

OTP Weekly Outlook

Next week:

- Fed and ECB Minutes and Fed Powel's speech will be closely watched next week

This week:

- Markets rose last week, but sentiment deteriorated on Friday as President Trump tested positive for COVID-19
- The USD depreciated, precious metals increased, as it was expected based on the rising stock markets; oil prices deep dived again
- The Republicans and Democrats are closer to an agreement about the new fiscal stimulus package
- Last week's data generally surprised to the upside, but EZ inflation dipped further to negative territory, while US NFP came below expectations



Market summary table

Indices	Last price	1 week change (%)	YTD (%)	Interest rates	Last price	1 week change (bps)	YTD (bps)	FX rates	Last price	1 week change (%)	YTD (%)	Commodity	Last price	1 week change (%)
S&P500	3357	1,8	3,9	US 2 year	0,13	0,6	-143,8	Dollar index	93,773	-0,9	-2,7	Brent	39	-6,1
Russel 2000	1519	3,0	-9,0	US 10 year	0,69	4,0	-122,5	EURUSD	1,171	0,7	4,5	WTI	37	-7,4
Stoxx 600	361	1,6	-13,1	DE 2 year	-0,72	-0,7	-10,4	USDJPY	105,34	0,2	3,1	Gold	1904	2,3
DAX	12636	1,3	-4,6	DE 10 Year	-0,54	-0,8	-34,8	GBPUSD	1,294	1,5	-2,4	Silver	24	5,3
CAC40	4803	1,6	-19,7	SP 10 year	0,23	-1,7	-23,6	AUDUSD	0,716	1,9	2,0	Palladium	2318	4,0
FTSE100	5860	0,3	-22,3	UK 10 year	0,25	4,5	-57,1	USDCAD	1,332	0,5	-2,4	Copper	295	-0,7
FTSE MIB	19000	1,6	-19,2	IT 10 year	0,79	-8,5	-61,6	USDCHF	0,921	0,8	5,0	Steel	625	13,6
Nikkei 225	23030	-0,8	-2,6	JP 10 year	0,02	-0,1	3,7	NZDUSD	0,664	1,4	-1,5	Wheat	572	5,1
CSI 300	4587	-1,4	12,0	CH 10 year	3,13	2,5	-0,4	CNHUSD	6,752	1,1	3,1	Corn	382	4,5

Source: Bloomberg

The Fed and ECB minutes, along with the Fed chairman's speech will be the highlights of the week. However, pandemic developments could also influence market sentiment

Overall, relatively few important data will be out this week, but it still could be decisive as last Friday, the week's stock market gains were dragged down by the news that President Trump tested positive for COVID-19. Although the pandemic is getting worse, last week's economic data mostly surprised on the upside.

On Monday, the week starts with Italy's Services PMI, EZ Sentix investor sentiment, retail sales and US non-manufacturing PMI. Concerning the Italian services PMI, analysts expect it to remain below the 50 point, which is a sign of contracting activity. This would not be a surprise considering that the service PMIs for France and Germany slipped back below the 50 mark, in a sign of deteriorating expectations for the sector. Regarding EZ retail sales, the consensus points toward a healthy 2.4% MoM gain, after last month's 1.3% decline. If analysts' consensus is correct, retail sales could surpass its February (pre-virus) level. US non-Manufacturing PMI held up better than its EZ counterparts, due to the strong, still far from full, recovery and the fiscal support.

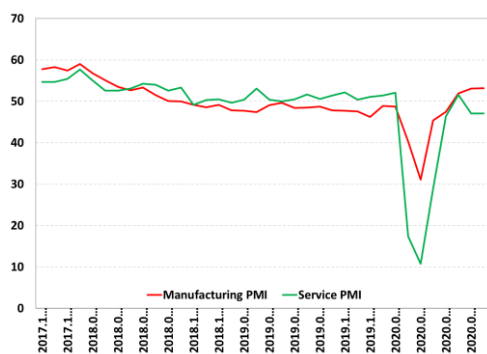
On Tuesday, German industrial orders will be released, and Jerome Powell gives a speech. The latter could be one of the most important moments of the week. Although the labour market improved in recent month, and inflation with its level is out of the picture for some time, the Fed could and will maintain the current low levels of interest rates for years to come. However, as the second wave of the virus kicked in globally with more strength than expected, Powell surely will aim for more fiscal support, because at current levels the Fed's ammunition may be near depleted, in terms of meaningful economic impact.

