

OTP Weekly Outlook

Next week:

- ECB Governing Council's meeting, eurozone inflation, and Q3 flash GDPs from both sides of the Atlantic will be in the focus next week

This week:

- Unfavourable macro data and the 'usual' positive surprises in the earnings season characterized the week, when major stock indices closed mixed.
- Yields continued to rise, the USD weakened, and oil and natural gas prices increased minorly.
- Weekly macro data point to more persistent inflation and a weakening recovery on both sides of the Atlantic

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	4554.0	1.8	21.2	US 2 year	0.46	6.3	33.6	Dollar index	93.588	-0.4	4.1	Brent	86	0.8	65.1
Russel 2000	2291.8	1.2	16.0	US 10 year	1.66	9.4	75.1	EURUSD	1.1645	0.4	-4.7	WTI	84	1.5	72.2
Stoxx 600	473.1	0.8	18.6	DE 2 year	-0.65	3.7	6.5	USDJPY	113.75	0.4	-9.2	Gold	1808	2.3	-4.8
DAX	15599.7	0.1	13.7	DE 10 Year	-0.09	7.5	47.8	GBPUSD	1.379	0.3	0.9	Silver	25	5.8	-6.6
CAC40	6757.0	0.4	21.7	ES 10 year	0.53	7.3	48.7	AUDUSD	0.750	1.0	-2.5	Palladium	2029	-2.4	-17.1
FTSE100	7229.4	-0.1	11.9	UK 10 year	1.17	6.3	97.4	USDCAD	1.233	0.3	3.2	Copper	455	-3.7	29.4
FTSE MIB	26641.0	0.6	19.8	IT 10 year	1.00	13.4	46.1	USDCHF	0.916	0.8	-3.3	Steel	1904	0.3	89.5
Nikkei 225	28804.9	-0.9	5.0	JP 10 year	0.09	1.6	7.6	NZDUSD	0.716	1.3	-0.3	Wheat	757	3.1	18.1
CSI 300	4959.7	0.6	-4.8	CH 10 year	2.99	0.6	-14.8	CNHUSD	6.381	0.8	1.9	Corn	538	2.3	11.1

Source: Bloomberg

Data updated at 16:00 (CEST)

ECB Governing Council meeting, eurozone inflation and Q3 flash GDPs from both sides of the Atlantic will be in the focus next week

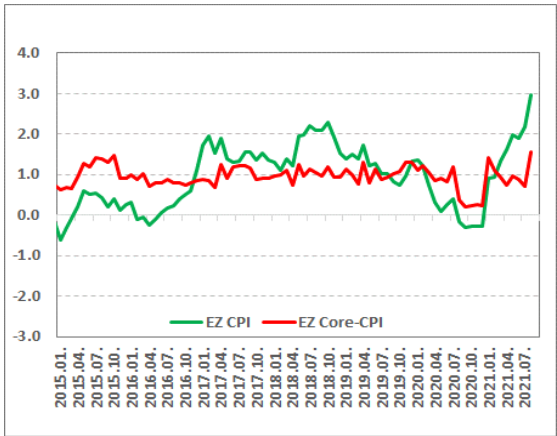
Next week we will super-intense in terms of macro events. In addition to the ECB's monetary policy meeting, the October flash inflation data will be released for the euro area, and the first estimates of Q3 GDPs will be also published for several European countries, plus the euro area as a whole. The first batch of GDP data will be also released in the USA. Although in principle not much could be expected from the ECB's meeting, as a new forecast and the tapering announcement is foreseen for December, things have become much more complicated since early September. Most importantly, Europe has sunk into an energy crisis, with natural gas prices sky-rocketing. Producer prices are also on the rise, owing to enduring supply problems, which also pulls back industrial output. Finally, the pandemic is spreading again as winter is approaching, and could cause surprises, particularly in countries with lower level of vaccination. All this means that the ECB Council members will need to assess the outlook of more persistent inflation and weakening growth. As regards the latter, Q3 GDP data will be an important input as well as the October CPI figure. In the USA, the Q3 GDP will be in the spotlight, which is likely to be much weaker than in the previous quarter.

In the **euro area**, the most important days will be Thursday with the ECB Governing Council's monetary policy conclusion, and Friday, when the Q3 GDP data and October inflation figures will be published. In terms of the ECB monetary policy meeting, theoretically, this seems to be the less crucial one, as no new forecast will be published, and in any case at the September press conference President Lagarde said that a possible tapering announcement could occur in December. In this sense, no ground-breaking announcements are foreseen. Still, what could be interesting is how the tone of the press release and the press conference changes as lots of things have changed for the worse since early September. First, skyrocketing energy prices have surely sent inflation higher than the ECB staff had foreseen back in September. Not only oil prices increased, but natural gas prices also hit 90-110 EUR/MWh levels, from EUR 55 in early September. Furthermore, supply chain problems also seem to deteriorate rather than to ease. All this means that by the end of the year, headline inflation could be around 4%, rather than the 3% envisaged in the ECB's latest forecast. This is surely something the ECB should reflect on. At the same time, incoming data suggest a weakening recovery, as industry is struggling with semiconductor shortages

