

Summary

- The Fed reduced interest rates for the first time in ten years.
- But investors had hoped for larger cut; US stock indices fell.
- Europe's stock markets achieved small gains

The Fed lowered interest rates on Wednesday, for the first time in ten years. Concluding its two-day meeting, the Federal Open Market Committee cut interest rates by 25 basis points. At the subsequent press conference, Fed chair Jerome Powell said that the current interest rate cut is considered more of an insurance against downside risks than the beginning of a lengthy easing cycle. This does not mean there will be a single cut only, he added. The strength of the rate cut matched the market consensus but disappointed President Trump who had urged a large rate cut in his Twitter message on Tuesday. Many investors must have wished stronger cut – the slowly dropping stock indices started to fall sharper after the Fed's decision; the S&P slid almost 2%. Thanks to an end-of-the-day pick-up, the Dow lost only 1.2%, and the S&P declined by 1.1%. The Nasdaq100 lost 1.3%. All of the S&P's sector indices sank in Wednesday's trading, dragged down by the non-cyclical consumer goods, basic material, and tech sectors. Apple surged more than 2%, benefiting from a cheering quarterly earnings report: the tech giant posted its best Q2 revenue ever. Encouragingly, iPhone generated less than 50% of revenue these days, while the greater part comes from services. Nearly all other tech giants booked losses yesterday: Microsoft slid 2.9%, Intel contracted by 2.2%, Nvidia subsided 3.8%. The quarterly reports of GoPro, Kellogg's, Kraft Heinz, and Noble Energy are due out today.

Europe's stock markets climbed somewhat higher on Wednesday. The Stoxx600 upped 0.2%, Britain's FTSE advanced 0.8%, and Germany's DAX added 0.3%. Europe's banks closed mixed: benefiting from their excellent earnings figures, France's BNP and Credit Suisse jumped 3.3% and 4%, respectively. Conversely, Lloyds plunged almost 4%, following a weaker-than-expected quarterly report. Puma, the sports company, jumped 7%, after upgrading its sales and profit forecasts for full-year 2019.

The US dollar's appreciation sent the EUR/USD 0.7% lower, to 1.1074. The GBP barely moved yesterday.

Long-term yields moved mixed; those on the US 10Y Note and Germany's Bund dipped four basis points each. Britain's 10Y bond yield inched up less than one basis point.

Crude prices hit two-week high as Brent climbed 0.7% higher, to exceed 65 USD/barrel, and WTI grew by 0.9%.

Asia's stock markets ended in the red this morning, except for Japan's Nikkei (+0.1%). China's Shanghai Composite slipped 0.8%, and the Hang Seng lost 0.9% this morning.

The Bank of England and the Czech National Bank are holding rate-setting meetings today. The USA is to release the weekly jobless claims statistics.

	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	2980,4	-1,1	18,9	VIX	16,1	15,6	-37	WTI	58,6	0,9	29,0
	DOW	26864,3	-1,2	15,2	US 2Y	1,89	4	-61	Brent	65,17	0,7	21,1
	Nasdaq100	7848,8	-1,3	24,0	US 10Y	2,02	-4	-67	Gold	1413,6	-1,2	10,2
	DAX	12189,0	0,3	15,4	GER 2Y	-0,78	-2	-19	Silver	16,26	-1,9	5,0
	CAC40	5518,9	0,1	16,7	GER 10Y	-0,44	-4	-68	EUR/USD	1,1074	-0,7	-3,4
	FTSE 100	7586,8	-0,8	12,8	PT10Y	0,35	-6	-137	EUR/GBP	0,9107	-0,8	1,4
	FTSE MIB	21398,2	0,6	16,8	IT 10Y	1,55	-4	-123	EUR/NOK	9,8185	0,6	-0,9
	Stoxx600	385,8	0,2	14,3	SP 10	0,29	-7	-113	USD/CAD	1,3189	0,3	-3,3
	- Banks	108,2	-0,2	-4,3	iTRAXX	50,0	-2,0	-43	AUD/USD	0,6844	-0,4	-2,9
	Nikkei 225	21541,0	0,0	7,6	JPY 2Y	-0,19	2	-5	USD/JPY	108,74	0,1	-0,7
	SSEC	2908,7	-0,8	16,6	JPY 10Y	-0,13	2	-14	GBP/USD	1,2157	0,1	-4,7
Regional	RTS	1360,0	0,5	27,3	RUS10	7,3	-1	-16	USD/RUB	63,641	0,2	-8,7
	WIG20	2277,37	0,6	0,0	POL 10	2,2	-2	-24	EUR/PLN	4,29	-0,1	0,0
	PX50	1056,7	-0,5	7,1	CZ10	1,2	-3	-37	EUR/RON	4,727	0,0	1,6
Hungary	BUX	40768	-0,2	4,2	3M DKJ	0,12	0	5	EUR/HUF	325,92	-0,5	1,6
	OTP	12300	-0,8	8,9	1Y	0,12	-1	-33	USD/HUF	294,20	0,2	5,2
	MOL	3000	-0,1	-2,5	3Y	0,83	-1	-43	CHF/HUF	295,36	-0,3	3,5
	MTelekom	428	-1,7	-2,8	5Y	1,33	0	-120	PLN/HUF	76,00	-0,2	1,9
	Richter	5185	0,5	-4,5	10Y	2,35	1	-69	GBP/HUF	357,76	0,2	0,4

