

OTP Weekly Outlook

Next week:

- Chinese GDP data, confidence indices in Europe, housing, labour market and confidence data for the USA are the most likely ones to trigger market reaction

This week:

- US stock indices slightly gained, while Europe fell amid increasing daily infections and partial lockdowns
- The USD appreciated, oil and precious metals fell
- Still no agreement on the new US stimulus package



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 (%)	YTD (%)
S&P500	3483	0,2	7,8	US 2 year	0,14	-1,6	-143,2	Dollar index	93,615	0,6	-2,9	Brent	43	-0,6	-35,5
Russel 2000	1639	0,1	-1,8	US 10 year	0,73	-4,5	-118,9	EURUSD	1,173	-0,8	4,6	WTI	40	-0,4	-33,8
Stoxx 600	366	-1,1	-11,9	DE 2 year	-0,78	-4,9	-16,9	USDJPY	105,33	0,3	3,1	Gold	1906	-1,2	25,6
DAX	12856	-1,5	-3,0	DE 10 Year	-0,63	-8,3	-44,0	GBPUSD	1,291	-1,0	-2,6	Silver	24	-2,9	36,8
CAC40	4918	-0,6	-17,7	SP 10 year	0,12	-2,9	-34,8	AUDUSD	0,708	-2,3	0,8	Palladium	2339	-4,2	20,2
FTSE100	5910	-1,8	-21,6	UK 10 year	0,16	-10,7	-65,4	USDCAD	1,322	-0,7	-1,7	Copper	306	-0,6	9,6
FTSE MIB	19265	-1,7	-18,0	IT 10 year	0,64	-3,2	-76,5	USDCHEF	0,913	-0,3	5,8	Steel	639	0,9	8,7
Nikkei 225	23411	-0,9	-1,0	JP 10 year	0,02	-1,1	3,7	NZDUSD	0,660	-0,9	-2,0	Wheat	622	4,8	11,3
CSI 300	4792	2,4	17,0	CH 10 year	3,21	3,9	7,4	CNHUSD	6,695	-0,1	4,0	Corn	407	3,0	4,9

Source: Bloomberg

Chinese GDP data, confidence indices in Europe, housing, labour market and confidence data for the USA are the most likely ones to trigger market reaction

During this week, a bunch of Chinese, US and euro area data could be in the spotlight. Additionally, the ongoing fiscal talks, the pandemic situation, and US election talks can all move markets.

The week starts with Chinese activity data on Monday, namely Q3 GDP, September industrial production, retail sales and infrastructure investment data. In Q2, China outperformed the whole world, partly because the country entered the covid crisis earlier than other nations, and partly as it handled the situation particularly efficiently. China's economy returned to a modest growth in YoY terms in the second quarter and reverted from the first contraction on record in the first quarter this year, as Covid-19 eased and policymakers announced economic relief packages. China's economy grew by 3.2 percent in April-June, reversing a 6.8-percent decline in the first quarter. Its expansion was fuelled primarily by exports. As for Q3, data for July-September exports seem very solid, around 8.9%, while industrial production data until August posted around 4.7% growth (both YoY) in the past two months. Retail sales lagged behind, edging only 0.5% higher YoY by August, while infrastructure investment was still 0.3% in the red. The market expects a 5.2% GDP growth for the third quarter, already close to the pre-crisis dynamics of 6%, on account of both stronger exports and domestic demand.

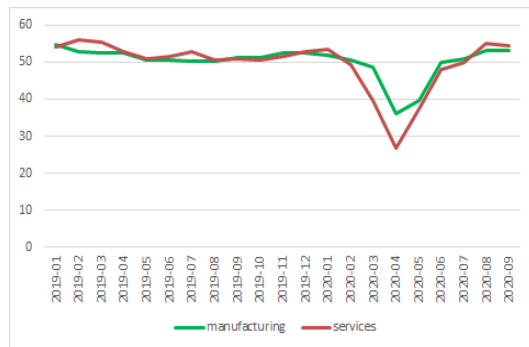
On Tuesday, data on US housing data will be in the spotlight. The market expects 3.4% growth in US housing permits for September, reversing August's -0.9% decline that disappointed markets. This latter followed the 18.8% growth in July, which already brought back the permit level (at 1,470,000) in par with figures observed before the covid outbreak. US housing starts data is also to be published. The 4.5% MoM growth expected by the market would bring it back almost to the July level, as this would follow a 5.1% decline for August.