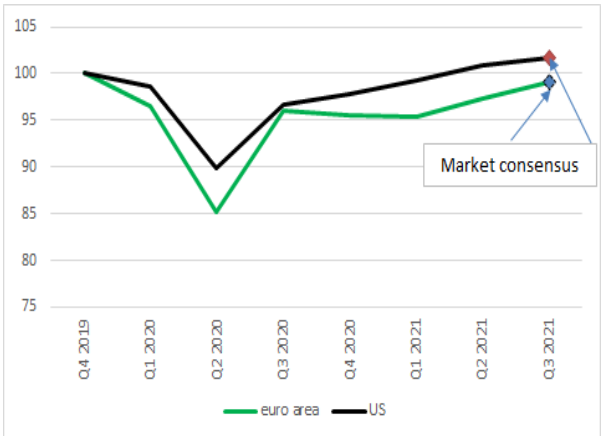
and other supply bottlenecks, while the services sector and retail spending are held back by a deteriorating pandemic situation, and higher prices. These latter will also have an impact on GDP data, although probably it affected only the end of Q3, so the Q3 growth figure could be relatively decent, as the services sector's gradual re-opening started only in June.

In the **USA**, the Friday release of the flash Q3 GDP will receive the highest attention. Additionally, October's *business and consumer confidence* data will also arrive during the week, while the September core PCE index is always something the FED follows eagerly. In terms of GDP data, the outlook has deteriorated sharply in just two months. While in mid-August, the Fed's GDPNOW estimate stood at 6%, while the consensus around 7% (both SAAR), the current guess is only 0.5%(!) for the Atlanta Fed tracker, and around 2.5% for the consensus. This unusual deterioration is driven by weakening retail, industrial production, and confidence data. These suggest that the higher-than-expected inflation keeps spending power limited, while similarly to Europe, industry is struggling with supply bottlenecks.

Euro area CPI figures (YoY, %)



US and euro area GDP, 2019Q4=100



Sources: Refinitiv and Bloomberg

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.
2021 10.25. 10 : 00	DE	IFO Economic sentiment index (points)	Oct	97.9	98.8
26. 15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Aug		19.9
16 : 00	US	Consumer confidence (point)	Oct	108.3	109.3
16 : 00	US	New home sales (annualized monthly, '000s)	Sept	755.0	740.0
27. 14 : 30	US	Durable goods orders (MoM, %)		-1.0	1.8
16 : 00	CA	Interest rate decision (%)	Oct		0.3
28. 5 : 00	JP	Interest rate decision (%)	Oct	-0.1	-0.1
10 : 00	IT	Consumer confidence (point)	Oct		119.6
11 : 00	EZ	EC Economic Sentiment Index (points)	Oct		117.8
13 : 45	EZ	Interest rate decision (lending rate, %)	Oct	0.0	0.0
13 : 45	EZ	Interest rate decision (deposit rate, %)	Oct	-0.5	-0.5
14 : 00	DE	CPI (preliminary, YoY, %)	Oct	4.4	4.1
14 : 30	US	GDP (preliminary, annualized QoQ, %)	Q3	2.5	6.7
14 : 30	US	Initial jobless claims ('000s)	weekly	290.0	290.0
14 : 30	US	Continuing jobless claims ('000s)	weekly		2481
16 : 00	US	Pending home sales (MoM, %)	Sept		8.1
29. 7 : 30	FR	GDP (preliminary, QoQ, %)	Q3	2.1	1.1
9 : 00	DE	GDP (QoQ, SA, preliminary, %)	Q3	2.2	1.6
9 : 00	DE	GDP (preliminary, YoY, %)	Q3	2.4	9.8
9 : 00	ES	GDP (preliminary, QoQ, %)	Q3	2.6	1.1
9 : 00	ES	Retail sales (YoY, %)	Sept		-0.9
9 : 00	AT	GDP (preliminary, QoQ, %)	Q3		3.6
9 : 00	CZ	GDP (QoQ, %)	Q3		1.0
10 : 00	IT	GDP (preliminary, QoQ, %)	Q3	2.0	2.7
10 : 30	PT	GDP (preliminary, QoQ, %)	Q3		4.9
11 : 00	EZ	CPI (flash, YoY, %)	Oct	3.7	3.4
11 : 00	EZ	Core CPI (flash, YoY, %)	Oct	2.0	1.9
11 : 00	EZ	GDP (preliminary, QoQ, %)	Q3	1.9	2.2
11 : 00	EZ	GDP (preliminary, YoY, %)	Q3	3.5	14.3
14 : 30	US	Personal income (MoM, %)	Sept	0.1	0.2
14 : 30	US	Personal consumption (adjusted, MoM, %)	Sept	0.5	0.8
14 : 30	US	Household core PCE index (MoM, %)	Sept	0.2	0.3
15 : 45	US	Chicago PMI (points)	Oct	63.0	64.7
2 : 00	CN	NBS Non-manufacturing PMI (points)	Oct		53.2
31. 2 : 00	CN	NBS Manufacturing PMI (points)	Oct		49.6