On Wednesday, German industrial production, Italian retail sales and the FOMC Minutes about the last rate setting meeting will be published. Germany's industrial production is expected to have edged higher in August, but still remains more than 10% below its pre-crisis level. Italy's retail sales lagged behind the major EZ economies in recovery, still are more than 11% below February levels. Last month it declined by 2.2%. The incoming FOMC minutes also should be watched as one of the highlights of the week. Detailed assessment on the health and speed of the recovery will be given in the material, which could contain important clues as to the Fed's next moves. However, currently the market expects the Fed to stay put, rather than to provide the same level of monetary support as before.

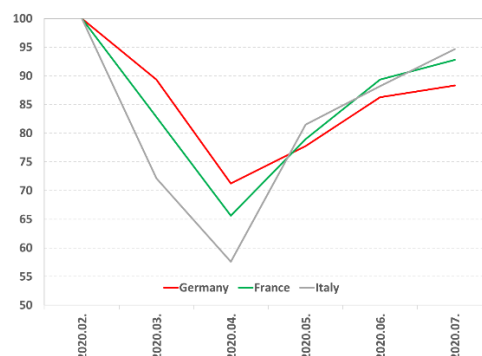
On Thursday, the ECB minutes could be also important as core inflation declined from 0.4 to 0.2%, while headline inflation slipped further into negative territory. Currently the market expects the ECB to increase the size of its currently running QE programme this year. However after that point, there is not much more the ECB could do in terms of further supporting the recovery.

Finally, **on Friday**, China's Caixin services PMI will be followed by industrial production data for France and Italy. China's Service PMI is expected to improve a little as retail sales data topped expectations last month. France's and Italy's industrial production data are expected to show MoM gains, but they will probably also confirm that the period of rapid economic recovery has come to an end.

Italian PMI (points)



Industrial production (2020 February = 100)



Source: Datastream

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.
2020 10. 5.	9 : 45	IT Markit/IHS Services PMI (prelim.)	Sept	46,6	47,1
	10 : 30	EZ Sentix Investor confidence (points)	Oct	-	-8,0
	11 : 00	EZ Retail sales (MoM, %)	Aug	2,4	-1,3
	16 : 00	US ISM non-Manufacturing PMI (points)	Sept	56,0	56,9
	6.	8 : 00	DE Industrial orders (MoM, %)	Aug	2,8
16 : 30		US Jerome Powell speech	-	-	-
7.	8 : 00	DE Industrial production (MoM, %)	Aug	1,5	1,2
	10 : 00	IT Retail sales (MoM, SA, %)	Aug	-	-2,2
	13 : 00	PL Interest rate decision (%)	Oct	0,1	0,1
	20 : 00	US FOMC Minutes	Sept	-	-
8.	8 : 00	DE Export (MoM, SA, %)	Aug	-	4,7
	13 : 30	EZ ECB Minutes	Sept	-	-
	14 : 30	US Initial jobless claims ('000s)	weekly	-	837,0
	14 : 30	US Continuing jobless claims ('000s)	weekly	-	11767,0
9.	3 : 45	CN Caixin Services PMI	Sept	54,3	54,0
	8 : 45	FR Industrial production (MoM, SA, %)	Aug	2,1	3,8
	10 : 00	IT Industrial production (MoM, SA, %)	Aug	2,7	7,4

Despite the deterioration in the pandemic situation, stock markets gained last week as incoming macro data generally surprised on the upside

The pandemic situation is getting worse, some countries already re-introduced some social distancing measures

During the past month, the epidemic situation deteriorated significantly throughout Europe. In several countries (e.g. Denmark, Belgium, and the Netherlands) daily registrations of new infections surpassed the peaks hit during this spring, but the number of deaths remained low compared to the first wave of the coronavirus. Spain and France report the highest numbers of daily new infections; the situation is particularly severe in the former, where daily deaths relative to population is the highest in Western Europe. On the other hand, there are also positive examples like Germany and Italy, where a sudden surge of new cases has been avoided so far. The CEE region is also hit hard by the second wave of the pandemic. There was an explosive increase in new cases in Hungary and the Czech Republic, followed by Slovakia and Slovenia. Montenegro was impacted the worst in the region, with daily deaths reaching 4-6 per million people. Daily new cases in Russia have also been increasing at an accelerating pace over the past month.

