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Daily Report – Global markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	16 493	↓ -0,42	↓ -2,75
S&P500	1 925	↓ -0,29	↓ -2,69
Nasdaq100	3 880	↓ -0,33	↓ -2,21
Russell2000	1 115	↓ -0,47	↓ -2,16
Stoxx600	332	↓ -1,21	↓ -2,94
DAX	9 210	↓ -2,10	↓ -4,50
FTSE 100	6 679	↓ -0,76	↓ -1,65
CAC40	4 203	↓ -1,02	↓ -2,95
ATX	2 281	↓ -1,29	↓ -3,93
IBEX35	10 514	↓ -1,80	↓ -3,44
Nikkei 225	15 475	↓ -0,31	↓ -0,92
Hang Seng	24 654	↑ 0,49	↓ -0,32
SSEC	2 218	↑ 1,51	↑ 1,85
SENSEX	25 636	↓ -1,00	↓ -0,60
RTS	1 213	↓ -0,54	↓ -2,69
Bovespa	55 903	↑ 0,13	↓ -3,11

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,3428	↓ -0,01	↓ -0,08
EUR/CHF	1,2167	↑ 0,05	↑ 0,16
USD/GBP	1,6820	↓ -0,38	↓ -0,95
USD/JPY	102,66	↑ 0,05	↑ 0,80
AUD/USD	0,9314	↑ 0,09	↓ -0,97
USD/CAD	1,0923	↑ 0,08	↑ 1,20

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	17,0	↑ 0,1	↑ 4,3
CDS 5Y PIIS	17	↑ 9,8	↑ 3,8
CDS 5Y Italy	96	↑ 9,9	↑ 1,4
CDS 5Y Belg.	92	↑ 1,0	↑ 1,0
iTraxx 5Y EU	33,3	↑ 2,5	↑ 5,9
US TED Spread	67,1	→ 0,0	↑ 0,6

Source: Reuters, OTP Research

Summary

- Pessimism continued to rule markets on Friday, with slight corrections caused by US employment report and the reassuring ISM statistics.
- Disappointing earnings reports dragged Europe's indices down; ArcelorMittal and construction giant Vinci fell massively.
- Portugal's Banco Espirito Santo will be rescued, with EUR 4.9 bn EU-IMF loan.

Advanced equity markets were mostly pessimistic on Friday, but the release of US employment data caused a slight recovery. Although last month's job market statistics did not live up to expectations, stock markets seem to have made a virtue out of it: investors probably presumed that the worse-than-expected employment figures bode well for them as the interest rate hike cycle may start later. That said, the S&P closed 0.3% lower on Friday, bringing its weekly loss to 2.7%, the worst week-on-week reading in more than two years. Seven of the S&P's ten constituents dropped on Friday, headed by the financial and telecommunications sectors. Consumer staples saw the most robust gain, 0.8%. Procter&Gamble's 3% rise made it the best-performing blue chip, following a better-than-expected Q2 earnings report. LinkedIn rallied 12% as its Q3 revenue forecast has vastly exceeded estimates. Online travel service provider Expedia's 6.4% surge made it the strongest name in the S&P; its Q2 profit beat expectations by 36% and its USD 1.49 billion revenue also surprised on the upside. The loser of the day was GoPro; the sports camera manufacturer reported USD 20 million loss for the second quarter, in the first earnings report following its IPO. Its loss has almost quadrupled in a year.

