

Regional and UK GDP data expected next week, but still all eyes will be on the aftermath of the US presidential election

The week starts with German export data **on Monday**. Since the beginning of September, the virus situation intensified in Europe, therefore the risks point to the downside for the incoming data. On the other hand, Germany's main trading partner is China, where the effect of the virus is less than in Europe and the consumer sector recovery well after the lockdowns in the beginning of the year. The incoming Sentix Investor sentiment data for November could give a clearer picture, how the virus and the following lockdowns affected investor sentiment on the continent.

On Tuesday, UK unemployment data expected to increase due to the fact that the prolonged virus situation put more and more pressure on the labour market as well. France industrial production is expected to grow at a healthy pace in September, however Italian industrial production could decline in MoM terms. The main concern is how will the economic activity evolve in the last quarter of the year. Based on the imposed measures, a recession is more and more likely in Europe for Q4. Finally, the day ends with the German ZEW data, which is expected to post a massive decline from 56.1 points to 45.4 points. This is not surprising and clearly shows the rapidly deteriorating investors expectations.

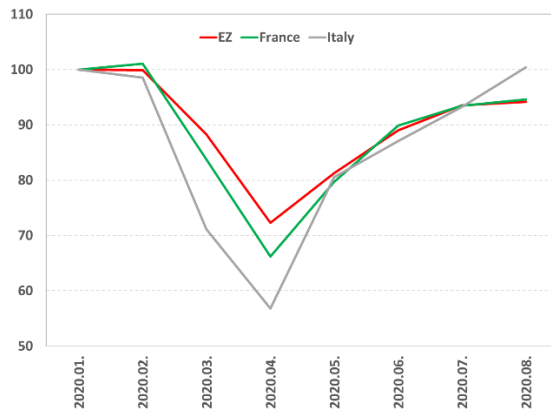
On Wednesday, no important macro data is expected, but **on Thursday** we will have UK and Russian GDP data for Q3. The analyst estimates for the UK point toward an almost 16% QoQ growth, after an almost 20% QoQ decline in Q2. Based on the Q3 GDP data from other large European countries, the incoming data could even exceed the market expectations. However, its impact on market sentiment could be only limited as currently more important factors are at play (US elections, lockdowns). Russia GDP will also be expected to improve significantly as the Q3 GDP expected to be -4% YoY, after the -8% YoY figure in Q2. After the Italian and French industrial production data, the same data from the EZ probably will not surprise too much.

The incoming US inflation is expected to be roughly the same then last month. Currently, the evolution of inflation is no concern for the Fed. This week Fed's Powell said that the Fed does not reach the limit to its monetary policy. For now is not known that more QE or other measure will come, it most definitely will be based on the size, timing and composition of the new fiscal stimulus. But naturally, the evolution of the virus will also play a huge role in it. The day will end with US jobless claims data and US monthly budget balance. Concerning the jobless claims data, it will be important to see if it increased as the new daily virus cases exceeded 100,000 people this week.

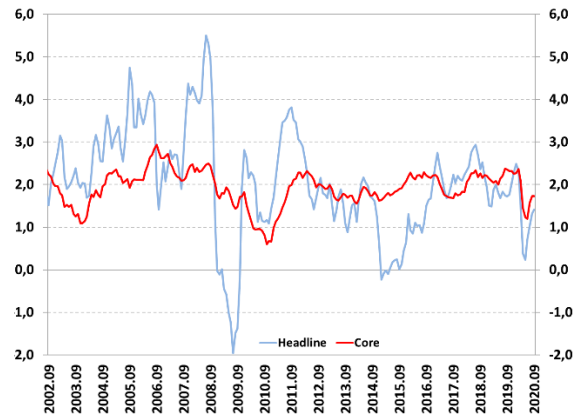
On Friday, regional GDP data is expected from Romania, Bulgaria, Hungary, Slovakia and Poland. These will be all very important, however – same as for the UK's GDP data – the main focus is now on the evolving virus situation and the effect of the lockdowns or restrictions on the economic activity in Q4.

