

OTP Weekly Outlook

Next week:

- *ECB President Lagarde speech and the US labour market data will be most closely watched next week*

This week:

- *Risk off sentiment strengthened, as fear of more serious social distancing measures are looming*
- *Stock indices nosedived, oil and precious metals fell, the USD appreciated,*
- *The Fed called for more fiscal measures, Mnuchin said fiscal measures must be targeted*
- *Incoming service PMI disappoints*



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	3247	-2,5	0,2	US 2 year	0,13	-1,2	-144,4	Dollar index	94,621	1,8	-1,8	Brent	42	-3,4	-36,9
Russel 2000	1452	-5,4	-12,9	US 10 year	0,65	-1,1	-126,3	EURUSD	1,163	-1,8	3,7	WTI	40	-3,0	-34,7
Stoxx 600	355	-4,2	-15,1	DE 2 year	-0,71	1,9	-9,8	USDJPY	105,62	-1,0	2,8	Gold	1859	-4,7	22,5
DAX	12534	-5,5	-6,4	DE 10 Year	-0,52	0,6	-33,6	GBPUSD	1,271	-1,6	-4,1	Silver	23	-14,4	28,4
CAC40	4725	-5,7	-21,5	SP 10 year	0,24	-1,0	-22,3	AUDUSD	0,702	-3,7	0,0	Palladium	2217	-6,1	14,0
FTSE100	5822	-3,2	-22,9	UK 10 year	0,19	3,2	-63,0	USDCAD	1,339	-1,4	-3,0	Copper	296	-5,0	5,7
FTSE MIB	18784	-4,6	-20,8	IT 10 year	0,88	-3,9	-53,1	USDCHF	0,929	-1,9	4,0	Steel	550	0,2	-6,5
Nikkei 225	23205	-1,2	-1,9	JP 10 year	0,01	-0,3	2,6	NZDUSD	0,654	-3,3	-3,0	Wheat	546	-5,0	-2,3
CSI 300	4570	-3,5	11,6	CH 10 year	3,13	3,3	-1,3	CNHUSD	6,839	-0,9	1,8	Corn	366	-3,4	-5,7

Source: Bloomberg

ECB President Lagarde speech and the US labour market data will be the key events of the upcoming week

Next week will be tumultuous in data. As market sentiment was deteriorating last week, amid the second wave of the virus and the slowdown in recovery, the incoming data could be key in shaping investor's sentiment.

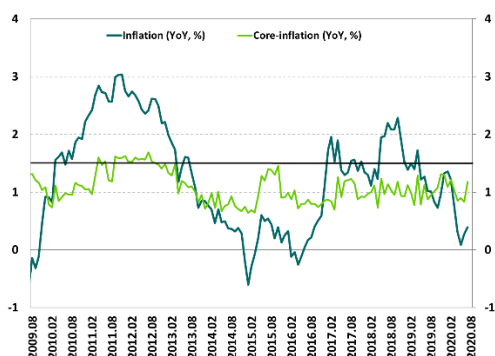
On Monday, no major data is expected. On Tuesday, the week starts with Spanish retail sales. As retail sales sharply rebounded in May and June, the recovery slowed down meaningfully as the MoM increase in July was 1.1% (-3.9% YoY). As Spain already re-introduced some of the social distancing measures, it will be important to watch this indicator in the coming month. Later that day, the European Commission Economic sentiment indices will arrive. Although the market expects some improvement, due to the uncertainties around the recovery and the series of negative surprises, risks are tilted to the downside. Finally, the day closes with German inflation (expected to remain 0%), and US home prices and consumer confidence. As the US real estate market performed well this year, healthy gains expected despite the virus. Concerning the US consumer confidence index, it may be lifted by the improved growth outlook by the Fed and the expected further fiscal stimulus. However, on the negative side, the reduced unemployment benefits and the slowing labour market recovery may be a drag on consumer sentiment.

