

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	17 410	↑ 1,57	↓ -2,36
S&P500	2 036	↑ 1,78	↓ -2,53
Nasdaq100	4 290	↑ 2,13	↓ -2,79
Russell2000	1 107	↑ 1,62	↓ -3,63
Stoxx600	317	↑ 2,57	↓ -6,86
DAX	9 447	↑ 1,93	↓ -5,67
FTSE 100	6 140	↑ 2,64	↓ -1,38
CAC40	4 089	↑ 2,61	↓ -6,37
ATX	2 028	↑ 1,99	↓ -7,84
IBEX35	7 835	↑ 2,48	↓ -9,60
Nikkei 225	15 567	↑ 1,59	↓ -3,72
Hang Seng	20 311	↑ 0,68	↓ -2,33
SSEC	2 927	↑ 0,49	↑ 0,74
SENSEX	26 627	↑ 0,38	↓ -0,60
RTS	905	↑ 1,87	↓ -3,40
Bovespa	50 007	↑ 1,55	↓ -1,64

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1065	↑ 0,39	↓ -2,09
EUR/CHF	1,0862	↑ 0,75	↑ 0,18
USD/GBP	1,3340	↑ 0,92	↓ -9,27
USD/JPY	102,22	↓ -0,51	↓ -2,08
AUD/USD	0,7386	↓ -0,01	↓ -1,52
USD/CAD	1,3022	↑ 0,01	↑ 1,40
USD/RUB	63,89	↓ -0,17	↓ -1,13

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	18,8	↓ -5,1	↑ 0,3
CDS 5Y PIIS	19	↓ -6,6	↑ 21,6
CDS 5Y Italy	148	↓ -8,7	↑ 26,1
CDS 5Y Belg.	144	↓ -2,1	↑ 10,3
iTraxx 5Y EU	47,7	↓ -4,9	↑ 14,7
US TED Spread	93,2	⇒ 0,0	↓ -0,7

Source: Reuters, OTP Research

Summary

- For the first time since the Brexit vote, stock markets picked up, led by banking shares.
- Fed interest rate expectations have decreased since last week.
- European leaders offered time for Prime Minister Cameron to officially announce Britain's request to leave the EU, before the country's political affairs settle down.

For the first time since the selloff triggered by Thursday's Brexit referendum, global stock indices increased, as soon as risk aversion lessened. Yet most analysts saw this increase as a temporary correction and expect further volatility; this is supported by the lack of new information in Tuesday's trading on the schedule or the conditions of Brexit.

Developed markets' stock indices mostly advanced by 1.5-2.5%, and emerging markets could achieve gains too. The rise was headed by the banking and oil sectors; the Euro Stoxx banking index jumped 2.9% higher on Tuesday. Besides, Volkswagen's stock price advanced 1.7% as the carmaker reached an agreement with US authorities to pay more than USD 15.3 billion compensation for cheating in the diesel engine emission tests. This agreement helps reduce the financial uncertainty around the company.

US bond yields rose as risk aversion faded, and the eurozone periphery countries' 10Y yields fell more than 10 basis points. Since the referendum in the UK, Fed interest rate expectations have noticeably changed: last week the probability of an interest rate hike this year was 50%, but now the most likely scenario is that the current interest rate level will be sustained until the end of 2016, and even an interest rate *cut* (20% possibility) seems more likely than an increase.

For the first time since last Friday, the pound could appreciate (+0.9%) against the USD. The EUR also gained 0.4% versus the greenback. For the first time since the Brexit vote, the Bank of England held a liquidity auction, offering 6M funding to banks in a repo operation. (There were four auctions in June, instead of the usual one per month). Bids totalled GBP 6.3 billion, of which the BoE accepted GBP 3.1 billion. The asset's utilization hit records, but it did not reach a critical level, analysts said.

GOV'T BOND MARKET

	Yield (%)	Daily chg (bp)	Weekly chg (bp)
US 2Y	0,61	↑ 2	↓ -15
US 10Y	1,47	↑ 3	↓ -23
JP 2Y	-0,29	↓ -1	↓ -5
JP 10Y	-0,22	↓ -3	↓ -9
GER 2Y	-0,65	↓ -4	↓ -8
GER 10Y	-0,11	↓ -4	↓ -17

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	0,63	↑ 0	↓ -2
US 2Y Swap	0,71	↑ 0	↓ -16
US 5Y Swap	0,95	↑ 1	↓ -20
EUR 3M Euribor	-0,28	↑ 0	↓ -2
EUR 2Y Swap	-0,24	↓ -2	↓ -5
EUR 5Y Swap	-0,12	↓ -1	↓ -8
GB 3M Libor	0,55	↓ -1	↓ -4
GB 2Y Swap	0,56	↑ 3	↓ -3
GB 5Y Swap	0,62	↑ 5	↓ -38
JP 3M Libor	-0,03	↓ 0	↓ 0
JP 2Y Swap	-0,17	↓ -1	↓ -3
JP 5Y Swap	-0,19	↓ -1	↓ -7
CHF 3M Libor	-0,79	↓ 0	↓ -3
CHF 2Y Swap	-0,84	↑ 3	↓ -5
CHF 5Y Swap	-0,73	↑ 4	↓ -4