Finally, based on the currently available information's, former Vice President Biden seems to have the more chance to win the US presidential elections, but **the elections are still not over**. In some states the results seem to be very close. Therefore the uncertainty around the election results may dominate market sentiment next week as well, even coupled with increased volatility.

Industrial production in the EZ (2020.01 = 100)



US inflation (yoy, %)



Source: Refinitiv

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.	
2020 9.	8 : 00	DE Export (MoM, SA, %)	Sept	2,0	2,4	
	10 : 30	EZ Sentix Investor confidence (points)	Nov	-14,0	-8,3	
10.	8 : 00	UK Unemployment rate (%)	Sept	4,7	4,5	
	8 : 45	FR Industrial production (MoM, %)	Sept	0,6	1,3	
	10 : 00	IT Industrial production (MoM, SA, %)	Sept	-2,0	7,7	
	11 : 00	DE ZEW Economic Sentiment (points)	Nov	45,4	56,1	
11.	15 : 00	HU 5Y collateralized loan w fixed interest rate, tender (HUFbn)	-	-	40,0	
12.	8 : 00	UK GDP (preliminary, QoQ, %)	Q3	15,8	-19,8	
	8 : 00	UK GDP (preliminary, YoY, %)	Q3	-9,4	-21,5	
	11 : 00	EZ Industrial production (MoM, %)	Sept	0,7	0,7	
	11 : 00	RU GDP (YoY, %)	Q3	-4,0	-8,0	
	14 : 30	US core-CPI (MoM, SA, %)	Oct	0,2	0,2	
	14 : 30	US core-CPI (YoY, %)	Oct	1,7	1,7	
	14 : 30	US CPI (MoM, SA, %)	Oct	0,2	0,2	
	14 : 30	US CPI (YoY, %)	Oct	1,3	1,4	
	14 : 30	US Initial jobless claims ('000s)	weekly	725,0	751,0	
	14 : 30	US Continuing jobless claims ('000s)	weekly	-	7285,0	
	20 : 00	US Federal budget balance (USDbn)	Oct	-	-125,0	
	13.	8 : 00	RO GDP (preliminary, QoQ, %)	Q3	6,6	-11,9
		9 : 00	HU GDP (preliminary, YoY, %)	Q3	-5,4	-13,6
		9 : 00	HU GDP (preliminary, QoQ, %)	Q3	10,4	-14,5
9 : 00		SK GDP (preliminary, YoY, %)	Q3	-5,0	-12,1	
10 : 00		PL GDP (preliminary, QoQ, %)	Q3	7,9	-9,0	
10 : 00		BG GDP (preliminary, YoY, %)	Q3	-4,2	-8,5	
10 : 30		PT GDP (preliminary, QoQ, %)	Q3	-	13,2	
11 : 00		EZ GDP (preliminary, QoQ, %)	Q3	12,7	12,7*	
11 : 00		EZ GDP (preliminary, YoY, %)	Q3	-4,3*	-4,3*	
16 : 00		US Michigan Consumer confidence (preliminary, points)	Nov	81,9	81,8	

After Biden emerging as the winner of the US election, stocks and commodities rallied, the USD depreciated. However, nothing is certain until all vote is counted

So far, Joe Biden seems to be the winner, but until the vote counting is finished, nothing is certain

The US Presidential election is inching closer to a conclusion. Two days after the election day, Joe Biden has easier path to get to 270 electoral votes than Donald Trump, but actually both of them have chance to win. Joe Biden made huge progress towards the victory in Georgia and Pennsylvania today. If any of these two states became „blue state”, the democratic nominee will be the next President of the United States. Votes are still being counted, demands for recounts, and legal action from the Republicans are highly possible, so we should wait maybe for weeks for the final results. Meanwhile, in the Senate Republicans could likely keep their majority and in the House of Representatives the majority of the Democrats could decrease.