On Wednesday, the US Beige Book will be released. Its latest issue in early September pointed to increasing economic activity in most US districts, but gains were generally modest, and activity remained well below pre-pandemic levels. The question is the extent to which the third wave of the pandemic evolves, particularly in Midwest; and whether it checks off recovery further.

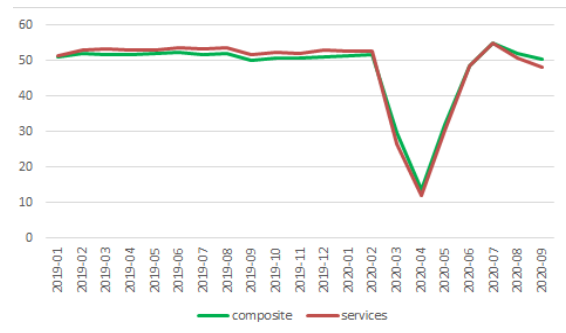
On Thursday, US weekly employment data, US existing home sales, and the leading index will be published. For Europe, the European Commission's consumer confidence index could trigger the largest attention. Weekly US initial jobless claims have stuck above 800,000 since end-August, and almost stopped declining since then, while continuing claims still stood close to 11 million last week. The market expects small (15,000 and 176,000) decline in both figures. US existing home sales, in line with other housing data, already reached pre-pandemic level by July, in fact existing home sales, at 6 mn in August, even surpassed it. The market expects further 4.1% growth for September. The US leading index grew by 1.2% in August, in its fourth consecutive rise since July. The market expects 0.8% increase for September. In the euro area, where more and more countries face tightening restrictions, the consumer confidence data for October will be an important indicator to gauge the extent of economic hardship. The index improved slightly to -13.9, from -14.7 in September, but it is still way below its pre-pandemic level.

On Friday a large bunch of Markit PMI data arrive from the USA, eurozone, Germany, France, and the UK. As for the USA, last month's PMI data remained well above 50 points for both manufacturing and services (53.2 and 54.6), but both edged down slightly compared to August. As to the euro area, while manufacturing PMI jumped to a two-year high (53.7) in September, the services sector indicator dipped to 48.0 (from 50.5), as the virus resurged in several countries. The increasing number of restrictions in France, UK and Germany could undermine services sector confidence.

US PMIs (points)



Euro area PMIs (points)



Source: Refinitiv

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.
2020 10. 19.	4 : 00	CN Infrastructural spending (YoY, %)	Sept	0,8	-0,3
	4 : 00	CN Industrial production (YoY, %)	Sept	5,8	5,6
	4 : 00	CN Retail sales (YoY, %)	Sept	1,8	0,5
	4 : 00	CN GDP (YoY, %)	Q3	5,2	3,2
	4 : 00	CN GDP (QoQ, SA, %)	Q3	3,2	11,5
20. 14 : 30	US Building permits (annualized monthly, '000s)	Sept	1520,0	1476,0	
	US Housing starts (annualized monthly, '000s)	Sept	1477,0	1416,0	
21. 8 : 00	UK Inflation (YoY, %)	Sept	0,4	0,2	
	US Beige Book	-	-	-	
22. 13 : 00	TR Interest rate decision (%)	Oct	11,9	10,3	
	US Continuing jobless claims ('000s)	weekly	-	10018,0	
	US Initial jobless claims ('000s)	weekly	848,0	898,0	
	US Existing home sales (MoM, %)	Sept	6250,0	6000,0	
	US Leading index (MoM, %)	Sept	0,8	1,2	
	EZ Consumer confidence (point)	Oct	-15,0	-13,9	
	23. 1 : 30	JP core-CPI (YoY, %)	Sept	-0,4	-0,4
		JP CPI (YoY, %)	Sept	0,0	0,2
UK Retail sales (MoM, %)		Sept	0,4	0,8	
9 : 15	FR Markit Manufacturing PMI (points)	Oct	51,0	51,2	
9 : 15	FR Markit Service PMI (points)	Oct	46,0	47,5	
9 : 30	DE Markit Manufacturing PMI (points)	Oct	55,7	56,4	
9 : 30	DE Markit Service PMI (points)	Oct	49,0	50,6	
10 : 00	EZ Markit Manufacturing PMI (points)	Oct	53,1	53,7	
10 : 00	EZ Markit Service PMI (points)	Oct	47,0	48,0	
10 : 30	UK Manufacturing PMI (points)	Oct	53,2	54,1	
10 : 30	UK Service PMI (points)	Oct	54,5	56,1	
15 : 45	US Markit Manufacturing PMI (points)	Oct	53,4	53,2	
15 : 45	US Markit Service PMI (points)	Oct	54,6	54,6	

