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## Daily Report – Global Markets

**STOCK EXCHANGE**

|             | Close  | Daily chg. (%) | Weekly chg. (%) |
|-------------|--------|----------------|-----------------|
| DJIA        | 18 240 | ↓ -0,15        | ↓ -0,37         |
| S&P500      | 2 154  | ↓ -0,33        | ↓ -0,67         |
| Nasdaq100   | 4 865  | ↓ -0,19        | ↓ -0,23         |
| Russell2000 | 1 237  | ↓ -0,78        | ↓ -0,74         |
| Stoxx600    | 340    | ↓ -0,93        | ↓ -0,96         |
| DAX         | 10 491 | ↓ -0,74        | ↓ -0,19         |
| FTSE 100    | 7 044  | ↑ 0,63         | ↑ 2,10          |
| CAC40       | 4 450  | ↓ -0,67        | ↑ 0,04          |
| ATX         | 2 391  | ↓ -0,84        | ↓ -0,60         |
| IBEX35      | 8 624  | ↓ -1,52        | ↓ -1,77         |
| Nikkei 225  | 16 860 | → 0,00         | ↑ 2,99          |
| Hang Seng   | 23 852 | → 0,00         | ↑ 1,13          |
| SSEC        | 3 005  | ↑ 1,13         | ↑ 1,13          |
| SENSEX      | 28 123 | ↑ 0,22         | ↓ -0,60         |
| RTS         | 1 002  | ↓ -0,22        | ↑ 1,13          |
| Bovespa     | 61 109 | ↑ 0,77         | ↑ 4,70          |

**FX MARKET**

|         | Close  | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/USD | 1,1199 | ↑ 0,45         | ↓ -0,29         |
| EUR/CHF | 1,0946 | ↑ 0,10         | ↑ 0,28          |
| GBP/USD | 1,2432 | ↓ -1,44        | ↓ -3,19         |
| USD/JPY | 103,09 | ↑ 0,18         | ↑ 1,46          |
| AUD/USD | 0,7590 | ↑ 0,20         | ↓ -1,04         |
| USD/CAD | 1,3258 | ↓ -0,29        | ↑ 1,07          |
| USD/RUB | 62,19  | ↓ -0,05        | ↓ -0,21         |

**RISK INDICATORS**

|               | Close | Daily chg (bp) | Weekly chg (bp) |
|---------------|-------|----------------|-----------------|
| VIX           | 13,5  | ↑ 0,6          | ↑ 0,2           |
| CDS 5Y PIIS   | 13    | ↓ -0,4         | ↑ 0,2           |
| CDS 5Y Italy  | 125   | ↓ -0,4         | ↓ -0,4          |
| CDS 5Y Belg.  | 129   | ↓ -0,3         | ↓ -0,7          |
| iTraxx 5Y EU  | 20,5  | ↑ 0,1          | ↑ 1,3           |
| US TED Spread | 73,8  | → 0,0          | ↓ -1,4          |

Source: Reuters, OTP Research

**Summary**

- Investor sentiment was rather gloomy on global stock markets on Friday
- The sterling's slump pushed the GBP/USD below 1.2 for a while on Friday morning.
- The negative interest rate environment and the sluggish growth pose the biggest challenges for Europe's banking system, the chief of UBS said.
- Analysts' consensus on the real property market bubble in China is getting stronger and stronger.

In Friday's unenthusiastic trading session on global markets, the DAX dropped 0.7%, and the S&P closed 0.3% down. The sterling's slump pushed the GBP/USD below 1.2 for a while on Friday morning, owing to a sudden 'liquidity gap'. By the end of the day the GBP lost 2% against the EUR and shed nearly 1.5% versus the USD. A related study by Commerzbank found that liquidity on FX markets has fallen 13% since 2013. Furthermore, while banks used to be interested in maintaining a minimum liquidity level, the current regulations make them less and less motivated to do so. Recently they have been replaced by speculative institutional investors who do not always offer liquidity, because of their market interests. This change may further amplify any big moves, thus boosting volatility on markets in the future.

Researchers at Oxford Economics have found that, despite the recent encouraging data, the threat of recession in 2017 is real. Moreover, the pound's recent exchange rate suggests that the market is considering the possibility of a sterling crisis, because of the country's high current account deficit. Experts anticipate 0.3% growth in Q3, and forecast 20% possibility of recession. They pencil in the GBP/USD at 1.2, but at slower and softer way than Friday's plunge.

UBS's Chief Executive Officer does not think Deutsche Bank would be an acute risk for the financial system. Sergio Ermotti opines that the real peril is the low, at some places negative, interest rate environment. Coupled with the tepid growth, it adversely affects banks' surplus capacity, thus it may bring a number of banks into difficult position in the long run. In his opinion, interest rates being at low levels for such a long time jeopardizes the savings and social systems.