On Wednesday, Chinese PMI data will come out. Both the manufacturing and non-manufacturing PMI recovered quickly after the lifting of the lockdowns in China and the data come steadily above 50 since then. It would be a huge surprise and a confirmation on the deteriorating outlook, if these data came in with large negative surprises. The day continues with German retail sales, EZ inflation and ECB Governor Lagarde gives a speech that will be closely watched by investors. If further stimulus measures – not expected on the baseline – are hinted, this may add a pause on market correction. In the afternoon, US ADP employment, Chicago PMI and existing home sales could give hint on the state of the US economy.

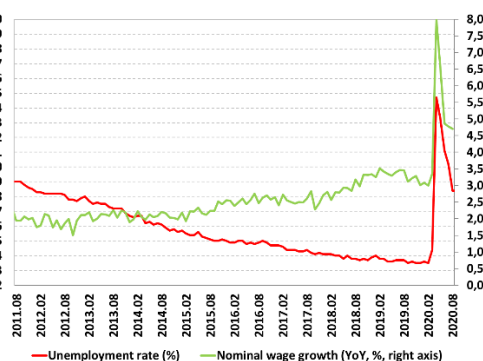
On Thursday, the day starts with Italian Manufacturing PMI, which is expected to improve based on the past week's Manufacturing PMI data from other EZ countries and the better than expected Italian business sentiment. Italian and EZ unemployment rate also arrive. Since the pandemic, the unemployment rate increases in the EZ and in Italy as well. The last couple of week's European data flow points toward a slowdown in recovery, which has started in August. Therefore, it will be important to see, how negatively the slowdown effected the labour market. Later the day, US household income and expenditures, US weekly jobless claims, construction spending and ISM Manufacturing PMI are expected. Among them, the most closely watched will be the household's revenues and expenditures as it will show how much were they effected by the decreasing unemployment benefits on the one hand, and the recovering labour market on the other.

Finally, on Friday, US labour market and factory orders will arrive. Non-farm payroll is expected to slow down below 900.000 people as the private sectors rehiring is slowing down. Nevertheless, this will be enough to push the unemployment rate lower. Overall, the big picture is unchanged. The labour market has still a long way to go to full recovery. Until then, the Fed will be on full throttle to support the economy.

EZ inflation (YoY, %)



US labour market



Source: Datastream

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.	
2020 9. 29.	9 : 00	ES Retail sales (YoY, %)	Aug	-3,0	-3,9	
	11 : 00	EZ EC Economic Sentiment Index (points)	Sept	89,4	87,7	
	14 : 00	DE CPI (preliminary, YoY, %)	Sept	0,0	0,0	
	15 : 00	US Case-Shiller Home Price Index (YoY, %)	Jul	3,6	3,5	
	16 : 00	US Consumer confidence (point)	Sept	89,0	84,8	
	30.	3 : 00	CN NBS Manufacturing PMI (points)	Sept	51,2	51,0
		3 : 00	CN NBS Non-manufacturing PMI (points)	Sept		55,2
		3 : 45	CN Caixin Manufacturing PMI (points)	Sept	53,2	53,1
		8 : 00	DE Retail sales (MoM, %)	Aug	0,7	-0,9
		9 : 30	EZ Speech of C. Lagarde at the Conference of The ECB and its Watchers	-	-	-
		11 : 00	EZ CPI (flash, YoY, %)	Sept	-0,2	-0,2
		11 : 00	EZ Core CPI (flash, YoY, %)	Sept	0,4	0,4
		14 : 15	US ADP non-farm employment (MoM, '000s)	Sept	650,0	428,0
		15 : 45	US Chicago PMI (points)	Sept	52,0	51,2
		16 : 00	US Pending home sales (MoM, %)	Aug	3,0	5,9
	10. 1.	9 : 45	IT Markit/IHS Manufacturing PMI (prelim.)	Sept	53,5	53,1
10 : 00		IT Unemployment rate (%)	Aug	10,1	9,7	
11 : 00		EZ Unemployment rate (%)	Aug	8,1	7,9	
14 : 30		US Personal income (MoM, %)	Aug	-2,3	0,4	
14 : 30		US Personal consumption (adjusted, MoM, %)	Aug	0,7	1,9	
14 : 30		US Initial jobless claims ('000s)	weekly	850,0	870,0	
14 : 30		US Continuing jobless claims ('000s)	weekly	-	12580,0	
16 : 00		US Construction expenditure (MoM, %)	Aug	0,9	0,1	
16 : 00		US ISM Manufacturing PMI (points)	Sept	56,0	56,0	
		EU EU-summit (2 days long)	-	-	-	
2.	14 : 30	US Non-farm payroll (MoM, '000s)	Sept	920,0	1371,0	
	14 : 30	US Unemployment rate (%)	Sept	8,2	8,4	
	14 : 30	US Average earnings (MoM, %)	Sept	0,2	0,4	
	14 : 30	US Average earnings (YoY, %)	Sept	4,6	4,7	
	16 : 00	US Factory orders (MoM, %)	Aug	1,3	6,4	

