



**STOCK EXCHANGE**

	Close	Daily chg. (%)	Weekly chg. (%)
DJIA	18 129	↓ -1,09	↓ -0,22
S&P500	2 137	↓ -1,24	↓ -0,64
Nasdaq100	4 822	↓ -1,47	↓ -0,77
Russell2000	1 228	↓ -1,85	↓ -1,66
Stoxx600	340	↓ -0,53	↓ -1,71
DAX	10 577	↓ -0,44	↓ -0,40
FTSE 100	7 071	↓ -0,38	↓ -0,05
CAC40	4 472	↓ -0,57	↓ -0,70
ATX	2 413	↑ 0,22	↓ -0,20
IBEX35	8 693	↓ -0,10	↓ -0,86
Nikkei 225	16 840	↓ -1,09	↑ 0,24
Hang Seng	23 310	↓ -1,02	↓ -2,01
SSEC	3 054	↓ -0,36	↑ 1,65
SENSEX	n.a.	n.a.	n.a.
RTS	1 005	↓ -1,22	↑ 0,46
Bovespa	61 022	↓ -1,05	↑ 2,84

**FX MARKET**

	Close	Daily chg. (%)	Weekly chg. (%)
EUR/USD	1,1053	↓ -0,76	↓ -1,37
EUR/CHF	1,0930	↓ -0,10	↑ 0,06
GBP/USD	1,2117	↓ -1,95	↓ -4,95
USD/JPY	103,57	↑ 0,07	↑ 0,08
AUD/USD	0,7587	↑ 0,69	↓ -0,46
USD/CAD	1,3216	↓ -0,33	↑ 0,31
USD/RUB	62,46	↓ -0,32	↑ 0,20

**RISK INDICATORS**

	Close	Daily chg (bp)	Weekly chg (bp)
VIX	15,4	↑ 2,0	↑ 1,7
CDS 5Y PIIS	15	↓ -0,7	↓ -7,6
CDS 5Y Italy	121	↓ -0,7	↓ -8,1
CDS 5Y Belg.	124	↓ -0,4	↓ -1,5
iTraxx 5Y EU	19,7	↑ 1,6	↑ 1,0
US TED Spread	74,5	⇒ 0,0	↓ -0,9

Source: Reuters, OTP Research

**Summary**

- Alcoa opened the earnings season with a weak quarterly report; stock markets fell.
- The dollar firmed while the GBP extended its losses.
- US and German government bond yields continued to go up.
- Crude price reversed from four-month high.

Alcoa's Q3 report marked the beginning of the earnings season, but the overture was rather weakish – Alcoa's figures missed expectations in every respect thus its share price plunged 11% yesterday. This left its mark on equity markets; most indices in America and Europe fell on Tuesday. All of the S&P's sector indices sank, with health care taking the hardest hit (-2.5%). In Europe, mining and construction companies were the weakest components of the Stoxx600.

The dollar appreciated against the key currencies and the US 10Y yield rose by five points on Tuesday. The steadily increasing oil prices make markets expect that inflation will accelerate and therefore a December-dated Fed fund rate hike is increasingly likely.

Extending its losses, the GBP fell almost 2% versus the USD and the EUR on Tuesday. Simultaneously, UK government bond yields climbed higher. Recent comments by the Bank of England's decision-makers suggest that further depreciation cannot be ruled out; the Bank of England may intervene in the pound's exchange rate only because of its effect on inflation.

During the sterling's recent weakening wave, the correlation between the exchange rate and government paper yields reversed. Previously, the drop in government securities yields used to lead to the sterling's weakening, because of the expectations regarding the Bank of England's expected behaviour. But this time the selloff in government securities, which lifted yields, also contributed to the GBP's fall. Thus, according to Bloomberg's assessment, the pound is trading like an emerging market currency, rather than a safe haven one.

The ZAR (South Africa's rand) fell 4% against the USD, as the country's finance minister, Pravin Gordhan was summoned to a court hearing over charges of fraud, allegedly made during his former position, when he was the chairman of the tax office. Mr Gordhan, who earned fame on markets as a supporter of tight budget policy, became an opponent of President Jacob Zuma, when he warned that the country was turning into a kleptocracy. He finds the court summoning, scheduled for 2 November, politically motivated.

**GOV'T BOND MARKET**

	Yield (%)		Daily chg (bp)		Weekly chg (bp)
US 2Y	0,87	↑	0	↑	5
US 10Y	1,77	↑	0	↑	8
JP 2Y	-0,26	↑	1	↑	1
JP 10Y	-0,05	↑	1	↑	1
GER 2Y	-0,67	↓	0	↑	2
GER 10Y	0,06	↑	4	↑	15

**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	↑	2
US 2Y Swap	1,08	↑	1	↑	2
US 5Y Swap	1,29	↑	0	↑	5
EUR 3M Euribor	-0,31	↓	0	↓	-1
EUR 2Y Swap	-0,21	↑	1	↑	0
EUR 5Y Swap	-0,08	↓	-1	↑	3
GB 3M Libor	0,40	↑	0	↑	1
GB 2Y Swap	0,54	↓	-1	↑	1
GB 5Y Swap	0,66	↓	-3	↑	15
JP 3M Libor	-0,02	↓	0	↑	0
JP 2Y Swap	-0,08	↑	0	↑	1
JP 5Y Swap	-0,08	↓	-1	↓	0
CHF 3M Libor	-0,73	→	0	↑	1
CHF 2Y Swap	-0,68	↓	-1	↑	0
CHF 5Y Swap	-0,54	↓	0	↑	5

**COMMODITIES**

	Close		Daily chg. (%)		Weekly chg. (%)
Oil Brent	52,4	↓	-1,37	↑	1,52
Gold	1 253	↓	-0,52	↓	-0,87

Source: Reuters, OTP Research

The ailing stock markets dragged down commodities as well. Crude prices hit four-month high on Tuesday morning, as Vladimir Putin said Russian oil companies were prepared to support OPEC members' initiative to set a limit on production in order to increase oil prices. Yet the Brent's price fell one dollar by the evening. Industrial metal prices also dropped, but cereals became more expensive.

Germany's ZEW economic sentiment index, released on Tuesday, surpassed expectations, which bodes well for the short-term prospects of the German economy. Today's important macroeconomic publications include industrial output statistics from the eurozone and Japan. Besides, two Fed decision-makers, the hawkish Esther George and the rather dovish William Dudley will make speeches. The Fed is to release the minutes of its most recent FOMC meeting, of which Vice-Chair Stanley Fischer said that there was a tight vote in favour of keeping the interest rate on hold. The minutes may add to our knowledge on how much power doves and hawks have.

	COUNTRY	DATE	INDICATOR / EVENT	FACT	CONSENSUS	PREVIOUS
Tuesday	DE	Oct	ZEW sentiment index (points)	6,2	4,3	0,5
Wednesday	EZ	Aug	Industrial production (mom, %)		0,6	-1,1
	US	Sep	FOMC minutes		-	-

Source: Reuters, OTP Research

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