With the coronavirus situation worsening, several countries began to reintroduce restrictions to control the pandemic. In Israel, where daily new cases per million people reached 700, a new world record, the government was forced to impose a nationwide lockdown, but in most countries, authorities try to focus their restrictions on the regions with high number of cases, to prevent further damage to the economy. The Spanish government issued a partial lockdown order for the capital city, Madrid. In France, bars and restaurants were ordered to be closed in coronavirus hotspots. Meanwhile, the United Kingdom set up a tier system to classify regions based on Covid-infections, and to enact restrictions accordingly. In the CEE region, the Czech Republic, Slovakia and Poland already introduced new measures to control the spread of the virus. Outside Europe, daily new cases also showed a moderate increase in the United States, and Latin America is still heavily impacted by the virus, with Argentina registering 7-8 deaths per million people a day.

Last week's data generally surprised to the upside, however EZ inflation declined further in the negative territory

Last week's incoming data generally provided a small amount of surprise. EZ Economic Sentiment, US Consumer Sentiment, the Chinese PMI, US Chicago PMI data all showed resilience as they came above expectations despite the deteriorating virus situation around the world. In the US, the improving consumer sentiment data may be due to the fact, that the real estate market remained healthy, the labour market also continued its recovery last month (albeit in a lesser pace) and it seems that the Republicans and Democrats could agree on the new stimulus package soon.

However EZ inflation surprised to the downside as inflation fell further into negative territory, while core-inflation also declined. US labour market data also gave some cause for concern as in September only 661.000 jobs were added. Unemployment still declined to 7.9% from 8.4%, however the participation rate fell somewhat.

Stock markets rose during the week, but the sentiment deteriorated on Friday as President Trump tested positive for COVID-19

Despite the intensifying pandemic, stock markets rebounded during a week, ending weeks of uncertain market trading, as some incoming data surprised on the upside. In the USA, the large-cap S&P500 was up by 1.8%, while the small-cap Russel2000 advanced more than 3%. But after the news broke, that President Trump and his wife tested positive for the COVID-19, market sentiment deteriorated on Friday,

with major US indices posting 0.5%-1% losses. The weekly rally in the USA were driven by the IT, consumer discretionary, and real estate sectors, while energy underperformed (-4.7%), as oil prices nose-dived again. In Europe, the Stoxx600 was up by 1.6%, while the DAX added 1.3%, and the CAC40 rose by 1.6%.

The USD depreciated against the EUR, oil fell sharply, while precious metals gained as the stock market rose

The USD depreciated 0.7% against the EUR, appreciated 0.2% against the JPY. The depreciation of the USD was in line with the risk-on sentiment during the week. Brent oil slid 6.1%, while WTI slumped 7.4%. Copper fell by 0.7%, but steel was up by 13.6%, and agricultural commodities also booked healthy gains during the week. Gold rose by 2.3% while silver rallied 5.3% and the positive correlation with equities was also notable this week.

Still no agreement on the new US fiscal stimulus package

The US Secretary of Treasury and the Speaker of the House of Representatives still could not agree on the new economic stimulus package, but they pledged to continue negotiations. In the latest development, the Trump administration is proposing a USD 1,600 billion package, versus Democrats' 2,200-billion-dollar plan. In the most recent scheme, airlines would receive USD 20 billion in aid.