As the pandemic worsens, partial lockdown inevitably follows

The epidemic situation continues to worsen on both sides of the Atlantic. In the US, daily new cases are rising at an accelerating pace and deaths have also started to climb upwards. Europe is still the epicentre of the pandemic with daily new infections and deaths both increasing across the continent, and more and more countries are introducing restrictions to control the spread of the virus. Most recently, the British government announced a national lockdown, which is expected to last until the 2nd of December. On a somewhat positive note, in Belgium, the country which has been worst hit by the second wave in Western Europe, daily new cases started to drop from record highs, although daily deaths are still on the rise. The other country with a more positive record is Ireland, where new infections are declining rapidly. In the CEE region daily infections continues to soar in most countries, and deaths are also increasing, but in a few places the pandemic appears to be slowing down. In the Czech Republic, which is worst hit by the pandemic in the region, daily new cases started to decline slightly, but they are still near record highs. In Slovenia, which has recently experienced a surge in daily deaths, new infections also started to decrease as lockdown measures take effect.

Stock markets deep dived as lockdown measures heating up

Stock market around the world rallied as after the US elections, Joe Biden seems to be emerging as the winner. However as we wrote before, until all the votes are counted its too early to call. But based on market behaviour, it seems that stock markets priced Joe Biden as the next president if the US. The S&P500 rallied almost 7%, while the small cap Russel 2000 gained almost 8%. European stock indices, like the Stoxx600 and the DAX also closed the week more than 8% higher. The Nikkei and the CSI300 increased almost 4%. Looking at sector performance, the possible Biden win also made a huge impact on various sectors. The winners of the week were IT, health care and basic materials. The IT sectors rallied because it seems, that the Republicans could hold their majority in the Senate, so there is no chance that any serious regulation could hit the biggest members of the IT sector. Some companies in the health care sector was afraid for the incoming regulations concerning medicine prices and the accessibility of the health care system. But with a Republican held majority in the Senate, any serious Democratic-sytle health care reform is out of the question. Utilities and energy companies gained the less during the week. In Europe, insurance companies, financial services and construction & materials gained the most. Telco and food & beverages also increased by more than 4%, but overall they underperformed. As different sectors over and under performed in the US and the EZ, it reinforces the belief, that in the US sector performance was driven by the incoming results of the US elections.

Mixed data flow during the week, but US unemployment rate fell below 7%

This week's data came in mixed, giving no clear direction where the world economy is heading. Chinese, US (ISM) and Italian Manufacturing PMI came better than expected, while Italian Service PMI disappointed. The latter was not a big surprise and the service sector is weak in Germany and France as well. EZ retail sales declined MoM, while German industrial production grew less than expected.

However, US service PMI disappointed as it declined compared to last month. This may be a very important development. So far, we saw that in the EZ, the manufacturing PMI data remained relatively high, but the service sector underperformed. In the US however, both showed very strong levels. The service PMI is still above 50 (56.9 points), but if the next month data also shows a decline, it could give cause for concern. On a positive side note, US non-farm payroll came above expectations, while unemployment rate fell to 6.9% to 7.7%. The Fed expected unemployment to be 7.6% this year, therefore the incoming data is a huge surprise. Additionally, US factory orders came better than expected.

As market sentiment was outstanding, the USD depreciated, commodities jumped

As market sentiment was outstanding last week, the USD depreciated by almost 2.0% against the EUR and by 1.3% compared to the GBP. Among commodities, the Brent oil was up by 7% and the WTI by 5.8%. The good performance – despite the possible Biden win – is due to the fact that without the Senate, no regulatory and less climate investment related threat exists. Precious metals also rallied this week as gold was up by 3.5% and the silver by 7%. Palladium was up almost 11% during the week. The volatility on the government bond market was high this week due to the uncertainties surrounding the elections, but overall the German and US bond yields did not move much.

