

US CPI, and real economy indicators from major regions could be in the spotlight next week

While this week the focus moved to the eurozone due to the ECB Governing Council's meeting, next week it will shift back to the USA, where the August CPI figures will be released. With the latter, together with the employment report published a week ago, the Fed could put together the macro picture for 21-22 September for the next FOMC meeting, where it will likely discuss tapering, but will likely not announce it. Consequently, it is hard to overstate the importance of the inflation figures. Still in the USA, the August release of industrial production and retail sales will be published. The euro area's data releases will be limited and much less interesting, yet the industrial production data for July and Christine Lagarde's speech could be worth following. Additionally, markets, especially commodity investors could eagerly watch the August batch of Chinese macro data, which caused negative surprise in the previous month. Finally, pandemic figures as always remain in the focus.

In the **USA**, the key day will be Tuesday, when the August batch of *CPI* data will be published. In July, markets were somewhat relieved that after several months of huge upside surprises, core inflation turned out fully in line with expectations, while *CPI* data surprised only minorly (+0.1 pp.). This meant that headline *CPI* might have reached a peak at 5.4%, while core inflation even edged down slightly (from 4.5% to 4.3%). The softer rise in core prices mainly reflected much smaller price increases in most of the pandemic-affected sectors that had driven stronger gains in previous months. Hotel room rates jumped by a strong 6% MoM, but car rental prices fell by 4.6%, airfares edged lower, while used vehicle prices rose by only 0.2%. Additionally, the Fed's analyses suggest that after adjustment for volatile items and a handful categories directly affected by the supply chain problems and the pandemic, underlying inflation remained around 2%. Nevertheless, July's report also came with signs that more lasting price pressures are continuing to build. Owners' equivalent rent (OER) prices continued their recovery with another 0.3% MoM rise. With house prices surging and the labour market recovering rapidly, *CPI* shelter inflation could rise much further than the 2.8% rate recorded last month. Meanwhile, the continued surge in bar & restaurant prices, which rose by 0.8% MoM, shows that labour shortages and rising wages are feeding through. In the USA, Wednesday will bring the August *industrial production* data, and *retail sales* for the same month will be out on Thursday. The latter has been weakening since spring, while industrial production could be better described as stagnant. These indicators are also hard to overstate, given that incoming indicators suggest that Q3 GDP growth could be weaker than expected a few weeks ago. The Atlanta Fed GDP tracker (GDPNOW), lowered its best guess from 6.0% to below 4% annualized growth since mid-August.

From the **eurozone**, we are still expecting the August *industrial production* data (due on Wednesday), although several major euro area countries already revealed their figures. Based on these, the data will probably show a small uptick, but this will be hardly enough to markedly change the stagnating tendency that started in November 2020. Supply chains problems, particularly in the auto sector, do not allow better performance. *Christine Lagarde's* speech on Thursday might give some additional hints on the ECB's view, after the rate setting decision this week.

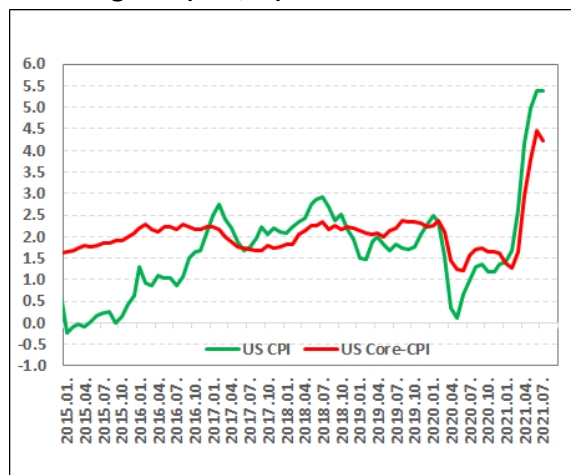
Finally, key macro data (*industrial production, retail sales and fixed asset investments*) for August from **China** could also move markets. In recent months all these figures caused disappointment, while last week's PMIs for August pointed to continued weakening. In fact, the services sector PMIs (both NBS