As the second wave of the virus strengthen, service PMI disappointed, risk-off sentiment dominated on the markets

The pandemic situation continues to deteriorate on both sides of the Atlantic

In the US, daily new cases continue to rise, although, the previous increase in daily deaths stopped and reversed during the past week. In Western Europe, the worst hit country is still Spain, but France comes as close second, where new cases are still rising sharply, but new infections are on the rise across the continent and in several countries reaching new highs. Two notable exceptions are Germany and Italy where the second wave of the pandemic have been contained so far. The situation is also deteriorating in the CEE region, with multiple countries experiencing a sudden surge in new infections. The country in the region with the highest number of new cases is Montenegro, where daily deaths also increased drastically over the past week. Faced with a sudden rise of infections several countries were forced to introduce new restrictions to limit social interactions. Israel announced a new nationwide lockdown a week before, but decision makers in other countries try to impose restrictions locally, in regions most impacted by the virus. Key countries which already reintroduced restrictions on the movement and gathering of people are Israel, UK, Spain and France.

Last week dataflow may have added to pressures on the stock markets as service PMI data came significantly below expectations

Last week, the incoming data strengthened the belief that the recovery is stalling. German and French service PMI data surprised to the downside and fell below the 50 points marks, which means that the service activity expected to decline. In the US service PMI also came below analyst consensus, however still above the 50 points mark. Italian service PMI expected next week (this week's consumer and business sentiment improved). Manufacturing PMI however came above expectations in the EZ and the US as well. US weekly initial and continuing jobless claims increased, also pointing to the slowdown in labour market recovery. The IFO Economic Sentiment was 93.4 points in September, which is only 0.8 points higher than in the previous month and lags behind the economic consensus. This strengthens the view that recovery the EZ's largest economy is losing steam. Among the sub-indices only export expectations increased significantly. The IFO institute lifted its growth forecast for Germany for 2020 from -6.7% to -5.2%. On the positive side, US new home sales jumped to its highest levels since 2006 in August, confirming that the real estate market weathers the current situation pretty well so far. Finally, the Turkish central bank increased the base rate by 200 bps amid the rapidly depreciating TRY. After the decision, the TRY started to appreciate against the majors.

Stock markets nosedived; sectors hit by the virus underperformed

The major international stock market indices all fell last week, without any meaningful attempt to turn the correction during the week. As mentioned above, the main culprits of the stock market rout were the deteriorating pandemic outlook, with the fear that it might be unavoidable to bring back some of the harsher social distancing measures, applied during the first wave of the virus. Additionally, the incoming service PMI data pointed toward the fact, that some sectors already feeling the pressure again.

Among the major stock indices the S&P500 declined by 2.5%, but still positive YTD. The small cap Russel 2000 booked even larger losses, amounting to almost 5.5%. Among the S&P500 sectors IT, consumer staples and by utilities overperformed, while energy, materials and financials were laggards. In Europe, the Stoxx600 declined by 4.2%, the DAX by 5.5%, while the CAC40 by 5.7%. Among the European sectors, consumer products and utilities outperformed, while financials, basic resources and energy stocks underperformed.