The Bank of England expanded its asset purchase program; Fed's Powell said the monetary policy still has additional tools to act

The British central bank did not change the key interest rate as expected, but policymakers decided to expand the bond buying program more than expected, just as Prime Minister Boris Johnson ordered a new lockdown starting from yesterday, which is expected to last at least until 2 December. The new total volume of the program is £895 billion.

The US Federal Reserve also held an interest rate decision meeting at which the key interest rate was not changed as expected. At a press conference following the meeting, Fed President Jerome Powell highlighted that monetary policy still has additional tools to support economic growth, but did not mention any new measure specifically. The Fed's statement says that the recovery of economic activity and employment continues, but it is still at a lower level than at the beginning of the year - which is somewhat more cautious phrasing than after the previous meeting.

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	3495,5	6,9	8,2	Stoxx 600	SXXP Index	367,1	7,2	-11,7
IT	\$SINF Index	2098,9	7,7	30,3	Health care	SXDP Index	893,6	7,8	-1,7
Health care	\$SHLTH Index	1280,6	8,1	7,8	Industrial goods & services	SXNP Index	577,2	8,1	-4,0
Financials	\$SFIL Index	416,8	5,2	-18,5	Banks	SX7P Index	88,7	6,5	-38,1
Telco	\$STELS Index	209,2	6,4	15,2	Personal & households goods	SXQP Index	878,3	6,7	-2,5
Consumer discretionary	\$SCOND Index	1244,8	6,2	26,2	Insurance	SXIP Index	239,0	9,4	-26,0
Industrials	\$SINDU Index	686,8	7,1	-0,1	Food and beverages	SX3P Index	668,4	4,8	-13,6
Consumer staples	\$SCONS Index	670,6	4,9	3,6	Technology	SX8P Index	547,8	8,0	3,3
Utilities	\$SUTIL Index	329,0	3,8	0,2	Utilities	SX6P Index	360,2	6,4	1,2
Energy	\$SENRS Index	224,9	3,7	-50,7	Oil & gas	SXEP Index	186,2	6,4	-41,6
Real estate	\$SRLST Index	223,1	5,5	-7,2	Chemicals	SX4P Index	1066,0	8,6	3,5
Materials	\$SMATR Index	429,6	8,2	11,3	Construction & materials	SXOP Index	470,0	8,5	-8,3
Source: Bloomberg					Telco	SXKP Index	197,1	4,0	-19,6
					Retail	SXRP Index	365,6	7,5	1,0
					Financial services	SXFP Index	552,7	8,9	-5,3
					Basic resources	SXPP Index	408,2	6,5	-11,6
					Real estate	SX86P Index	156,0	6,5	-19,2
					Auto & parts	SXAP Index	447,1	8,0	-12,1
					Media	SXMP Index	255,2	7,8	-16,8
					Travel & leisure	SXTP Index	187,8	5,7	-29,2
					Source: Bloomberg				