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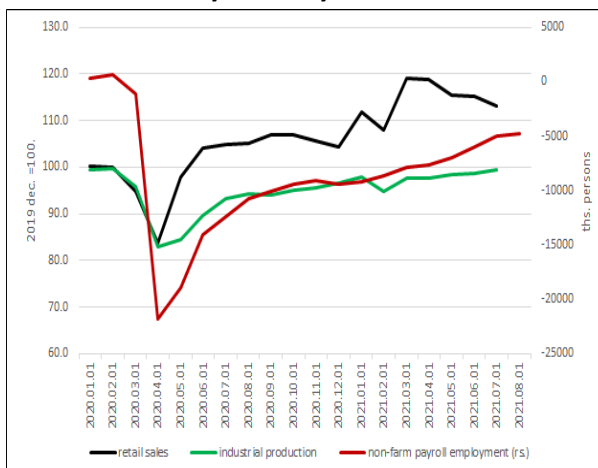


and Caixin) dipped below the 50 mark, suggesting small contraction the first time since the spring of 2020.

US CPI figures (YoY, %)



US key monthly macro data



Sources: Refinitiv and Bloomberg

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.
2021 9. 13. 20 : 00 US	US	Federal budget balance (USDbn)	Aug		-302.0
14. 8 : 00 UK	UK	Unemployment rate (%)	Jul	4.6	4.7
14 : 30 US	US	core-CPI (MoM, SA, %)	Aug	0.3	0.3
14 : 30 US	US	core-CPI (YoY, %)		4.2	4.3
14 : 30 US	US	CPI (MoM, SA, %)	Aug	0.4	0.5
15. 4 : 00 CN	CN	Industrial production (YoY, %)	Aug	5.8	6.4
4 : 00 CN	CN	Retail sales (YoY, %)	Aug	7.1	8.5
4 : 00 CN	CN	Infrastructural spending (YoY, %)	Aug		10.3
8 : 00 UK	UK	Inflation (YoY, %)	Aug	2.9	2.0
16. 14 : 00 EZ	EZ	Christine Lagarde speech	-	-	-
14 : 30 US	US	Initial jobless claims ('000s)	weekly		310.0
14 : 30 US	US	Continuing jobless claims ('000s)	weekly		2783.0
14 : 30 US	US	Retail sales (MoM, %)	Aug	-1.0	-1.1
16 : 00 US	US	Business inventories (MoM, %)	Jul	0.5	0.8
17. 8 : 00 UK	UK	Retail sales (MoM, %)	Aug	0.5	-2.5
16 : 00 US	US	Michigan Consumer confidence (preliminary, points)	Sept	70.2	70.3

Stock markets stood in small minuses by Friday afternoon, as the ECB announced a marginal "tapering", while the US Beige book brought sad news on the recovery

Stock markets in Europe and overseas stood in small minuses, by Friday afternoon in weekly comparison. The week started on a strong note in Europe (the US was closed due to Labour day), after previous Friday's decline. However afterwards the market became concerned about Thursday's ECB Governing Council meeting, fearing the Bank to turn out more hawkish than previously thought. Additionally, the US Beige Book published on the same day suggested a weakening recovery, higher input prices, and labour market shortages, which did not seem to ease very swiftly. Hardly enough, the spread of the delta variant seems to also increase supply bottlenecks, which in parallel could worsen growth prospects and add to input price pressures via supply chains problems and withholding labour supply in contact intensive industries. However, Friday brought again somewhat better mood, driven partly by the news of Thursday's telephone call between the US and Chinese Presidents. Although no important conclusions were released from the meeting, investors, eager for good news assessed this and a potential sign of somewhat easing tensions.

Pandemic situation: The Delta wave seems to have stabilized in Western Europe and might have peaked in the USA. Mandatory vaccination is in the cards.

The USA might have reached the peak of the Delta wave, as daily infection has been trending down moderately recently. On Thursday, US President Joe Biden announced a new coronavirus vaccine mandate on all businesses with 100 or more employees. These companies need to require their employees to get vaccinated or being subjected to weekly testing. Vaccination will be also mandatory for federal workers now, the option of being tested instead had been cancelled.