Analysts increasingly agree that a real property market bubble is forming in China. Property prices in South Shenzhen have sky-rocketed 60% in a year. Analyses by Commerzbank and DBS Vickers indicate that a 30% fall in property prices would cause CNY 4,000 billion loss, and the rate of non-performing loans would rise from 1.75% to 6%. Besides, more and more experts say that China's banking sector will need to be rescued. About 27% of China's loan portfolio can be directly linked to property market.

**GOV'T BOND MARKET**

|         | Yield (%) | Daily chg (bp) | Weekly chg (bp) |
|---------|-----------|----------------|-----------------|
| US 2Y   | 0,85      | → 0            | ↑ 7             |
| US 10Y  | 1,73      | → 0            | ↑ 13            |
| JP 2Y   | -0,27     | → 0            | ↑ 0             |
| JP 10Y  | -0,06     | → 0            | ↑ 2             |
| GER 2Y  | -0,67     | ↑ 1            | ↑ 3             |
| GER 10Y | -0,01     | ↑ 1            | ↑ 13            |

**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   | 0,25     | → 0,25       | → 0,25       |
| 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    | 0,88     | ↑ 0            | ↑ 3             |
| US 2Y Swap     | 1,06     | ↑ 1            | ↑ 5             |
| US 5Y Swap     | 1,25     | ↓ 0            | ↑ 7             |
| EUR 3M Euribor | -0,30    | → 0            | ↓ 0             |
| EUR 2Y Swap    | -0,22    | → 0            | ↑ 0             |
| EUR 5Y Swap    | -0,10    | ↑ 1            | ↑ 4             |
| GB 3M Libor    | 0,39     | ↑ 0            | ↑ 1             |
| GB 2Y Swap     | 0,51     | ↑ 4            | ↑ 1             |
| GB 5Y Swap     | 0,64     | ↑ 7            | ↑ 15            |
| JP 3M Libor    | -0,02    | ↓ 0            | ↑ 3             |
| JP 2Y Swap     | -0,09    | ↑ 0            | ↑ 1             |
| JP 5Y Swap     | -0,08    | → 0            | ↑ 2             |
| CHF 3M Libor   | -0,73    | ↑ 0            | ↑ 2             |
| CHF 2Y Swap    | -0,66    | ↑ 0            | ↑ 3             |
| CHF 5Y Swap    | -0,55    | ↑ 1            | ↑ 6             |

**COMMODITIES**

|           | Close | Daily chg. (%) | Weekly chg. (%) |
|-----------|-------|----------------|-----------------|
| Oil Brent | 51,9  | ↓ -1,10        | ↑ 1,20          |
| Gold      | 1 256 | ↑ 0,18         | ↓ -3,65         |

Source: Reuters, OTP Research

There is no trading in Japan today, because of holiday. China's SSEC rose by 1.1% this morning.

Friday's release of American labour market data marginally missed expectations, but a number of analysts opine that this might be sufficient for a December-dated rate hike. After the publication, the odds of a Fed fund rate increase in December slightly dropped; currently it is at 65%.

The German exports figure published this morning has meaningfully exceeded analysts' forecast. The Sentix investor sentiment index and Italy's industrial production statistics are due out later in the day.

|        | COUNTRY | DATE | INDICATOR / EVENT                   | FACT            | CONSENSUS | PREVIOUS |
|--------|---------|------|-------------------------------------|-----------------|-----------|----------|
| Friday | DE      | Aug  | Industrial production(mom, %)       | 2,5             | 0,8       | -1,5     |
|        | US      |      | IMF WorldBank meeting               |                 | -         | -        |
|        | UK      | Aug  | Industrial production(mom, %)       | -0,4            | 0,1       | 0,1      |
|        | US      | Sep  | Unemployment rate (%)               | 5,0             | 4,9       | 4,9      |
|        | US      | Sep  | Avg. Wages (y/y, %)                 | 2,5             | 2,5       | 2,4      |
|        | US      | Sep  | Avg. Wages (m/m, %)                 | 0,2             | 0,2       | 0,1      |
|        | US      | Sep  | Non-farm payroll (m/m, ths. people) | 156,0           | 176,0     | 151,0    |
|        | Monday  | DE   | Aug                                 | Export (mom, %) | 5,4       | 1,2      |
| EZ     |         | Oct  | Sentix investor confidence (pont)   |                 | 6,2       | 5,6      |
| IT     |         | Sep  | Industrial output (mom, %)          |                 | -0,1      | 0,4      |

Source: Reuters, OTP Research

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