Unfavourable macro data and the 'usual' positive surprises in the earnings season characterized the week, when major stock indices closed mixed. Yields rose again, the USD weakened, oil and natural gas prices increased minorly

The week started with falling markets in Europe, where China's weaker-than-expected Q3 GDP data negatively affected the sentiment. US markets also started unenthusiastically, but the usual upside surprises in earnings reports (with few exceptions like IBM) could have supported the indices. The rest of the week was about gains in the USA but a bit more mixed in Europe, even though almost all incoming macro data disappointed. To make things worse, on Thursday Evergrande announced that its attempt to sell a USD 2.6bn stake in its property services unit had fallen through. However, on the positive side, it turned out on Friday that the real estate giant repaid USD 83.5 mn of interest to bond investors, after missing the deadline a few weeks ago, but before the 30-day grace period expired. Finally, US markets seem to close the week with slight gains, while Europe was heading for roughly stagnation in weekly terms. Both the USA's and the eurozone's Treasury yields edged higher, given strengthening inflation fears. The USD slightly weakened, oil and other energy prices increased mildly.

Pandemic situation is OK in the USA and Western Europe, while CEE countries face increasing headwinds

The daily new case counts continue to drop in the USA, but the fall of daily covid related deaths halted in the country this week. The FDA and the CDC advisory committee recommended the use of Moderna's and J&J's vaccines as boosters, allowing a 'mix and match' strategy.

Countries in Western Europe reported rising covid daily case counts this week, but the number of covid related deaths is still relatively low.

The Gansu Province, Northwest China, suspended in-person classes due to the appearance of locally transmitted covid cases. New cases also had been found in China's Inner Mongolia Autonomous Region. The county seems to hold onto its zero covid policy, issuing mass testing and closing specific mass transit hubs by the affected areas.

A severe infection wave is still affecting Russia, with record high confirmed covid cases and deaths being reported. Local governments will arrange a paid off work week for its population in early November, to fight the crisis.

Most countries in the CEE region suffer from a severe covid wave. Hospitals in Romania, Bulgaria and Ukraine are under intense pressure. Latvia is was forced to reimpose a month-long lockdown, implementing night-time curfews, closing schools and all non-essential shops.

US stocks seem to face small gain in, in Europe the result is closer to stagnation by Friday afternoon

The *STOXX 600* seems to close the week with a 0.8% rise. The *DAX* grew by a minor 0,1%, while the *CAC40* grew by 0,4%. *FTSE 100* fell by 0.1%, while *FTSE MIB* grew by 0.6%. In terms of sectors' weekly performance. defensive ones like utilities (2.9%) and health care (1.9%) were among the best performers, while cyclicals, like basic resources (-3.2%) and travel&leisure (-2.0%) were the weakest spots.

In the **USA**, the *S&P* could grow by a most significant 1.8%, while the small-cap *Russell 2000's* gain is stands in +1.2%. Among S&P sectors, real estate (3.0%) and financials (2.7%) performed the strongest, while the weakest one was telco (-0.6%).

Treasury yields moved further up on inflation fears; oil prices increased minorly, the USD weakened

As during the week incoming data (German producer prices, PMI-s) supported inflation fears, consequently Treasury yields moved-up on both sides Atlantic. The US long-term *Treasury/bond yields* increased by 9.4, euro area yields by 7.5-13.5 bps.

While *Brent oil price* has been hovering around USD 85 during the week, *natural gas* prices in Europe seem to settle slightly below EUR 90 per MWH, which seems to suggest that energy tensions are easing, but far from resolved. In weekly terms both could increase around 1%. Should the current prices remain for the next couple of quarters, it will have a significant effect on inflation.

The *dollar index* edged 0.4% weaker, putting it on track for a second straight week of falls. But the broader market narrative remained supportive of more U.S. dollar gains as rising bond yields on the back of firmer inflation expectations are expected to lend support to the greenback. Yield differentials between comparable U.S. and German debt stood around 177 bps.

Weekly macro data point to more persistent inflation and a weakening recovery on both sides of the Atlantic

In the **euro area**, October's *PMI* surveys suggested that supply problems in the manufacturing sector are getting worse, weighing on output, and causing price pressures to intensify. At first sight, the manufacturing sector looked strong, with the headline PMI broadly unchanged at 58.5. But the output component fell from 55.6 to 53.2, with the press release citing the usual list of shortages, including materials and shipping containers. The difficulty of sourcing inputs was highlighted by the index of suppliers' delivery times, which lengthened at the second-fastest pace on and the manufacturing input price PMI, which rose to a new record high. The future output index declined too. The services sector held up a little better, but the business activity index still fell, from 56.3 to 54.7, and the input price index increased. *Consumer confidence* in October renewed its fall in the eurozone, to -4.8 from -4 points, but slightly better than the consensus (-5.0 points).

Germany's *producer prices* jumped by 14.2% from a year earlier in September 2021, accelerating from a 12.0% rise in the previous month and beating market

expectations of 12.7%. This was the largest increase in producer costs since October 1974, when prices rose sharply during the first oil crisis, mainly due to a jump in energy prices, ongoing supply disruptions and a low base year.