COMMODITIES

	Close	Daily chg. (%)	Weekly chg. (%)
Oil Brent	48,8	↑ 0,51	↓ -2,11
Gold	1 321	↑ 0,67	↑ 4,35

Source: Reuters, OTP Research

With Brexit remaining the key market-moving factor, the week's political events are particularly important. The European Council holds meetings on Tuesday and Wednesday. On Tuesday evening Prime Minister David Cameron informed EU leaders about the details and the outcome of the referendum. EU leaders offered some time for Britain to officially announce the UK's departure, and wait until UK domestic affairs settle down. On Wednesday the remaining 27 country leaders meet without Mr. Cameron.

The political situation in the UK is uncertain: the race in the Conservative Party for the position of outgoing prime minister David Cameron has started. Labour MPs passed a no-confidence motion against party leader David Corbyn, owing to the powerless Leave campaign.

There is a power struggle between the European Commission and the European Council about who should lead Brexit negotiations. EC President Jean-Claude Juncker urged quick talks and promised a heavy-handed approach. Angela Merkel used milder words, but on Tuesday she ruled out any informal coordination about the future of EU-UK relations before the latter officially announces its departure (accordingly, since Tuesday European Commission's officials are forbidden to enter into any communication with the British party on the issue of exit). France' President Francois Hollande also indicated that it was not an objective of the talks to punish Britons.

An attack in Istanbul, allegedly carried out by Islamic State extremists, killed dozens of people on Tuesday night.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Monday	US	Jun	Markit Composite PMI, flash (points)	51,2	50,9	50,9
	US	May	Markit PMI, services	51,3	-	51,3
Tuesday	US	Q1	GDP final (annualized qoq. %)		1,0	0,8
	US	Q1	GDP deflator (%)		0,6	0,6
	US	Apr	Case-Shiller 20, SA (mom. %)		0,6	0,9
	US	Jun	Consumer Confidence (points)		93,3	92,6

Source: Reuters, OTP Research

Chief Economist

Gergely Tardos
tardosg@otpbank.hu
+36 1 374 7273

Fundamental Analyst

Gábor Pellényi
pellenyig@otpbank.hu
+36 1 374 7276

Disclaimer

OTP Bank Plc. does not intend to present this document as an objective or independent explanation of the matters contained therein. This document a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication does not contain a comprehensive analysis of the described issues. This material is only for information purposes and it is not intended as an investment advice, an offer or solicitation for the purchase or sale of any financial instrument, and it does not constitute legal, tax or accounting advice.

Information herein reflects the market situation at the time of writing. It provides only momentary information and may change as market conditions and circumstances develop. Additional information may be available on request. Although the information in this document has been prepared in good faith from sources which OTP Bank believes to be reliable, we do not represent or warrant its accuracy and such information may be incomplete or condensed. Opinions and estimates constitute our judgment and are subject to change without notice. OTP Bank may hold a position or act as market maker in the financial instrument of any issuer discussed herein or act as advisor or lender to such issuer. This document is not intended to provide the basis for any evaluation of the financial instruments discussed herein. In particular, information in this document regarding any issue of new financial instruments should be regarded as indicative, preliminary and for illustrative purposes only, and evaluation of any such financial instruments is made solely on the basis of information contained in the relevant offering circular and pricing supplement when available. OTP Bank does not act as a fiduciary for or an advisor to any prospective purchaser of the financial instruments discussed herein and is not responsible for determining the legality or suitability of an investment in the financial instruments by any prospective purchaser.

Before purchasing or selling financial instruments or engaging investment services, please examine the prospectuses, regulations, terms, agreements, notices, fee letters, and any other relevant documents regarding financial instruments or investment services described herein in order to be capable of making a well-advised investment decision. Please refer to your competent adviser for advice on the risks, fees, taxes, potential losses and any other relevant conditions before you make your investment decision regarding financial instruments or investment services described herein. Any concrete individual decision or investment made based on this publication is the sole risk of the Client and OTP Bank shall not be held responsible for the success of the investment decisions or for attaining the Client's target.

Figures described herein refer to the past and past performance is not a reliable indicator of future results.

OTP Bank Plc. (registered seat: Nádor utca 16., Budapest H-1051, Hungary. Supervisory authority: Magyar Nemzeti Bank (National Bank of Hungary – H-1013 Budapest, Krisztina krt. 39.sz.) PSZÁF licence numbers: III/41.003-22/2002 and E-III/456/2008. For more information, please refer to: <https://www.otpbank.hu/portal/hu/Megtakaritas/Ertekpapir/MIFID>). All rights reserved. This publication is exclusively owned by OTP Bank Plc., no part of this material can be reproduced, re-used or disseminated without the prior written consent of OTP Bank Plc.