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	3496	4,0	4,4	22,7	13,6	27,1	3,8	2,6	11,3	1,4	123,0	4,5	6,8
Europe	SXXP Index	367	0,3	1,3	9,8	-9,4	41,6	1,8	1,3	4,8	1,1	191,3	0,4	2,4
Germany	DAX Index	12517	-3,0	-0,6	18,0	-5,0	68,4	1,6	1,0	4,6	1,2	134,6	19,2	5,2
France	CAC Index	4973	1,6	1,8	12,2	-15,2	51,2	1,5	1,2	3,2	1,1	246,0	1,6	-0,7
Poland	WIG20 Index	1687	-2,8	-7,2	7,6	-25,2	23,7	0,9	0,7	3,2	1,1	59,6	-17,0	-23,3
Czechia	PX Index	862	-1,5	-4,9	-1,3	-19,8	12,5	1,0	1,2	8,0	1,1	165,7	0,2	5,6
Hungary	BUX Index	35202	4,6	-0,6	1,9	-18,7	15,1	0,9	0,7	2,6	1,1	102,0	-94,4	-10,9
Romania	BET Index	8832	-0,6	2,9	8,9	-8,8	10,2	0,9	1,2	9,1	1,4	37,1	7,6	16,4
Bulgaria	SOFIX Index	425	0,7	-1,9	-5,2	-23,8	3,7	0,5	0,6	13,0	3,2	56,3		
Russia	IMOEX Index	2886	-0,2	-3,4	9,7	-3,2	11,5	1,0	1,3	8,3	1,3	75,6	10,2	8,0
Ukraine	PFTS Index	500	0,1	0,1	0,0	-3,2	4,1	0,8	0,3	37,9	0,6	16,5		
Slovenia	SBITOP Index	823	-2,4	-1,9	3,2	-4,8	6,8	0,7	0,4	11,0	1,6	29,9	0,7	
Croatia	CRO Index	1587	-1,9	-0,2	3,1	-19,7	79,0	0,9	0,9	1,1	1,4	54,3		
Serbia	BELEX15 Index	705	1,4	5,6	6,2	-6,0	14,3	0,6	0,7	4,5	2,0	17,6		
Montenegro	MNSE10 Index	643	-1,4	-4,7	-6,7	-18,3	13,0	0,3	0,9	2,1	2,1	14,4		

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

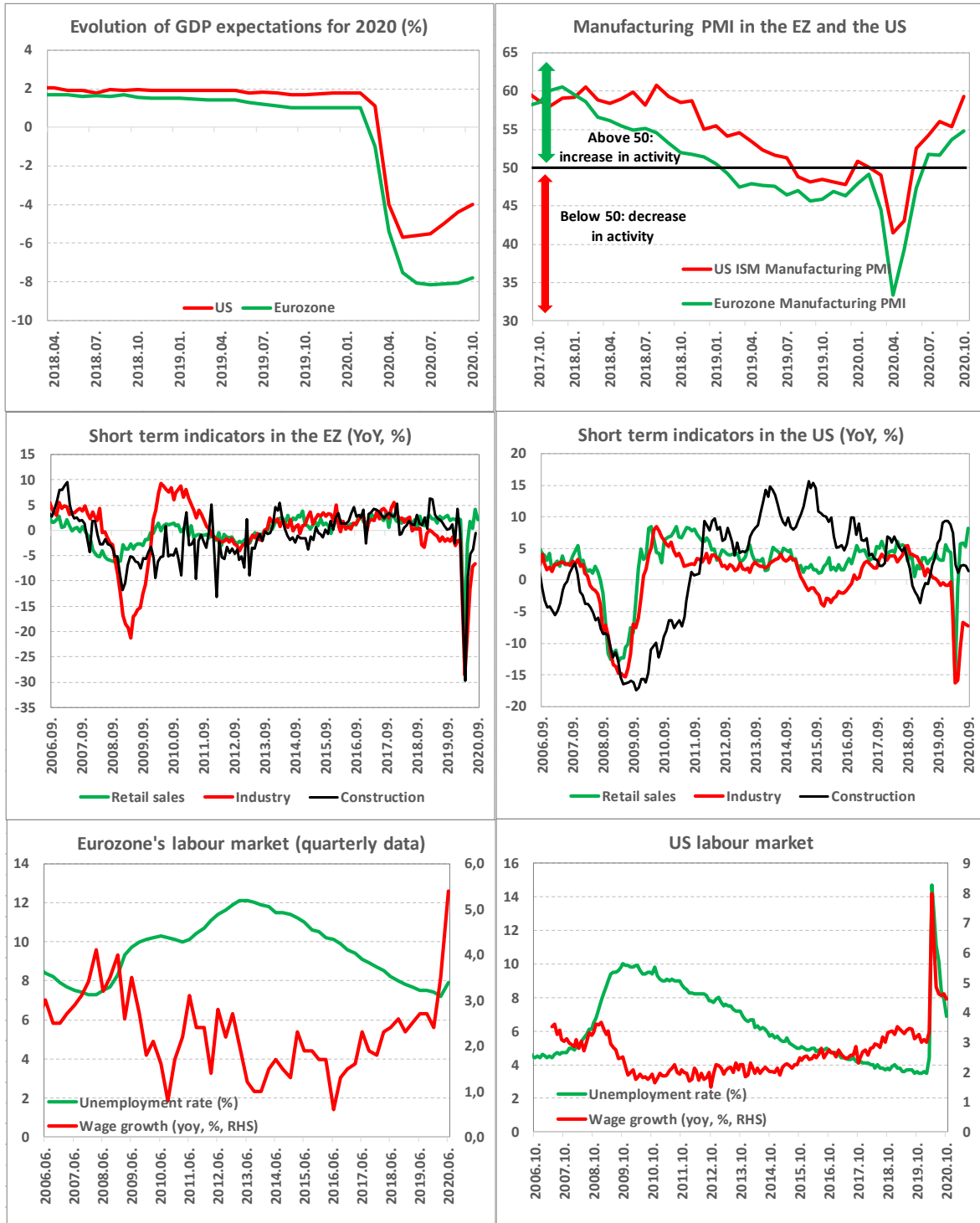
**Bear in mind that some of the country index could be very sector heavy (only a handful industry consists of the majority of the index).