In the **USA**, the Fed's Beige Book suggested that economic activity grew at a modest to moderate rate. Several districts noted, however, that the pace of growth slowed this period, constrained by supply chain disruptions, labour shortages, and uncertainty around the Delta variant of COVID. Outlooks for near-term economic activity remained positive, overall, but some districts noted increased uncertainty and more cautious optimism than in previous months. Most districts reported significantly elevated prices, fuelled by rising demand for goods and raw materials. Reports of input cost increases were widespread across industry sectors, driven by product scarcity resulting from supply chain bottlenecks. Expectations for future price growth varied, with some expecting prices to remain high or increase further while others expected prices to moderate over the next 12 months. Meanwhile, the MoM growth of the *Conference Board's leading index* slowed to 0.2% from 0.9% for September, while *industrial production* actually fell by 0.3%, both missing the consensus by a visible margin. *Markit PMI-s* were mixed, while the manufacturing index weakened to 59.3 points, from 60.3 and missing the consensus (60.3). However the service sector PMI jumped to a 3 months high of 58.2 points (September 54.9, consensus 55.1), driven by **the quickest rise in new work since July**, that was commonly attributed to stronger demand conditions as COVID-19 worries eased during the month. However October data also highlighted stronger inflationary pressures across the US economy. Average input prices rose at a survey record pace, with firms attributing higher costs to supply issues, material shortages, greater transport fees and increased wage bills. Subsequently, the rate of selling price inflation for goods and services also hit a new series peak.

China's GDP expanded by 4.9% YoY in 2021Q3, slowing sharply from a 7.9% growth rate in the previous period, and missing market consensus of 5.2%. This was the slowest pace of expansion since the third quarter of 2020, amid several headwinds including power shortages, supply chain bottlenecks, a persistent property bubble, and COVID-19 outbreaks. Considering the first three quarters of the year, the economy grew by 9.8%, with final consumption accounting for 64.8 percent of GDP growth.

Still in the emerging market world, the *monetary policy* committee of the Central Bank of **Turkey** slashed its one-week repo auction rate by 200bps to 16% during its October meeting, against market expectations of a 50bps cut. This follows a 100bps rate cut in September. The move comes at a time when the country grapples with inflation above 19%, well above the mid-point target of 5%. After this move, the USD/TRY exceeded 9.6, from a level of 9.3 before the meeting. Importantly, the currency stood near 8.5 before the rate cut cycle had started in September. With a very different approach, the Bank of **Russia** raised its key rate by 75 bps to 7.5%, when inflation is running around 7.8%, and gave a tightening bias. After the decision the RUB has started to rally against the USD, approaching 70.

This week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.	
2021 10.18.	4 : 00	CN	Infrastructural spending (YoY, %)	Sept	7.3	7.9	8.9
	4 : 00	CN	Industrial production (YoY, %)	Sept	3.1	4.5	5.3
	4 : 00	CN	Retail sales (YoY, %)	Sept	4.4	3.3	2.5
	4 : 00	CN	GDP (YoY, %)	Q3	4.9	5.2	7.9
	4 : 00	CN	GDP (QoQ, SA, %)	Q3	0.2	0.5	1.3
	15 : 15	US	Industrial production (MoM, %)	Sept	-1.3	0.2	-0.1
	19 14 : 30	US	Building permits (annualized monthly, '000s)	Sept	1589.0	1680.0	1721.0
	14 : 30	US	Housing starts (annualized monthly, '000s)	Sept	1555.0	1620.0	1615.0
	20. 8 : 00	UK	Inflation (YoY, %)	Sept	3.1	3.2	3.2
	20 : 00	US	Fed Beige Book	Oct	-	-	-
	21. 13 : 00	TR	Interest rate decision (%)	Oct	16.0	-	18.0
	14 : 30	US	Initial jobless claims ('000s)	weekly	290.0	300.0	296.0
	14 : 30	US	Continuing jobless claims ('000s)	weekly	2481.0	2550.0	2603.0
	16 : 00	US	Existing home sales (annualized monthly, '000s)	Sept	6290.0	6090.0	5880.0
	16 : 00	US	Leading index (MoM, %)	Sept	0.2	0.4	0.9
	16 : 00	EZ	Consumer confidence (point)	Oct	-4.8	-5.0	-4.0
	22. 1 : 30	JP	core-CPI (YoY, %)	Sept	0.1	0.1	0.0
	1 : 30	JP	CPI (YoY, %)	Sept	0.2	-	-0.4
	8 : 00	UK	Retail sales (MoM, %)	Sept	-0.2	0.4	-0.9
	9 : 15	FR	Markit Manufacturing PMI (points)	Oct	53.5	54.0	55.0
	9 : 15	FR	Markit Service PMI (points)	Oct	56.6	55.5	56.2
	9 : 30	DE	Markit Manufacturing PMI (points)	Oct	58.2	56.5	58.4
	9 : 30	DE	Markit Service PMI (points)	Oct	52.4	55.0	56.2
	10 : 00	EZ	Markit Manufacturing PMI (points)	Oct	58.5	57.0	58.6
	10 : 00	EZ	Markit Service PMI (points)	Oct	54.7	55.5	56.4
	10 : 30	UK	Manufacturing PMI (points)	Oct	57.7	55.5	57.1
	10 : 30	UK	Service PMI (points)	Oct	58.0	54.6	55.4
	15 : 45	US	Markit Manufacturing PMI (points)	Oct	59.2	60.3	60.7
	15 : 45	US	Markit Service PMI (points)	Oct	58.2	55.1	54.9

