

November confidence indices and detailed Q3 GDP data will be in the spotlight

On Monday, the week starts with a series of European and US PMI data for November. The data will be particularly important, as it will give a comprehensive picture on the eurozone and USA with the same methodology on business sentiment. The key question is to what extent the increasing number of lockdowns weaken the business situation. While it is obvious to have a negative mark on the situation and the outlook, the expectation is that the damage will be smaller than in the spring. Importantly, until October, it was only the euro area services sector PMI that started to deteriorate, sinking below the 50 mark in a sign of contraction. This index has been on a declining path since August and fell below 50 already in September. The October figure was 46.9. In contrast, manufacturing PMI kept improving and stood at 54.8 last month. At the same time until October, both US manufacturing and services PMI increased and remained above 50 (they stood at 53.4 and 56.9 respectively in the previous month). This could be partially explained by the USA's lagging behind Europe in terms of the latest covid wave. However, the market expectation is that the deteriorating virus situation will leave its mark on business sentiment and expectation on both sides of the Atlantic.

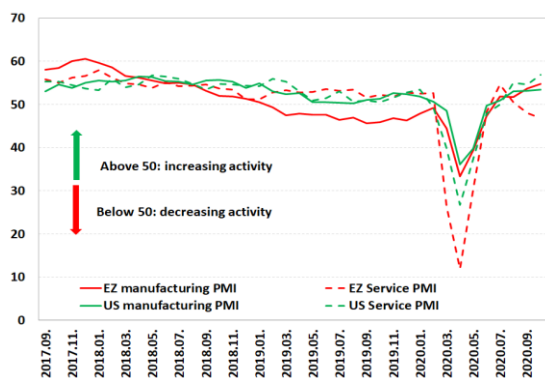
On Tuesday, Germany releases detailed GDP statistics for Q3. In the first release, the gauge was at 8.2%, after the -9.8% in Q2 (both QoQ). As in most countries, Q2's sharp fall was primarily driven by weak exports, while household consumption and investment fell somewhat less than the headline figure, and government consumption had a stabilizing effect. The question is which components caused the rebound in Q3. Additionally, production side data will be equally important, as we have limited information on certain sectors of the economy based on monthly statistics. Here the key question is to what extent service sectors (tourism, leisure, catering) could have recovered after the spring lockdowns. Germany will publish the November IFO index as well. In October, the business climate index started to fall (to 94 from 95.7), for the first time since April. Both the current situation and expectations components weakened, although the former to a smaller extent. In the afternoon, the Case-Schiller home price index as well as the Conference Board consumer confidence will be out in the USA. House prices posted a solid rise up to August at 5.2% YoY. As regards the consumer confidence index, the sentiment started to deteriorate already in October, to 100.9 from 101.8. The market expects further decline for November, to 98.

Wednesday will be dominated by US data. We will learn more on household spending and incomes for October. Household spending grew by 1.4% MoM in September, accelerating from August and above market expectations (both 1%). For October, the market consensus projects slowdown to 0.4%. Similarly, personal income for September surprised on the upside at 0.9% against an expectation of 0.4%, and corrected partially a 2.7% decline from August. The consensus forecast for October is 0.1% growth. The 1.9% MoM rise in durable goods orders in September demonstrated that the economic recovery was not entirely dependent on consumers, with business equipment investment recording a swift bounce back to pre-pandemic levels. The data turned out well above the consensus forecast of 0.5%. For October, market analysts expect a moderate 0.3% growth. In contrast, new home sales disappointed for September, with 3.5% MoM decline, which reversed 4.8% growth in August, and missed expectations of 2.8% expansion. For October, the market expects 1.1% growth. Given the national holiday on Thursday and Friday, weekly labour market data will be also released on Wednesday. Initial jobless claims increased to 742,000 in the second week of November, from 711,000 a week earlier. In the meantime, continuing jobless claims declined to 6.4 mn, showing an uninterrupted diminishing series since the 24.9 mn gauge in May. Still on Wednesday, the second estimate of detailed US GDP will also be published. In the first release, it was exports and consumption that gave the biggest impetus to Q3 recovery (at 33.1% annualized rate).

