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## **Budapest Stock Exchange main index: the world's third best performer in the first half of 2015**

**In the first half of 2015, the Budapest Stock Exchange's BUX index rose by some 32 percent, and thus it recorded the third highest increase among the world's bourses, following Venezuela and Argentina.<sup>1</sup> Among the blue chips of the Budapest Stock Exchange, the stock prices of Hungary's largest bank OTP, oil company MOL, pharmaceuticals company Richter Gedeon and market-leader telekom service provider Magyar Telekom gained some 50 percent, 25 percent, 20 percent and some 21 percent, respectively, in the aforementioned period.**

This impressive growth in nominal terms means that the BUX index soared from 15 600 points in the middle of January 2015 to 23 000 points by the end of April 2015, propelled by several factors. The main reasons included the significant improvement in Hungary's economic outlook (higher GDP forecasts, large decrease in CDS and interest rate premia, credit rating update to positive outlook) as well as the fact that the market has priced in an expected credit rating shift to investment grade category. It is very likely that stock price increases are not over yet, as the former uptrend peaked out above 30 000 points at the end of 2008. In addition, in case the BUX performance is compared to that of the DAX in Euro terms (BUX/DAX relative strength), the BUX should currently be around 44 000 points in light of international capital market growth trends: for example, the DAX surged from 5000 points at mid-2011 to the current 11 500 and the S&P jumped from 1200 points to 2100 points in the observed period. Therefore, a further significant rise appears to be a realistic scenario and there is enough room for sizable stock price increases.

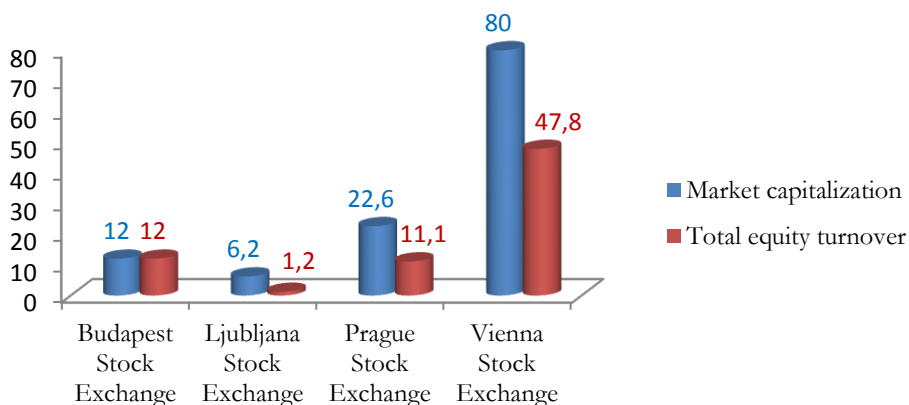
The two charts below demonstrate the size and investment potential of the Budapest Stock Exchange from another angle, placing it in a regional perspective through data of the CEE Exchange Group, which includes the bourses of Central and Eastern Europe: Budapest, Ljubljana, Prague and Vienna:

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<sup>1</sup> <http://budapesttimes.hu/2015/07/10/budapest-stock-exchange-in-worlds-best/>

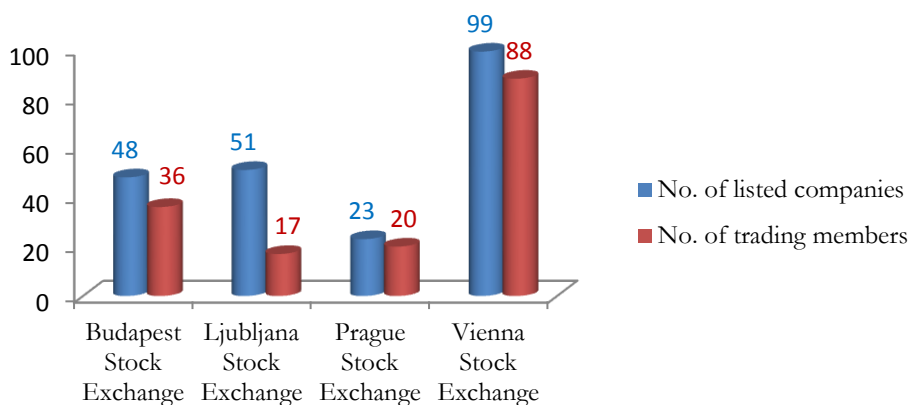


### Capitalization and turnover of the stock exchanges of the CEESEG group (billion EUR)



Source: ceeseq.com

### Number of trading partners and listed companies of the stock exchanges of the CEESEG group



Source: ceeseq.com

In light of the number of trading partners and listed companies, differences are smaller among the region's bourses, and the Budapest Stock Exchange is larger than the stock exchange of Prague or Ljubljana. The two charts highlight a peculiar characteristic: the capitalization of the Prague Stock Exchange is twice as large as that of the BSE, while the number of listed companies is half the figure of Budapest. The reason for this phenomenon is multiple listing on regional