Performance of US sectors					Performance of Europe's sectors				
Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)	Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)
S&P500	SPX Index	3357,1	1,8	3,9	Stoxx 600	SXXP Index	361,2	1,6	-13,1
IT	S5INFT Index	2053,8	2,4	27,5	Health care	SXDP Index	890,5	-0,6	-2,1
Health care	S5HLTH Index	1219,1	1,4	2,6	Industrial goods & services	SXNP Index	552,7	2,2	-8,1
Financials	S5FINL Index	399,3	2,1	-21,9	Banks	SX7P Index	82,4	3,9	-42,5
Telco	S5TELS Index	196,8	2,3	8,3	Personal & households goods	SXQP Index	871,4	1,5	-3,3
Consumer discretionary	S5COND Index	1216,0	2,8	23,3	Insurance	SXIP Index	235,0	1,9	-27,2
Industrials	S5INDU Index	646,4	0,0	-6,0	Food and beverages	SX3P Index	676,2	2,5	-12,6
Consumer staples	S5CONS Index	657,3	1,5	1,6	Technology	SX8P Index	573,8	3,0	8,2
Utilities	S5UTIL Index	304,8	2,1	-7,2	Utilities	SX6P Index	354,2	3,9	-0,5
Energy	S5ENRS Index	218,4	-4,7	-52,1	Oil & gas	SXEP Index	182,4	-1,8	-42,7
Real estate	S5RLST Index	221,4	2,8	-7,9	Chemicals	SX4P Index	1046,2	1,8	1,6
Materials	S5MATR Index	396,1	0,8	2,7	Construction & materials	SXOP Index	457,8	2,8	-10,7
					Telco	SXKP Index	192,9	0,4	-21,3
					Retail	SXRP Index	363,3	3,6	0,3
					Financial services	SXFP Index	534,8	3,9	-8,3
					Basic resources	SXPP Index	402,4	0,5	-12,8
					Real estate	SX86P Index	154,4	2,9	-20,0
					Auto & parts	SXAP Index	425,5	2,2	-16,3
					Media	SXMP Index	245,0	2,6	-20,1
					Travel & leisure	SXTP Index	173,6	0,9	-34,6

Source: Bloomberg

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Performance of the regional stock indices

Name		Performance					Valuation***			Fundamentals				
Country	Index	Last Price	1M change (%)	3M change (%)	6M change (%)	12M change (%)	P/E*	P/B	P/S	ROE (%)	Current Ratio	Debt to equity (%)	Change in EPS growth in the last 4 week (%)	Change in EPS growth in the last 3 month (%)
USA	SPX Index	3357	-6,2	7,3	32,9	16,3	26,1	3,8	2,5	11,5	1,4	125,5	2,5	6,6
Europe	SXXP Index	361	-2,7	-1,9	15,7	-4,3	38,7	1,8	1,3	4,8	1,1	190,9	-0,1	-4,1
Germany	DAX Index	12636	-4,6	0,2	32,0	6,0	40,7	1,6	1,0	5,4	1,1	139,9	19,1	-0,9
France	CAC Index	4803	-4,5	-4,9	13,8	-11,4	42,7	1,5	1,1	3,5	1,1	200,0	3,6	-10,3
Poland	WIG20 Index	1700	-4,8	-5,8	14,0	-19,0	20,7	0,9	0,7	3,8	1,2	62,3	1,9	0,9
Czechia	PX Index	855	-5,2	-8,9	9,5	-15,4	11,4	1,0	1,2	9,0	1,1	161,6	1,4	-1,0
Hungary	BUX Index	33486	-2,7	-7,6	2,7	-15,0	14,5	0,9	0,7	2,6	1,1	102,0	-184,5	-4,8
Romania	BET Index	8881	-1,4	2,5	17,6	-5,8	9,4	0,9	1,2	10,1		38,6		23,0
Bulgaria	SOFIX Index	420	-2,6	-7,1	-0,3	-26,1	3,5	0,5	0,6	13,6	3,2	59,0		
Russia	IMOEX Index	2854	-3,5	2,3	12,1	4,9	9,3	0,9	1,0	9,2	1,4	66,1	7,3	3,2
Ukraine	PFTS Index	500	0,0	0,2	-1,9	-4,7	4,4	0,9	0,3	42,2	0,5	17,9		
Slovenia	SBITOP Index	845	-0,9	-0,6	18,3	-1,8	7,8	0,8	0,4	9,9	1,6	29,8		
Croatia	CRO Index	1609	-1,0	-1,2	7,9	-17,4	23,0	0,9	1,0	4,6	1,2	59,9		
Serbia	BELEX15 Index	695	0,3	3,9	7,7	-7,7	12,3	0,6	0,7	5,1	2,0	17,6		
Montenegro	MNSE10 Index	656	-0,6	-8,8	-0,4	-18,3	12,5	0,3	0,8	2,2	2,1	14,5		

*Price to earnings (P/E) ratio is calculation with the 12M trailing EPS in the denominator.