The USD appreciated against the EUR, oil fell, precious metals deep dived despite the risk-off sentiment; international bond yields moved little due to the fact that there is only limited room to the downside

The USD appreciated 1.8% against the EUR, while the JPY appreciated 1.0% against the USD. The appreciation of the USD and the JPY is clearly in line with the risk-off sentiment across international stock markets. The Brent oil declined by 3.4%, while the WTI by 3.1%. Industrial metals also were effected by market sentiment, as copper fell by 5%, and agricultural commodities also booked losses. Surprisingly, gold turned lower by 4.7%, while silver was down 14.4% during the week. The fell of precious metals is surprising as usually they are viewed as risk-off bets. However, looking back to the March-April market rout, it seems like the same story repeating itself again: precious metals move together with the broader stock market.

The Fed urges for more fiscal support; Treasury Secretary Mnuchin said more targeted fiscal measures needed

Fed Chair Jerome Powell and Treasury Secretary Steven Mnuchin testified before the House Financial Services Committee about their actions to deal with the COVID-19 crisis. Powell said the Fed will use its "full range of tools to support the economy for as long as is needed" and they think more fiscal stimulus would be necessary. Mnuchin said a new stimulus package "should be much more targeted, it should be focused on kids and jobs and areas of the economy that are still hard hit."

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	3236,3	-2,5	0,2	Stoxx 600	SXXP Index	353,3	-4,2	-15,1
IT	S5INFT Index	1962,4	0,0	21,8	Health care	SXDP Index	891,1	-3,3	-2,0
Health care	S5HLTH Index	1184,3	-3,4	-0,3	Industrial goods & services	SXNP Index	534,1	-5,0	-11,2
Financials	S5FINL Index	386,1	-5,5	-24,5	Banks	SX7P Index	79,3	-7,8	-44,7
Telco	S5TELS Index	189,2	-2,1	4,2	Personal & households goods	SXQP Index	853,0	-1,4	-5,3
Consumer discretionary	S5COND Index	1164,0	-0,4	18,0	Insurance	SXIP Index	229,7	-7,8	-28,8
Industrials	S5INDU Index	638,5	-3,8	-7,1	Food and beverages	SX3P Index	656,7	-2,9	-15,1
Consumer staples	S5CONS Index	642,9	-1,2	-0,6	Technology	SX8P Index	550,6	-4,2	3,9
Utilities	S5UTIL Index	295,0	0,0	-10,2	Utilities	SX6P Index	339,8	-1,1	-4,6
Energy	S5ENRS Index	227,8	-9,1	-50,1	Oil & gas	SXEP Index	185,4	-6,5	-41,8
Real estate	S5RLST Index	212,5	-3,5	-11,6	Chemicals	SX4P Index	1022,1	-5,3	-0,7
Materials	S5MATR Index	387,5	-5,9	0,4	Construction & materials	SXOP Index	441,4	-5,1	-13,9
					Telco	SXKP Index	192,0	-4,1	-21,6
					Retail	SXRP Index	347,5	-4,0	-4,0
					Financial services	SXFP Index	512,0	-5,6	-12,2
					Basic resources	SXPP Index	398,4	-6,7	-13,7
					Real estate	SX86P Index	149,1	-5,2	-22,7
					Auto & parts	SXAP Index	414,2	-4,2	-18,5
					Media	SXMP Index	236,3	-2,9	-22,9
					Travel & leisure	SXTP Index	169,2	-4,0	-36,2

