

OTP Weekly Outlook

Next week:

- June's US inflation rate and China's Q2 GDP will be in the spotlight

This week:

- Recession fears weigh on developed stock markets, though major indices are edging up after last week's sharp sell-off.
- In Europe, soaring gas prices and mixed economic data prevented the region's major bourses from huge gains during the week.
- US equity indices are on a track of considerable weekly gains, while today's job report suggests a resilient labor market in June
- Long-term yields increased as central banks remain hawkish.
- The EUR/USD fell below 1.015.
- Crude oil prices declined on growth fears. TTF natural gas jumped again due to geopolitical tensions and supply worries in Europe

June US inflation rate and China's Q2 GDP will be in the spotlight

Date*	Cd.	Event/ Data	Period	Cons.	Prev.
2022 7. 11. 10 :00	IT	Retailsales M oM ,SA,%)	May		0
12. 11 :00	DE	ZEW Econom ic Sentim ent points)	Jul	-38.0	-28.0
13. 5 :00	CN	Export (YoY,%)	Jun	12.0	16.9
11 :00	EZ	Industrialproduction M oM ,%)	May	0.2	0.4
14 :30	US	core-CPI M oM ,SA,%)		0.6	0.6
14 :30	US	core-CPI (YoY,%)	Jun	5.7	6
14 :30	US	CPI M oM ,SA,%)	Jun	1.0	1
14 :30	US	CPI (YoY,%)	Jun	8.7	8.6
20 :00	US	Federalbudgetbalance (USDbn)	Jun		-66
20 :00	US	Beige Book	-	-	-
14. 14 :30	US	Initialjobless claim s (000s)	weekly	240	235.0
14 :30	US	Continuing jobless claim s (000s)	weekly		1375
15. 4 :00	CN	Infrastructuralspending (YoY,%)	Jun		6.2
4 :00	CN	Industrialproduction (YoY,%)	Jun		0.7
4 :00	CN	Retailsales (YoY,%)	Jun		-6.7
4 :00	CN	GDP (YoY,%)	Q2		4.8
4 :00	CN	GDP QoQ,SA,%)	Q2		1.3
14 :30	US	New York Fed M anufacturing index points)	Jul	-1.25	-1.2
14 :30	US	Retailsales M oM ,%)	Jun	0.8	-0.3
	US	Industrialproduction M oM ,%)	Jun	0.2	0.2
16 :00	US	Business inventories M oM ,%)	May	1.2	1.2
16 :00	US	Michigan Consumer confidence (prelim inary,points)	Jul	49.4	50

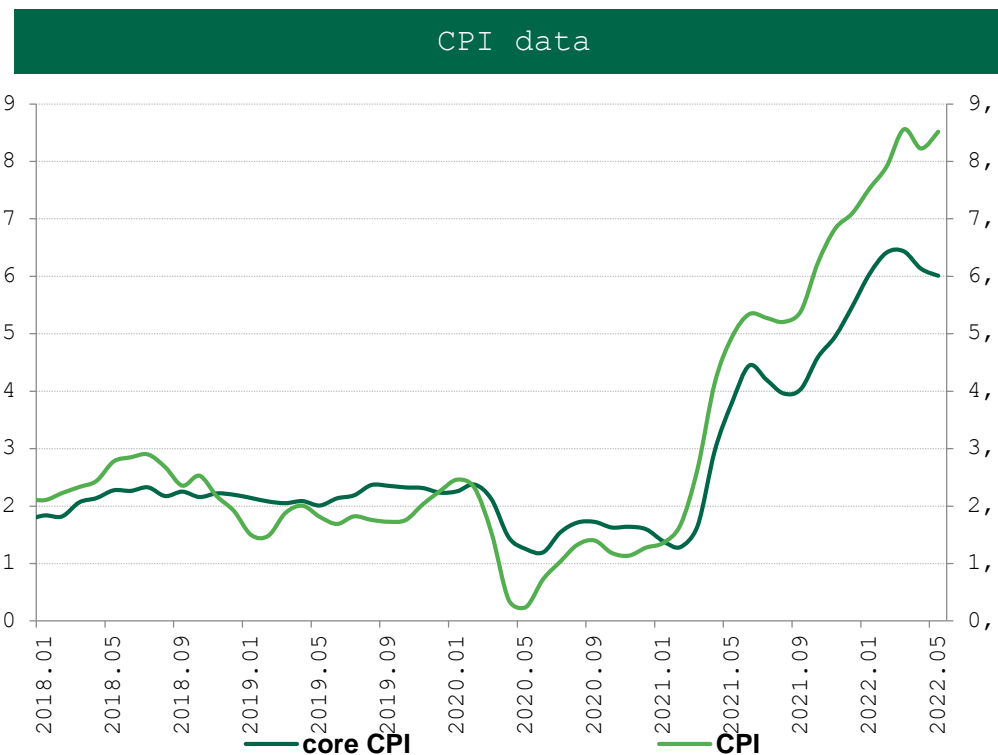
* The time, when most likely market-mover data could come out is indicated in red.

