

Summary

- Western Europe's markets closed with gains; their US peers slipped into the red.
- President Trump talked about imposing new tariffs.
- The GBP/USD fell to a two-year low.
- Donald Trump's words helped crude prices drop.

The trade war and the intensifying tension with Iran dragged down the ZEW economic sentiment index. The indicator of the German economy's health fell to -24.5, the worst reading since last October. The current economic situation sub-component dropped into negative territory (-1.1), for the first time since June 2010. The unfavourable figure led to the euro's weakening, pushing the EUR/USD 0.5% lower, to 1.12 by the close. Western Europe's key indices gained about 0.5%. The 10Y US Treasury Note yield rose by three basis points, and the German bond yield upped one point.

US markets were trading water in the morning before Donald Trump's words sent the Wall Street's indices into the red. By talking about new tariffs on goods imported from China, President Trump re-intensified trade war fears. Meanwhile, investors' eyes were fixed on Jerome Powell, seeking for any clue as to the rate cut in July – even as the USA released relatively favourable macroeconomic data yesterday. Citigroup's earnings figures marked a good start to the second-quarter earnings season. The revenue and the earnings per share figures of Goldman Sachs and JP Morgan have beaten analysts' expectations. On the other hand, Wells Fargo disappointed investors and closed 3% lower.

Fitch downgraded Turkey's sovereign debt rating after President Erdogan had removed the governor of the central bank from his position. Turkey's debt, already non-investment grade, was assigned negative outlook (BB-), down from stable. Yet the Turkish lira could appreciate against the ailing euro.

The GBP/USD fell 0.9%, to a two-year low of 1.24, as fears of a no-deal Brexit have re-intensified. Boris Johnson, currently the most likely candidate for Prime Minister, pledged that Britain would definitely depart on 31 October, with or without a deal. Media reports say that if elected, Boris Johnson would schedule the Queen's speech for early November. Parliament is usually dissolved for up to two weeks before this event, thus British MPs would be unavailable to stop a no-deal Brexit before the deadline expires.

Donald Trump's conciliatory note about Iran helped Brent and WTI prices fall 3%.

The European Parliament elected, albeit with narrow majority, Germany's Defence Minister Ursula von der Leyen as president of the European Commission. Meanwhile Christine Lagarde resigned as the IMF's Managing Director, after being nominated to become the head of the European Central Bank starting from this autumn.

In this morning's pessimistic sentiment in Asia, the key indices closed in the red. The yen trivially firmed against the USD.

Today the United Kingdom will release inflation data for July, and the USA will publish the Fed's updated Beige Book. In the corporate world, the Q2 earnings figures of Bank of America, Netflix and IBM are worth keeping an eye on.

	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	3004,0	-0,3	19,8	VIX	12,9	1,4	-49	WTI	57,6	-3,3	26,9
	DOW	27335,6	-0,1	17,2	US 2Y	1,86	2,9	-64	Brent	64,35	-3,2	19,6
	Nasdaq100	7927,1	-0,5	25,2	US 10Y	2,12	2,8	-57	Gold	1405,9	-0,5	9,6
	DAX	12431,0	0,4	17,7	GER 2Y	-0,74	0,1	-15	Silver	15,56	1,2	0,5
	CAC40	5614,4	0,6	18,7	GER 10Y	-0,29	0,4	-54	EUR/USD	1,1209	-0,4	-2,3
	FTSE 100	7577,2	0,6	12,6	PT10Y	0,55	-7,5	-117	EUR/GBP	0,9034	0,5	0,6
	FTSE MIB	22204,1	0,1	21,2	IT 10Y	1,61	-2,8	-116	EUR/NOK	9,6101	-0,1	-3,0
	Stoxx600	389,1	0,3	15,2	SP 10	0,49	-2,2	-93	USD/CAD	1,3086	0,3	-4,0
	- Banks	115,7	0,4	2,4	iTRAXX	49,7	2,4	-44	AUD/USD	0,7012	-0,4	-0,5
	Nikkei 225	21469,2	-0,3	7,3	JPY 2Y	-0,19	-0,2	-5	USD/JPY	108,22	0,3	-1,2
	SSEC	2933,9	-0,1	17,6	JPY 10Y	-0,12	-0,3	-13	GBP/USD	1,2403	-0,9	-2,8
Regional	RTS	1382,1	-0,3	29,3	RUS10	7,4	0,0	-16	USD/RUB	63,030	0,7	-9,5
	WIG20	2321,52	-0,1	2,0	POL 10	2,3	0,3	-20	EUR/PLN	4,25	-0,1	-0,8
	PX50	1057,7	0,1	7,2	CZ10	1,5	0,0	-24	EUR/RON	4,728	0,0	1,6
Hungary	BUX	40879	0,4	4,4	3M DKJ	0,14	-1,0	7	EUR/HUF	325,86	0,2	1,5
	OTP	12410	0,4	9,9	1Y	0,25	0,0	-20	USD/HUF	290,53	0,6	3,9
	MOL	3020	1,1	-1,9	3Y	0,99	-1,0	-27	CHF/HUF	294,00	0,1	3,0
	MTelekom	438	1,0	-0,5	5Y	1,53	-7,0	-100	PLN/HUF	76,51	0,2	2,6
	Richter	5000	-1,5	-7,9	10Y	2,49	-6,0	-55	GBP/HUF	360,47	-0,4	1,2

* 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. 15.	4 : 00	CN	Industrial production (YoY, %)	Jun	6,3	5,2	5,0
		4 : 00	CN	Retail sales (YoY, %)	Jun	9,8	8,3	8,6
		4 : 00	CN	GDP (YoY, %)	Q2	6,2	6,2	6,4
		4 : 00	CN	GDP (QoQ, %, SA)	Q2	1,6	1,5	1,4
		4 : 00	CN	Infrastructural spending (YoY, %)	Jun	5,8	5,5	5,6
		14 : 30	US	New York Fed Manufacturing index (points)	Jul	4,3	0,5	-8,6
16.		9 : 00	HU	Construction output (YoY, %)	May	26,3	-	40,1
		11 : 00	DE	ZEW Economic Sentiment (points)	Jul	-24,5	-22,3	-21,1
		14 : 30	US	Retail sales (MoM, %)	Jun	0,4	0,1	0,5
		15 : 15	US	Industrial production (MoM, %)	Jun	0,0	0,1	0,4
		16 : 00	US	Business inventories (MoM, %)	May	0,3	0,3	0,5
17.		10 : 30	UK	Core inflation (YoY, %)	Jun		1,8	1,7
		10 : 30	UK	Inflation (YoY, %)	Jun		2,0	2,0
		14 : 30	US	Building permits (annualized monthly, '000s)	Jun		1300	1299
		14 : 30	US	Housing starts (annualized monthly, '000s)	Jun		1261	1269
		20 : 00	US	Beige Book	Jul		-	-
18.		10 : 30	UK	Retail sales (MoM, %)	Jun		-0,3	-0,5
		14 : 30	US	Initial jobless claims ('000s)	weekly		216	209
		14 : 30	US	Continuing jobless claims ('000s)	weekly		1700	1723
		16 : 00	US	Leading index (MoM, %)	Jun		0,1	0,0
		19.		1 : 30	JP	core-CPI (YoY, %)	Jun	
1 : 30	JP			CPI (YoY, %)	Jun			0,7
16 : 00	US			Michigan Consumer confidence (preliminary, points)	Jul		98,5	98,2

Sources: Reuters, OTP Research

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This document was prepared on 17 July 2019.

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