |
| CHF 5Y Swap | 0,31 | ↑ | 1 | ↑ | 4 |

COMMODITIES

| | Close | | Daily chg. (%) | | Weekly chg. (%) |
|-----------|-------|---|----------------|---|-----------------|
| Oil Brent | 111,0 | ↑ | 0,02 | ↓ | -2,01 |
| Gold | 1 319 | ↓ | -0,03 | ↑ | 0,31 |

Source: Reuters, OTP Research

In yesterday's rate decision, the European Central Bank did not change the benchmark rate. Speaking at the subsequent press conference, President Draghi indicated that the interest rate would be left on hold, and other tools might be used instead. He put the greatest emphasis on the long-term refinancing operation (TLTRO), elaborating on its schedule, terms, and conditions. The banking system may receive a total loan amount of EUR 1,000 billion, but the real property market or the government bond market cannot benefit from this. Banks may resort to additional resources, if they lend more than specified in the benchmark, but if they fail to meet the requirements, they must return the money received.

The US economy created 288,000 new jobs in June, surpassing expectations (210,000). At the same time, unemployment rate sank to a nearly six-year low of 6.1%. The number of people employed in the private sector grew dynamically, by 262,000. It was not only the number of new jobs created in June that exceeded forecasts: the department of labour revised up the figure for the preceding two months by a total of 29,000. The fresh data reveal a fast and persistent increase in many fields of the economy. The 16,000 growth in manufacturing in June is the 11th consecutive monthly increase. The services sector created 236,000 new jobs, the strongest single-month expansion since October 2012. This time the government sector also augmented the growth of employment (by 26,000). The impressive labour market data and other macroeconomic statistics add to chances that when the Fed's quantitative easing ends this autumn, the interest rates hikes may begin earlier (even as early as in spring 2015) than had been thought (mid-2015).

Markit's June survey shows improvement in America's services sector: the index rose to 61.0, up from 58.4 a month earlier. In contrast, the ISM services purchasing managers' index fell in June (from 56.3 to 56.0).

| | COUNTRY | DATE | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|----------|---------|------|--|-------|-----------|----------|
| Thursday | EZ | May | Retail sales (mom, %) | 0,0 | 0,2 | 0,4 |
| | EZ | Jul | Rate decision (%) | 0,15 | 0,15 | 0,15 |
| | US | Jun | Unemployment rate (%) | 6,1 | 6,3 | 6,3 |
| | US | Jun | Non-farm payrolls (mom, ths.) | 288 | 212 | 217 |
| | US | May | International trade (bn USD) | -44,4 | -45,0 | -47,2 |
| | US | Jun | Markit services PMI (final, point) | 61,0 | - | 58,4 |
| Friday | US | Jun | ISM Non-Manufacturing PMI (final, point) | 56,0 | 56,3 | 56,3 |
| | DE | May | Industrial orders (mom, %) | -1,7 | 1,0 | 3,1 |

Source: Reuters, OTP Research

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