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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	16 432	↓ -1,14	↑ 1,45
S&P500	1 921	↓ -1,25	↑ 1,36
Nasdaq100	4 163	↓ -1,62	↑ 1,42
Russell2000	1 012	↓ -0,94	↑ 0,10
Stoxx600	328	↓ -1,22	↑ 2,31
DAX	9 417	↓ -1,64	↑ 3,08
FTSE 100	5 962	↓ -1,25	↑ 1,71
CAC40	4 238	↓ -1,40	↑ 3,11
ATX	2 135	↓ -1,97	↑ 2,41
IBEX35	8 268	↓ -1,42	↑ 1,60
Nikkei 225	15 916	↓ -0,85	↑ 0,50
Hang Seng	19 163	↓ -1,30	↑ 1,26
SSEC	2 929	↑ 0,88	↑ 2,15
SENSEX	23 235	↓ -0,75	↓ -0,60
RTS	761	↑ 4,89	↑ 7,67
Bovespa	42 521	↓ -1,65	↑ 3,84

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1017	↓ -0,08	↓ -1,09
EUR/CHF	1,0920	↓ -0,93	↓ -0,98
USD/GBP	1,4022	↓ -0,89	↓ -1,90
USD/JPY	112,06	↓ -0,04	↓ -1,77
AUD/USD	0,7189	↓ -0,18	↑ 0,10
USD/CAD	1,3789	↓ -0,02	↑ 0,89
USD/RUB	76,33	↑ 0,09	↑ 1,73

RISK INDICATORS

	Close	Daily chg. (bp)	Weekly chg. (bp)
VIX	21,0	↑ 1,6	↓ -3,1
CDS 5Y PIIS	21	↓ -0,5	↓ -0,2
CDS 5Y Italy	142	↓ -3,0	↓ -3,0
CDS 5Y Belg.	127	↑ 1,3	↑ 1,2
iTraxx 5Y EU	37,8	↓ -0,4	↓ -5,7
US TED Spread	107,6	→ 0,0	↓ -3,9

Source: Reuters, OTP Research

Summary

- Tuesday's trading was rather depressed on the world's advanced stock markets. The bigger-than-expected fall in the IFO sentiment index did not help risk appetite in Western Europe.
- The London Stock Exchange and Deutsche Börse are in merger talks.
- In the USA the energy sector, commodity producers, and the financial sector were the weakest performers. Oil prices dropped again.

Europe's stock markets were rather volatile on Tuesday; the Stoxx600 closed 1.2% in the red, ending a day of ebbs and flows. Europe's indices were mostly driven by corporate news, with the exception of the DAX: the IFO sentiment index's three consecutive months of decline left a strong mark on Germany's stock market yesterday. Reversing Monday's surge, commodity producers sank yesterday, dragged down by BHP Billiton's 6.1% plunge. The mining company cut its dividend payment for the first time in 15 years, slashing it by 75% from the previous year, rather than by 50% as planned earlier. Car manufacturers retreated, as the car parts manufacturer GKN's profits missed forecasts. Western Europe's banks opened higher but the sector ended the day with 2% loss. To add to the 'usual' concerns about the periphery countries' banks, particularly those in Italy, and worries about Deutsche Bank's creditworthiness, the unexpected (and unprecedented since 1989) full-year loss of Britain's Standard Chartered also prompted investors to sell. News on merger talks with Deutsche Börse triggered a 14% jump in the London Stock Exchange's share price and pushed the Deutsche Börse's price 2.5% higher.

In the unsupportive sentiment on US markets, the S&P500 slipped 1.3% and the Dow slipped 1.1% in the red. Anxiety about growth in the world, and particularly in China, was exacerbated by the PBoC's move to weaken the yuan's daily reference exchange rate by the most in six weeks. The renewed slide in oil prices did not help the sentiment on stock markets; the Saudi oil minister talked about markets' price-handling role, after reaching an agreement with Russia to freeze productions levels. Utilities was the only sector index of the S&P's ten constituents to creep higher, the biggest losers were the energy sector (-3.4%) and commodity producers (-2.5%). In basic material names, Alcoa dived 4.3%. Financial service providers had a particularly bad day: JP Morgan slumped 4.2% after revealing plans to set aside USD 1.65 billion to cover loans granted for the energy sector and commodity producers. Morgan Stanley plunged 3.4%, and Goldman Sachs fell 2.6%. The technology sector contracted by 1.6% in Tuesday's trading; Western Digital was the loser of the day. The company nose-dived more than 7% after announcing to buy ScanDisk for USD 15.8 billion. Macy's, the retail chain rose by 3%; a number of retail chains (including Target, Lowe's, Kohl's and Gap) will publish their quarterly earnings later this week.

