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otp Research

Daily Report – Global Markets

STOCK EXCHANGE	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 011	1,29	1,57
S&P500	2 113	1,34	1,70
Nasdaq100	4 467	1,42	0,98
Russell2000	1 172	2,02	2,40
Stoxx600	346	1,47	7,80
DAX	10 257	1,85	7,40
FTSE 100	6 338	1,23	6,51
CAC40	4 466	1,96	7,53
ATX	2 242	1,28	7,21
IBEX35	8 885	2,11	8,36
Nikkei 225	14 946	-7,96	-3,16
Hang Seng	19 725	-5,48	-2,21
SSEC	2 818	-2,57	-2,34
SENSEX	25 954	-3,88	-0,60
RTS	941	1,49	5,15
Bovespa	51 560	2,80	4,35

FX MARKET	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1385	0,79	-2,85
EUR/CHF	1,0915	0,78	-1,53
USD/GBP	1,4878	1,19	3,64
USD/JPY	101,43	-4,43	-2,56
AUD/USD	0,7327	-3,69	-0,93
USD/CAD	1,3083	2,57	1,48
USD/RUB	67,11	5,37	3,65

RISK INDICATORS	Close	Daily chg (bp)	Weekly chg (bp)
VIX	17,3	-3,9	-2,1
CDS 5Y PIIS	17	-0,4	-3,7
CDS 5Y Italy	126	-1,6	-13,0
CDS 5Y Belg.	116	-0,1	-0,9
iTraxx 5Y EU	36,9	-1,3	-8,8
US TED Spread	77,2	0,0	-4,4

Source: Reuters, OTP Research

Summary

- The UK will exit the European Union as the Leave campaign won the 23 June referendum.
- Europe's and America's capital markets showed no signs of Brexit fears yesterday.
- The DAX and the FTSE100 opened 10% lower.
- The pound plunged after the EU referendum.

The most important event of Thursday, and recent weeks, was Britain's referendum to exit/remain in the EU. Despite the heavy rainfall (even by British standards), there was a high turnout (72%). The Leave campaign won by 52-48%, which means that a two-year series of negotiations will begin between the United Kingdom and the European Union, to end in an unprecedented departure.

Western Europe's key indices continued their five-day-long winning streak on Thursday, ending the day more than 1% higher, despite the looming Brexit concerns. All (except one) of DAX's (+1.9%) components closed in positive territory, headed by ThyssenKrupp (+5%) and banking shares. In Paris (+2%), car manufacturers' stocks were particularly sought. London's FTSE100 gained 1.2%. This morning there were huge losses on Europe's stock markets; most indices in Western Europe were seen 10% in the red.

Thursday's bright sentiment in Europe radiated into America too, helping the benchmark indices rose even though the IMF had lowered 2016 growth outlook for the USA, thus urging the Fed to continue its interest rate hikes. The Russell2000 advanced 2%, the NASDAQ100 upped by 1.4%, the S&P500 and the Dow each climbed 1.3% higher. All of the S&P's sector indices ended with gains, with the financial sector ranking at the top.

Asia's markets sank into the red this morning. The weakest of them, Japan's Nikkei225 fell 8%. In Hong Kong, the Hang Seng plunged 4.4%, and China's Shanghai Composite lost 1.2%.

On Thursday the EUR's advance raised the EUR/USD to 1.14. The EUR did not do well against the GBP; the EUR/GBP shed 0.5%, to 0.76. The USD fell even sharper (-1.18%) versus the GBP, ending at 0.67. But this morning saw the sterling nose-diving, trading 10% lower against the USD, diving to a 31-year low.

GOV'T BOND MARKET	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,74	-2	5
US 10Y	1,68	-2	9
JP 2Y	-0,23	0	4
JP 10Y	-0,14	1	6
GER 2Y	-0,58	-1	1
GER 10Y	0,06	0	9

CENTRAL BANKS' RATES	Rate (%)	6M Consensus	1Y Consensus
Fed Funds	0,5	0,75	1,25
ECB Rate	0,00	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	0	-2
US 2Y Swap	0,67	-22	-16
US 5Y Swap	0,90	-30	-18
EUR 3M Euribor	-0,27	0	-1
EUR 2Y Swap	-0,28	-12	-8
EUR 5Y Swap	-0,03	1	4
GB 3M Libor	0,00	-1	1
GB 2Y Swap	0,84	3	-2
GB 5Y Swap	1,08	6	24
JP 3M Libor	0,00	0	1
JP 2Y Swap	-0,17	-5	-2
JP 5Y Swap	-0,16	-6	-3
CHF 3M Libor	0,00	0	0
CHF 2Y Swap	-0,79	0	7
CHF 5Y Swap	-0,65	4	10

COMMODITIES	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	47,8	-6,13	-2,81
Gold	1 332	6,15	2,64

Source: Reuters, OTP Research

Recovering from Wednesday's drop, crude oil prices rose on Thursday: the Brent was traded just above 51 USD/barrel at the end of the day. This morning oil prices opened lower; the Brent was seen below USD 49. Gold opened stronger and soared 6% at one point this morning.

Germany is to publish an important confidence index today; the IFO index is expected to slightly drop in June from the previous month. But that does not take into account the market turbulence in the wake of the Brexit vote, thus it is likely to move in negative direction later.

Today the USA will publish the May gauge of building permits. Thursday's publication on new home sales in May was short of both the previous month's gauge and expectations.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Thursday	DE	Jun	Markit manufacturing PMI (preliminary, points)	54,4	52,0	52,1
	DE	Jun	Markit services PMI (preliminary, points)	53,2	55,0	55,2
	EZ	Jun	Markit manufacturing PMI (preliminary, points)	52,6	51,3	51,5
	EZ	Jun	Markit services PMI (preliminary, points)	52,4	53	53
	US	Jun	Markit manufacturing PMI (preliminary, points)	51,4	50,8	50,7
	US	May	Leading indicators (mom, %)	-0,2	0,1	0,6
	US	May	New home sales (annualized monthly, ths)	551	560	619
Friday	DE	Jun	IFO Business Climate (point)		107,5	107,7
	US	May	Building Permits (annualized, thousands)			1 138,0
	US	May	Durable goods (mom, %)		-0,5	3,4

Source: Reuters, OTP Research

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