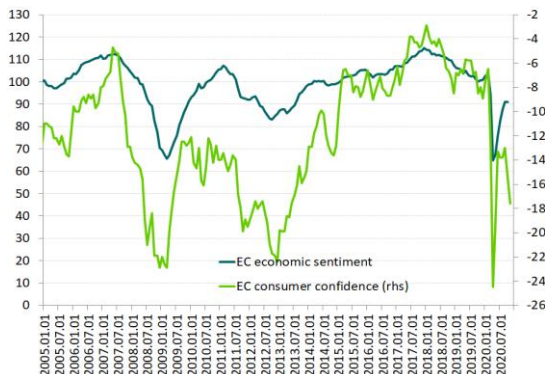
Thursday will not bring important data releases, but we will have the minutes of the latest ECB meeting, from where one could gauge their policy sentiment in more detail.

Friday, a batch of European data could be of interest. First, France's detailed GDP will be released. Flash data for Q3 turned out at a surprisingly strong 18.2%, after the 13.7% decline in Q2, and 5.9% decline in Q2. This left the YoY GDP growth rate at -4.3%. Based on the flash data, it was consumption that gave the biggest impetus to GDP. Industrial decomposition of the data could be interesting, as well. On the same day, the European Commission's economic sentiment index (ESI) for November will be released. Unlike consumer confidence, ESI indices remained flat in October at 90.9, after improving slightly in September.

PMI data



Consumer and economic confidence in the euro area (points)



Source: Refinitiv

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.		
2020 11. 23.	9 : 15	FR	Markit Manufacturing PMI (points)	Nov	50.1	51.3	
	9 : 15	FR	Markit Service PMI (points)	Nov	38.0	46.5	
	9 : 30	DE	Markit Manufacturing PMI (points)	Nov	56.5	58.2	
	9 : 30	DE	Markit Service PMI (points)	Nov	46.3	49.5	
	10 : 00	EZ	Markit Manufacturing PMI (points)	Nov	53.1	54.8	
	10 : 00	EZ	Markit Service PMI (points)	Nov	42.5	46.9	
	10 : 30	UK	Manufacturing PMI (points)	Nov	50.5	53.7	
	10 : 30	UK	Service PMI (points)	Nov	42.5	51.4	
	15 : 45	US	Markit Manufacturing PMI (points)	Nov	53.0	53.4	
	15 : 45	US	Markit Service PMI (points)	Nov	55.5	56.9	
	24.	8 : 00	DE	GDP (detailed, QoQ, %)	Q3	8.2	8.2*
		10 : 00	DE	Ifo Economic sentiment index (points)	Nov	90.8	92.7
		15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Sept		5.2
	25.	16 : 00	US	Consumer confidence (point)	Nov	98.0	100.9
		14 : 30	US	Durable goods orders (MoM, %)	Oct	1.1	1.9
14 : 30		US	GDP (detailed, QoQ annualized, %)	Q3	33.1	33.1*	
14 : 30		US	Initial jobless claims ('000s)	weekly		742.0	
14 : 30		US	Continuing jobless claims ('000s)	weekly		6372.0	
16 : 00		US	Personal income (MoM, %)	Oct	0.1	0.9	
16 : 00		US	Personal consumption (adjusted, MoM, %)	Oct	0.4	1.4	
16 : 00		US	New home sales (annualized monthly, '000s)	Oct	970.0	959.0	
20 : 00		US	FOMC Minutes	Nov	-	-	
26	13 : 30	EZ	ECB Minutes	Nov	-	-	
	8 : 45	FR	GDP (detailed, QoQ, %)	Q3	18.2	18.2*	
27.	9 : 00	ES	Retail sales (YoY, %)	Oct		-3.3	
	9 : 00	AT	GDP (detailed, QoQ, %)	Q3		11.1*	
	10 : 00	IT	Consumer confidence (point)	Nov	100.0	102.0	
	11 : 00	EZ	EC Economic Sentiment Index (points)	Nov	86.5	90.9	

* preliminary data

Stock markets and oil, pushed by positive vaccine and negative pandemic news, finally ended a mixed week; the USD weakened against the EUR