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	4554.0	1.8	21.2	Stoxx 600	SXXP Index	473.1	0.8	18.6
IT	SSINFT Index	2797.5	2.2	22.1	Health care	SXDP Index	1033.9	1.9	17.6
Health care	SSHHLTH Index	1528.4	2.5	15.4	Industrial goods & services	SXNP Index	760.0	0.2	20.8
Financials	SSFINL Index	674.8	2.7	37.6	Banks	SX7P Index	149.0	0.2	37.7
Telco	SSTELS Index	269.7	-0.6	21.5	Personal & households goods	SXQP Index	1036.1	1.7	11.1
Consumer discretionary	S5COND Index	1533.3	2.0	17.7	Insurance	SXIP Index	312.9	0.8	12.1
Industrials	SSINDU Index	887.0	2.0	18.3	Food and beverages	SX3P Index	809.6	1.0	13.2
Consumer staples	S5CONS Index	739.5	0.6	6.2	Technology	SX8P Index	793.3	1.6	31.4
Utilities	SSUTIL Index	340.5	2.0	6.7	Utilities	SX6P Index	384.9	2.9	0.2
Energy	S5ENRS Index	437.9	0.8	53.0	Oil & gas	SXEP Index	294.9	0.2	24.7
Real estate	S5RLST Index	297.3	3.0	30.4	Chemicals	SX4P Index	1293.1	0.6	16.1
Materials	S5MATR Index	537.1	1.7	17.9	Construction & materials	SXOP Index	607.8	1.5	23.4
Source: Bloomberg					Telco	SXKP Index	227.9	-1.0	10.8
					Retail	SXRP Index	438.8	-1.0	10.8
					Financial services	SXFP Index	739.9	1.7	22.1
					Basic resources	SXPP Index	571.3	-3.2	14.4
					Real estate	SX86P Index	193.3	1.4	13.1
					Auto & parts	SXAP Index	657.1	-1.3	24.6
					Media	SXMP Index	354.2	0.5	25.1
					Travel & leisure	SXTP Index	261.6	-2.0	16.6

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	4554	3.6	4.3	10.1	31.9	26.5	4.8	3.1	17.8	1.4	117.9	2.7	5.0
Europe	SXXP Index	473	2.1	3.6	7.6	31.3	22.8	2.2	1.6	11.0	1.1	177.3	0.5	6.9
Germany	DAX Index	15600	0.6	0.5	1.8	24.4	18.8	2.0	1.2	11.4	1.2	115.9	13.6	-1.5
France	CAC Index	6757	1.8	4.2	7.8	39.3	23.0	1.9	1.5	8.6	1.1	209.2	1.9	11.1
Poland	WIG20 Index	2425	3.9	8.7	21.9	47.6	18.3	1.4	1.1	7.7	1.2	55.0	-0.7	7.3
Czechia	PX Index	1331	2.9	11.7	21.9	55.2	22.6	1.6	1.9	6.9		165.2	1.4	10.6
Hungary	BUX Index	55308	7.8	15.8	28.9	64.3	10.1	1.3	1.0	13.4	1.1	58.0	7.4	14.8
Romania	BET Index	12826	4.3	7.8	15.2	46.5	0.5	1.3	0.2	9.7		32.4	-6.1	
Bulgaria	SOFIX Index	574	2.4	2.6	10.6	33.7	22.8	0.7	0.7	2.9	2.4	45.9		
Russia	IMOEX Index	4230	4.9	12.7	17.5	50.9	9.5	1.3	1.3	13.6	1.5	72.4	8.8	7.9
Ukraine	PFTS Index	526	0.0	0.2	-0.2	4.9	8.2		0.6	20.2				
Slovenia	SBITOP Index	1191	2.8	5.1	13.6	43.2	7.9	1.0	0.7	13.1	1.7	34.1	0.0	
Croatia	CRO Index	2049	4.7	6.4	8.8	27.9	27.4	1.1	1.2	4.2	1.4	42.6		
Serbia	BELEX15 Index	798	-0.6	3.5	2.7	15.4	13.8	0.7	0.7	5.0	1.6	19.9		
Montenegro	MNSE10 Index	791	2.5	4.4	4.0	22.0	209.2	0.3	1.1	-0.2	2.2	14.1		