The Delta variant moderately increased the daily covid death counts in Western Europe, but the current wave is not as intense as the previous ones, and the rate of infection stabilized. Countries in the CEE region are facing a new infection wave. Serbia reported one of the most concerning increases in daily case counts in the region.

Malaysia expects the local daily case counts to fall rapidly by October, due to the growing vaccination statistics. The daily new case counts already started to fall in the country in early September, but remained alarmingly high, while the daily covid related death counts are still emerging. In Vietnam, the entire population of Hanoi will be tested, to get the current infection wave under control. South Korea's daily covid case counts remained close to record high, which may threaten the reopening plan of the country.

The WHO extended the call for a moratorium on booster shots until 2022. The organization still considers the Delta variant as the most alarming mutation.

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Meanwhile, the Mu variant is also spreading, and had been identified in 49 US states so far.

New Zealand eased covid restrictions outside Auckland this week, as infection rates started to fall after the strict lockdown. The government in Japan set out a pandemic exit strategy, easing some restrictions in October on an experimental basis, and commit fully to it in November.

European and US stocks stood in small minuses by Friday afternoon

European stocks posted a small decline, the *STOXX 600* seems to close the week in a 0.6% fall (the second weekly fall in a row). *CAC40* seemed to be the best performer by stagnating, *DAX* fell by 0.8%, *FTSE MIB* 0,9, and *FTSE100* by 1.4%. Out of the *STOXX* components traditionally sectors, considered defensive turned out the weakest (health care: -2.9%, utilities: -2.5%), while the retail sector performed relatively well (personal and household goods: +1.7%, retail: +1.3%)

In the **US**, *S&P* was slightly down (-0.6%), while the small-cap *Russel 2000* fell more (-2.0%). Out of the *S&P* components, real estate (-3.5%) and industrials (-2.6%) were the weakest links, while consumer discretionary (+0.8%) and IT (+0.2%) performed relatively well.

Long-term yields stagnated in the US, mixed in Europe, oil remained stable as demand concerns and tight supply interacted, while the USD strengthened

The US Long-term *Treasury/bond yields* remained roughly stable in weekly comparison, while European 10Y government bond yields performed somewhat mixed (DE: +2.3 bps, IR: -0.5 bp, ES: -1.3) as the ECB only announced marginal "tapering" in the PEPP program yesterday, which reversed the previous upward trend. Oil prices remained roughly stagnant, as negative news concerning the recovery were compensated by tight supply, still due to the aftermath of Hurricane Ida. About three quarters of the U.S. Gulf's offshore oil production, or about 1.4 million barrels per day, has remained halted since late August. The USD strengthened minorly against major currencies in the rather risk-averse mood.

ECB announced a marginal "taper", US Beige Book pointed to decelerating activity, labour shortages, and continued input price pressures

In the **euro area**, Thursday's *ECB decision* was mostly in the focus, where the Bank slightly changed the policy stance by saying that PEPP purchasing will be followed by a moderately lower pace than in the previous two quarters. The ECB scaled up asset purchases to a 'significantly higher' pace in March, which eventually meant an extra monthly EUR 20 bn, roughly from 60 to 80 bn per month. Adding the previous, but still ongoing APP programme, this brought the previous EUR 80 bn total purchases to EUR 100 bn per month. It is a question what 'moderately' means, but at maximum, it could mean reverting to the February pace or even less, which is unlikely to alter long-term yields substantially; in fact the March announcement hardly had any effect. Another important point was that Governor Lagarde said that any meaningful decision on real tapering (when and how the PEPP will be phased out, and what will happen with APP, which is expected to be scaled up slightly afterwards), was postponed to the December meeting. Finally, the ECB revealed its new macroeconomic projection. The GDP growth outlook was revised upwards to 5.0% (from 4.6% in June) while the next two years remained broadly unchanged (2022: 4.6%, before 4.7%, 2023 unchanged at 2.1%). As regards the inflation outlook, this year's projection was revised up to 2.2% (from 1.9%), as well as 2022 (to 1.7% from 1.4%), while 2023 only changed trivially (to 1.5% from 1.4%). Importantly, during the press conference, Christine Lagarde dismissed the impacts of base effects, re-opening, and supply bottlenecks on inflation as

transitory. While she said the Bank would focus on second-round effects, notably wage inflation, she thought this was likely to remain subdued.