Partial lockdowns in some countries; stock markets were mixed during the week, commodities fell

Market sentiment was neutral, with a slight negative tilt toward Europe

In the USA, the S&P500 gained 0.2%, while the small-cap Russel 2000 inched up 0.1%. Looking at sector performance, IT, telco and consumer discretionary overperformed, while real estate, health care, and financials underperformed. Clear signs of sector rotation were present this week, compared to last week. In Europe, the Stoxx600 declined by 1.1%, the DAX by 1.5%, and the CAC40 0.6%. In terms of sector rotation, oil & gas, financials, and travel & leisure sectors underperformed, while utilities, technologies and personal & households goods outperformed the Stoxx600 index. Overall the week was relatively calm, a few weeks ahead of the upcoming US elections.

As the pandemic worsens, partial lock-down inevitably follows

The epidemic situation continued to worsen in the United States. Daily new cases are rising to new heights in the Midwest, and New York (the US epicentre of the first wave of the virus) is experiencing local clusters of new infections. In Europe, the coronavirus situation is deteriorating rapidly. Governments across the continent are forced to impose ever stricter rules as they struggle to contain the spread of the virus. The situation is particularly serious in Belgium, France, Ireland, the Netherlands and Spain, but Italy and Germany are also facing a surge of new infections. Among CEE countries, the Czech Republic experienced a dramatic rise of new deaths and infections, making it the epicentre of the virus in the region. In response, the Czech government imposed a three-week partial lockdown, closing schools, bars and clubs. Other countries such as Slovakia and Poland also imposed new measures, in an attempt to control the virus. The situation is worsening across the CEE region, where both new cases and deaths are on the rise.

Despite the better than expected retail sales data, US recovery is faltering

Last week was dominated by US data releases. The only positive surprise during the week was September's retail sales data which increased by 1.9% MoM, compared to the expected 0.7%. However, industrial production unexpectedly declined in September, while business inventories also rose much stronger than expected (3% vs 0.4%). This points toward weakening expectations for the industrial sector – this is also confirmed by the New York Fed Manufacturing PMI data, which dropped to 10.5 points, from 15 points. In Germany, the ZEW Economic sentiment data also dropped sharply, due to the faster-than-expected surge of the second wave of the pandemic.

All in all, the incoming data point toward the slowdown in recovery. In the past two weeks, the incoming data were mixed, as some of them maintained the hope of a continuing recovery. But the recent data show that the pandemic is further slowing recovery.

The USD appreciated, oil and precious metals declined

Last week, the USD appreciated 0.8% against the EUR and 0.3% versus the JPY. Brent and WTI crude oil prices were down slightly. In precious metals, gold was down by 1.2% and silver by 2.9%. In recent weeks, precious metals moved in tandem with the stock market: if the stock markets moved higher, precious metals followed suit, going like clockwork. Last week, this relationship – at least with US equities – broke down, therefore this week it will be closely watched how the relationship evolves. Copper was 0.6% down but steel increased by 0.9%. Wheat and corn prices gained 4.8% and 3.0%, respectively.

The political tug of war about the US economic stimulus programme continues

The political tug of war about the US economic stimulus programme continued. US Treasury Secretary Steve Mnuchin said he did not find it likely to reach an agreement on the covid-19 relief package before the presidential election in November, but Donald Trump does not rule out making a deal. The President suggested that he would support an economic stimulus package and would be willing to raise his USD 1,800 bn offer, but he rejects the 2,200-billion programme proposed by a Democrats. Meanwhile Mitch McConnell, the US Senate's (Republican) majority leader said he would back a smaller, highly targeted 500-billion-dollar scheme.