In Europe, unfavourable corporate reports caused disappointment. Even though ArcelorMittal's figures rose in year-on-year comparison, its Q2 earnings missed analysts' forecast, chiefly because of the adverse developments in pricing. In the wake of news on revising earlier EBITDA forecast, the steel giant nose-dived 6.1% in Friday's session. Construction giant Vinci's Q2 figures also dissatisfied markets: its operating profit undershot forecasts, and it projected lower revenue for this year, as opposed to its earlier forecast of stagnation. Vinci plummeted 6.3%. Sixteen of Western Europe's 17 benchmarks dropped (Switzerland was closed for national holiday). The FTSE shed 0.8%, the CAC40 dipped 1%, and the DAX retreated 2.1% – the losses pushed these three indices' year-to-date performance into the negative territory. In Europe, one of Friday's worst losers was France's Arkema chemical company, whose share price contracted by 25% as its Q2 figures undershot analysts' poll. On the other hand, Belgium's majority state-owned telecommunications company Belgacom (+4.8%) and France's AXA (+1.0%) achieved gains. Both companies benefited from the market's appreciation of their higher-than-expected quarterly profit figures. On Sunday afternoon, Portugal announced rescuing Banco Espirito Santo, through a EUR 4.9 billion EU-IMF bailout package. In return, the bank must be split up, therefore its existing shareholders will suffer material losses, according to The Wall Street Journal's sources.

This week's most important market-moving development will be the ECB's Thursday meeting, in addition to Q2 reports from a number of companies later in the week.

Optimism has returned to Asia's stock markets by this morning: all indices but Japan closed in the positive territory.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,48	↓ -6	↓ -2
US 10Y	2,50	↓ -6	↑ 3
JP 2Y	0,07	↓ 0	↓ 0
JP 10Y	0,53	↓ 0	↑ 0
GER 2Y	0,03	↓ -2	↓ -1
GER 10Y	1,17	↑ 0	→ 0

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	0,24	↓ 0	↑ 0
US 2Y Swap	0,66	↑ 1	↓ -2
US 5Y Swap	1,78	↑ 2	↓ -2
EUR 3M Euribor	0,21	↓ 0	↓ 0
EUR 2Y Swap	0,33	↑ 0	↑ 0
EUR 5Y Swap	0,64	↓ -1	↑ 0
GB 3M Libor	0,56	↑ 0	↑ 0
GB 2Y Swap	1,31	↑ 2	↓ -1
GB 5Y Swap	2,12	↓ 0	↓ 0
JP 3M Libor	0,13	→ 0	→ 0
JP 2Y Swap	0,16	↓ 0	↓ -1
JP 5Y Swap	0,24	↓ 0	↓ 0
CHF 3M Libor	0,02	→ 0	↑ 0
CHF 2Y Swap	0,02	↓ -1	↓ -1
CHF 5Y Swap	0,28	↑ 2	↑ 5

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	105,2	↑ 0,32	↓ -2,22
Gold	1 294	↑ 0,02	↓ -0,78

Source: Reuters, OTP Research

Markit's purchasing managers' index for the eurozone practically stagnated in July, while the same index for Germany slightly deteriorated.

Non-farm payroll in the USA grew by 209,000 in July, undershooting analysts' poll of 233,000. On the other hand, the number of workers in the manufacturing sector grew stronger than had been thought: manufacturing payroll swelled by 28,000, as opposed to analysts' poll of 15,000 and the June reading of 16,000. Unemployment rate rose to 6.2%, up from 6.1% in June. Stock markets may have also benefited from the better-than-expected manufacturing index: the ISM index's gauge rose to 57.1 in July, up from 55.3 in June, and in contrast with the forecast of 56.

There will be no market-moving macroeconomic data in the USA today. In the eurozone, the Sentix index and producer price indices will see the light of day.

	COUNTRY	DATE	INDICATOR	FACT	CONSENSUS	PREVIOUS
Friday	EZ	Jul	Markit manufacturing PMI (points)	51,8	51,9	51,9
	DE	Jul	Markit manufacturing PMI (points)	52,4	52,9	52,9
	US	Jul	Non-farm payroll ('000)	209,0	233,0	288,0
	US	Jul	Manufacturing payroll ('000)	28,0	15,0	16,0
	US	Jul	Unemployment rate (%)	6,2	6,1	6,1
	US	Jul	Michigan sentiment final (points)	81,8	82,0	81,3
	US	Jul	ISM Manufacturing PMI (points)	57,1	56,0	55,3
Monday	EZ	Aug	Sentix Index (points)		9,0	10,1
	EZ	Jun	Producer prices (YoY, %)		-1,0	-1,0

Source: Reuters, OTP Research

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