Other indicators published during the week, like *business confidence* indicators for September (both Sentix and Zew), slightly disappointed, while German *industrial orders* as well as German and Italian *industrial production* data for July turned out slightly better than expected.

In the **USA**, not much macro data was released, however the September issue of the *Fed Beige Book* did not support investor optimism. It was acknowledged that economic growth 'downshifted slightly to a moderate pace in early July through August'. The deceleration was largely attributable to a pullback in dining out, travel, and tourism, reflecting safety concerns due to the rise of the Delta variant. The other sectors of the economy, where growth slowed or activity declined, were those constrained by supply disruptions and labour shortages, as opposed to softening demand. In particular, weakness in auto sales was widely ascribed to low inventories amidst the ongoing microchip shortage. While businesses in most districts remained optimistic about near-term prospects, the widespread concerns about ongoing supply disruptions and resource shortages have remained. Demand for workers continued to strengthen, but all districts noted extensive labour shortages that were constraining employment and, in many cases, impeding business activity. With persistent and extensive labour shortages, there was an acceleration of wages. Inflation was reported to be steady at an elevated pace, as half of the Districts characterized the pace of price increases as strong, while half described it as moderate. With pervasive resource shortages, input price pressures continued to be widespread.

August's export data from **China** turned out stronger than expected (25.6% vs. 17.1% YoY), and even picked up somewhat from July (19.3%), which might be good news for the August batch of key macro indicators, to be published next week.

Sector performance in the USA and Europe

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	4508.1	-0.6	20.0	Stoxx 600	SXXP Index	468.0	-0.8	17.3
IT	SSINFT Index	2791.3	0.2	21.8	Health care	SXDP Index	1010.4	-2.9	15.0
Health care	SSHLTH Index	1558.2	-2.1	17.7	Industrial goods & services	SXNP Index	779.9	-0.1	24.0
Financials	S5FINL Index	626.2	-1.4	27.7	Banks	SX7P Index	134.9	-1.2	24.7
Telco	SSTELS Index	287.1	0.2	29.4	Personal & households goods	SXQP Index	1048.5	1.7	12.4
Consumer discretionary	S5COND Index	1478.8	0.8	13.5	Insurance	SXIP Index	306.0	-0.9	9.6
Industrials	S5INDU Index	864.2	-2.6	15.3	Food and beverages	SX3P Index	792.3	-0.8	10.8
Consumer staples	S5CONS Index	744.7	-1.3	7.0	Technology	SX8P Index	818.4	0.3	35.6
Utilities	S5UTIL Index	347.4	-1.9	8.9	Utilities	SX6P Index	385.2	-2.5	0.3
Energy	S5ENRS Index	359.6	-1.7	25.7	Oil & gas	SXEP Index	251.4	-1.5	6.4
Real estate	S5RLST Index	293.4	-3.5	28.8	Chemicals	SX4P Index	1310.1	-0.2	17.6
Materials	S5MATR Index	529.3	-1.7	16.1	Construction & materials	SXOP Index	615.7	-1.9	24.9
Source: Bloomberg					Telco	SXKP Index	235.3	-1.2	14.4
					Retail	SXRP Index	460.6	1.3	16.3
					Financial services	SXFP Index	727.0	-0.9	19.9
					Basic resources	SXPP Index	595.3	-0.2	19.2
					Real estate	SX86P Index	190.9	-2.3	11.8
					Auto & parts	SXAP Index	618.1	-1.0	17.2
					Media	SXMP Index	360.1	-0.4	27.2
					Travel & leisure	SXTP Index	258.1	-0.2	15.1

Source: Bloomberg

Data updated at 16:00 (CEST)