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	3483,3	0,2	7,8	Stoxx 600	SXXP Index	366,3	-1,1	-11,9
IT	S5INFT Index	2146,6	1,5	33,2	Health care	SXDP Index	888,4	-1,7	-2,3
Health care	S5HLTH Index	1250,8	-1,0	5,3	Industrial goods & services	SXNP Index	571,5	-0,3	-5,0
Financials	S5FINL Index	415,1	-1,0	-18,8	Banks	SX7P Index	84,2	-3,4	-41,3
Telco	S5TELS Index	201,5	1,5	10,9	Personal & households goods	SXQP Index	887,6	0,8	-1,5
Consumer discretionary	S5COND Index	1278,8	1,5	29,7	Insurance	SXIP Index	232,8	-3,7	-27,9
Industrials	S5INDU Index	690,5	1,2	0,4	Food and beverages	SX3P Index	671,6	-2,0	-13,2
Consumer staples	S5CONS Index	684,0	1,2	5,7	Technology	SX8P Index	590,8	0,4	11,4
Utilities	S5UTIL Index	322,2	-0,1	-1,9	Utilities	SX6P Index	359,9	0,1	1,1
Energy	S5ENRS Index	230,8	-1,2	-49,4	Oil & gas	SXEP Index	186,1	-3,6	-41,6
Real estate	S5RLST Index	223,8	-2,3	-6,9	Chemicals	SX4P Index	1055,6	-1,0	2,5
Materials	S5MATR Index	415,5	-0,6	7,7	Construction & materials	SXOP Index	467,0	-1,6	-8,9
					Telco	SXKP Index	196,3	-1,7	-19,9
					Retail	SXRP Index	369,7	-0,8	2,1
					Financial services	SXFP Index	539,8	-0,5	-7,5
					Basic resources	SXPP Index	409,6	-1,3	-11,3
					Real estate	SX86P Index	154,3	-1,8	-20,1
					Auto & parts	SXAP Index	444,7	1,3	-12,5
					Media	SXMP Index	250,0	-0,4	-18,4
					Travel & leisure	SXTP Index	184,8	-2,6	-30,4

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	3483	2,9	8,3	24,4	16,5	27,0	3,9	2,6	11,4	1,4	124,1	3,2	7,3
Europe	SXXP Index	366	-1,8	-1,6	12,7	-6,9	38,8	1,8	1,3	4,8	1,1	189,7	0,2	-1,9
Germany	DAX Index	12856	-3,0	-0,1	24,8	1,5	39,5	1,6	1,0	5,4	1,1	134,4	37,2	3,8
France	CAC Index	4918	-3,1	-3,3	13,0	-13,7	43,7	1,5	1,1	3,5	1,1	200,0	0,9	-8,4
Poland	WIG20 Index	1659	-4,6	-7,8	3,8	-23,1	20,4	0,9	0,7	3,8	1,2	60,5	-2,2	-9,8
Czechia	PX Index	866	-3,1	-8,8	2,5	-15,7	11,6	1,0	1,2	8,8	1,1	162,8	0,4	0,2
Hungary	BUX Index	33248	-2,6	-5,6	3,2	-17,7	14,4	0,9	0,7	2,6	1,1	102,0	-176,7	-3,4
Romania	BET Index	8866	-4,0	5,2	11,7	-6,8	9,3	0,9	1,2	10,1		38,6		16,6
Bulgaria	SOFIX Index	428	-0,4	-3,8	-4,3	-23,6	3,7	0,5	0,6	13,0	3,2	57,2		
Russia	IMOEX Index	2808	-5,6	1,7	11,7	2,3	9,2	0,9	1,0	9,2	1,4	65,3	7,1	5,8
Ukraine	PFTS Index	510	2,0	2,0	1,8	-2,9	4,4	0,9	0,3	42,2	0,5	17,9		
Slovenia	SBITOP Index	840	-1,0	-3,6	5,8	-3,6	7,8	0,8	0,4	9,9	1,6	29,8		
Croatia	CRO Index	1603	-0,8	-0,4	2,9	-19,8	24,9	0,9	0,9	4,1	1,3	53,9		
Serbia	BELEX15 Index	692	0,3	5,4	0,3	-7,1	12,2	0,6	0,7	5,1	2,0	17,6		
Montenegro	MNSE10 Index	653	1,3	-9,4	-0,1	-17,8	12,4	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.