3 US: CPI data will be in the spotlight; the Fed will publish the new Beige

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.07.13	14:30	US	core-CPI (M oM ,SA,%)	Jun	0.6	0.6
	14:30	US	core-CPI (YoY,%)	Jun	5.7	6.0
	14:30	US	CPI (M oM ,SA,%)	Jun	1.0	1.0
	14:30	US	CPI (YoY,%)	Jun	8.7	8.6
	20:00	US	Beige Book	-	-	-
07.15	14:30	US	Retail sales (M oM ,%)	Jun	0.8	-0.3
	15:15	US	Industrial production (M oM ,%)	Jun	0.2	0.2
	16:00	US	Michigan Consumer confidence (preliminary,	Jul	49.4	50.0

Key highlights

- **CPI accelerated to 8.6% in May in the US**, it was the highest annual rate since 1981. **Core inflation**, excluding food and energy prices, **was 6% YoY.**
- **Soaring prices remains boosted by energy prices, but shelter costs have also taken a big bite of the acceleration.**
- **We expect a further acceleration in the headline index**, so we await further aggressive monetary tightening from the Fed, despite the intensifying recession fears.
- The market is expecting another 75bp hike, to 2.25-2.5% and at this point we think that only a notably lower-than-expected inflation figure could change this outlook. The expected rate peak is currently around 3.5%.
- **The Fed will publish its new Beige Book.**
- **Industrial production and retail sales data for June are coming**, both are expected to rise on a month-on-month basis.



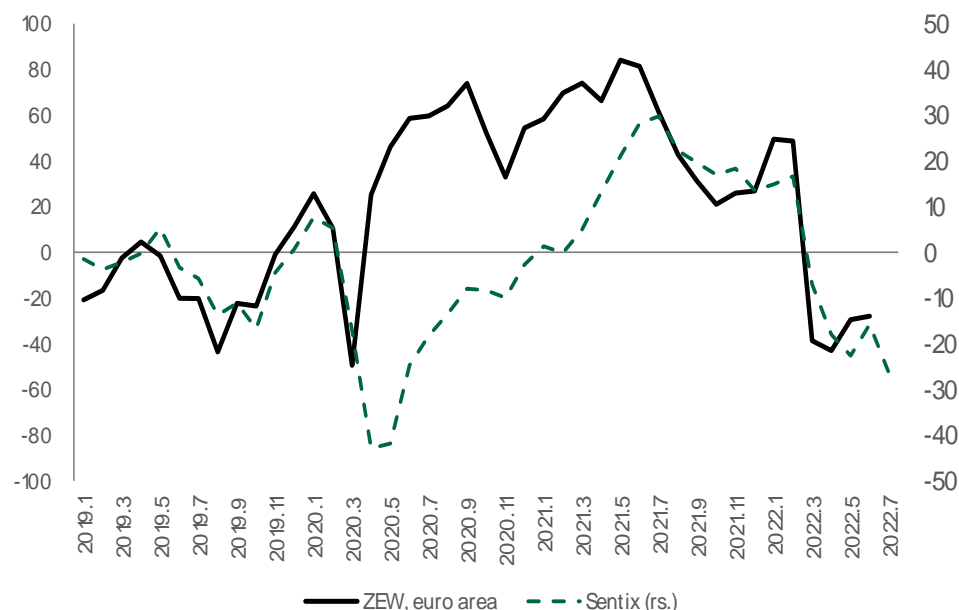
4 Euro area: May industrial production and July business confidence will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 7. 11. 10 :00	IT	Retailsales M oM ,SA,%)	May		0.0
12. 11 :00	DE	ZEW Econom ic Sentim ent (points)	Jul	-38.0	-28
13. 11 :00	EZ	Industrialproductio n M oM ,%)	May	0.2	0.4