If you received this document from OTP Bank Plc, then it was sent to you with your previous consent. You may withdraw this permission by sending an e-mail to research@otpbank.hu or writing a letter addressed to "Research Center" Hungary 1051, Budapest Nádor utca. 21. Please refer to your name and e-mail address in both cases.

Disclaimer for OTP Bank Romania S.A. customers

OTP Bank Romania S.A. does not intend to present this document as an objective or independent explanation of the matters contained therein. This document a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication does not contain a comprehensive analysis of the described issues. This report is issued for information purposes only and should not be interpreted as a suggestion, an invitation or an offer to enter into any transaction, as an investment advice, and it does not constitute legal, tax or accounting advice. Also it is not and should not be considered a recommendation for investment in financial instruments according to NSC Regulations no. 32/2006 and 15/2006.

Information herein reflects current market practices. Additional information may be available on request. This document is intended only for the direct and sole use of the selected customers of OTP Bank Romania S.A. Any form of reproduction or redistribution to any other person that the intended recipients, including publication in whole or in part for any purpose, must not be made without the express written agreement of OTP Bank Romania S.A. Although the information in this document has been prepared in good faith from sources which OTP Bank Romania S.A. believes to be reliable, we do not represent or warrant its accuracy and such information may be incomplete or condensed. The issuer of this report does not claim that the information presented herein is perfectly accurate or complete. However it is based on sources available to the public and widely believed to be reliable. Also the opinions and estimates presented herein reflect a professional subjective judgment at the original date of publication and are therefore subject to change thereafter without notice. Furthermore there can be no guarantees that any market developments will unfold as forecasted. Opinions and estimates constitute our judgment and are subject to change without notice.

OTP Bank Romania S.A. may have issued reports that are different or inconsistent with the information expressed within this report and is under no obligation to update or keep current the information contained herein.

OTP Bank Romania S.A. may hold a position or act as market maker in the financial instrument of any issuer discussed herein or act as advisor or lender to such issuer. This document is not intended to provide the basis for any evaluation of the financial instruments discussed herein. In particular, information in this document regarding any issue of new financial instruments should be regarded as indicative, preliminary and for illustrative purposes only, and evaluation of any such financial instruments should be made solely on the basis of information contained in the relevant offering circular and pricing supplement when available. OTP Bank Romania S.A. does not act as a fiduciary for or an advisor to any prospective purchaser of the financial instruments discussed herein and is not responsible for determining the legality or suitability of an investment in the financial instruments by any prospective purchaser.

This report is not intended to influence in any way or to be considered a substitute to research and advice centred on the specific investment objectives and constraints of the recipient (including tax concerns) therefore investors should obtain individual financial advice. Before purchasing or selling financial instruments or engaging investment services, please examine the prospectuses, regulations, terms, agreements, notices, fee letters, and any other relevant documents regarding financial instruments or investment services described herein in order to be capable of making a well-advised investment decision. Please refer to your competent adviser for advice on the risks, fees, taxes, potential losses and any other relevant conditions before you make your investment decision regarding financial instruments or investment services described herein. OTP Bank Romania S.A. in compliance with the applicable law, assumes no responsibility, obligation, warranty or guarantee whatsoever for any direct or indirect damage (including losses arising from investments), or for the costs or expenses, detrimental legal consequences or other sanctions (including punitive and consequential damage) sustained by any natural or legal person as a result of the purchase or sale of financial instruments or engaging investment services described herein, even if OTP Bank Romania S.A. was warned of the possibility of such occurrences.

Figures described herein refer to the past and past performance is not a reliable indicator of future results. Investments in financial instruments carry a certain degree of risk (fluctuation of share prices, uncertainty of dividend, yields and / or profits, exchange rate fluctuations, etc.). The capital invested is not guaranteed, investment gains, usually assumed proportionate to risk, and past performance of financial instruments is not a guarantee for future performance.

Please note that the Internet is not a secure environment and OTP Bank Romania S.A. does not accept any liability for any loss caused by the result of using this report in a form altered or delayed by the wilful or accidental interception, corruption or virus infection.

All rights reserved – OTP Bank Romania S.A. (registered seat: Street Buzesti, no. 66-68, 1st district Bucharest, Romania; company registration number: 01-10-041585; NBR registration no RB-PJR-40-028/1999; for further information please refer to: <https://www.otpbank.ro/en>).

This document has been provided to the recipients upon their prior request. Your abovementioned permission may be withdrawn by an e-mail addressed to csaba.balint@otpbank.ro or a written mail addressed to OTP Bank Romania S.A , Buzesti Street, no. 66-68, 1st district, Bucharest, Romania. Please refer to your name and e-mail address in both cases.