Asia's stock markets closed mixed. Those suffering losses were dragged down by the energy sector, owing to the renewed fall in oil prices. The Shanghai Composite benefited from utilities' and industrials' gains.

The Brent extended Tuesday's 4% by further 1% today. Reversing yesterday's 1.2% up move, the WTI lost more than 2% this morning.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,75	↓ -1	↑ 2
US 10Y	1,72	↓ -4	↓ -6
JP 2Y	-0,20	↑ 1	↓ -5
JP 10Y	0,01	↑ 1	↓ -4
GER 2Y	-0,53	↓ -1	↓ -2
GER 10Y	0,19	↓ -3	↓ -7

CENTRAL BANKS' RATES

	Rate (%)	6M Consensus	1Y Consensus
Fed Funds	0,5	↑ 0,75	↑ 1,25
ECB Rate	0,05	→ 0,05	→ 0,05
BOE Rate	0,50	↑ 0,75	↑ 1,00
BOJ Rate	0,10	→ 0,10	→ 0,10
SNB Target	-0,75	→ -0,75	→ -0,75

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
US 3M Libor	0,00	↑ 1	↑ 1
US 2Y Swap	0,78	↑ 0	↑ 0
US 5Y Swap	1,10	↑ 0	↓ -4
EUR 3M Euribor	-0,20	↓ 0	↓ -1
EUR 2Y Swap	-0,19	↓ -1	↓ -3
EUR 5Y Swap	0,01	↓ -2	↓ -4
GB 3M Libor	0,00	↓ 0	↓ 0
GB 2Y Swap	0,77	↑ 2	↓ -6
GB 5Y Swap	0,99	↑ 2	↑ 0
JP 3M Libor	0,00	↓ 0	↓ -2
JP 2Y Swap	-0,15	↓ -1	↓ -6
JP 5Y Swap	-0,14	↓ -2	↓ -8
CHF 3M Libor	0,00	→ 0	↓ -1
CHF 2Y Swap	-0,90	↓ 0	↓ -5
CHF 5Y Swap	-0,66	↓ -1	↓ -6

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	32,9	↓ -1,02	↓ -4,55
Gold	1 223	↓ -0,30	↑ 1,21

Source: Reuters, OTP Research

According to the detailed data, Germany's GDP grew by 0.3% quarter/quarter in Q4, and its 2.1% year/year expansion has surpassed the consensus. The data breakdown reveals a contraction in exports, unprecedented in the past three years. The fall in exports was offset by the growth in investments and government consumption; household final consumption expenditure was also up, even though it decelerated to 0.3% from 0.6% in the previous quarter.

The IFO business sentiment index deteriorated further, and faster than had been thought. The current economic conditions sub-index has improved, but its level was lower than most of the time in 2015. Still more disturbingly for future growth, the current expectations sub-index has fallen sharply, to the lowest level since December 2012 (when the German economy entered recession).

The USA posted a mixed bag of data on Tuesday. The CaseShiller home price index's growth slowed to 5.7% year on year, whereas existing home sales rose, as opposed to the expected decline. The consumer confidence index has worsened significantly, according to the preliminary data for February.

Today the Markit Services PMI and the new home sales statistics may be in the centre of attention in the USA.

	COUNTRY	DATE	INDICATOR	FACT	CONSENSUS	PREVIOUS
Tuesday	DE	Q4	GDP (detailed (QoQ, %))	0,3	0,3	0,3
	DE	Q4	GDP (detailed (YoY, %))	2,1	1,8	2,1
	DE	Feb	IFO Business Sentiment (point)	105,7	106,7	107,3
			CaseShiller 20 (YoY, %)	5,7	5,8	5,8
	US	Feb	Consumer confidence (preliminary point)	92,2	97,4	98,1
	US	Jan	Existing home sales (annualized monthly, thousands)	5 470	5 400	5 460
Wednesday	EZ	Jan	CPI, final (mom, %)		-1,4	0,0
	EZ	Jan	CPI, final (yoy, %)		0,4	0,4
	US	Feb	Markit Services PMI flash (points)		53,5	53,2
	US	Jan	New home sales (monthly change, %)		-4,4	10,8

Source: Reuters, OTP Research

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