The pandemic worsens, lockdowns are becoming more stringent

The new wave of the coronavirus pandemic continued in both the United States and Europe. In the USA, daily new cases continued to rise to new highs, and daily deaths started to grow exponentially. More and more states are introducing new restrictions, to control the spread of the virus, while trying to avoid full lockdowns. The next week could prove critical for determining the trajectory of the current wave of the virus in the USA, as 26 November is Thanksgiving Day. In Europe, daily new cases and deaths are stagnating or declining slightly but they are still at high levels. Previous lockdown measures are beginning to have a visible effect on coronavirus statistics in an increasing number of countries, but improvement appears to be stalled in several places, such as the Netherlands and France. In the CEE region, the situation is similar to the western part of the continent. In the Czech Republic and Slovakia, daily new infections have been on a steady downward path, but in Slovenia – despite the restrictions – the decline in daily new cases stopped, while daily deaths are climbing ever higher.

The week likely ended with mixed results: positive vaccine news and increasing number of lockdowns affected investors in different directions

Stock markets started the week on a strong note again, fuelled by optimism related to favourable vaccine news and more electors for Joe Biden. Moderna said its vaccine is 95% effective among those who have not gone through Covid-19 yet. This was the second very promising announcement on phase 3 vaccines, soon to be released for mass production. In the meantime, Pfizer said on Friday it has applied to U.S. health regulators for emergency use authorization of its COVID-19 vaccine, a major step toward providing protection against the new coronavirus. During the week, all US states finalized results (Georgia after recount), and Joe Biden has secured 306 electors, as opposed to 232 for Donald Trump. Having Biden as an obvious winner has decreased political uncertainty, which also helped markets. Nevertheless, while looking further ahead, things have started to look more and more promising for investors, in the short-term, the increasing number of lockdowns in USA (California and Ohio imposed nightly curfews on Thursday, joining 20 US states to have adopted new mandates to fight the spread of the virus this month), and more stringent lockdowns for Europe started to worry market participants, due to the economic costs. It is more and more likely that the EU and possibly also the US may drop into quarterly recession in Q4. In the meantime, in a surprise move on Thursday, U.S. Treasury Secretary Steven Mnuchin said the key COVID-19 pandemic lending programs at the Federal Reserve to support businesses and local governments would expire by the end of the year, while no progress on a new fiscal stimulus program has been reported, despite resuming Congress talks. In Europe, Poland and Hungary indicated plans to veto the Recovery and Resilience Fund and the Multiannual Financial Framework agreement, given the likely adoption of a rule of law mechanism for future EU fund disbursements. Probably the situation will be resolved somehow, but political battles delay the implementation of the next financial cycle. Overall, these tendencies pushed markets in opposing directions, from smaller gains to losses, from one day to the other. Overall, as of now US markets (just opened) stand close to a flat week, while European stocks stand in small pluses. Similarly to the previous week, the biggest gains were seen in the energy sector (+4.9%) in the USA and oil+gas (+5.8%) in Europe, followed by European auto parts (+4.1%), and European banks (+4.1%).

October data are in line with the consensus but November data disappointed for the USA, while China's data met expectations

The October reading of China's industrial production, retail sales, and infrastructural investment data were broadly in line with expectations. This means that China's V-shaped recovery remains on track. At

the same, although October hard data for the USA were roughly in line with expectations (industrial production at 1.1% MoM as opposed to the expected 1.0%, retail sales at 0.3% vs 0.5%, business inventories at 0.7% vs 0.6%, all MoM, housing permits at 1,550,000 vs. 1,530,000, housing starts at 1,530,000 vs. 1,460,000, the leading index at 0.7 vs. 0.7 points), and some even turned out slightly better (existing home sales at 6,850,000 vs. 6,450,000), information for November seemed to indicate that the recovery is losing steam, and the renewed spread of the pandemic will take its toll on the economy. The New York Fed manufacturing index turned out at 6.3 for November, as opposed to the expected 12.8 points, and well below the 10.5 value for October. Initial jobless claims for the second week of November stood at 742,000 as opposed to the previous value of 711,000 (although continuing claims kept declining to 6.4 mn from 6.8 mn). In Europe, UK retail sales, at 1.2% MoM was slightly better than the consensus forecast (1.0%), although this still means slowdown compared to September 1.5%). Consumer confidence for the eurozone fell to -17.6 points from -15.5, roughly in line with expectations, reflecting more stringent curfews.