Performance of selected and 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	4508	1.6	6.3	15.6	35.0	27.0	4.7	3.1	17.2	1.4	117.5	1.6	7.5
Europe	SXXP Index	468	-0.9	3.0	10.9	27.3	0.0	0.0	0.0	-16.8	1.1	3.7	0.1	9.7
Germany	DAX Index	15661	-0.7	0.6	7.7	18.6	17.9	1.8	1.1	11.1	1.1	119.5	-3.1	7.0
France	CAC Index	6689	-1.9	2.2	11.7	33.2	23.0	1.9	1.4	8.4	1.1	207.5	0.1	15.0
Poland	WIG20 Index	2369	4.0	5.9	18.2	34.2	19.3	1.4	1.1	7.0	1.2	55.5	0.4	9.3
Czechia	PX Index	1286	3.9	9.0	20.1	42.1	22.4	1.6	1.9	7.1	1.0	159.4	0.6	10.6
Hungary	BUX Index	52876	6.1	9.1	21.3	51.7	9.8	1.2	1.0	13.4	1.1	58.0	297.9	16.3
Romania	BET Index	12398	2.9	9.1	17.0	35.4	12.8	1.2	1.7	9.8	1.5	32.1	47.9	-0.5
Bulgaria	SOFIX Index	563	-2.9	4.0	15.5	30.8	20.2	0.6	0.8	2.8	2.9	36.6		
Russia	IMOEX Index	4002	3.6	4.6	15.6	38.1	9.2	1.2	1.3	12.9	1.5	69.6	8.3	14.3
Ukraine	PFTS Index	526	0.3	-0.9	1.9	5.2	5.5		0.5	30.1				
Slovenia	SBITOP Index	1169	-0.9	3.3	18.7	38.9	8.2	1.0	0.6	12.4	1.7	31.2		
Croatia	CRO Index	1970	0.3	0.5	5.8	22.7	31.0	1.2	1.2	4.1	1.4	46.8		
Serbia	BELEX15 Index	810	3.1	3.6	8.2	17.2	14.2	0.7	0.7	4.9	1.6	19.9		
Montenegro	MNSE10 Index	775	1.8	0.1	6.5	19.1	1480.7	0.3	1.0	-0.3	2.2	14.3		

*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).

