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Summary

- The sentiment on equity markets was slightly negative on Monday
- Theresa May's speech suggests that 'hard Brexit' is more likely; the GBP fell to a 10-week low
- The TRY's nose-dive weakened the CEE region's currencies too
- Asia closed mixed this morning; the JPY is rising

The week started on a weak note in Europe, where most stock exchanges closed down; US markets were not clearly optimistic, either. In Europe, the Stoxx600 fell 0.5%, dragged down by banks and oil producers. Crude prices fell more than 4% on news that Iraq had exported record-high amount of crude in December. According to market analysts, the Gulf countries are committed to observing the quota reduction agreement, but there are doubts about Iraq's commitment. The banking sector was the loser of the day in Europe, with Italian banks seeing particularly sharp losses (Unicredit -5%, Intesa San Paolo almost -3%); Milan's MIB index dropped 1.7%. Despite opening sanguinely, the DAX closed 0.3% down and the CAC40 sank 0.5% on Monday. The German index was dragged down by Lufthansa (-5.8%), and Fresenius (-6.5%); the health care provider is facing investigation by US prosecutors for its dialysis care services in the USA. Even Volkswagen's soaring could not keep the DAX in positive territory; the carmaker closed the day 4.4% higher after publishing its 2016 sales statistics, reflecting 2.8% increase (to nearly six million vehicles), largely benefiting from a nearly 30% expansion on the Chinese market.

The FTSE was the only major European index to grind higher, largely supported by exporters' soaring. On Monday the pound plunged to its lowest in ten weeks, following Theresa May's speech fuelled Brexit concerns. The Prime Minister hinted at Britain's turning its back on the single European market, making a 'hard Brexit' more likely. The GBP/USD opened 0.9% lower, at 1.2174, and sank 1% (to 1.2160) by the end of the day.

In the USA, all indices but the NASDAQ ones dropped yesterday. The Dow and the S&P declined 0.4% each, dragged down by the energy sector, owing to the lower oil prices. Within the S&P sector indices, utilities fell noticeably, but consumer staples, real estate and banking shares also underperformed. Health care names excelled, pharmaceuticals advanced, as did medical equipment manufacturers and biotech companies. Technology had a particularly good day, and helping the NASDAQ Composite close at all-time high (+0.2%, -5,532 points) and the NASDAQ100 add 0.4%. Semiconductors fared particularly well: NVidia jumped more than 4%, Applied Materials soared 2.3%, and Micron Technology climbed 1.4% higher. The NASDAQ biotech index upped 1.5%; two acquisitions were announced in the health care sector.

Government bond yields sank yesterday; the US 10Y Treasury note dropped five basis points, as did the UK 10Y bond yield. The Spanish and Portuguese bonds with the same tenor fell by seven and eight basis points respectively.

The yen's 0.8% firming led the USD/JPY near 116. The dollar also lost some ground against the euro; the EUR/USD rose closer to the 1.06 level. The TRY started a nose-dive again, losing 2% versus the greenback on Monday. Moody's said on Monday that the overall deterioration in business climate would harm Turkish banks' non-performing loan portfolio and their profitability too. Meanwhile Turkey's central bank is under strong political pressure not to raise interest rates, and it is likely to conduct a suboptimal tightening at its end-January meeting. The TRY's weakening left its mark on the CEE region's currencies: the PLN and the HUF lost 0.5% and 0.2% respectively, against the EUR.

Asia closed mixed this morning. The yen's gains versus the US dollar do not help Japan's exporters; the Nikkei closed 0.8% down. The Shanghai Composite edged down, while the Hang Seng wrapped up the day 0.5% higher.

The price statistics published in China this morning reveal that producer prices soared stronger than had been expected, while consumer prices' rise undershot market expectations. Japan's consumer sentiment index signifies improvement from the previous month.

Today the USA will publish the NFIB business optimism index and wholesale inventories statistics for November.