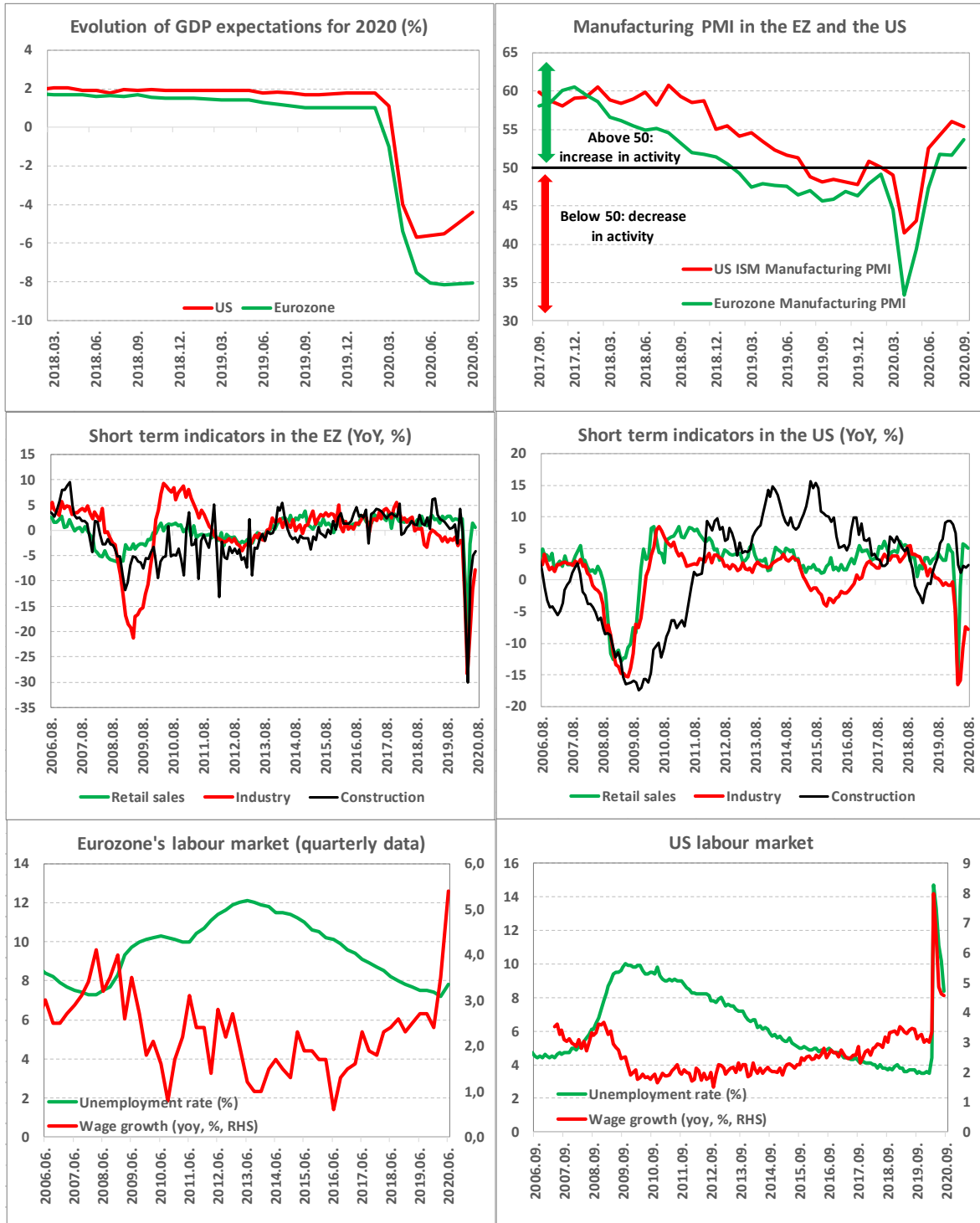
***Bear in mind that some of the country index could be very sector heavy (only a handful industry consists of the majority of the index),