Finally, Turkey's central bank (CBRT) hiked its one-week repo rate by 475bp to 15%, which adds to the evidence that policymakers are shifting to a more aggressive stance towards high inflation.

The EUR/USD increased slightly, oil gained momentum as well as other commodities, but precious metals fell

The EUR/USD increased, the USD fell 0.3% against the EUR and 0.7% versus the GBP. Oil prices rallied by around 3.5%, also fuelled by the expectation of a delay in ramping up planned oil production by OPEC+, and the better outlook for economies, given the reality of an effective vaccine. Gold and silver fell, but palladium, copper, steel increased.

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	3577.5	-0.2	10.7	Stoxx 600	SXXP Index	389.0	1.0	-6.4
IT	S5INFT Index	2127.9	-0.1	32.1	Health care	SXDP Index	880.5	-1.8	-3.2
Health care	S5HLTH Index	1265.5	-3.1	6.5	Industrial goods & services	SXNP Index	609.1	1.4	1.3
Financials	S5FINL Index	452.5	0.9	-11.5	Banks	SX7P Index	106.5	4.0	-25.7
Telco	S5TELS Index	212.1	-0.5	16.8	Personal & households goods	SXQP Index	922.7	0.5	2.4
Consumer discretionary	S5COND Index	1247.9	0.2	26.5	Insurance	SXIP Index	273.9	3.0	-15.2
Industrials	S5INDU Index	735.0	1.6	6.9	Food and beverages	SX3P Index	706.4	-0.8	-8.7
Consumer staples	S5CONS Index	686.3	-0.9	6.1	Technology	SX8P Index	561.1	0.8	5.8
Utilities	S5UTIL Index	321.7	-3.9	-2.0	Utilities	SX6P Index	377.3	0.7	6.0
Energy	S5ENRS Index	267.1	4.9	-41.5	Oil & gas	SXEP Index	222.8	5.8	-30.1
Real estate	S5RLST Index	228.7	-1.5	-4.8	Chemicals	SX4P Index	1092.2	0.6	6.1
Materials	S5MATR Index	438.1	1.1	13.5	Construction & materials	SXOP Index	498.4	0.2	-2.8
Source: Bloomberg					Telco	SXKP Index	210.7	1.3	-14.0
					Retail	SXRP Index	391.1	1.1	8.0
					Financial services	SXFP Index	584.1	1.7	0.1
					Basic resources	SXPP Index	438.4	2.3	-5.0
					Real estate	SX86P Index	165.0	0.8	-14.5
					Auto & parts	SXAP Index	506.2	4.1	-0.4
					Media	SXMP Index	276.0	1.2	-10.0
					Travel & leisure	SXTP Index	202.1	1.0	-23.8

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	3578	3.9	5.7	20.4	15.1	27.9	3.9	2.6	11.3	1.4	122.3	4.4	7.2
Europe	SXXP Index	389	6.4	6.4	13.5	-3.7	46.2	1.9	1.4	4.6	1.1	192.7	0.2	1.2
Germany	DAX Index	13128	3.1	2.3	17.0	-0.2	65.4	1.7	1.0	3.2	1.2	134.8	21.3	4.6
France	CAC Index	5494	11.5	11.9	22.2	-6.8	56.7	1.7	1.3	3.2	1.1	245.8	1.5	0.9
Poland	WIG20 Index	1819	9.8	0.2	10.0	-17.1	27.0	1.0	0.8	3.1	1.1	58.1	-19.4	-15.9
Czechia	PX Index	941	8.2	5.8	7.1	-12.7	13.9	1.1	1.3	8.0	1.2	166.5	-0.8	1.5
Hungary	BUX Index	38223	13.4	6.0	7.3	-13.0	16.7	1.0	0.8	5.3	1.2	61.1	14.3	-6.6
Romania	BET Index	9057	2.7	4.1	7.6	-6.9	10.2	1.0	1.3	9.3		36.9	2.5	
Bulgaria	SOFIX Index	426	-0.6	-2.3	-5.3	-22.7	3.7	0.5	0.6	13.0	3.2	56.3		
Russia	IMOEX Index	3051	8.9	1.9	10.1	3.9	15.8	1.2	1.5	6.6	1.2	83.5	5.1	5.5
Ukraine	PFTS Index	501	-0.1	0.2	0.2	-3.2	4.1	0.8	0.3	37.9	0.6	16.5		
Slovenia	SBITOP Index	853	3.1	-1.0	5.3	-3.5	7.6	0.8	0.5	10.1	1.6	29.3	-0.2	
Croatia	CRO Index	1686	5.4	5.6	6.6	-15.5	83.9	0.9	1.0	1.1	1.4	53.6		
Serbia	BELEX15 Index	715	3.8	5.2	6.2	-6.4	14.9	0.6	0.7	4.4	2.0	17.7		
Montenegro	MNSE10 Index	641	-2.2	-5.7	-8.9	-18.9	13.9	0.3	0.9	1.9	2.2	14.8		