| | 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 | 2268,9 | -0,4 | 1,3 | VIX | 11,6 | 2,1 | -18 | WTI | 51,96 | -3,8 | -3 |
| | DOW | 19887,4 | -0,4 | 1 | US 2Y | 1,19 | -2,4 | 0 | Brent | 54,94 | -3,8 | -3 |
| | Nasdaq100 | 5024,9 | 0,4 | 3,3 | US 10Y | 2,38 | -4,2 | -6 | Gold | 1181,2 | 0,7 | 3 |
| | DAX | 11564,0 | -0,3 | 0,7 | GER 2Y | -0,73 | -0,1 | 6 | Silver | 16,56 | 0,5 | 4 |
| | CAC40 | 4887,6 | -0,5 | 0,5 | GER 10Y | 0,29 | -2,1 | 8 | EUR/USD | 1,0572 | 0,4 | 0,6 |
| | FTSE 100 | 7237,8 | 0,4 | 1 | PT10Y | 4,00 | -5,3 | 24 | EUR/GBP | 0,8692 | 1,4 | 2 |
| | FTSE MIB | 19360,0 | -1,7 | 1 | IT 10Y | 1,91 | -5,9 | 9 | EUR/NOK | 9,0283 | 0,4 | -0,6 |
| | Stoxx600 | 363,7 | -0,5 | 1 | SP 10 | 1,49 | -5,3 | 10 | USD/CAD | 1,3214 | -0,2 | -1,6 |
| | - Banks | 136,9 | -1,9 | 2 | iTRAXX | 68,8 | 0,7 | -5 | AUD/USD | 0,7352 | 0,8 | 1,9 |
| | Nikkei 225 | 19301,4 | -0,8 | 1 | JPY 2Y | -0,21 | 0,0 | -3 | USD/JPY | 116,01 | -0,8 | -1 |
| | SSEC | 3161,7 | -0,3 | 2 | JPY 10Y | 0,06 | 0,0 | 1 | GBP/USD | 1,2160 | -1,0 | -1 |
| | Regional | RTS | 1160,3 | -1,1 | 1 | RUS10 | 8,14 | -2,9 | -3 | USD/RUB | 60,107 | 0,9 |
| WIG20 | | 2009,2 | 0,5 | 3,1 | POL 10 | 3,68 | 0,1 | 1 | EUR/PLN | 4,3778 | 0,6 | -0,6 |
| PX50 | | 935,7 | -0,2 | 1,5 | CZ10 | 0,50 | 1,0 | 6 | EUR/RON | 4,4903 | -0,3 | -1,0 |

* 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. 9. | 8 : 00 DE | Industrial production (mom, %) | Nov. | 53,2 | - | 0,3 |
| | 2 : 45 DE | Export (mom, %) | Dec. | 51,9 | 50,7 | 50,9 |
| | 8 : 00 DE | Import (mom, %) | Nov. | 3,5 | 0,2 | 1,3 |
| | 9 : 00 HU | Trade balance (preliminary, million euro) | Nov. | 908,0 | 883,0 | 891,0 |
| | 9 : 15 CH | Retail sales (yoy, %) | Nov. | 0,9 | - | -0,5 |
| | 9 : 30 UK | Halifax house prices (mom, %) | Dec. | 1,7 | 0,2 | 0,2 |
| | 10 : 30 EZ | Sentix Investor confidence (points) | Jan. | 18,2 | 12,5 | 10,0 |
| | 11 : 00 EZ | Unemployment rate (%) | Nov. | 9,8 | 9,8 | 9,8 |
| 10. | 2 : 30 CN | Producer prices (yoy, %) | Dec. | 5,5 | 4,5 | 3,3 |
| | 2 : 30 CN | CPI (yoy, %) | Dec. | 2,1 | 2,3 | 2,3 |
| | 2 : 30 CN | CPI (mom, %) | Dec. | 0,2 | 0,3 | 0,1 |
| | 6 : 00 JP | Consumer sentiment index | Dec. | 43,1 | - | 40,9 |
| | 7 : 45 CH | Unemployment rate, adjusted (%) | Dec. | 3,5 | 3,3 | 3,3 |
| | 12 : 00 US | NFIB Business optimism index | Dec. | | - | 98,4 |
| | 16 : 00 US | Wholesale inventories (mom, %) | Nov. | | 0,9 | 0,9 |
| | 11 : 30 UK | Industrial production (mom, %) | Jan. | | - | 1,5 |
| 12. | 8 : 00 PL | Interest rate decision (%) | Nov. | | - | -0,7 |
| 11. | 10 : 30 RO | Industrial production (mom, %) | Nov. | | 0,7 | -1,3 |
| | 8 : 00 DE | Wholesale price index (mom, %) | Dec. | | - | 0,1 |
| | 9 : 00 HU | Industrial production (final, yoy, %) | Nov. | | - | 0,6* |
| | 11 : 00 EZ | Industrial production (mom, %) | Nov. | | 0,5 | -0,1 |
| | 20 : 00 US | Federal budget balance (USDbn) | Dec. | | - | -137,0 |
| 13. | 3 : 00 CN | Export (yoy, %) | Dec. | | -3,5 | 0,1 |
| | 3 : 00 CN | Import (yoy, %) | Dec. | | 2,7 | 6,7 |
| | 3 : 00 CN | Trade balance (monthly, billion USD) | Dec. | | 46,5 | 44,2 |
| | 9 : 00 HU | Core inflation (yoy, %) | Dec. | | - | 1,6 |
| | 9 : 00 HU | Inflation (yoy, %) | Dec. | | 1,6 | 1,1 |
| | 14 : 30 US | Retail sales (mom, %) | Dec. | | 0,7 | 0,1 |

Source: Reuters, OTP Research

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