



## Summary

- European stocks declined, US stock indices fell from all-time highs.
- Rate cut expectations weakened after better than expected June labour market statistics. Long yields increased on Friday.
- Opposition party New Democracy won early elections in Greece.

By Friday, market sentiment deteriorated in the stock markets, the European and the US benchmarks closed below zero. The day started with much weaker than expected factory orders statistics from Germany, the gauge showed 2.2 m/m decline in May while only 0.1% drop was expected. Stoxx600 lost 0.7% and the decline of stock prices was broad-based. The manufacturers of industrial goods showed the worst performance among sectors on Friday, Siemens fell 2.7%, Schneider Electric lost more than 4, ABB declined 3.3%. Technology also became one of the losers after South Korean Samsung had forecast decreasing operating profit in Q2. The news dragged the European semiconductor manufacturers lower, their price fell 2–3%.

US stocks fell from all-time highs, Dow, S&P and Nasdaq100 dropped 0.2% on Friday in thin post-holiday trading. June labour market statistics showed stronger than expected employment growth in the non-agricultural sectors. Due to unexpectedly strong labour market investors may reassess their rate expectations. Treasury yields increased, 10-year yield rose by 8bps over 2%, 2-year yield jumped 11bps. Financial service providers were the best performers among sectors, while the defensive sectors, health-care, real estate and consumer staples were the worst performers in the S&P500 universe.

The dollar surged versus major peers, The Bloomberg Dollar Spot Index added 0.4%. The euro declined after German factory orders came far weaker than expected, EURUSD slid to 1.1224 or 0.5%. The British pound lost 0.4% vs. dollar, front-runner Boris Johnson, (who is set for crushing win over Jeremy Hunt, the other candidate to be a PM according to UK polls) said in an interview with the Sunday Telegraph that he's not bluffing when he says he's ready to walk away without a deal. Treasury yields surged also in Europe, 10-year Bund added 3bps, 10-year yield rose 4bps in France and 6bps in the UK, while yields in Italy and Spain jumped 7 and 8bps, respectively.

Precious metals fell, gold dipped 1.1%, silver lost 2.0%, platinum declined near 3%. In the market of industrial metals, copper lost 0.8%, while iron ore tumbled about 6%. Crude oils prices edged higher, WTI added 0.3%, while Brent rose above 64 USD/barrel after gaining 1.5%.

In the local market, BUX showed only 0.1% gain at the end of the day after the initial promising increase. The turnover was lower than usual. OTP added 0.7%, exceeding the HUF 12,000 level. Mol and MTelekom both weakened 0.1% and Richter gained 0.5%. The regional stock markets showed mixed performance on Friday with the Polish benchmark falling 0.6% and Czech PX rising 0.3%. In the domestic bond market, there was hardly any movement on Friday, with 3, 5 and 10-year yields adding 2, 1 and 1bp in that order.

The forint weakened on Friday vs. the euro and the dollar, as well. EURHUF surged from the opening value of 323 close to 324 (+0.4%), while USDHUF rose near 3 forints to 288.5 (+0.9%). The Turkish lira declined more than 2% against the dollar this morning after Turkish president, Recep Tayyip Erdogan had dismissed the Governor of the Turkish central bank on Saturday.

Asian stock indices were mixed this morning. Nikkei lost 1.0% in Japan after machinery orders fell near 8% m/m in May after 5% increase in April, while the market expected smaller decline. Shanghai Composite also dropped, Hang Seng lost 1.5% in the end.

In the week ahead, investors may focus on domestic inflation statistics that will appear on Tuesday, and the US inflation data on Thursday. Fed Chairman Jerome Powell will return to the spotlight, he will testify on Wednesday in the House of Representatives, and on Thursday at the Senate. Powell's testimony is expected to help set expectations for

the timing of the onset of a mini-easing cycle ahead of the FOMC's end-July meeting. The European Commission will publish its summer economic outlook for the euro area on Wednesday.

Early parliamentary elections were held in Greece on Sunday. The right-wing opposition party, New Democracy was expected to win according to the exit polls, and this result has been confirmed this morning after the procession of 96% of votes.

