

Global Daily Report



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Summary

- The Turkish lira collapsed, falling more than 15% against the USD
- Equity markets did not do well on Friday
- Emerging market currencies fell, as did the euro
- US core inflation has hit ten-year high

The Turkish lira had a particularly eventful day on Friday, losing 15.8% of its value against the US dollar and depreciating 14.6% against the EUR. Even the speeches of President Erdogan and the finance minister could not stop the TRY's freefall. The Turkish currency's depreciation is attributable to the unhealthy state of the country's macroeconomy (high inflation, slowing GDP growth, and massive foreign currency debts), the mounting fears about the central bank's independence and credibility, as well as the country's rapidly worsening relationship with the USA. A continued lira depreciation would make a number of companies unable to finance their huge FX debt piles. On Friday the European Central Bank warned that the Turkish subsidiaries of the BBVA, UniCredit and BNP Paribas banks were vulnerable to this threat. Earlier this morning the TRY slid additional 10% when Asia's markets opened; the USD/TRY hit 7.0. Since then, the pair has corrected but it lost 4% today. Today Turkey's Finance Minister will speak about the measures to stabilize the lira's exchange rate.

The TRY's nose-diving dragged down Europe's stock markets on Friday. The sharp fall in France's CAC40 (-1.6%) was topped by Germany's DAX (-2.0%). Italy's stock exchanges did even worse than that: Milan's FTSE-MIB closed 2.5% down. In London, the FTSE100 ended 1.0% in the red. The banking sector was hit particularly hard, particularly the stocks of institutions exposed to Turkey. Spain's BBVA tumbled 5.2%, Italy's UniCredit lost 4.7%, and France's BNP Paribas sank 3.0%.

The fears surrounding Turkey reverberated even in America where the Dow and the NASDAQ100 dropped 0.8% each. The S&P 500 closed 0.7% lower.

Asian markets did not do any better today. Japan's Nikkei225 fell 1.8%, and Hong Kong's Hang Seng slipped 1.6% before the close. Asia's best performers, the Chinese indices also ended in the red. The Shanghai Composite was seen 0.9% down ahead of the close.

The euro fell 1.1% versus the dollar, because of the continent's exposure to Turkey, pushing the EUR/USD below 1.14. Emerging markets' currencies fell, dragged down by the TRY. The yen firmed 0.3% against the US dollar.

Oil prices have risen: the Brent upped 1.0%, and the WTI added 1.2%. In precious metals, the price of gold had a quiet day (edging 0.1% down), while silver closed 1.1% lower. Among industrial metals, copper contracted by 1.7%, and zinc shrank 4.1%.

Japan's economy grew by 0.5% in quarter/quarter terms, beating the forecasts of 0.3%. The annualized GDP figure hit 1.9%. In Europe, the UK's economy expanded by 0.4% QoQ was in line with expectations but the decline in manufacturing production may be worrisome. US headline inflation remained at last month's 2.9% level, but core inflation jumped to a ten-year high of 2.4%. For some economists, this seems to confirm that the Federal Reserve will raise interest rates twice before the end of this year.