Key highlights

- The focus will be on the second euro area business confidence index for July, namely the German **ZEW index**. This indicator has moved relatively in close correlation with the Sentix index. The latter is already available for July, suggesting a renewed weakening already from a low level. This does not bode well for the July reading of ZEW. These indicators suggest a weakening Q3 GDP performance.
- May **industrial production** in the euro area will likely increase minorly, driven by Ireland's outstanding performance, but the overall picture is not so bright, as May data minimally corrected April's large fall. Higher energy prices and supply chain problems deteriorate business activity in the sector.

Euro area business confidence (points)



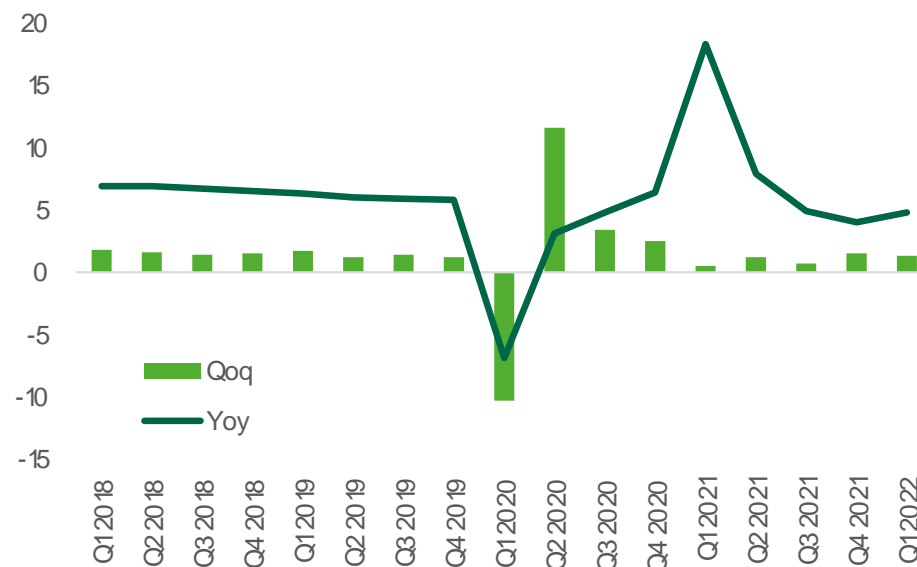
China: GDP may have declined in Q2 compared to the previous quarter due to Covid lockdowns

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.07.13	5:00	CN	Export (YoY,%)	June		16.9
	15	CN	Infrastructural spending (YoY,%)	June		6.2
	4:00	CN	Industrial production (YoY,%)	June		0.7
	4:00	CN	Retail sales (YoY,%)	June		-6.7
	4:00	CN	GDP (YoY,%)	Q2		4.8
	4:00	CN	GDP QoQ,SA,%	Q2		1.3

Key highlights

- Based on high-frequency data, **China's GDP** is expected to shrink in Q2 compared to the previous quarter and is likely to slow down on an annual basis.
- The reason for the GDP contraction is **widespread Covid restrictions** which were in effect from early April to early June.
- **The June monthly indicators** published next week are expected to advance due to reopening.
- Looking ahead, however, **the fundamentals of the Chinese economy still point to a slowdown**, due to the **weakening global outlook**, and the **struggling property market**
- On the top of that, new Covid outbreaks can trigger mass testing and lockdowns, due to **China's zero Covid policy**.

