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Summary

- Favourable macro data boosted stocks on Tuesday
- Reduced supply in Kuwait and strengthening demand rocketed crude to a 18-month high
- The 10-year Bund jumped on unexpectedly high German inflation
- Dollar remained strong

Tuesday trading commenced in a positive mood thanks to favourable Chinese and U.S. business cycle indicators. Cyclical sectors – especially commodity producers, car manufacturers and banks – led gains. Ford announced that it would scrap plans to build a 1.6 bn USD factory in Mexico after criticism from president-elect Donald Trump. Ford shares gained over 3% while the Mexican peso lost 0.9% against the dollar. Asia performed strongly; Nikkei rose 2.5% after an extended holiday.

The oil market rally continued. Kuwait was reported to have cut oil production by 130k bl/day in accordance with OPEC quotas. Meanwhile, recent Chinese macro data point to recovering demand. Brent rose to 58 USD/bl, a level unseen in 18 months.

Higher than expected German inflation sent the 10 year Bund 9 points higher. The dollar continued to march towards parity against the euro; Tuesday afternoon it temporarily sank below 1.04. Tuesday's loser was the Turkish lira, which lost 1% against the dollar. Yesterday's Turkish inflation data (8.5% in December) exceeded expectations significantly. The sterling lost ground due to political news: the UK representative to the EU resigned yesterday; the loss of an experienced diplomat with pro-EU views may raise the probability of a hard Brexit.

Yesterday's Chinese and U.S. business surveys exceeded expectations. It appears that U.S. manufacturing weathers the strong dollar well. German inflation was 0.2% points higher than expected, which poses an upside risk to today's eurozone flash HICP release. In the U.S. the ADP employment indicator will be published, which is a good predictor of Friday's nonfarm payroll data. In addition, the Fed releases in the evening hours the minutes of its December FOMC meeting; this may add to our understanding of the FOMC macro forecast and the expected path of interest rates.

	Stocks				Bonds				Commodity & FX			
	Product name	Close	Daily change (%)	YTD (%)	Product name	Yield	Daily change*	YTD*	Product name	Close	Daily change (%)	YTD (%)
Global	S&P500	2257,8	0,8	0,8	VIX	12,9	-8,5	-8	WTI	52,33	-2,6	-3
	DOW	19881,8	0,6	1	US 2Y	1,23	2,8	3	Brent	55,47	-2,4	-2
	Nasdaq100	4911,3	1,0	1,0	US 10Y	2,45	2,2	2	Gold	1158,8	0,6	1
	DAX	11584,2	-0,1	0,9	GER 2Y	-0,77	0,1	2	Silver	16,27	2,1	2
	CAC40	4899,3	0,3	0,8	GER 10Y	0,27	8,4	6	EUR/USD	1,0404	-0,5	-1,0
	FTSE 100	7177,9	0,5	0	PT10Y	3,92	22,3	16	EUR/GBP	0,8496	-0,2	0
	FTSE MIB	19573,5	0,0	2	IT 10Y	1,87	13,1	5	EUR/NOK	9,0050	-0,5	-0,9
	Stoxx600	365,7	0,7	1	SP 10	1,42	8,6	3	USD/CAD	1,3427	-0,1	0,0
	- Banks	136,6	1,2	2	iTRAXX	69,1	-4,5	-4	AUD/USD	0,7224	0,6	0,1
	Nikkei 225	19594,2	2,5	3	JPY 2Y	-0,18	0,0	0	USD/JPY	117,74	0,2	1
	SSEC	3158,8	0,7	2	JPY 10Y	0,05	0,0	0	GBP/USD	1,2237	-0,3	-1
Regional	RTS	1189,3	3,2	3	RUS10	8,38	0,0	0	USD/RUB	60,933	-0,4	-1
	WIG20	1989,6	1,7	2,1	POL 10	3,76	2,0	3	EUR/PLN	4,3867	-0,6	-0,4
	PX50	932,9	1,0	1,2	CZ10	0,52	10,1	12	EUR/RON	4,5204	-0,2	-0,3

* In the case of bond yields, the change is in basispoint instead of percentage (VIX and ITRAXX not included).

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2017 1. 2.	9 : 45 IT	PMI (points)	Dec.	53,2	-	52,2
	3. 2 : 45 CN	Caixin Manufacturing PMI (points)	Dec.	51,9	50,7	50,9
	9 : 55 DE	Unemployment rate (%)	Dec.	6,0	6,0	6,0
	14 : 00 DE	CPI (preliminary, yoy, %)	Jan.	1,7	1,5	0,8
	16 : 00 US	Construction expenditure (mom, %)	Nov.	0,9	0,5	0,5
	16 : 00 US	ISM Manufacturing PMI (points)	Dec.	54,7	53,5	53,2
4.	9 : 00 HU	Producer prices (yoy, %)	Nov.	-0,5		-1,2
	11 : 00 EZ	CPI (preliminary, yoy, %)	Jan.		1,0	0,6
	14 : 15 US	ADP non-farm employment (mom, '000s)	Dec.		173,0	216,0
	19 : 30 US	Vehicle sales (annualized monthly, million)	Dec.		17,7	17,9
	20 : 00 US	FOMC Minutes	Dec.			
5.	9 : 00 HU	Unemployment rate (3-month average, %)	Nov.			4,7
	9 : 00 HU	Fiscal balance (monthly, billion HUF)	Dec.			2,0
	9 : 15 CH	CPI (yoy, %)	Dec.			-0,3
	16 : 00 US	ISM non-Manufacturing PMI (points)	Dec.		56,7	57,2
6.	8 : 00 DE	Industrial orders (mom, %)	Nov.		-2,5	4,9
	9 : 00 HU	Retail sales (first estimate, yoy, %)	Nov.			2,6
	9 : 00 CZ	Industrial production (yoy, %)	Nov.			-1,7
	10 : 00 RO	Interest rate decision (%)	Jan.			1,8
	11 : 00 EZ	Retail sales (mom, %)	Nov.		-0,4	1,1
	11 : 00 EZ	EC Economic Sentiment Index (points)	Dec.		106,8	106,5
	14 : 30 US	Unemployment rate (%)	Dec.		4,7	4,6
	14 : 30 US	Non-farm payroll (mom, '000s)	Dec.		175,0	178,0
	14 : 30 US	Average earning (mom, %)	Dec.		0,3	-0,1

*Preliminary data

Source: Reuters, OTP Research

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