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

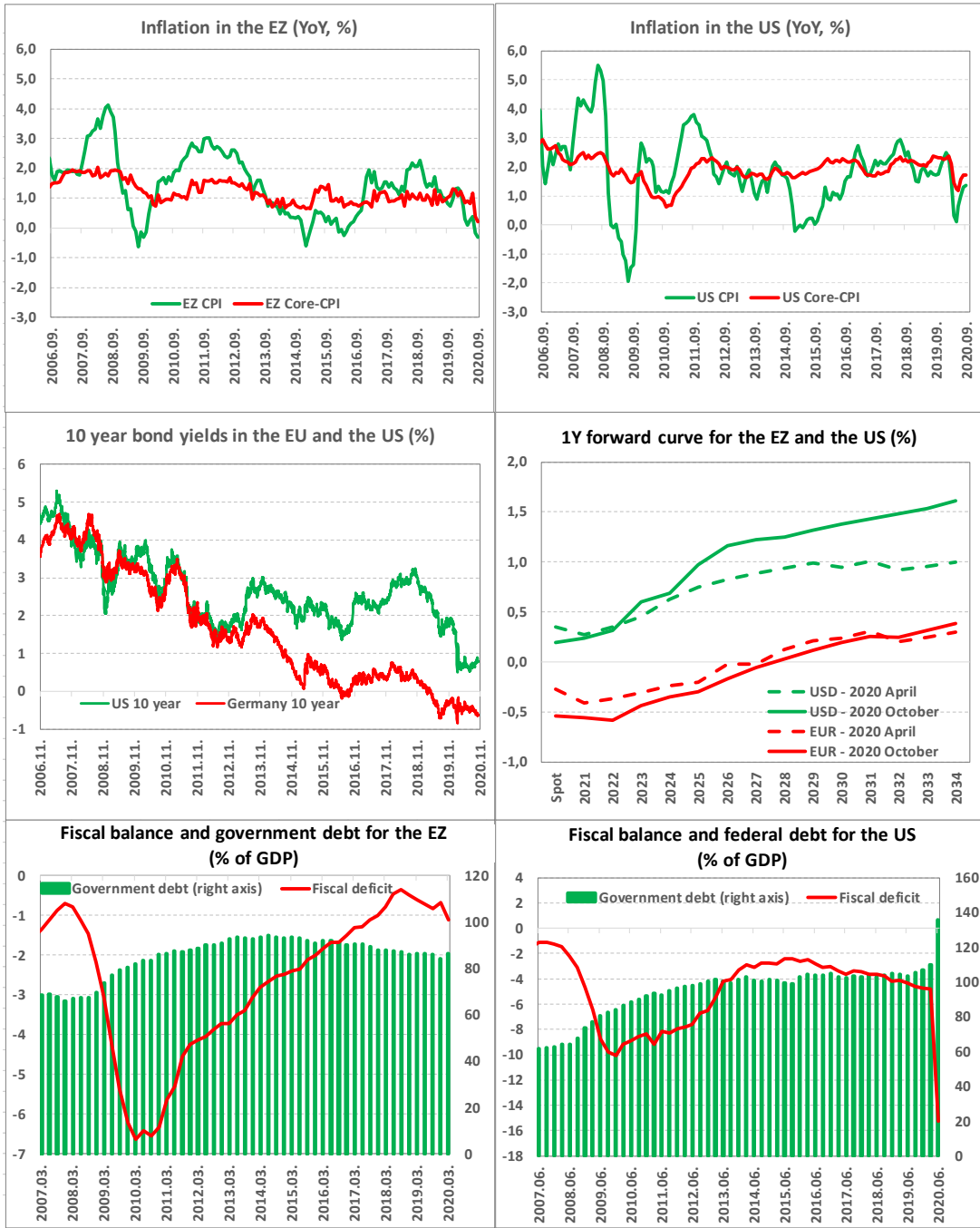
Last week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2020. 10. 2.	2 : 45 CN	Caixin Manufacturing PMI (points)	Oct	53,6	53,0	53,0
	9 : 45 IT	Markit/IHS Manufacturing PMI (prelim.)	Oct	53,8	53,5	53,2
	16 : 00 US	Construction expenditure (MoM, %)	Sept	0,3	1,0	1,4
	16 : 00 US	ISM Manufacturing PMI (points)	Oct	59,3	55,8	55,4
3.	16 : 00 US	Factory orders (MoM, %)	Sept	1,1	1,0	0,7
	US	Presidential election	-	-	-	D. Trump
	US	Senate election (35 members)	-	-	-	-
4.	2 : 45 CN	Caixin Services PMI	Oct	56,8	55,0	54,8
	9 : 45 IT	Markit/IHS Services PMI (prelim.)	Oct	46,7	47,0	48,8
	11 : 00 EU	EC's Economic Forecast	-	-	-	-
	13 : 00 PL	Interest rate decision (%)	Nov	0,1	0,1	0,1
	14 : 15 US	ADP non-farm employment (MoM, '000s)	Oct	365,0	650,0	749,0