***therefore direct comparison of only valuation metrics could be misleading.

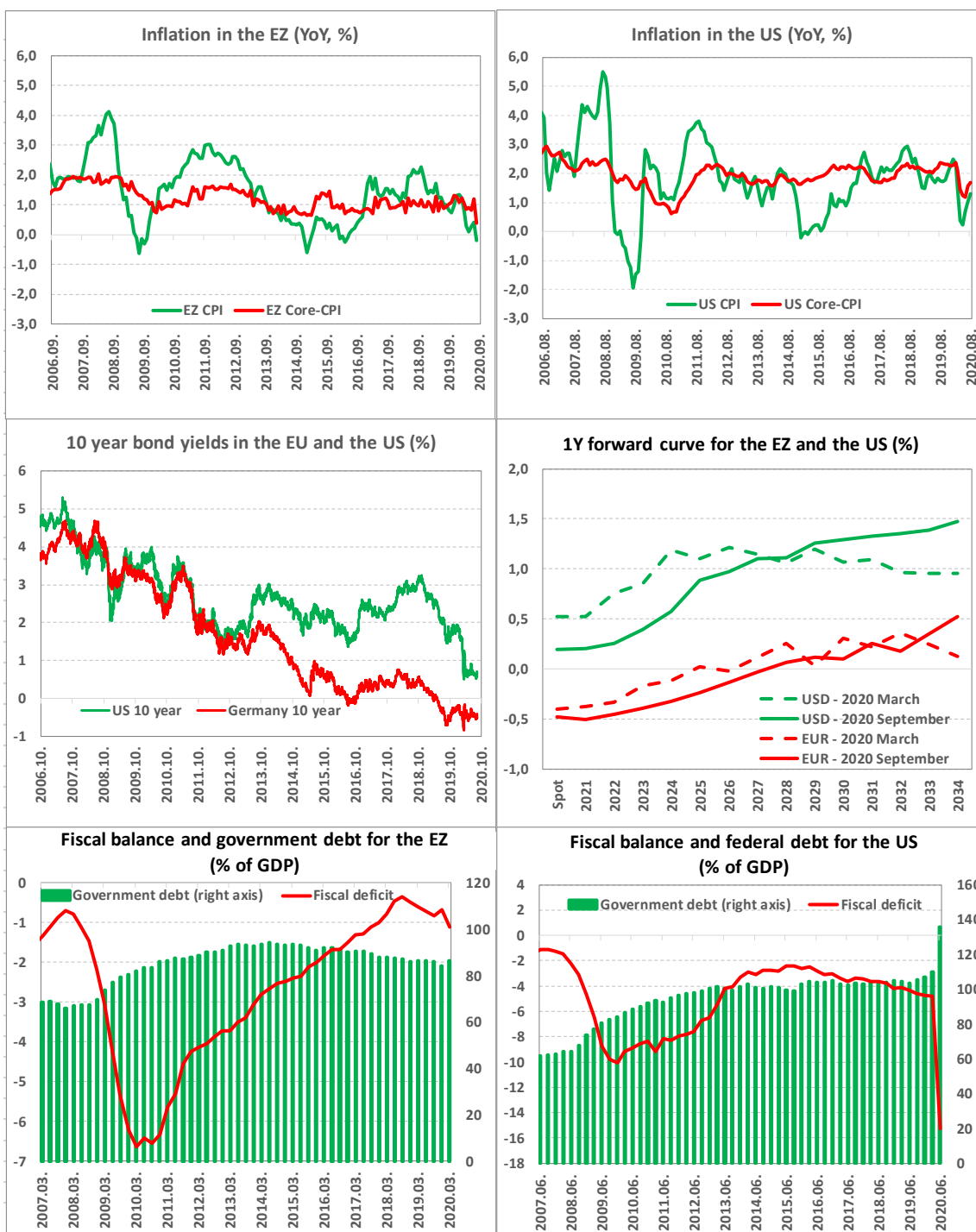
Last week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2020 9. 29.	9 : 00	ES Retail sales (YoY, %)	Aug	-2,4	-	-3,9
	11 : 00	EZ EC Economic Sentiment Index (points)	Sept	91,1	89,0	87,7
	14 : 00	DE CPI (preliminary, YoY, %)	Sept	-0,2	-0,1	0,0
	15 : 00	US Case-Shiller Home Price Index (YoY, %)	Jul	3,9	3,8	3,5
	16 : 00	US Consumer confidence (point)	Sept	101,8	89,5	84,8
	30. 3 : 00	CN NBS Manufacturing PMI (points)	Sept	51,5	51,2	51,0
	3 : 00	CN NBS Non-manufacturing PMI (points)	Sept	55,9	-	55,2
	3 : 45	CN Caixin Manufacturing PMI (points)	Sept	53,0	53,1	53,1
	8 : 00	DE Retail sales (MoM, %)	Aug	3,1	0,5	-0,9
	9 : 30	EZ C. Lagarde's speech (The ECB and its Watchers Conference)	-	-	-	-
	14 : 15	US ADP non-farm employment (MoM, '000s)	Sept	749,0	648,0	428,0
	15 : 45	US Chicago PMI (points)	Sept	62,4	52,0	51,2
	16 : 00	US Pending home sales (MoM, %)	Aug	8,8	3,4	5,9