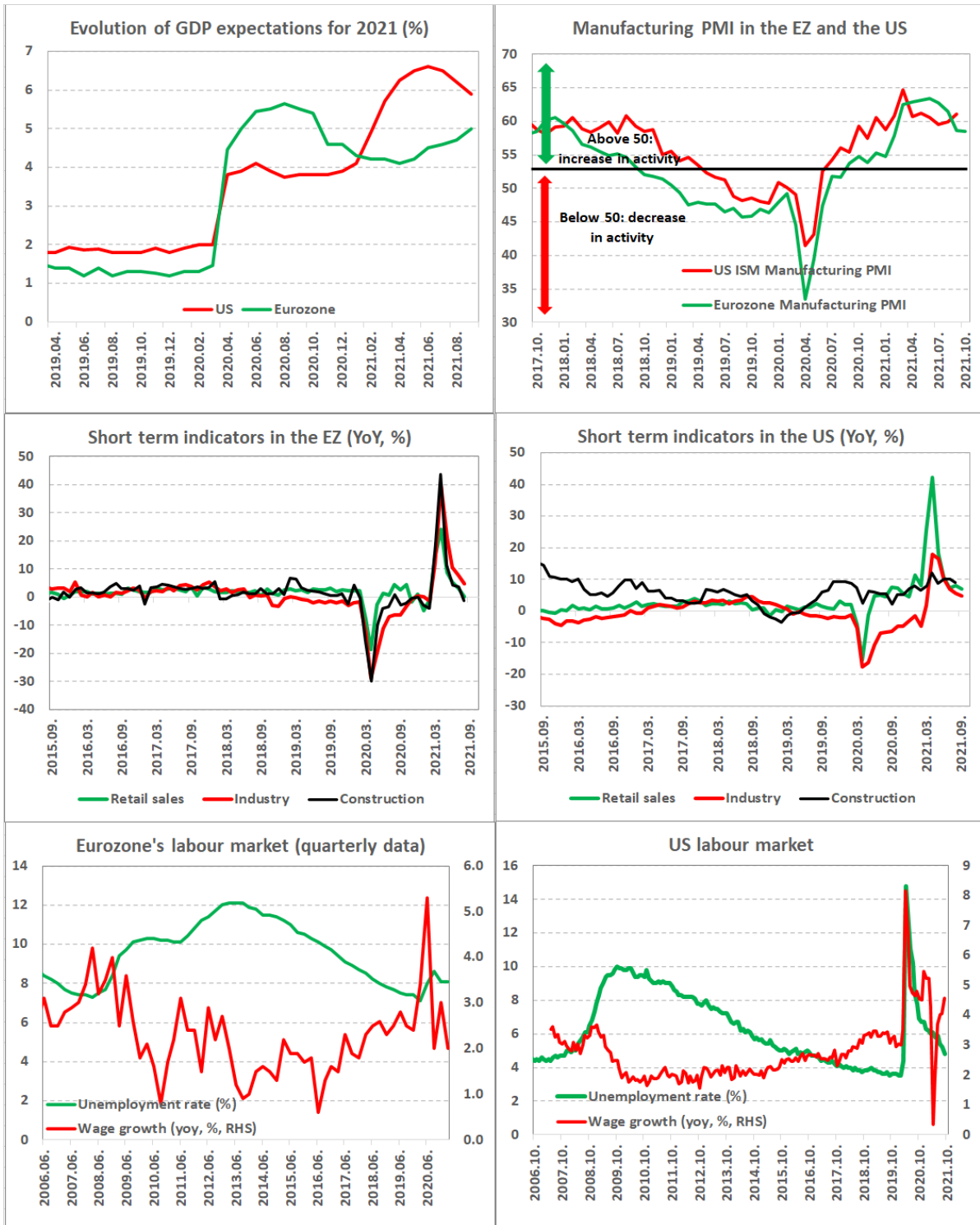
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