China's GDP growth (%)



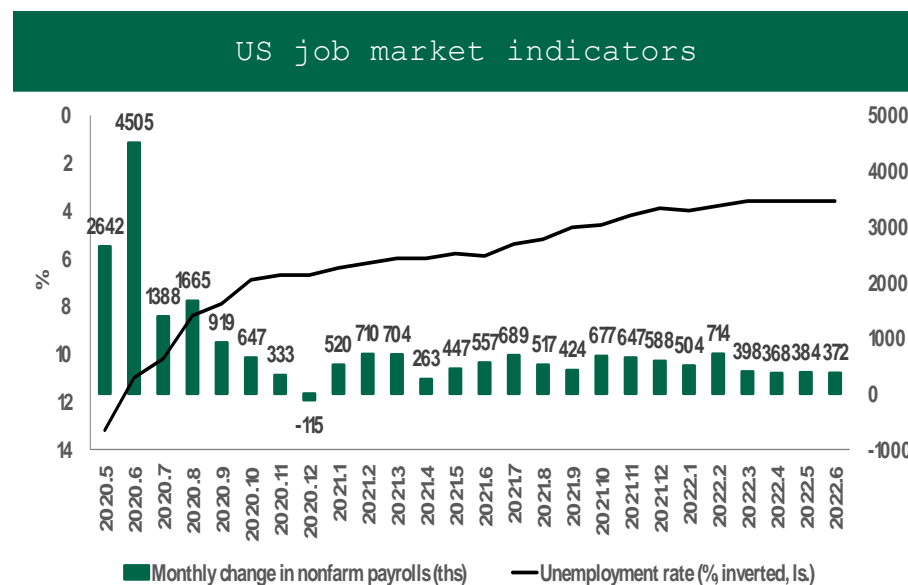
6 This week's data: June US labor market seems resilient

Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2022 7. 4. 8 :00	DE	Export M oM ,SA,%)	May	-0.5	-0.3	4.4
10 :30	EZ	Sentix Investor confidence (points)	Jul	-26.4	-20.0	-15.8
5. 3 :45	CN	Caixin Services PMI	Jun	54.5		41.4
8 :45	FR	Industrial production M oM ,%)	May	0.0	0.3	-0.1
16 :00	US	Factory orders M oM ,%)	May	1.6	0.5	0.3
6. 8 :00	DE	Industrial orders M oM ,%)	May	0.1	-0.6	-2.7
11 :00	EZ	Retail sales M oM ,%)	May	0.2	0.4	-1.3
16 :00	US	ISM non-M anufacturing PMI (points)	Jun	55.3	54.5	55.9
20 :00	US	FOMC minutes	Jun			-
23 :30	EZ	ECB non rate setting meeting	-	-		-
7. 8 :00	DE	Industrial production M oM ,%)	May	0.2	0.4	0.7
13 :30	EZ	ECB minutes	-	-		-
14 :30	US	Continuing jobless claims (000s)	weekly	235	230	231.0
14 :30	US	Initial jobless claims (000s)	weekly	1375	1327	1324
8. 14 :30	US	Average earnings (YoY,%)	Jun	5.1	5.0	5.2
14 :30	US	Average earnings M oM ,%)	Jun	0.3	0.3	0.4
14 :30	US	Unemployment rate (%)	Jun	3.6	3.6	3.6
14 :30	US	Non-farm payroll M oM ,000s)	Jun	372	265	384

* The time, when most likely market-mover data could come out is indicated in red.

Key highlights

- The **US labour market** expanded at a decent pace in June. The 372,000 increase in non-farm payrolls was well above the consensus and was almost the same as the previous month's figure. Meanwhile, the unemployment rate remained at a historic low of 3.6%, while wage growth also slowed mildly. Other US data during the week also suggested that the US economy may have been more resilient in Q2 than expected.
- **European data** were more mixed during the week, with only German industrial orders above expectations, other data were negative surprise.



Recession fears weighed on developed stock markets, though major indices are edging up after last week's sharp sell-off. Long-term yields increased as central banks remain hawkish. The EUR/USD fell below 1.015. Crude oil prices declined on growth fears. TTF natural gas jumped again due to geopolitical tensions and supply worries in Europe