*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).

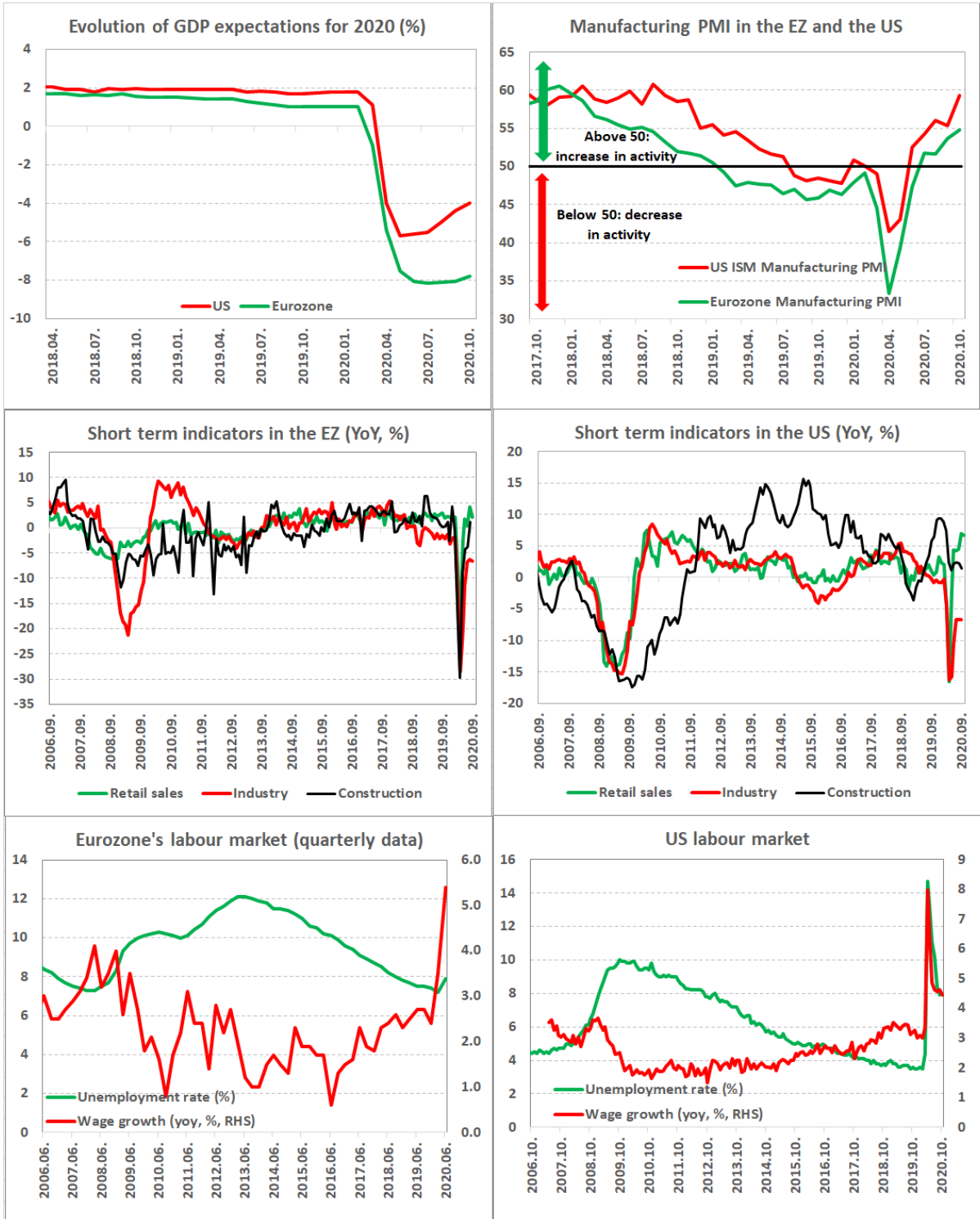
***therefore direct comparison of only valuation metrics could be misleading.