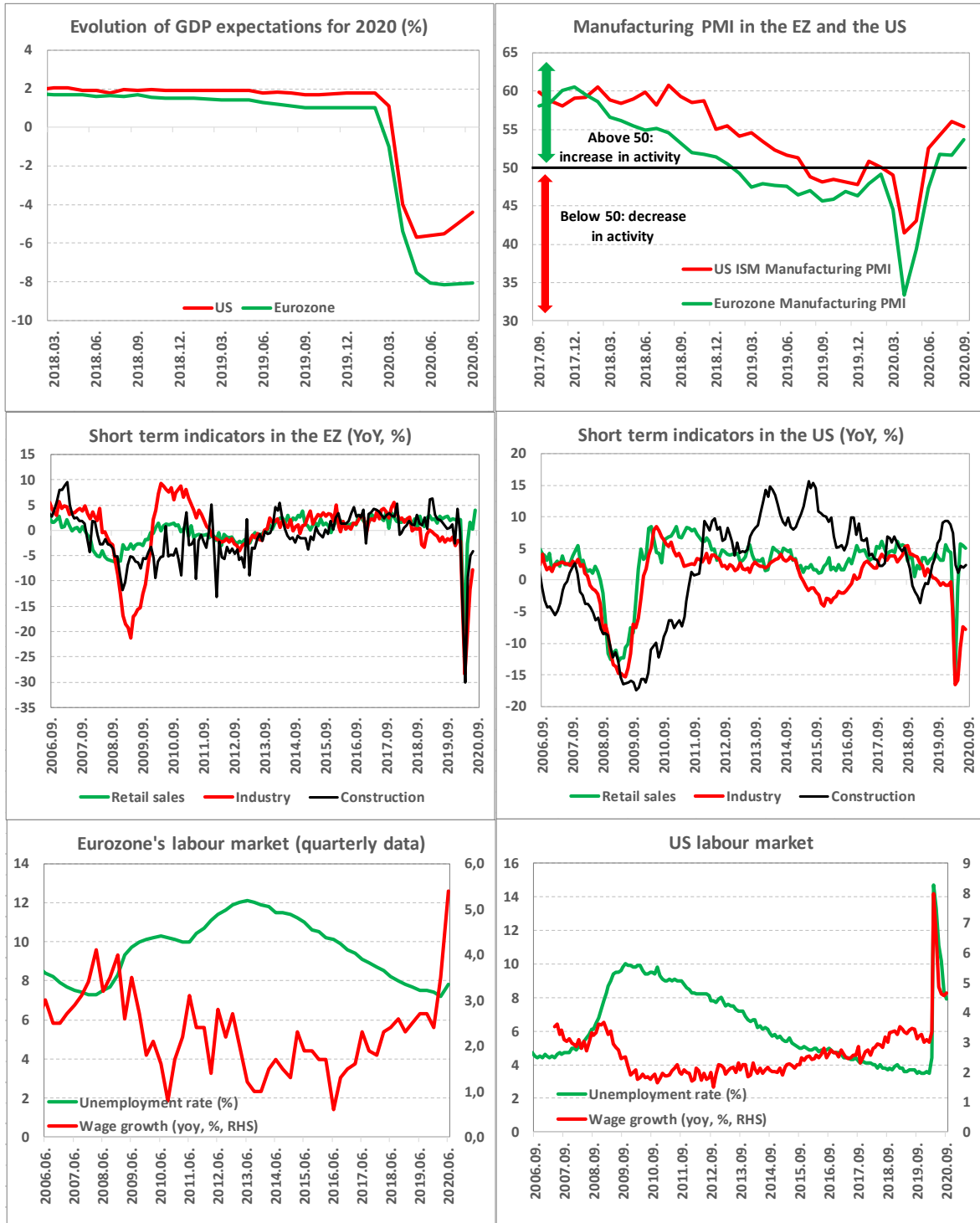
Last week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2020 10. 13.	5 : 00 CN	Export (YoY, %)	Sept	9,9	10,0	9,5
	8 : 00 UK	Unemployment rate (%)	Aug	4,5	4,3	4,1
	11 : 00 DE	ZEW Economic Sentiment (points)	Oct	56,1	73,0	77,4
	14 : 30 US	core-CPI (MoM, SA, %)	Sept	0,2	0,2	0,4
	14 : 30 US	core-CPI (YoY, %)	Sept	1,7	1,8	1,7
	14 : 30 US	CPI (MoM, SA, %)	Sept	0,2	0,2	0,4
	14 : 30 US	CPI (YoY, %)	Sept	1,4	1,4	1,3
	14. 11 : 00 EZ	Industrial production (MoM, %)	Aug	0,7	0,8	4,1
	15. 14 : 30 US	New York Fed Manufacturing index (points)	Oct	10,5	15,0	17,0
	14 : 30 US	Initial jobless claims ('000s)	weekly	898,0	825,0	840,0
	14 : 30 US	Continuing jobless claims ('000s)	weekly	10018,0	10700,0	10976,0
	16. 14 : 30 US	Retail sales (MoM, %)	Sept	1,9	0,7	0,6
	15 : 15 US	Industrial production (MoM, %)	Sept	-0,6	0,5	0,4
	16 : 00 US	Business inventories (MoM, %)	Aug	3,0	0,4	0,1
	16 : 00 US	Michigan Consumer confidence (preliminary, points)	Oct	81,2	80,5	80,4
	US	IMF & World Bank annual meeting (virtual, 3 days)	-	-	-	-