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	3892	2.8	-18.3	US 2 year	3.11	27.8	237.9	Dollar index	107.105	1.9	12.0	Brent	106.1	-4.9	36.4
Nasdaq Comp.	11491	4.2	-26.5	US 10 year	3.07	18.7	155.7	EURUSD	1.0143	-2.6	-10.8	WTI	104.3	-1.4	38.6
Dow Jones	31253	1.6	-14.0	DE 2 year	0.49	-0.8	112.6	USDJPY	136.33	-0.8	-15.6	Natural Gas (TTF)*	182.4	24.7	174.3
Russel2000	1763	3.2	-21.5	DE 10 Year	1.30	6.8	147.9	GBPUSD	1.1981	-0.9	-11.5	Gold	1737.8	-4.1	-5.0
Stoxx 600	415	2.0	-14.9	FR 10 year	1.84	4.1	164.1	AUDUSD	0.6834	0.3	-5.9	Silver	19.1	-3.8	-17.9
DAX	12952	1.1	-18.5	SP 10 year	2.38	10.7	181.3	USDCAD	1.2982	-0.6	-2.7	Palladium	2073.7	5.8	8.9
CAC40	6011	1.4	-16.0	IT 10 year	3.25	16.7	207.6	USDCHF	0.979	-1.8	-6.8	Copper	354.0	-4.7	-20.7
FTSE100	7184	0.2	-2.7	UK 10 year	2.17	8.3	119.9	NZDUSD	0.6167	-0.4	-9.7	Steel	920.0	-1.1	-35.9
FTSEMIB	21733	1.8	-20.5	CH 10 year	0.83	3.0	98.8	CNHUSD	6.6964	0.0	-5.1	Wheat	842.0	-3.1	9.2
Nikkei225	26517	2.2	-7.9	JP 10 year	0.24	2.4	17.6	USDTRY	17.3192	-3.3	-23.2	Com	765.3	2.9	29.0
CSI300	4428.8	-0.8	-10.4	CN 10 year	2.84	1.6	6.8	USDBRL	5.3253	0.1	4.7	Electricity*	182.2	-36.3	94.8

Source: Bloomberg

*In EUR/MWh

Key highlights

- Gas prices, rising high due to geopolitical tension and growth fears, put Europe's equity markets under pressure during the week. However, European indices seem to rebound to a degree after last week's sell-off. In the US, buyers returned from the long weekend of July 4th, with recession fears toned down, and turned towards technology stocks in the second half of the week.
- Most of the macro data released this week in the US outperformed the market consensus and eased recession fears ahead of Q2 earnings season starting next week. Friday's job report however brought further aggressive rate hikes into the limelight risking future growth. Major stock indices **in the USA** seem to end the week with gains: the S&P climbed about 3% and the Dow is edging higher around 2% w/w. The technology-heavy Nasdaq Composite jumped more than 4%, in weekly comparison. **In Europe**, economic data failed to support the stock markets which show a mixed picture with the Stoxx600 and the FTSE MIB rising 2%, the CAC40 and DAX gaining more than 1%; the FTSE100 remained flat.
- After last week's sharp sell-off in the cyclical sectors, their valuation lured again investors. In the US, consumer discretionary, telco and IT gained the most within S&P500 sectors, and energy and materials lost the most, signalling that recession fears have not fully evaporated. In Europe, cyclical sectors like retail, industrial goods and construction materials were the biggest gainers, along with financial services. Investors kept clear of utilities, the only sector seeming to end the week with losses..
- **Covid-19 cases** are still on the rise throughout Europe, with almost all countries in the region seeing higher number of cases. Cyprus, a popular tourist destination, reintroduced indoor face mask mandate from July, 8 merely one month after authorities lifted the previous regulation. Other European tourist hot-spots like France, Spain, Italy, and Greece also report rising infection rates.

Key highlights

- Bond markets seems to close a bumpy week with LT yields edging somewhat higher. US 2Y yields jump more steeply than the 10Y yield as rate hike expectations strengthened after the release of the Fed's latest minutes. Fed governors Christopher Waller and St. Louis Fed President James Bullard backed on Thursday the need for restrictive policy to bring down soaring prices but suggested that the U.S. can still avert a recession. The **US 10Y** yield increased over 3% (+19bps). **In the euro area**, German and French 10Y yields rose modestly, while in the eurozone periphery, Italian and Spanish benchmark yield climbed more steeply (+17 and 11bps, respectively). ECB head Christine Lagarde is scheduled to speak later in the day on the risks facing the global economy.
- The US dollar still benefited from demand for safe-heaven assets while investors could make sure of the Fed's commitment towards further rate hikes via the minutes released. The **EUR/USD** fell to 1.015 (-2.6%), and the Dollar Index gained 1.9%.
- The global commodity markets are still less appealing as growth fears linger. Industrial metals dropped, with steel falling 1.1%. **Oil** is on track for a weekly loss, with Brent plunging 5% (to 106.1 USD/bbl) and WTI dropping 1% (104.3 USD/bbl).
- Geopolitical risks and supply tensions put the European **gas and electricity** markets under pressure, with TTF gas price soaring to 188 EUR/MWh (+29%), and electricity price rallying 54% in one week into Thursday, to 312.1 EUR/MWh. Russian gas producer Gazprom proposed on Monday to extend the rouble-for-gas scheme to LNG. Oil and gas workers in Norway started strike that threatened with supply shortages in Western Europe, but the government stepped in.