Last week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2020 11.16.	0 : 50 JP	GDP (QoQ, %)	Q3	5.0	4.4	-7.9
	3 : 00 CN	Industrial production (YoY, %)	Oct	6.9	6.5	6.9
	3 : 00 CN	Retail sales (YoY, %)	Oct	4.3	4.9	3.3
	3 : 00 CN	Infrastructural spending (YoY, %)	Oct	1.8	1.6	0.8
	14 : 30 US	New York Fed Manufacturing index (points)	Nov	6.3	12.8	10.5
17	14 : 30 US	Retail sales (MoM, %)	Oct	0.3	0.5	1.9
	15 : 15 US	Industrial production (MoM, %)	Oct	1.1	1.0	-0.6
	16 : 00 US	Business inventories (MoM, %)	Sept	0.7	0.6	0.3
18.	8 : 00 UK	Inflation (YoY, %)	Oct	0.7	0.6	0.5
	14 : 30 US	Building permits (annualized monthly, '000s)	Oct	1550.0	1560.0	1545.0
	14 : 30 US	Housing starts (annualized monthly, '000s)	Oct	1530.0	1460.0	1415.0
19.	12 : 00 TR	Interest rate decision (%)	Nov	15.0	15.0	10.3
	14 : 30 US	Initial jobless claims ('000s)	weekly	742.0	707.0	709.0
	14 : 30 US	Continuing jobless claims ('000s)	weekly	6372.0	6470.0	6786.0
	16 : 00 US	Existing home sales (MoM, %)	Oct	6850.0	6450.0	6540.0
	16 : 00 US	Leading index (MoM, %)	Oct	0.7	0.7	0.7
	EU	EU summit (Virtual)	-	-	-	-
20.	0 : 30 JP	core-CPI (YoY, %)	Oct	-0.7	-0.7	-0.3
	0 : 30 JP	CPI (YoY, %)	Oct	-0.4	-	0.0
	8 : 00 UK	Retail sales (MoM, %)	Oct	1.2	0.0	1.5
	16 : 00 EZ	Consumer confidence (point)	Nov	-17.6	-17.7	-15.5
11.21.-11.22.		G20 summit (Virtual)	-	-	-	-