	10. 1. 9 : 45	IT Markit/IHS Manufacturing PMI (prelim.)	Sept	53,2	53,5	53,1
	10 : 00	IT Unemployment rate (%)	Aug	9,7	10,1	9,7
	11 : 00	EZ Unemployment rate (%)	Aug	8,1	8,1	7,9
	14 : 30	US Personal income (MoM, %)	Aug	-2,7	-2,2	0,4
	14 : 30	US Personal consumption (adjusted, MoM, %)	Aug	1,0	0,8	1,5
	14 : 30	US Initial jobless claims ('000s)	weekly	837,0	850,0	870,0
	14 : 30	US Continuing jobless claims ('000s)	weekly	11767,0	12225,0	12580,0
	16 : 00	US Construction expenditure (MoM, %)	Aug	1,4	0,8	0,7
	16 : 00	US ISM Manufacturing PMI (points)	Sept	55,4	56,3	56,0
		EU EU Summit (1st Day)	-	-	-	-
	2. 11 : 00	EZ CPI (flash, YoY, %)	Sept	-0,3	-0,2	-0,2
	11 : 00	EZ Core CPI (flash, YoY, %)	Sept	0,2	0,5	0,4
	14 : 30	US Non-farm payroll (MoM, '000s)	Sept	661,0	850,0	1371,0
	14 : 30	US Unemployment rate (%)	Sept	7,9	8,2	8,4
	14 : 30	US Average earnings (MoM, %)	Sept	0,1	0,2	0,4
	14 : 30	US Average earnings (YoY, %)	Sept	4,7	4,8	4,7
	16 : 00	US Factory orders (MoM, %)	Aug	0,7	1,0	6,4
		EU EU Summit (2nd Day)	-	-	-	-