* 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. 29.	9 : 00	HU Unemployment rate (%)	Jun	3,3	-	3,4
	30. 5 : 00	JP Interest rate decision (%)	Jul	-0,1	-0,1	-0,1
	7 : 30	FR GDP (preliminary, QoQ, %)	Q2	0,2	0,3	0,3
	9 : 00	HU Gross wages (YoY, %)	May	11,2	-	9,0
	11 : 00	EZ EC Economic Sentiment Index (points)	Jul	102,7	102,6	103,3
	14 : 00	DE CPI (preliminary, YoY, %)	Jul	1,7	1,5	1,6
	14 : 30	US Personal income (MoM, %)	Jun	0,4	0,4	0,5
	14 : 30	US Personal consumption (adjusted, MoM, %)	Jun	0,3	0,3	0,4
	15 : 00	US Case-Shiller Home Price Index (YoY, %)	May	2,4	2,4	2,5
	16 : 00	US Consumer confidence (point)	Jul	135,7	124,5	121,5
	16 : 00	US Pending home sales (MoM, %)	Jun	2,8	2,3	1,1
	31. 3 : 00	CN NBS Non-manufacturing PMI (points)	Jul	53,7		54,2
	3 : 00	CN NBS Manufacturing PMI (points)	Jul	49,7	49,6	49,4
	9 : 00	HU Industrial producer prices (YoY, %)	Jun	0,1	-	2,7
	9 : 00	ES GDP (preliminary, QoQ, %)	Q2	0,5	0,6	0,7
	10 : 00	HU Aggregated real house price index (Nat. Bank of Hungary)	Q1	158,8	-	149,0
	11 : 00	EZ CPI (flash, YoY, %)	Jul	1,1	1,1	1,3
	11 : 00	EZ Core CPI (flash, YoY, %)	Jul	0,9	1,0	1,1
	11 : 00	EZ Unemployment rate (%)	Jun	7,5	7,5	7,5
	11 : 00	EZ GDP (preliminary, YoY, %)	Q2	1,1	1,0	1,2
	11 : 00	EZ GDP (preliminary, QoQ, %)	Q2	0,2	0,2	0,4
	12 : 00	IT GDP (preliminary, QoQ, %)	Q2	0,0	-0,1	0,1
	14 : 15	US ADP non-farm employment (MoM, '000s)	Jul	156,0	112	102
	15 : 45	US Chicago PMI (points)	Jul	44,4	50,5	49,7
	20 : 00	US Interest rate decision (%)	Jul	2,0-2,25	2,0-2,25	2,25-2,5
8. 1.	9 : 00	HU Manufacturing PMI (points)	Jul		-	54,4
	9 : 00	HU Trade balance (detailed, monthly, EUR mn)	May		-	678*
	13 : 00	CZ Interest rate decision (%)	Aug			2,0
	13 : 00	UK Interest rate decision (%)	Aug		0,8	0,8
	14 : 30	US Continuing jobless claims ('000s)	weekly			1676
	14 : 30	US Initial jobless claims ('000s)	weekly			206
	16 : 00	US Construction expenditure (MoM, %)	Jun		0,4	-0,8
	16 : 00	US ISM Manufacturing PMI (points)	Jul		52,7	51,7
2.	9 : 00	HU Retail sales (flash estimate, YoY, SA, %)	Jun		-	2,6
	11 : 00	EZ Retail sales (MoM, %)	Jun		0,3	-0,3
	14 : 30	US Average earnings (YoY, %)	Jul			3,1
	14 : 30	US Average earnings (MoM, %)	Jul		0,2	0,2
	14 : 30	US Unemployment rate (%)	Jul		3,6	3,7
	14 : 30	US Non-farm payroll (MoM, '000s)	Jul		160	224
	16 : 00	US Factory orders (MoM, %)	Jun			-0,7

* preliminary data

Sources: Reuters, OTP Research

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