Stock market and sector performance

Performance of US sectors				Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)	Sector	Last price	1 week change (%)	YTD (%)
S&P 500	3892	2.8	-18.3	Stoxx 600	415	2.0	-14.9
IT	2296	3.3	-24.9	Health care	1036	2.1	-4.2
Health care	1522	1.9	-7.4	Industrial goods & services	602	3.6	-24.4
Financials	533	1.9	-18.0	Banks	125	0.6	-13.8
Telco	194	4.4	-27.4	Personal & household goods	930	2.0	-15.7
Consumer discretionary	1137	5.5	-29.4	Insurance	290	0.4	-10.1
Industrials	740	0.2	-17.4	Food and beverages	788	2.4	-9.4
Consumer staples	760	1.3	-5.5	Technology	551	2.9	-31.8
Utilities	354	-0.8	-2.7	Utilities	359	-0.8	-11.3
Energy	538	-1.5	27.2	Oil & gas	309	0.2	11.4
Real estate	257	0.6	-20.8	Chemicals	1105	1.4	-19.1
Materials	458	-1.1	-19.6	Construction & materials	493	3.4	-23.7
Top US Mega-Cap Companies				Telco	233	0.5	1.3
Company	Last price	1 week change (%)	YTD (%)	Retail	301	5.2	-32.3
Alphabet	2361	8.3	-18.5	Financial services	575	3.5	-23.7
Amazon	115	8.7	-30.8	Basic resources	559	2.6	-7.0
Apple	146	6.9	-17.7	Real estate	137	2.4	-30.0
Meta	171	6.1	-49.2	Auto & parts	514	3.3	-22.2
Microsoft	266	3.6	-20.9	Media	314	3.3	-15.8
Tesla	734	8.9	-30.6	Travel & leisure	175	0.7	-24.6

Source: Bloomberg

Summary of regional stock markets' performance

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 (%)
													1.264075	
Europe	SXXP Index	415	-5.7	-9.9	-14.6	-8.1	15.0	1.8	1.3	13.4	1.1	174.5	0.6	5.4
Germany	DAX Index	12952	-10.3	-9.3	-18.8	-16.0	11.5	1.4	0.9	13.6	1.1	110.6	12.1	6.2
France	CAC Index	6011	-6.8	-8.2	-16.7	-6.0	13.6	1.6	1.2	14.9	1.1	220.7	12.3	10.4
Poland	WIG20 Index	1730	-3.5	-17.0	-25.2	-22.6	6.0	1.0	0.6	17.0	1.2	55.6	13.5	30.2
Czechia	PX Index	1232	-8.4	-9.7	-13.7	7.3	9.6	1.1	1.1	11.7		165.8	0.6	8.3
Hungary	BUX Index	40133	-0.5	-4.9	-22.8	-15.4	5.5	0.8	0.6	15.9	1.4	58.3	32.6	3.4
Romania	BET Index	12237	-1.8	-3.8	-7.0	3.0	1.9	0.7	0.1	37.2	0.7	119.4	200.2	4.3
Bulgaria	SOFIX Index	616	-1.0	-1.9	-4.9	10.9	5.4	0.8	0.8	13.2	2.3	60.1		
Russia	MOEX Index	2215	-4.5	-14.6	-41.3	-42.6	3.7	0.7	0.7	18.8	1.3	83.4	24.4	-0.3
Ukraine	PFTS Index	519	0.0	0.0	-0.7	-1.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBTOP Index	1132	-3.1	-6.1	-12.3	0.0	6.5	1.0	0.5	14.8	1.7	37.5	-3.5	
Croatia	CRO Index	1979	-5.7	-7.3	-7.5	0.7	8.0	1.0	0.5	9.8	1.5	37.5		
Serbia	BELEX15 Index	843	1.4	-0.6	2.0	8.9	7.8	0.6	0.6	9.1	1.6	16.3		
Montenegro	MNSE10 Index	814	5.2	2.7	6.5	10.1	73.2	0.3	0.8	0.2	2.1	12.9		