Source: Bloomberg

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	3236	-6,0	4,9	30,7	8,4	25,2	3,6	2,4	11,4	1,4	125,7	0,4	5,1
Europe	SXXP Index	353	-4,5	-1,8	12,7	-8,9	37,9	1,7	1,2	4,8	1,1	190,9	-0,1	-4,4
Germany	DAX Index	12395	-5,1	1,8	25,5	1,3	38,8	1,6	1,0	5,4	1,1	134,5	6,2	-2,9
France	CAC Index	4693	-6,3	-4,6	5,9	-16,0	41,7	1,4	1,1	3,5	1,1	200,0	4,0	-11,6
Poland	WIG20 Index	1674	-8,1	-6,7	16,1	-22,5	19,5	0,9	0,7	4,1	1,1	143,3	2,2	7,8
Czechia	PX Index	863	-5,0	-6,0	6,9	-16,3	11,5	1,0	1,2	9,0	1,1	161,3	1,4	0,0
Hungary	BUX Index	31848	-10,5	-13,9	-2,6	-21,5	13,8	0,8	0,6	2,6	1,1	102,0	-219,7	-12,1
Romania	BET Index	8979	2,2	4,9	17,8	-5,5	9,4	1,0	1,2	10,1	1,4	38,6		7,4
Bulgaria	SOFIX Index	422	-2,6	-7,4	-0,9	-26,4	3,6	0,5	0,6	13,6	3,2	57,0		
Russia	IMOEX Index	2893	-4,5	4,8	18,0	4,8	9,5	0,9	1,0	9,2	1,4	66,1	12,3	4,6
Ukraine	PFTS Index	500	0,0	0,2	-2,7	-4,4	4,3	0,9	0,3	43,7	0,5	13,2		
Slovenia	SBITOP Index	845	-0,8	-1,5	16,6	-1,4	7,8	0,8	0,4	9,9	1,6	29,8		
Croatia	CRO Index	1619	0,1	1,8	13,7	-16,3	23,2	0,9	1,1	4,6	1,2	58,9		
Serbia	BELEX15 Index	693	0,3	4,2	10,1	-7,9	12,3	0,6	0,7	5,1	2,0	17,6		
Montenegro	MNSE10 Index	656	-2,5	-6,7	-0,2	-18,4	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),

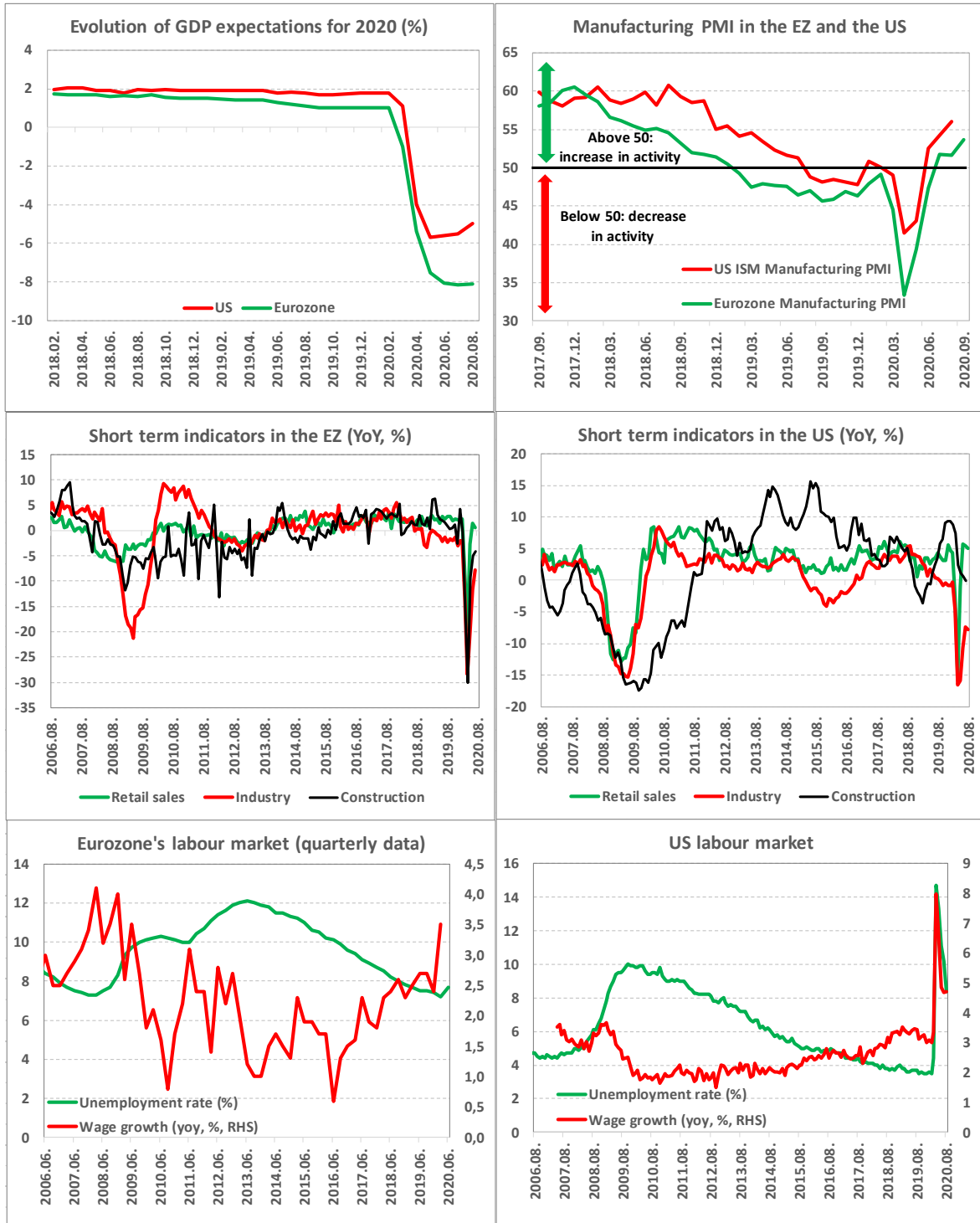
***therefore direct comparison of only valuation metrics could be misleading.