	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	2833,3	-0,7	6,0	VIX	13,2	16,8	19	WTI	67,6	1,2	11,9
	DOW	25313,1	-0,8	2,4	US 2Y	2,60	-5	71	Brent	72,81	1,0	8,9
	Nasdaq100	7408,3	-0,8	15,8	US 10Y	2,86	-8	45	Gold	1210,9	-0,1	-7,0
	DAX	12424,4	-2,0	-3,8	GER 2Y	-0,65	-4	-2	Silver	15,27	-0,9	-9,9
	CAC40	5414,7	-1,6	1,9	GER 10Y	0,32	-6	-10	EUR/USD	1,14	-1,0	-4,9
	FTSE 100	7667,0	-1,0	-0,3	PT10Y	1,80	1	-13	EUR/GBP	0,89	-0,6	0,6
	FTSE MIB	21090,8	-2,5	-3,5	IT 10Y	3,00	10	100	EUR/NOK	9,54	-0,5	-3,1
	Stoxx600	385,9	-1,1	-0,9	SP 10	1,43	1	-14	USD/CAD	1,31	0,7	4,5
	- Banks	137,8	-3,1	-16,5	iTRAXX	67,9	6,3	50	AUD/USD	0,73	-0,9	-6,4
	Nikkei 225	21857,4	-2,0	-4,0	JPY 2Y	-0,12	0	2	USD/JPY	110,92	-0,1	-1,6
	SSEC	2773,0	-0,8	-16,2	JPY 10Y	0,10	-1	5	GBP/USD	1,28	-0,4	-5,5
Regional	RTS	1056,9	-3,7	-8,4	RUS10	8,3	0,7	9	USD/RUB	67,676	1,6	17,4
	WIG20	2247,15	-3,3	-8,7	POL 10	3,1	1,3	-5	EUR/PLN	4,29	0,3	2,7
	PX50	1073,4	-0,5	-0,4	CZ10	2,2	-0,1	45	EUR/RON	4,654	0,0	-0,5
Hungary	BUX	36171	-1,8	-8,1	3M DKJ	0,17	0	13	EUR/HUF	323,12	0,7	4,1
	OTP	10240	-4,2	-4,5	1Y	0,54	-1	49	USD/HUF	283,10	1,8	9,4
	MOL	2766	-0,1	-8,0	3Y	1,76	6	121	CHF/HUF	283,77	1,4	7,1
	MTelekom	408	0,5	-10,9	5Y	2,99	2	182	PLN/HUF	75,12	0,2	1,1
	Richter	5140	-1,1	-24,2	10Y	3,53	6	148	GBP/HUF	360,70	1,1	3,2

* 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.
2018 8. 13.	9 : 00	HU Industrial production (second estimate, yoy, %)	Jun		-	4,2*
	14. 4 : 00	CN Infrastructural spending (yoy, %)	Jul		13,5	6,0
	4 : 00	CN Industrial production (yoy, %)	Jun		6,30	6,0
	4 : 00	CN Retail sales (yoy, %)	Jul		9,0	9,0
	8 : 00	DE GDP (preliminary, yoy, %)	Q2		2,6	1,6
	8 : 00	DE CPI (final, yoy, %)	Jul		2,0	2,0*
	8 : 00	RO GDP (preliminary, yoy, %)	Q2		3,8	4,0
	9 : 00	CZ GDP (preliminary, yoy, %)	Q2			4,2
	9 : 00	HU GDP (preliminary, yoy, %)	Q2			4,4
	9 : 00	HU GDP (preliminary, qoq, %)	Q2			1,2
	9 : 00	SK GDP (preliminary, yoy, %)	Q2		3,7	3,6
	10 : 00	PL GDP (preliminary, yoy, %)	Q2			5,2
	11 : 00	DE ZEW Economic Sentiment (points)	Aug		-19,1	-24,7
	11 : 00	EZ GDP (preliminary, yoy, %)	Q2		2,1	2,1*
	11 : 00	EZ GDP (preliminary, qoq, %)	Q2		0,3	0,3*
	11 : 00	EZ Industrial production (mom, %)	Jun		-0,4	1,3
	15. 10 : 30	UK Inflation (yoy, %)	Jul		2,5	2,4
	10 : 30	UK Core inflation (yoy, %)	Jul		1,9	1,9
	14 : 30	US Retail sales (mom, %)	Jul		0,3	0,5
	14 : 30	US New York Fed Manufacturing index (points)	Aug		21,0	22,6
	15 : 15	US Industrial production (mom, %)	Jul		0,3	0,6
	16 : 00	US Business inventories (mom, %)	Jun		0,1	0,4
	16. 9 : 00	TR Industrial production (yoy, %)	Jun			6,4
	10 : 30	UK Retail sales (mom, %)	Jul		0,2	-0,5
	14 : 30	US Housing starts (annualized monthly, '000s)	Jul		1 250	1 173
	14 : 30	US Building permits (annualized monthly, '000s)	Jul		1 301	1 292
	17. 9 : 00	TR Consumer confidence (point)	Aug			73,1
	9 : 00	TR Retail sales (mom, %)	Jun			-1,3
	11 : 00	EZ CPI (final, yoy, %)	Jul		2,1	2,1*
	16 : 00	US Leading index (mom, %)	Jul		0,3	0,5
	16 : 00	US Michigan Consumer confidence (preliminary, points)	Aug		98,0	97,9
		HU S&P Credit Rating decision				BBB- (pozítív)

* preliminary data

Sources: Reuters, OTP Research

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