Eurozone and US chart set



Eurozone and US chart set



FX forecast for the majors

FX pair	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022Q1	2022Q2	2022Q3	2022Q4
EURUSD	1,09	1,18	1,19	1,20	1,21	1,22	1,23	1,21	1,22	1,22	1,22
EURGBP	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9
EURCHF	1,06	1,08	1,08	1,09	1,09	1,11	1,12	1,09	1,11	1,11	1,11
USDJPY	107,0	106,0	105,0	105,0	106,0	105,5	105,0	106,0	103,5	102,0	100,5

Source: Bloomberg

Regional macro forecast

Countries	GDP (yoy, %)					Countries	Fiscal balance (% of GDP)				
	2019	OTP		Focus Economics			2019	OTP		Focus Economics	
		2020	2021	2020	2021			2020	2021	2020	2021
Hungary	4,9	-6,3	5,8	-5,3	4,6	Hungary	-2,0	-8,0	-5,5	-5,6	-3,7
Romania	4,1	-4,4	4,6	-5,4	4,6	Romania	-4,3	-9,5	-6,5	-9,3	-6,5
Bulgaria	3,4	-4,7	4,3	-5,1	4,7	Bulgaria	2,1	-4,4	-1,2	-3,7	-1,9
Russia	1,3	-3,3	3,6	-5,0	3,4	Russia	1,8	-5,6	-4,3	-4,8	-1,9
Ukraine	3,2	-5,7	4,7	-5,3	4,2	Ukraine	-2,2	-7,5	-6,0	-7,2	-4,2
Slovenia	2,4	-7,1	5,9	-7,9	5,2	Slovenia	0,5	-8,0	-3,6	-7,3	-3,7
Croatia	2,9	-8,4	5,4	-9,2	4,9	Croatia	0,4	-9,0	-6,0	-8,1	-3,9
Serbia	4,2	-1,9	5,3	-2,8	4,9	Serbia	-0,2	-8,0	-2,5	-7,7	-2,6
Montenegro	3,6	-12,7	7,8	-7,4	5,2	Montenegro	-2,9	-11,0	-4,2	-8,4	-2,5
Albania	2,2	-6,6	5,0	-5,5	6,2	Albania	-1,9	-8,1	-4,5	-6,6	-3,9
Moldova	3,6	-6,3	5,9	-4,8	3,9	Moldova	-1,4	-7,5	-5,0	-7,0	-3,9
Countries	Inflation (average (yoy), %)					Countries	Unemployment (%)				
	2019	OTP		Focus Economics			2019	OTP		Focus Economics	
		2020	2021	2020	2021			2020	2021	2020	2021
Hungary	3,4	3,4	3,1	3,2	2,9	Hungary	3,4	4,7	4,0	5,7	5,2
Romania	3,8	2,9	3,0	2,8	2,8	Romania	3,9	5,8	6,0	6,6	6,2
Bulgaria	3,1	1,2	1,5	2,0	2,3	Bulgaria	4,2	6,0	5,0	7,8	7,1
Russia	4,5	3,3	4,0	3,2	3,5	Russia	4,6	6,0	5,0	6,3	5,5
Ukraine	7,9	2,5	6,4	3,2	5,7	Ukraine	8,2	9,9	9,2	10,4	9,2
Slovenia	1,7	0,0	1,3	0,3	1,3	Slovenia	4,5	4,6	4,5	6,9	6,5
Croatia	0,8	0,2	1,2	0,2	1,0	Croatia	7,9	9,0	8,5	11,3	9,5
Serbia	1,9	1,6	1,8	1,4	2,1	Serbia	10,4	12,0	9,7	13,0	11,8
Montenegro	0,4	0,2	1,0	0,5	1,1	Montenegro	15,1	19,7	17,4	17,1	16,7
Albania	1,4	1,4	1,5	1,9	2,2	Albania	11,6	13,2	13,7	14,9	13,5
Moldova	4,8	2,8	2,3	5,0	4,7	Moldova	5,1	8,9	3,3	9,4	8,5

Source: Focus Economics, OTP Research Center

FX forecast for the OTP countries

Country	FX pair	2019.Q4	2020.Q1	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4
Hungary	EURHUF (eop)	331,0	361,0	354,0	349,0	350,0	350,0	349,0	349,0	349,0
Romania	EURRON (eop)	4,78	4,83	4,84	4,87	4,90	4,92	4,94	4,96	4,96
Russia	USDRUB (eop)	61,9	77,7	70,0	71,8	70,5	68,9	69,4	68,1	69,1
Ukraine	USDUAH (eop)	23,7	27,6	26,7	27,4	28,0	28,2	28,2	28,3	28,5
Croatia	EURHRK (eop)	7,44	7,63	7,57	7,54	7,56	7,54	7,50	7,48	7,52
Serbia	EURRSD (eop)	118,0	117,0	118,0	118,0	118,0	118,0	118,0	118,0	119,0
Montenegro	EURUSD (eop)	1,12	1,10	1,12	1,16	1,16	1,17	1,18	1,18	1,18

*Slovenia and Montenegro uses EUR as a base currency.

**No forecast available for Moldova and Albania

Source: Focus Economics

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