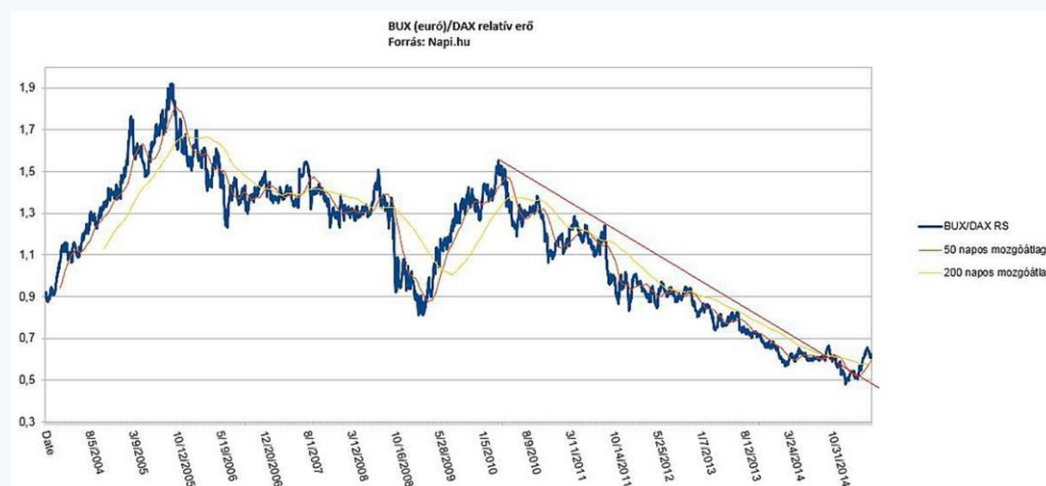
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stock markets. Several Austrian conglomerates are also listed on the Prague Stock Exchange which appear in the PSE books with their full capitalization although the bulk of trading in case of the majority of these Austrian companies takes places almost entirely on the Vienna Stock Exchange. The same is true of Hungary's MOL: although it is also listed on the Warsaw Stock Exchange, only 0.5 percent of trading volume is realized on the Polish bourse.

**BUX/DAX relative strength grew from 0.4827 to 0.6569 over the past four years**

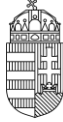
The below graph aptly shows the relative performance of the BUX index compared to the DAX index in Euro terms, as of 2004, and it also visualizes the **sharp rise since the beginning of 2015 which at the same time signals a trend reversal in the negative relative strength**. The relative strength indicator is a technical tool for showing the comparative performance of two instruments or indices. In case of this analysis, the same tendencies can be revealed that characterize individual stock prices. Trend markers such as ascending peaks and troughs signalling an uptrend or new lows and a negative slope showing a downtrend are also displayed. It is even more important with regard to the 2015 performance of the Budapest Stock Exchange that this type of technical analysis considers a trend to be unbroken as long as it is not reversed: accordingly, the movement of the BUX in the first half of 2015 indicates a genuine trend reversal.

**BUX/DAX relative strength (RS) indicator and prevalent trends since 2004**



Source: napi.hu

The current trend is comparable to two former upturns that could be observed following the re-opening of the bourse in 1990: the first one was the period between the EU accession in 2004



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and 2007 when the index rose from around 10 000 points to above 30 000 points. The second one occurred during the bull market after the 2008-2009 crisis, when the valuation of Hungarian stock market doubled in the ten months following April 2009, starting from 13 500 points. The above, BUX/DAX relative strength graph clearly shows the two periods during which the Budapest bourse markedly outperformed the German stock exchange. The upturn in the past half-year may be the first phase of an uptrend during which a huge gap is to be closed by the Hungarian capital market.