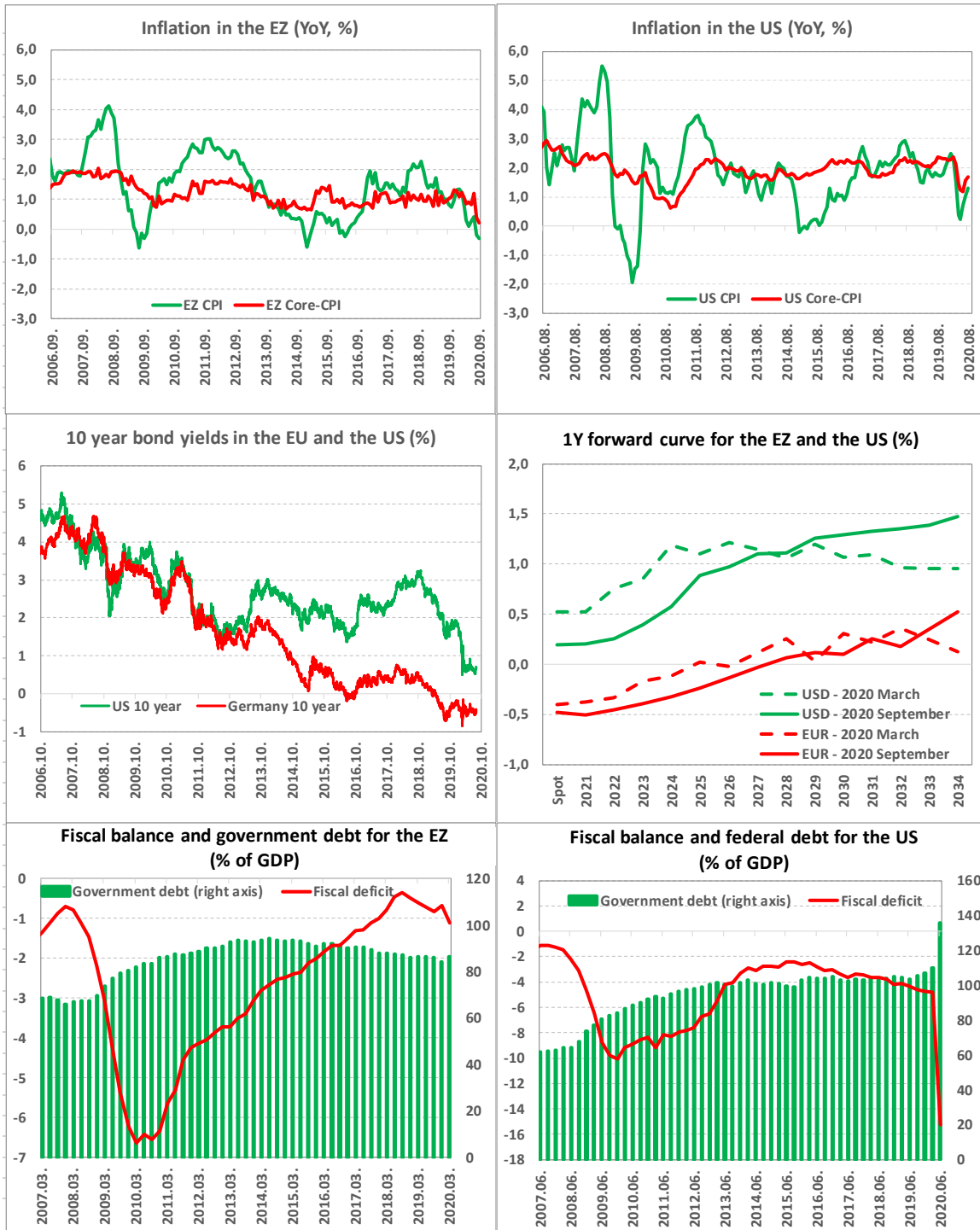
* preliminary data

**'Fact' refers to the accepted volume, 'Prev.' refers to the deals due on the current week

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	2022.Q1	2022.Q2	2022.Q3	2022.Q4
EURUSD	1,09	1,18	1,19	1,20	1,21	1,22	1,23	1,21	1,22	1,23	1,23
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	1,10	1,11	1,11
USDJPY	107,0	106,0	105,0	105,0	106,0	105,5	105,0	106,0	105,0	102,8	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	-5,8	4,8	Hungary	-2,0	-8,0	-5,5	-6,7	-4,1
Romania	4,1	-4,4	4,6	-5,3	4,4	Romania	-4,3	-9,5	-6,5	-9,4	-6,4
Bulgaria	3,4	-4,7	4,3	-5,0	4,2	Bulgaria	2,1	-4,4	-1,2	-3,5	-1,8
Russia	1,3	-3,3	3,6	-4,6	3,3	Russia	1,8	-4,4	-2,5	-4,6	-2,0
Ukraine	3,2	-5,7	4,7	-5,3	4,2	Ukraine	-2,2	-7,5	-6,0	-7,2	-4,4
Slovenia	2,4	-7,1	5,9	-7,9	5,2	Slovenia	0,5	-8,0	-3,6	-7,8	-3,6
Croatia	2,9	-8,4	5,4	-9,2	5,1	Croatia	0,4	-9,0	-6,0	-8,0	-3,7
Serbia	4,2	-1,9	5,3	-2,2	4,9	Serbia	-0,2	-8,0	-2,5	-7,9	-2,7
Montenegro	3,6	-12,7	7,8	-8,7	5,2	Montenegro	-2,9	-11,0	-4,2	-8,8	-3,0
Albania	2,2	-5,9	5,5	-5,8	6,2	Albania	-1,9	-7,7	-3,8	-6,9	-4,0
Moldova	3,6	-6,3	5,9	-5,1	4,1	Moldova	-1,4	-7,5	-5,0	-6,8	-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	3,3	3,1	Hungary	3,4	4,7	4,0	5,3	5,1