	16 : 00 US	ISM non-Manufacturing PMI (points)	Oct	56,9	57,5	57,8
5.	8 : 00 DE	Industrial orders (MoM, %)	Sept	0,5	2,0	4,5
	11 : 00 EZ	Retail sales (MoM, %)	Sept	-2,0	-1,0	4,4
	13 : 00 UK	Interest rate decision (%)	Nov	0,1	0,1	0,1
	14 : 30 US	Initial jobless claims ('000s)	weekly	751,0	732,0	758,0
	14 : 30 US	Continuing jobless claims ('000s)	weekly	7285,0	7200,0	7823,0
	14 : 30 CZ	Interest rate decision (%)	Nov	0,3	0,3	0,3
	20 : 00 US	Interest rate decision (%)	Nov	0-0,25	0-0,25	0-0,25
6.	8 : 00 DE	Industrial production (MoM, %)	Sept	1,6	2,7	-0,2
	10 : 00 IT	Retail sales (MoM, SA, %)	Sept	-0,8	-	8,2
	14 : 30 US	Non-farm payroll (MoM, '000s)	Oct	638,0	600,0	661,0
	14 : 30 US	Unemployment rate (%)	Oct	6,9	7,7	7,9
	14 : 30 US	Average earnings (MoM, %)	Oct	0,1	0,2	0,1
	14 : 30 US	Average earnings (YoY, %)	Oct	4,5	4,6	4,7
7.	4 : 00 CN	Export (YoY, %)	Oct		9,2	9,9