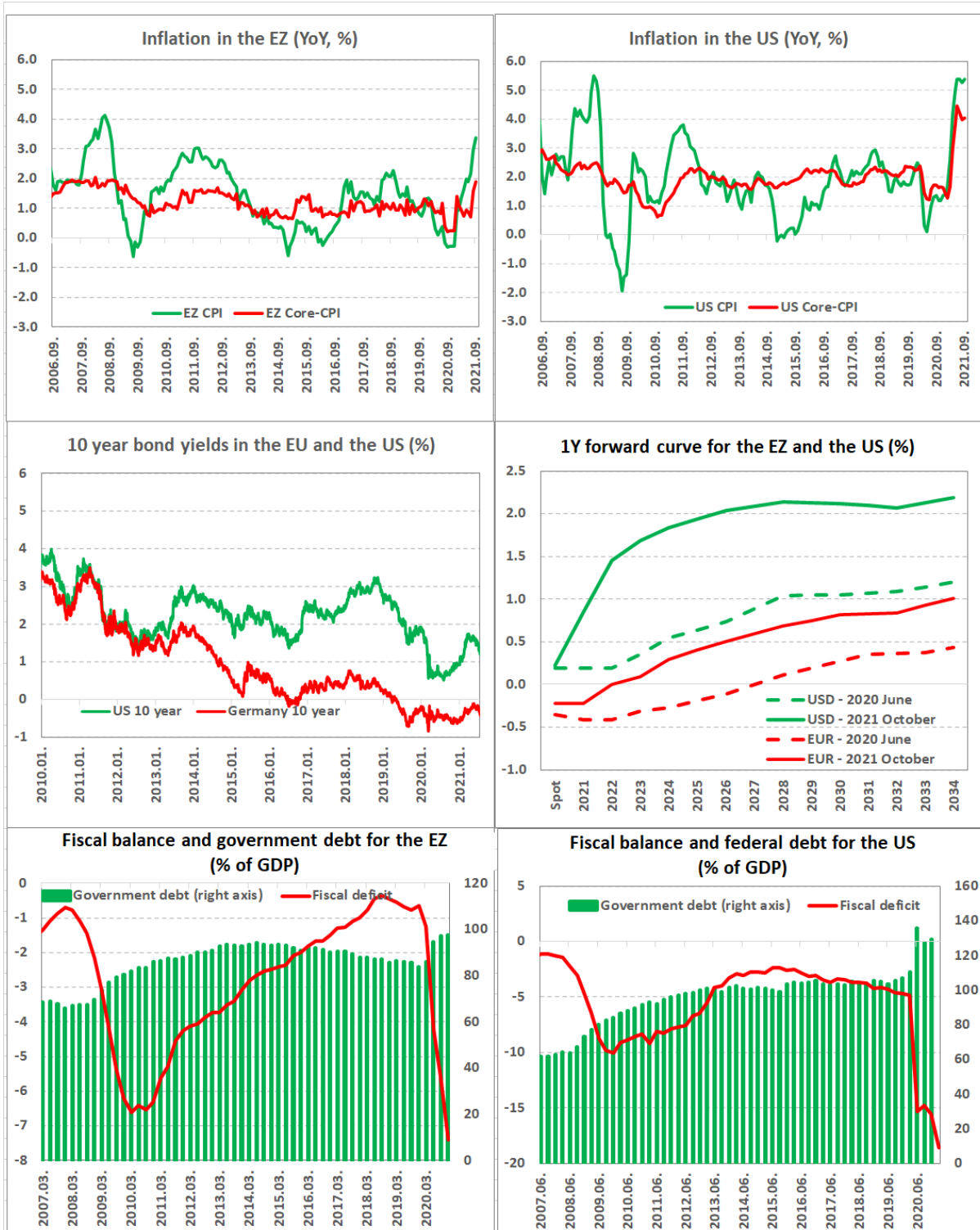
Data updated at 16:00 (CEST)

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	1.19	1.16	1.18	1.18	1.21
EURGBP	0.89	0.91	0.90	0.88	0.86	0.86	0.85	0.85	0.84	0.87
EURCHF	1.06	1.08	1.08	1.08	1.10	1.10	1.09	1.13	1.13	1.12
USDJPY	107.0	106.0	104.0	104.0	109.0	110.0	111.0	112.0	114.0	109.5

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	7.3	5.5	6.7	4.9	Hungary	-8.1	-7.5	-5.9	-7.1	-5.3
Romania	-3.9	7.2	3.6	7.0	4.7	Romania	-9.2	-8.2	-6.5	-7.2	-5.5
Bulgaria	-4.2	4.4	3.7	4.4	3.8	Bulgaria	-3.4	-2.4	-1.8	-3.8	-2.6
Russia	-3.0	4.6	2.3	4.1	2.6	Russia	-3.8	-0.9	-0.2	-0.4	0.0
Ukraine	-4.0	3.8	4.4	3.8	3.8	Ukraine	-5.3	-5.5	-3.0	-4.5	-3.1
Slovenia	-4.2	6.2	4.5	5.4	4.1	Slovenia	-8.4	-7.1	-4.9	-7.0	-4.6
Croatia	-8.0	7.7	4.5	7.1	4.6	Croatia	-7.4	-4.5	-3.0	-4.2	-3.1
Serbia	-1.0	6.5	5.0	6.4	4.4	Serbia	-8.1	0.6	3.1	-5.2	-2.6
Montenegro	-15.3	11.4	6.3	8.0	5.4	Montenegro	-10.1	-3.9	-2.5	-5.4	-2.6
Albania	-4.0	8.0	4.2	6.3	4.3	Albania	-6.8	-6.0	-4.0	-5.7	-3.5
Moldova	-7.0	12.4	5.2	6.6	4.7	Moldova	-5.3	-5.0	-4.5	-5.3	-4.2

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	4.8	4.7	4.5	3.7	Hungary	4.1	3.9	3.3	4.1	3.8
Romania	2.6	4.7	4.8	4.1	3.7	Romania	5.0	5.5	4.5	5.4	4.9
Bulgaria	1.7	2.6	3.1	2.3	2.4	Bulgaria	5.1	5.4	5.4	5.5	5.1
Russia	3.4	6.2	4.6	6.1	4.6	Russia	5.8	5.0	4.0	5.1	4.7
Ukraine	2.7	9.0	7.0	9.0	6.8	Ukraine	9.5	9.2	8.3	9.4	8.8
Slovenia	-0.3	1.3	1.7	1.5	1.8	Slovenia	5.0	4.9	4.8	5.0	4.7
Croatia	0.1	2.2	2.5	1.9	1.8	Croatia	7.5	7.3	6.8	8.5	7.8
Serbia	1.6	3.3	3.0	3.0	2.9	Serbia	9.0	11.2	10.2	10.6	9.8
Montenegro	-0.3	2.2	1.9	1.5	1.5	Montenegro	17.9	15.5	15.0	18.9	17.7
Albania	1.6	2.0	2.3	2.0	2.4	Albania	11.7	11.3	10.9	11.6	11.2
Moldova	3.8	3.5	7.0	3.5	5.3	Moldova	3.8	13.5	11.3	4.2	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

Chief Economist
Gergely Tardos
tardosg@otpbank.hu

Analyst
Mihály András Kovács
Mihaly.Andras.Kovacs@otpbank.hu

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

This document was prepared on 22 October 2021.

