

Global Daily Report



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Summary

- The Fed raised interest rates again; the future trajectory of interest rates may be somewhat lower than predicted in September
- The sentiment was benign in Europe but soured in the USA after the rate decision
- There was little volatility on currency markets
- Brent's price picked up 3.5%, while precious metal prices edged lower.

Wednesday's sentiment was benign on both sides of the Atlantic until the Fed's rate decision but soured afterwards in the USA. There were two questions about the Fed: (1) How will it react to President Trump's repeated criticism for the too high interest rates? (2) Fed Chair Jerome Powell's mentioning that the current interest rate levels might be close to the equilibrium level made many people think that the rate hikes may soon end. But will the rate-setting meeting deny or confirm this view?

After all, the Fed raised its interest rates by 25 basis points, to 2.25-2.5%, as expected. Nevertheless, it lowered its interest rate projection for the following years. Back in September, it planned three fed funds rate increases in 2019, now it assumes only two, and the peak of the rate hike may be 3.1% in 2020, down from the previous 3.4%. The central bank also pointed out that the higher market volatility did not do harm to the US economy. But the Fed also acknowledged that global and money market risks have intensified, and that the interest rate forecast is surrounded by massive uncertainty.

Following the announcement of the rate decision, US equity indices eroded their near-1% gains, and closed in negative territory. The S&P500 lost 1.5%, and the Nasdaq100 fell 2.3%. Europe's stock markets had closed before the rate decision, therefore the sour sentiment did not weigh on them. The DAX added 0.2%, the CAC40 upped 0.5%, and the FTSE100 grew by 1%.

Amid the benign sentiment in the CEE region, Warsaw's WIG20 and Budapest's BUX advanced 1.2% each.

The USD slightly appreciated against the euro but the USD/JPY remained flat.

Brent soared 3.5%. Gold and silver slipped 0.3% and 0.5% respectively.

Later in the day, the outcome of the rate-setting meetings of the Czech National Bank and of Bank of England is worth checking. On the other side of the Atlantic, US jobless claims figures will see the light of day today.

	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	2507,0	-1,5	-6,2	VIX	25,6	0,0	132	WTI	48,3	3,5	-20,1
	DOW	23323,7	-1,5	-5,6	US 2Y	2,64	-0,8	75	Brent	57,24	1,7	-14,4
	Nasdaq100	6343,0	-2,3	-0,8	US 10Y	2,78	-4,7	37	Gold	1243,0	-0,5	-4,6
	DAX	10766,2	0,2	-16,7	GER 2Y	-0,60	0,6	4	Silver	14,60	-0,3	-13,9
	CAC40	4777,5	0,5	-10,1	GER 10Y	0,24	-0,2	-18	EUR/USD	1,1375	0,1	-5,2
	FTSE 100	6765,9	1,0	-12,0	PT10Y	1,68	2,7	-25	EUR/GBP	0,9019	0,4	1,5
	FTSE MIB	18941,9	1,6	-13,3	IT 10Y	2,79	-15,7	79	EUR/NOK	9,9219	0,0	0,7
	Stoxx600	341,5	0,3	-12,2	SP 10	1,39	0,2	-18	USD/CAD	1,3483	0,1	7,2
	- Banks	115,4	0,7	-30,1	iTRAXX	82,0	-0,2	81,6	AUD/USD	0,7107	-1,0	-8,9
	Nikkei 225	20392,6	-2,9	-10,4	JPY 2Y	-0,14	0,5	-1	USD/JPY	112,47	0,0	-0,2
	SSEC	2536,3	-0,5	-23,3	JPY 10Y	0,03	-0,4	-2	GBP/USD	1,2607	-0,3	-6,7
Regional	RTS	1099,6	-0,6	-4,7	RUS10	8,8	0,1	16	USD/RUB	67,416	0,0	16,9
	WIG20	2342,81	1,2	-4,8	POL 10	2,9	-0,1	-12	EUR/PLN	4,29	0,1	2,7
	PX50	1008,1	-1,8	-6,5	CZ10	2,0	-0,6	31	EUR/RON	4,657	0,3	-0,4
Hungary	BUX	39966	1,2	1,5	3M DKJ	0,07	0,2	3	EUR/HUF	322,60	0,2	3,9
	OTP	11550	0,6	7,7	1Y	0,35	-6,8	30	USD/HUF	283,50	0,0	9,5
	MOL	3162	3,4	5,2	3Y	1,27	-1,1	72	CHF/HUF	285,03	-0,2	7,6
	MTelekom	436	-1,1	-4,8	5Y	2,74	-4,0	157	PLN/HUF	75,22	0,1	1,3
	Richter	5600	0,4	-17,4	10Y	3,25	-9,0	121	GBP/HUF	357,52	-0,2	2,3

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

Sources: Reuters, OTP Research

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2018 12. 17.	8 : 00	TR Industrial production (SA, yoy, %)	Oct	-5,7	-4,0	-2,7
	11 : 00	EZ CPI (final, yoy, %)	Nov	1,9	2,0	2,0*
	14 : 30	US New York Fed Manufacturing index (points)	Dec	10,9	20,2	23,3
18.	10 : 00	DE IFO Economic sentiment index (points)	Dec	101,0	101,8	102,0
	14 : 00	HU Interest rate decision (%)	Dec	0,9	0,9	0,9
	14 : 00	US Building permits (annualized monthly, '000s)	Nov	1 328	1 259	1 265
19.	14 : 30	US Housing starts (annualized monthly, '000s)	Nov	1 256	1 225	1 228
	10 : 30	UK Inflation (yoy, %)	Nov	2,3	2,3	2,4
	10 : 30	UK Core inflation (yoy, %)	Nov	1,8	1,8	1,9
20.	16 : 00	US Existing home sales (mom, %)	Nov	5 320	5 200	5 220
	20 : 00	US Interest rate decision (%)	Dec	2,25-2,5	2,25-2,5	2,0-2,25
	20 : 00	US FOMC economic forecast	-	-	-	-
	5 : 00	JP Interest rate decision (%)	Dec	-0,1	-0,1	-0,1
	8 : 30	HU Balance of payments (quarterly, EURm)	Q3	0,156	-	0,8
21.	9 : 00	HU Gross wages (yoy, %)	Oct	-	-	10,4
	10 : 30	UK Retail sales (mom, %)	Nov	-	0,3	-0,5
	13 : 00	UK Interest rate decision (%)	Dec	-	-	0,75
	14 : 00	CZ Interest rate decision (%)	Dec	-	1,75	1,75
	14 : 30	US Continuing jobless claims ('000s)	weekly	-	1 665	1 661
	14 : 30	US Initial jobless claims ('000s)	weekly	-	216	206
	16 : 00	US Leading index (mom, %)	Nov	-	0,0	0,1
21.	0 : 30	JP CPI (yoy, %)	Nov	-	-	1,4
	0 : 30	JP core-CPI (yoy, %)	Nov	-	1,0	1,0
	9 : 00	HU Trade balance (detailed, monthly, EUR mn)	Oct	-	-	293,0*
	14 : 30	US Durable goods orders (mom, %)	Nov	-	1,6	-4,3
	16 : 00	EZ Consumer confidence (point)	Dec	-	-4,3	-3,9
21.	16 : 00	US Personal income (mom, %)	Nov	-	0,3	0,5
	16 : 00	US Personal consumption (adjusted, mom, %)	Nov	-	0,3	0,6

* preliminary data

Sources: Reuters, OTP Research

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