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

**Some of the country indices could be sector heavy (only a handful industry comprise the majority of the indices),

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

FX outlook

FX pair	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.14	1.12	1.06	1.05	1.07	1.11	1.14
EURGBP	0.84	0.83	0.85	0.86	0.87	0.87	0.87
EURCHF	1.06	1.05	1.03	1.01	1.03	1.05	1.05
USDJPY	130	129.5	136	140.5	140	138	138

Source: Bloomberg

Country	FX pair	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4
Hungary	EURHUF (€op)	369	367	379	379	379	374	373	374	369
Romania	EURRON (€op)	4.95	4.94	4.94	4.97	5	5.04	5.06	5.08	5.08
Russia	USDRUB (€op)	74.3	84.1	71.4	76.9	79.6	86	90.6	92.5	94.7
Ukraine	USDUAH (€op)	27.3	29.5	31.3	32.1	32.7	32	32	32.3	32.4
Croatia	EURHRK (€op)	7.52	7.57	7.54	7.54	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (€op)	117.6	117.7	117.9	117.8	117.8	117.7	-	-	-

*No forecast available for Moldova and Albania

Source: Focus Economics

Macro outlook in the region

Countries	GDP (yoy, %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	7.1	5.0	2.0	3.8	3.3
Romania	5.9	4.3	2.4	3.5	3.7
Bulgaria	4.2	2.5	2.7	2.6	3.2
Russia	4.7	-5.5	0.8	-9.8	-1.4
Ukraine	3.4	-36.0	18.1	-36.8	12.5
Slovenia	8.1	5.6	2.5	4.3	2.9
Croatia	10.2	4.2	3.0	3.3	3.6
Serbia	7.4	3.2	3.4	3.5	3.8
Montenegro	12.4	4.2	3.3	3.9	3.9
Albania	8.5	3.2	3.0	3.0	3.3
Moldova	13.9	-6.2	-0.8	-0.3	2.9

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.3	-4.9	-3.5	-5.7	-4.1
Romania	-7.1	-6.5	-5.5	-6.7	-5.5
Bulgaria	-4.1	-3.6	-2.6	-3.9	-2.8
Russia	0.4	-2.1	-1.6	-2.0	-1.6
Ukraine	-3.5	-15.0	-10.0	-17.1	-12.4
Slovenia	-5.2	-2.9	-2.8	-4.4	-3.0
Croatia	-2.9	-2.5	-2.0	-3.0	-2.3
Serbia	-4.1	-4.0	-2.0	-3.7	-2.3
Montenegro	-2.1	-4.6	-3.5	-5.2	-3.8
Albania	-4.5	-5.5	-4.0	-4.8	-3.3
Moldova	-3.3	-8.0	-6.0	-5.9	-4.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	10.4	7.4	9.4	5.5
Romania	5.0	12.2	8.8	10.5	6.2
Bulgaria	3.3	13.8	4.5	12.0	4.9
Russia	6.7	14.6	6.2	19.8	11.5
Ukraine	3.3	13.8	4.5	22.5	14.4
Slovenia	1.9	9.0	6.2	7.0	4.3
Croatia	2.6	10.2	6.7	7.5	3.5
Serbia	4.0	10.0	6.5	8.5	4.8
Montenegro	2.4	10.2	3.1	8.1	3.6
Albania	2.0	6.4	5.0	5.9	3.6
Moldova	5.3	28.0	18.0	21.4	8.6

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.7	3.9	3.8	3.7
Romania	5.6	5.4	5.0	5.6	5.3
Bulgaria	5.3	4.9	4.8	5.2	4.8
Russia	4.8	5.0	5.5	7.4	7.0
Ukraine	10.6	15.4	11.0	23.5	14.0
Slovenia	4.8	4.1	4.2	4.5	4.4
Croatia	7.6	6.8	6.0	7.4	7.1
Serbia	10.2	10.5	10.0	10.1	9.4
Montenegro	16.7	15.8	15.3	16.9	15.8
Albania	11.3	11.5	11.9	11.2	11.0
Moldova	3.9	6.3	7.3	3.8	3.7

Source: Focus Economics, OTP Research Center

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