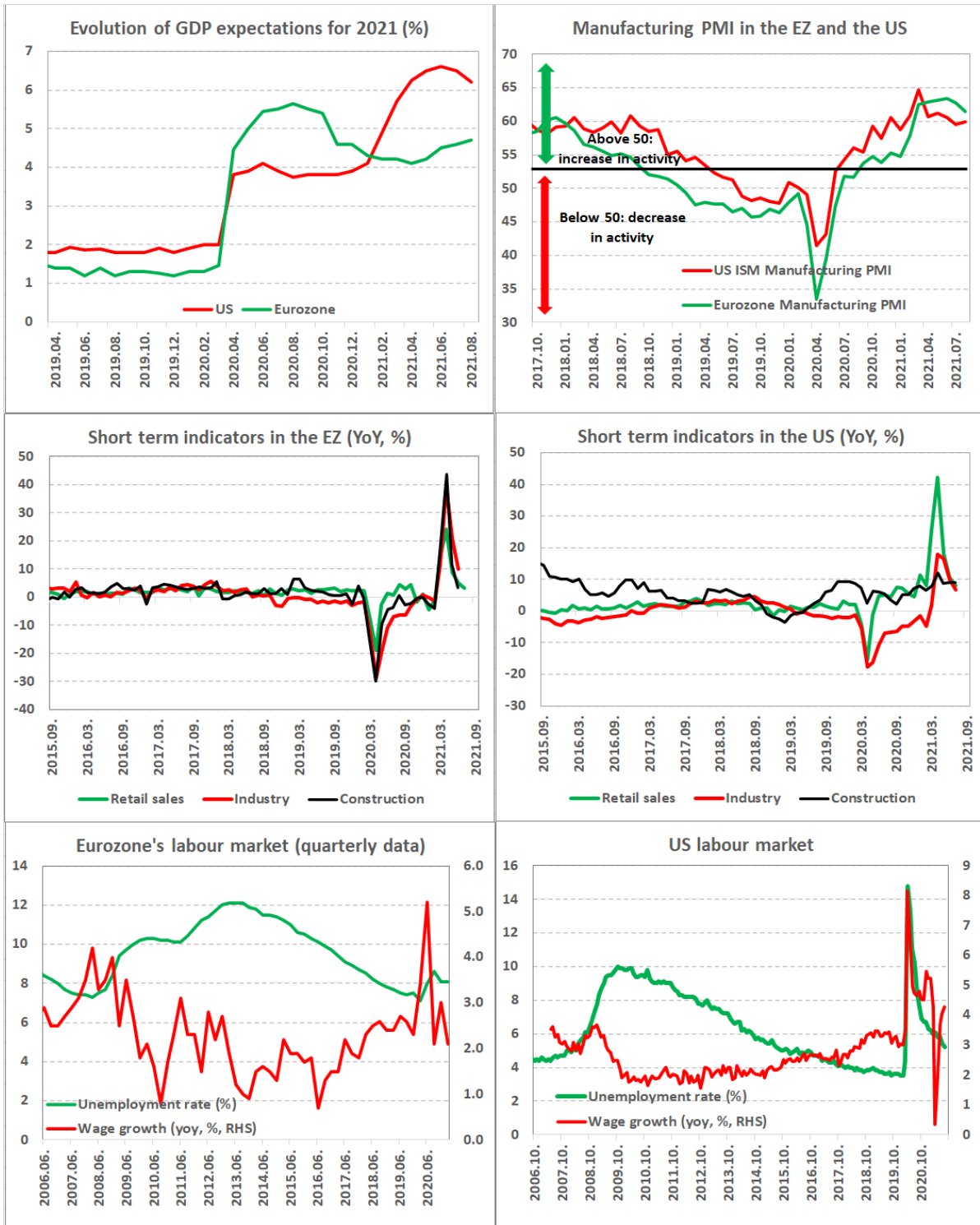
***therefore direct comparison of valuation metrics alone could be misleading.

Data updated at 16:00 (CEST)