Last week's data

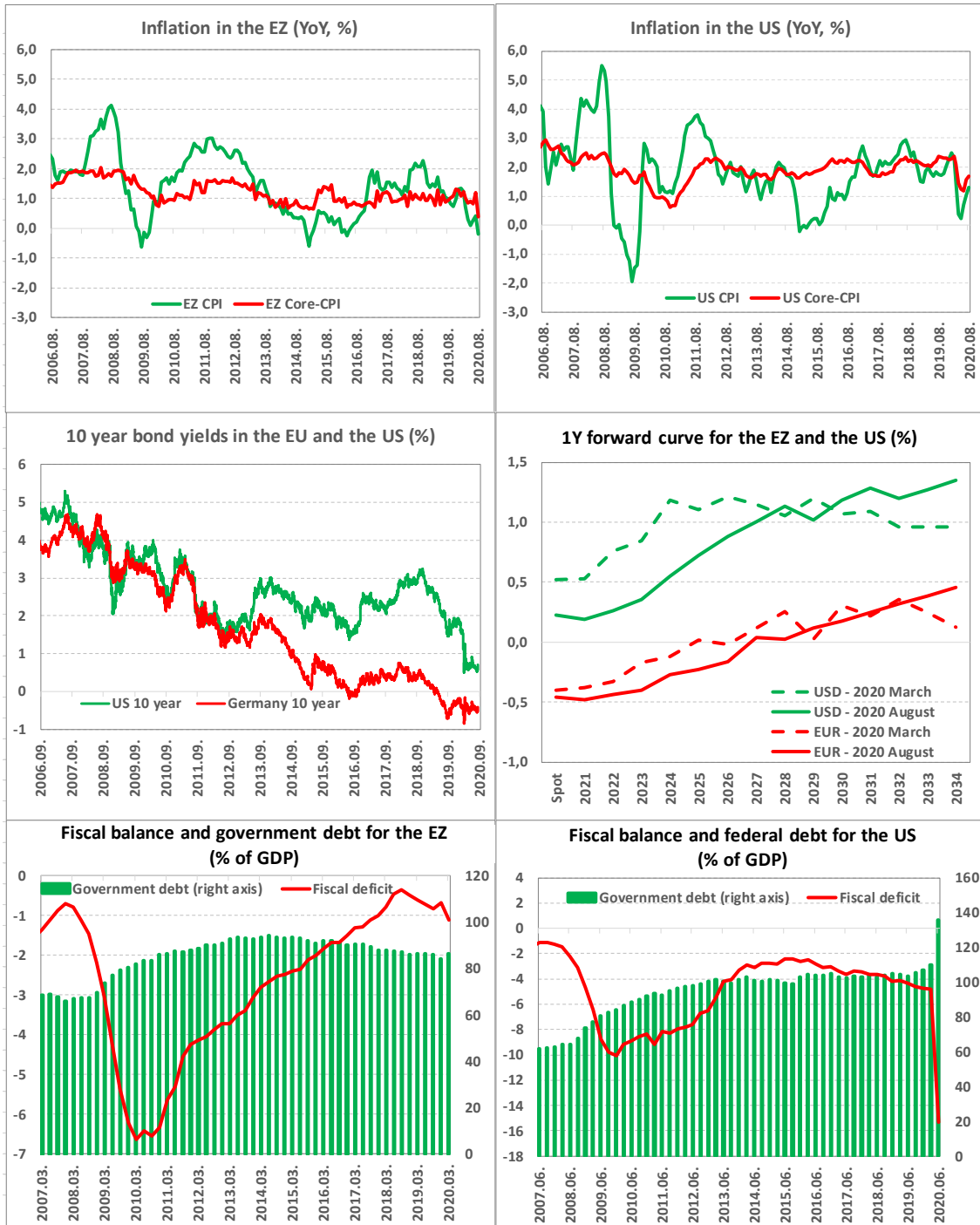
Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2020 09. 22.	16 : 00	US Existing home sales (MoM, %)	Aug	6000	6000	5860
	16 : 00	EZ Consumer confidence (point)	Sept	-13,9	-14,6	-14,7
	23. 9 : 15	FR Markit Manufacturing PMI (points)	Sept	50,9	50,5	49,8
	9 : 15	FR Markit Service PMI (points)	Sept	47,5	51,5	51,5
	9 : 30	DE Markit Manufacturing PMI (points)	Sept	56,6	52,5	52,2
	9 : 30	DE Markit Service PMI (points)	Sept	49,1	53,0	52,5
	10 : 00	EZ Markit Manufacturing PMI (points)	Sept	53,7	51,9	51,7
	10 : 00	EZ Markit Service PMI (points)	Sept	47,6	50,5	50,5
	10 : 30	UK Manufacturing PMI (points)	Sept	54,3	54,0	55,2
	10 : 30	UK Service PMI (points)	Sept	55,1	56,0	58,8
	14 : 30	CZ Interest rate decision (%)	Sept	0,25	0,25	0,25
	15 : 45	US Markit Manufacturing PMI (points)	Sept	53,5	53,1	53,1
	15 : 45	US Markit Service PMI (points)	Sept	54,4	54,7	55,0
	24. 10 : 00	DE IFO Economic sentiment index (points)	Sept	93,4	93,8	92,6
	13 : 00	TR Interest rate decision (%)	Sept	10,3	8,3	8,3
	14 : 30	US Continuing jobless claims ('000s)	weekly	12580,0	12339,0	12628,0
	14 : 30	US Initial jobless claims ('000s)	weekly	870,0	843,0	860,0
	16 : 00	US New home sales (annualized monthly, '000s)	Aug	1011,0	890,0	901,0
	25. 10 : 00	IT Consumer confidence (point)	Sept	103,4	100,8	100,8
	14 : 30	US Durable goods orders (MoM, %)	Aug	0,4	1,5	11,4

*'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	2022Q1	2022Q2	2022Q3	2022Q4
EURUSD	1,09	1,18	1,19	1,20	1,21	1,22	1,23	1,21	1,24	1,24	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	1,11	1,11	1,11
USDJPY	107,0	106,0	106,0	105,0	106,0	105,5	105,0	106,0	105,5	103,3	101,0

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	4,9	-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

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

Senior Economist
Dániel Módos, CFA
modosd@otpbank.hu
+36 1 301 2810

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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