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.Q4	2023.Q4	2024.Q4
EURUSD	1,09	1,18	1,18	1,19	1,20	1,21	1,22	1,24	1,24	1,25
EURGBP	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	1,11	1,10	1,13
USDJPY	107,0	106,0	105,0	105,0	106,0	105,8	105,5	102,0	101,0	98,0

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	4,6	-6,3	5,8	-5,9	4,7	Hungary	-2,1	-8,0	-5,5	-7,1	-4,3
Romania	4,1	-4,4	4,6	-5,3	4,5	Romania	-4,4	-9,5	-6,5	-9,3	-6,3
Bulgaria	3,4	-4,7	4,3	-4,9	4,2	Bulgaria	1,9	-4,4	-1,2	-4,2	-2,2
Russia	1,3	-3,3	3,6	-4,3	3,1	Russia	1,8	-4,4	-2,5	-4,5	-2,1
Ukraine	3,2	-5,7	4,7	-5,4	4,2	Ukraine	-2,2	-7,5	-6,0	-6,8	-4,6
Slovenia	2,4	-7,1	5,9	-7,4	5,0	Slovenia	0,5	-8,0	-3,6	-8,2	-4,1
Croatia	2,9	-8,4	5,4	-8,8	5,0	Croatia	0,4	-9,0	-6,0	-8,1	-4,1
Serbia	4,2	-1,9	5,3	-2,3	4,9	Serbia	-0,2	-8,0	-2,5	-7,9	-3,0
Montenegro	3,6	-12,7	7,8	-10,3	6,0	Montenegro	-2,9	-11,0	-4,2	-9,6	-4,3
Albania	2,2	-5,9	5,5	-6,7	6,0	Albania	-1,9	-7,7	-3,8	-7,6	-4,7
Moldova	3,6	-6,3	5,9	-5,7	4,4	Moldova	-1,4	-7,5	-5,0	-7,2	-4,1

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	3,4	3,2	Hungary	3,4	4,7	4,0	4,9	4,9
Romania	3,8	2,9	3,0	2,7	2,7	Romania	3,9	5,8	6,0	5,6	6,1
Bulgaria	3,1	1,2	1,5	1,9	2,2	Bulgaria	4,2	6,0	5,0	6,5	6,4
Russia	4,5	3,3	4,0	3,3	3,6	Russia	4,6	6,0	5,0	6,2	5,4
Ukraine	7,9	2,5	6,4	2,8	5,8	Ukraine	8,2	9,9	9,2	9,9	9,0
Slovenia	1,7	0,0	1,3	0,2	1,4	Slovenia	4,5	4,6	4,5	5,8	5,8
Croatia	0,8	0,2	1,2	0,2	1,0	Croatia	7,9	9,0	8,5	9,0	8,9
Serbia	1,9	1,6	1,8	1,6	2,0	Serbia	10,4	12,0	9,7	11,2	10,8
Montenegro	0,4	0,2	1,0	0,1	1,1	Montenegro	15,1	19,7	17,4	17,2	16,1
Albania	1,4	1,4	1,5	1,8	2,1	Albania	11,6	13,1	13,1	13,8	13,0
Moldova	4,8	2,8	2,3	4,4	3,8	Moldova	5,1	8,9	3,3	7,1	6,9

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	358,0	358,0	358,0	358,0	358,0
Romania	EURRON (eop)	4,78	4,83	4,84	4,87	4,90	4,90	4,92	4,92	4,96
Russia	USDRUB (eop)	61,9	77,7	70,0	79,7	74,0	73,2	72,7	71,4	70,3
Ukraine	USDUAH (eop)	23,70	27,62	26,70	28,30	28,44	28,47	28,62	28,79	28,93
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	1,17	1,18	1,19	1,20	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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