This week's data

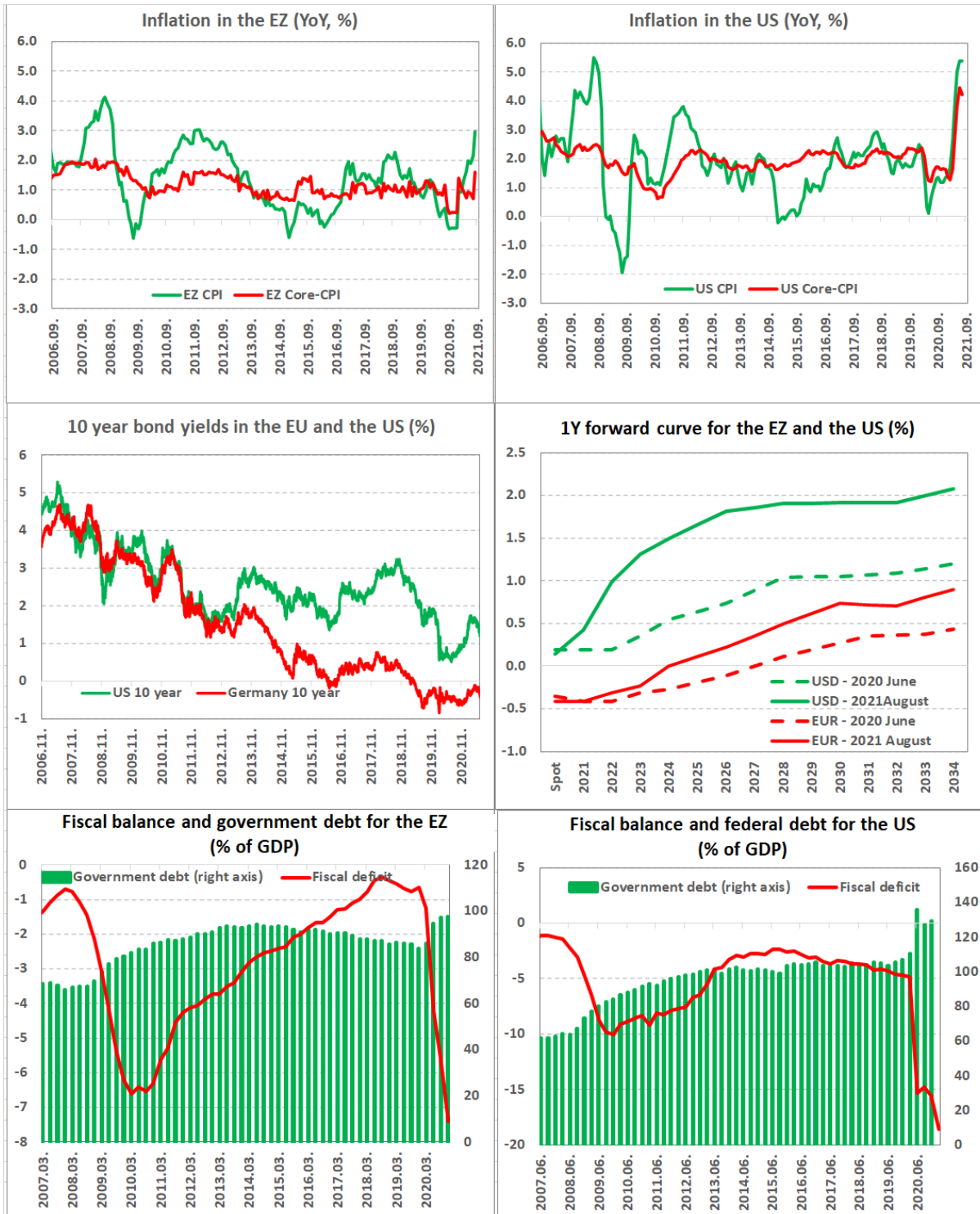
Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2021 9. 6. 8 : 00	DE	Industrial orders (MoM, %)	Jul	3.4	3.8	4.6
10 : 30	EZ	Sentix Investor confidence (points)	Sept	19.6	19.7	22.2
7. 5 : 00	CN	Export (YoY, %)	Aug	25.6	17.1	19.3
8 : 00	DE	Industrial production (MoM, %)	Jul	1.0	0.4	-2.0
11 : 00	DE	ZEW Economic Sentiment (points)	Sept	26.5	30.0	40.4
8. 10 : 00	IT	Retail sales (MoM, SA, %)	Jul	-0.4		0.7
13 : 00	PL	Interest rate decision (%)	Aug	0.1	0.1	0.1
16 : 00	CA	Interest rate decision (%)	Sept	0.25	0.25	0.25
16 : 00	US	JOLTs Job Openings (million)	Jul	10.9	10.0	10.1
20 : 00	US	Beige Book	Sept	-	-	-
9. 8 : 00	DE	Export (MoM, SA, %)	Jul	0.5	0.8	1.3
13 : 45	EZ	Interest rate decision (lending rate, %)	Aug	0.0	0.0	0.0
13 : 45	EZ	MNB's FX swap tender	Aug	-0.5	-0.5	-0.5
14 : 30	US	Initial jobless claims ('000s)	weekly	310.0	335.0	340.0
14 : 30	US	Continuing jobless claims ('000s)	weekly	2783.0	2744.0	2748.0
10. 8 : 45	FR	Industrial production (MoM, %)	Jul	0.3	0.4	0.6
10 : 00	IT	Industrial production (MoM, SA, %)	Jul	0.8	0.1	1.0

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	1.19	1.21	1.21	1.20	1.18	1.20	1.23	1.22
EURGBP	0.89	0.91	0.90	0.88	0.86	0.86	0.85	0.84	0.83	0.83
EURCHF	1.06	1.08	1.08	1.08	1.10	1.10	1.10	1.14	1.14	1.10
USDJPY	107.0	106.0	104.0	104.0	109.0	109.5	110.0	111.0	112.0	106.0