Disclaimer for OTP Bank Romania S.A. customers

OTP Bank Romania S.A. does not intend to present this document as an objective or independent explanation of the matters contained therein. This document a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication does not contain a comprehensive analysis of the described issues. This report is issued for information purposes only and should not be interpreted as a suggestion, an invitation or an offer to enter into any transaction, as an investment advice, and it does not constitute legal, tax or accounting advice. Also it is not and should not be considered a recommendation for investment in financial instruments according to NSC Regulations no. 32/2006 and 15/2006.

Information herein reflects current market practices. Additional information may be available on request. This document is intended only for the direct and sole use of the selected customers of OTP Bank Romania S.A. Any form of reproduction or redistribution to any other person that the intended recipients, including publication in whole or in part for any purpose, must not be made without the express written agreement of OTP Bank Romania S.A. Although the information in this document has been prepared in good faith from sources which OTP Bank Romania S.A. believes to be reliable, we do not represent or warrant its accuracy and such information may be incomplete or condensed. The issuer of this report does not claim that the information presented herein is perfectly accurate or complete. However it is based on sources available to the public and widely believed to be reliable. Also the opinions and estimates presented herein reflect a professional subjective judgment at the original date of publication and are therefore subject to change thereafter without notice. Furthermore there can be no guarantees that any market developments will unfold as forecasted. Opinions and estimates constitute our judgment and are subject to change without notice.

OTP Bank Romania S.A. may have issued reports that are different or inconsistent with the information expressed within this report and is under no obligation to update or keep current the information contained herein.

OTP Bank Romania S.A. may hold a position or act as market maker in the financial instrument of any issuer discussed herein or act as advisor or lender to such issuer. This document is not intended to provide the basis for any evaluation of the financial instruments discussed herein. In particular, information in this document regarding any issue of new financial instruments should be regarded as indicative, preliminary and for illustrative purposes only, and evaluation of any such financial instruments should be made solely on the basis of information contained in the relevant offering circular and pricing supplement when available. OTP Bank Romania S.A. does not act as a fiduciary for or an advisor to any prospective purchaser of the financial instruments discussed herein and is not responsible for determining the legality or suitability of an investment in the financial instruments by any prospective purchaser.

This report is not intended to influence in any way or to be considered a substitute to research and advice centred on the specific investment objectives and constraints of the recipient (including tax concerns) therefore investors should obtain individual financial advice. Before purchasing or selling financial instruments or engaging investment services, please examine the prospectuses, regulations, terms, agreements, notices, fee letters, and any other relevant documents regarding financial instruments or investment services described herein in order to be capable of making a well-advised investment decision. Please refer to your competent adviser for advice on the risks, fees, taxes, potential losses and any other relevant conditions before you make your investment decision regarding financial instruments or investment services described herein. OTP Bank Romania S.A. in compliance with the applicable law, assumes no responsibility, obligation, warranty or guarantee whatsoever for any direct or indirect damage (including losses arising from investments), or for the costs or expenses, detrimental legal consequences or other sanctions (including punitive and consequential damage) sustained by any natural or legal person as a result of the purchase or sale of financial instruments or engaging investment services described herein, even if OTP Bank Romania S.A. was warned of the possibility of such occurrences.

Figures described herein refer to the past and past performance is not a reliable indicator of future results. Investments in financial instruments carry a certain degree of risk (fluctuation of share prices, uncertainty of dividend, yields and / or profits, exchange rate fluctuations, etc.). The capital invested is not guaranteed, investment gains, usually assumed proportionate to risk, and past performance of financial instruments is not a guarantee for future performance.

Please note that the Internet is not a secure environment and OTP Bank Romania S.A. does not accept any liability for any loss caused by the result of using this report in a form altered or delayed by the wilful or accidental interception, corruption or virus infection.

All rights reserved – OTP Bank Romania S.A. (registered seat: Street Buzesti, no. 66-68, 1st district Bucharest, Romania; company registration number: J40/10296/1995, CUI RO 7926069.; NBR registration no RB-PJR-40-028/1999; for further information please refer to: <https://www.otpbank.ro/en>).

This document has been provided to the recipients upon their prior request. Your abovementioned permission may be withdrawn by an e-mail addressed to newsletters@otpbank.ro or a written mail addressed to OTP Bank Romania S.A., Buzesti Street, no. 66-68, 1st district, Bucharest, Romania. Please refer to *YOUR* name and e-mail address in both cases.