	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	2990,4	-0,2	19,3	VIX	13,3	5,6	-48	WTI	57,5	0,3	26,6
	DOW	26922,1	-0,2	15,4	US 2Y	1,87	10,7	-63	Brent	64,23	1,5	19,4
	Nasdaq100	7841,3	-0,2	23,9	US 10Y	2,04	8,9	-65	Gold	1399,6	-1,1	9,1
	DAX	12568,5	-0,5	19,0	GER 2Y	-0,74	0,8	-15	Silver	14,97	-2,0	-3,3
	CAC40	5593,7	-0,5	18,2	GER 10Y	-0,36	3,9	-61	EUR/USD	1,1224	-0,5	-2,1
	FTSE 100	7553,1	-0,7	12,3	PT10Y	0,47	11,8	-126	EUR/GBP	0,8958	-0,1	-0,3
	FTSE MIB	21985,8	-0,6	20,0	IT 10Y	1,75	7,7	-103	EUR/NOK	9,6732	0,5	-2,4
	Stoxx600	390,1	-0,7	15,5	SP 10	0,33	8,0	-109	USD/CAD	1,3075	0,2	-4,1
	- Banks	116,0	-0,2	2,7	iTRAXX	50,3	3,2	-43	AUD/USD	0,6979	-0,6	-1,0
	Nikkei 225	21534,4	-1,0	7,6	JPY 2Y	-0,20	1,1	-7	USD/JPY	108,45	0,6	-1,0
SSEC	2935,8	-2,5	17,7	JPY 10Y	-0,15	1,5	-15	GBP/USD	1,2523	-0,4	-1,8	
Regional	RTS	1398,8	-0,9	31,2	RUS10	7,4	0,3	-15	USD/RUB	63,771	0,6	-8,5
	WIG20	2342,01	-0,6	2,9	POL 10	2,3	0,2	-20	EUR/PLN	4,25	0,2	-0,9
	PX50	1052,1	0,0	6,6	CZ10	1,5	0,0	-23	EUR/RON	4,720	0,2	1,5
Hungary	BUX	41017	0,1	4,8	3M DKJ	0,16	0,0	9	EUR/HUF	323,88	0,4	0,9
	OTP	12080	0,7	7,0	1Y	0,27	0,0	-18	USD/HUF	288,51	0,9	3,1
	MOL	3060	-0,1	-0,6	3Y	0,88	2,0	-38	CHF/HUF	291,25	0,4	2,0
	MTelekom	423	-0,1	-3,9	5Y	1,45	1,0	-108	PLN/HUF	76,24	0,2	2,2
	Richter	5270	-0,5	-2,9	10Y	2,35	0,0	-69	GBP/HUF	361,64	0,5	1,5

\* 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.
2019	7. 8.	8 : 00	DE	Export (mom, %)	May	1,3	-3,7
		8 : 00	DE	Industrial production (mom, %)	May	-2,0	-1,9
		10 : 30	-	Sentix Investor confidence (points)	Jul	0,0	-3,3
		11 : 00	HU	Fiscal balance (monthly, billion HUF)	Jun		-137,4
	9.	9 : 00	HU	Inflation (yoy, %)	Jun	3,6	3,9
		9 : 00	HU	Core inflation (yoy, SA, %)	Jun	4,0	4,0
		9 : 00	HU	Trade balance (preliminary, monthly, EUR mn)	May	333	245
		14 : 45	US	Jerome Powell speech	-	-	-
	10.	10 : 30	UK	Industrial production (mom, %)	May	1,5	-2,7
		16 : 00	CA	Interest rate decision (%)	Jul	1,8	1,8
		16 : 00	US	J. Powell's testimony at the House of Representatives	-	-	-
		20 : 00	US	FOMC Minutes	Jun	-	-
	11.	13 : 30	EZ	ECB Minutes	Jun	-	-
		14 : 30	US	Continuing jobless claims ('000s)	weekly		1686
		14 : 30	US	Initial jobless claims ('000s)	weekly		221
		14 : 30	US	CPI (yoy, %)	Jun	1,6	1,8
		14 : 30	US	CPI (mom, SA, %)	Jun	0,0	0,1
		14 : 30	US	core-CPI (yoy, %)	Jun		2,0
		14 : 30	US	core-CPI (mom, SA, %)	Jun	0,2	0,1
		16 : 00	US	J. Powell's testimony at the Senate's Banking Committee	-	-	-
		20 : 00	US	Federal budget balance (USDbn)	Jun		-208
	12.	9 : 00	HU	Industrial production (second estimate, yoy, %)	May	-	8,7*
		11 : 00	EZ	Industrial production (mom, %)	May	0,1	-0,5

\*preliminary data

Sources: Reuters, OTP Research

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