Source: Bloomberg

Regional macro forecast

Countries	GDP (yoy, %)					Countries	Fiscal balance (% of GDP)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	-5.0	5.5	5.8	6.3	4.9	Hungary	-8.1	-7.5	-5.9	-7.0	-5.3
Romania	-3.9	7.0	4.1	6.9	4.8	Romania	-9.2	-8.2	-6.5	-7.3	-5.6
Bulgaria	-4.2	4.7	4.0	4.5	3.9	Bulgaria	-3.4	-3.1	-1.7	-3.9	-2.4
Russia	-3.0	4.6	2.3	3.8	2.7	Russia	-3.8	-1.6	-0.3	-0.6	-0.2
Ukraine	-4.0	4.0	4.4	3.9	3.9	Ukraine	-5.3	-6.0	-4.0	-4.6	-3.1
Slovenia	-5.5	5.8	4.3	4.9	4.3	Slovenia	-8.4	-7.1	-4.9	-6.8	-4.4
Croatia	-8.0	7.7	4.5	6.9	4.5	Croatia	-7.4	-4.5	-3.0	-4.3	-3.1
Serbia	-1.0	6.6	3.5	6.2	4.3	Serbia	-8.1	-7.0	-2.5	-5.7	-2.5
Montenegro	-15.2	7.0	7.4	7.6	5.8	Montenegro	-10.1	-6.2	-2.5	-5.1	-2.7
Albania	-4.0	6.5	3.8	6.0	4.2	Albania	-6.8	-6.0	-4.0	-5.7	-3.5
Moldova	-7.0	6.4	5.0	5.1	4.6	Moldova	-5.3	-5.0	-4.0	-5.0	-3.7

Countries	Inflation (average (yoy), %)					Countries	Unemployment (%)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	3.3	4.5	3.7	4.4	3.5	Hungary	4.1	4.0	3.7	4.2	3.8
Romania	2.6	4.2	3.3	3.9	3.4	Romania	5.0	5.5	4.5	5.4	5.0
Bulgaria	1.7	2.1	2.2	2.2	2.3	Bulgaria	5.1	5.0	4.7	5.4	5.0
Russia	3.4	6.1	4.4	5.9	4.3	Russia	5.8	5.0	4.0	5.1	4.8
Ukraine	2.7	8.2	5.7	8.9	6.7	Ukraine	9.5	9.2	8.3	9.3	8.8
Slovenia	-0.3	1.3	1.7	1.5	1.8	Slovenia	5.0	4.9	4.8	5.1	4.8
Croatia	0.1	2.2	2.5	1.8	1.7	Croatia	7.5	7.3	6.8	8.7	7.9
Serbia	1.6	2.6	2.6	2.6	2.6	Serbia	9.0	9.7	9.5	10.7	9.8
Montenegro	-0.3	1.9	1.4	1.5	1.6	Montenegro	17.9	18.7	17.6	19.7	18.2
Albania	1.6	1.8	2.0	2.0	2.4	Albania	11.7	10.0	9.5	11.4	11.0
Moldova	3.8	3.2	3.5	3.2	4.4	Moldova	3.8	5.3	5.8	4.3	4.0

Source: Focus Economics, OTP Research Center

FX forecast for OTP countries

Country	FX pair	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4
Hungary	EURHUF (eop)	363.0	362.0	351.0	352.0	353.0	353.0	352.0	352.0	351.0
Romania	EURRON (eop)	4.87	4.93	4.93	4.92	4.93	4.94	4.95	4.95	4.97
Russia	USDRUB (eop)	73.9	75.7	72.4	72.8	71.5	71.2	71.0	71.1	71.4
Ukraine	USDUAH (eop)	28.30	27.80	27.30	27.60	28.20	28.50	28.50	28.80	29.10
Croatia	EURHRK (eop)	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Serbia	EURRSD (eop)	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0
Montenegro	EURUSD (eop)	1.22	1.18	1.19	1.19	1.20	1.21	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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