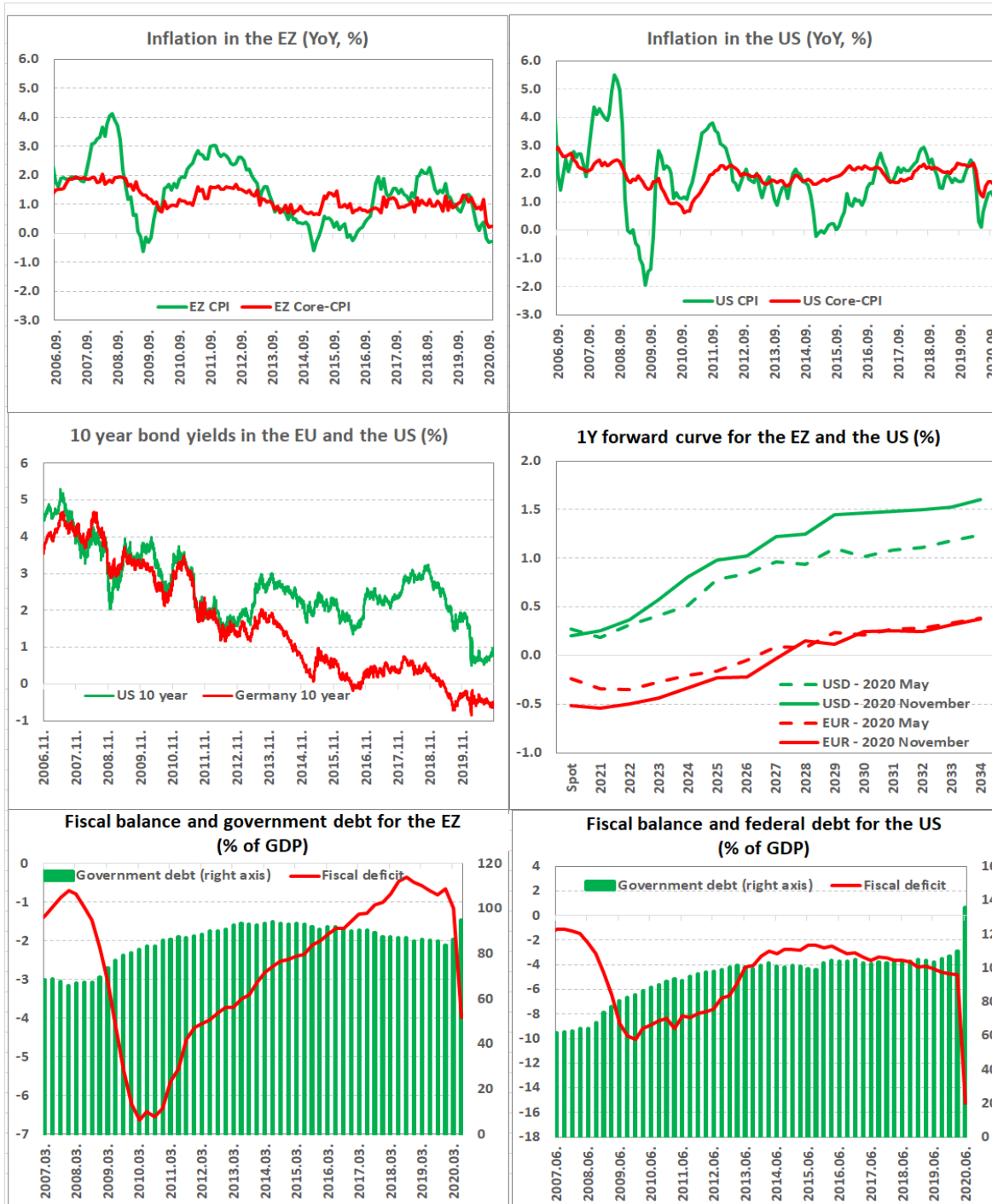
*'Fact' refers to the accepted volume, 'Prev.' refers to the deals due on the current week

Eurozone and US chart set



Source: Refinitiv

Eurozone and US chart set



Source: Refinitiv

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	1.20	1.21	1.22	1.22	1.25	1.26	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	1.10	1.11	1.11	1.11	1.16
USDJPY	107.0	106.0	104.0	105.0	104.0	105.3	106.5	106.0	100.0	98.5

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	4.6	-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	-3.5	-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

Chief Economist
Gergely Tardos
tardosg@otpbank.hu
+36 1 374 7273

Senior Economist
Mihály Kovács
Mihaly.Andras.Kovacs@otpbank.hu
+36 1 374 7276

OTP Bank Romania Treasury Sales Team

Robert Kovacs
Head of Sales
+40 372 318 588
robert.kovacs@otpbank.ro

Anca Butuc
Desk Dealer
+40 372 318 587
anca.butuc@otpbank.ro

Anamaria Toma
Desk Dealer
+40 372 318 585
anamaria.toma@otpbank.ro

Corina Bejan
Desk Dealer
+40 372 318 583
corina.bejan@otpbank.ro

Teodor Tibuleac
Desk Dealer
+40 372 318 586
teodor.tibuleac@otpbank.ro

Szilamer Kozma
Regional Dealer
+40 372 504 520
szilamer.kozma@otpbank.ro

Andrei Sala
Regional Dealer
+40 755 000 015
andrei.sala@otpbank.ro

Dan Giurea
Regional Dealer
+40 372 318 584
dan.giurea@otpbank.ro

Alexandru Sabin
Regional Dealer
+40 755 000 255
alexandru.sabin@otpbank.ro

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