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Daily Report – Global Markets

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 352	↓ -0,02	↓ -0,57
S&P500	2 164	↑ 0,02	↓ -0,27
Nasdaq100	4 744	↑ 0,20	↑ 0,47
Russell2000	1 214	↑ 0,08	↓ -0,51
Stoxx600	338	↑ 0,67	↓ -0,48
DAX	10 228	↑ 0,57	↓ -0,46
FTSE 100	6 740	↑ 1,59	↑ 0,28
CAC40	4 346	↑ 0,57	↓ -1,70
ATX	2 188	↑ 0,97	↓ -1,82
IBEX35	8 386	↑ 1,48	↓ -1,11
Nikkei 225	16 255	↑ 0,00	↓ -1,35
Hang Seng	22 129	↑ 1,39	↑ 1,12
SSEC	2 979	↓ -0,11	↓ -0,01
SENSEX	28 000	↑ 1,03	↓ -0,60
RTS	928	↑ 1,86	↑ 0,45
Bovespa	57 594	↑ 0,91	↑ 1,64

FX MARKET

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1128	↓ -0,17	↓ -0,30
EUR/CHF	1,0839	↓ -0,08	↑ 0,14
USD/GBP	1,3103	↓ -1,67	↓ -0,93
USD/JPY	101,12	↓ -0,08	↓ -0,91
AUD/USD	0,7649	↑ 0,29	↑ 0,71
USD/CAD	1,3024	↑ 0,07	↓ -0,03
USD/RUB	65,91	↑ 0,11	↓ -0,09

RISK INDICATORS

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	12,4	↓ -0,4	↓ -0,3
CDS 5Y PIIS	12	↓ -0,2	↓ -2,1
CDS 5Y Italy	116	↓ -0,9	↓ -1,6
CDS 5Y Belg.	113	↑ 0,0	↓ -3,9
iTraxx 5Y EU	29,7	↑ 0,0	↑ 1,2
US TED Spread	70,9	→ 0,0	↑ 0,1

Source: Reuters, OTP Research

Summary

- The BoE cut interest rates by 25 basis points as expected, increased its QE programme, and will buy corporate bonds as well. The news triggered GBP weakening, dropping yields, and sent share prices higher.
- Western Europe's stock markets achieved gains; the FTSE100 excelled with a 1.6% rally.
- Trading was lacklustre in the USA, where the loser of the day was MetLife.
- Crude oil prices continued their upward moves on Thursday.

Thursday's most important, market-moving event, the Bank of England's rate decision, has eased monetary conditions, in line with expectations. For the first time since 2009, it changed its base rate, reducing it by 25 basis points to 0.25%. Somewhat surprisingly, the BoE also announced to increase its quantitative easing, to spend further GBP 60 billion on UK government bonds for six months, and corporate bonds for GBP 10 billion.

The BoE's announcement put Western Europe's stock exchanges into gear for a short while, and helped the key indices close higher. Rallying 1.6% made the FTSE100 the winner of the day. ErsteGroup's flash report, released this morning, featured outstanding net profit. Earnings before taxes totalled EUR 840 mn, and its after-tax profit was EUR 567 million. Erste, which fared well in last week's EBA stress test, expects more than 12% return on equity in 2016. Allianz's Q2 figures, revealing nearly halving profits, have disappointed investors. The insurance company attributed the exceptionally pale figures to the multitude of damages caused by natural disasters.

The major indices of the USA closed near Wednesday's closing values. The biggest surprise came from America's largest life insurance company MetLife, whose Q2 earnings were well short of expectations. Accordingly, its stock price fell 8.7% in Thursday's trading.

Japan's Nikkei225 and China's Shanghai Composite ended this morning's trading nearly flat. The Hang Seng in Hong Kong stood 1% higher before the end of trading.

After the BoE's announcement the pound sterling weakened 1.4% versus the EUR (to 0.85) and 1.6% against the USD (to 0.76). The EUR/USD sank 0.2%, to close at 1.11.

Oil prices extended their gains yesterday. The Brent rose by 1.8%, to surpass USD 44, while the WTI upped 1.5% to nearly 42 USD/barrel.

GOV'T BOND MARKET

	Yield (%)		Daily chg (bp)		Weekly chg (bp)
US 2Y	0,64	↓	-3	↓	-6
US 10Y	1,50	↓	-4	→	0
JP 2Y	-0,18	↓	0	↑	16
JP 10Y	-0,09	↓	0	↑	19
GER 2Y	-0,59	↑	1	↑	4
GER 10Y	-0,04	↓	0	↑	5

CENTRAL BANKS' RATES

	Rate (%)		6M Consensus		1Y Consensus
Fed Funds	0,5	↑	0,75	↑	1,25
ECB Rate	0,00	→	0,00	→	0,00
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	↑	3
US 2Y Swap	0,89	↑	0	↑	3
US 5Y Swap	1,06	↑	2	↑	3
EUR 3M Euribor	-0,30	↑	0	↓	0
EUR 2Y Swap	-0,22	↑	0	↑	0
EUR 5Y Swap	-0,15	↓	-3	↑	2
GB 3M Libor	0,00	↓	0	↓	-2
GB 2Y Swap	0,41	↓	-7	↑	3
GB 5Y Swap	0,45	↓	-11	↓	-8
JP 3M Libor	0,00	↓	0	↑	2
JP 2Y Swap	-0,07	↓	-2	↑	3
JP 5Y Swap	-0,07	↓	-1	↑	6
CHF 3M Libor	0,00	→	0	↓	0
CHF 2Y Swap	-0,73	↓	-2	→	0
CHF 5Y Swap	0,00	↓	-2	↑	2

COMMODITIES

	Close		Daily chg. (%)		Weekly chg. (%)
Oil Brent	43,9	↓	-0,93	↑	3,34
Gold	1 363	↑	0,16	↑	0,91

Source: Reuters, OTP Research

Surprisingly, German industrial orders contracted by 0.4% in June. This is the third consecutive month when the figures were short of expectations.

Today the USA will publish important labour market data for July. Analysts forecast further decrease in the unemployment rate and 180,000 increase in non-farm payrolls

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Thursday	UK	Aug	Bank of England Inflation Report	-	-	-
	UK	Aug	Interst rate decision (%)	0,25	0,25	0,5
	US	Jul	Factory orders (mom, %)	-1,5	-1,8	-1,0
	US	Jul	Initial jobless claims (thousands)	269,0	265,0	266,0
Friday	DE	Jun	Industrial Orders (mom, %)	-0,4	0,6	0,0
	US	Jul	Average Earnings (yoy, %)		2,5	2,6
	US	Jul	Average Earnings (mom, %)		0,2	0,1
	US	Jul	Unemployment rate (%)		4,8	4,9
	US	Jul	Non-Farm Payrolls		180,0	287,0
	US	Jun	Trade Balance (monthly, bn USD)		-43,1	-41,1

Source: Reuters, OTP Research

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