Romania	3,8	2,9	3,0	2,7	2,7	Romania	3,9	5,8	6,0	6,0	5,9
Bulgaria	3,1	1,2	1,5	2,0	2,3	Bulgaria	4,2	6,0	5,0	7,2	6,7
Russia	4,5	3,3	4,0	3,3	3,6	Russia	4,6	6,0	5,0	6,2	5,3
Ukraine	7,9	2,5	6,4	3,0	5,8	Ukraine	8,2	9,9	9,2	10,2	9,2
Slovenia	1,7	0,0	1,3	0,3	1,4	Slovenia	4,5	4,6	4,5	6,4	6,0
Croatia	0,8	0,2	1,2	0,1	1,0	Croatia	7,9	9,0	8,5	11,1	9,4
Serbia	1,9	1,6	1,8	1,6	2,0	Serbia	10,4	12,0	9,7	11,5	11,1
Montenegro	0,4	0,2	1,0	0,4	1,1	Montenegro	15,1	19,7	17,4	17,3	16,7
Albania	1,4	1,4	1,5	1,8	2,2	Albania	11,6	13,1	13,1	14,7	13,6
Moldova	4,8	2,8	2,3	4,7	4,5	Moldova	5,1	8,9	3,3	8,4	8,2

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	364,0	352,0	352,0	352,0	352,0	352,0
Romania	EURRON (eop)	4,78	4,83	4,84	4,87	4,86	4,87	4,88	4,93	4,94
Russia	USDRUB (eop)	61,9	77,7	70,0	79,7	72,9	71,6	71,4	70,5	70,3
Ukraine	USDUAH (eop)	23,70	27,62	26,70	28,30	28,31	28,18	28,09	28,50	28,72
Croatia	EURHRK (eop)	7,4	7,6	7,6	7,6	7,6	7,5	7,5	7,5	7,5
Serbia	EURRSD (eop)	118,0	117,0	118,0	118,0	118,0	118,0	118,0	118,0	118,0
Montenegro	EURUSD (eop)	1,12	1,10	1,12	1,18	1,19	1,20	1,21	1,21	1,21

*Slovenia and Montenegro uses EUR as a base currency.

**No forecast available for Moldova and Albania

Source: Focus Economics

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