



**October's monthly real economy indicators could be in the spotlight next week**

*Most of the global macro show is probably gone for a few weeks, with the recent publication of the Fed's decision, Q3 flash GDPs, and October's inflation data for major economies. Now it is time to digest what has happened, and what all this implies for the future course of monetary policies. Consequently, fewer data will be published next week. The second release of the euro area's Q3 GDP is less likely to be a market mover, given that the flash version is already known. The monthly hard indicators, concerning already Q4, seem more interesting: US industrial production and retail sales, and the batch of key economic indicators for China. They could help to gauge Q4 GDP performance. Meanwhile, the earnings season continues with giants such as Walmart, Cisco, or JD.com.*

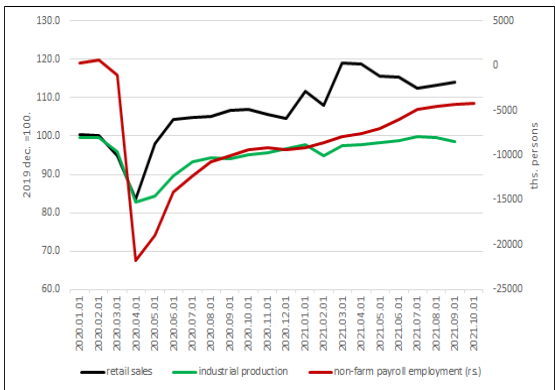
In the **USA**, two key indicators, industrial production and retail sales for October will be released on Tuesday. In September, industrial production shrank by 1.3%, which partly reflected a temporary fall in mining and chemical output in the aftermath of Hurricane Ida. However, the 0.7% fall in manufacturing output mostly reflected worsening supply shortages. In particular, the 7.2% MoM drop in motor vehicle output should be mentioned, but even excluding that, manufacturing output contracted by 0.3%, pointing to more widespread problems. October's business confidence data did not promise any improvement, still the market expects a 0.7% growth, which probably suggests improvement in mining output. Retail sales in September also posted a fall, reflecting increasing durable prices, as well as lower spending, due to the sharp rise in the Delta wave. Given that at least the pandemic situation improved in October, this could help spending to grow. Nevertheless the consensus is flat at 0.7% MoM growth, the same figure as the October fact. Still in the USA, the October leading index, building permits, and housing starts data will arrive, as well as the business inventories data for September.

In the **euro area**, the second batch of the Q3 GDP estimate will be published on Tuesday. The first reading, at 2.2% QoQ, beat the consensus, and in general, most of the improvement may have come from services activity, as this sector has fully re-opened throughout the continent. Nevertheless, as the second revision does not contain details, we still have to wait to see exactly which parts of the economy caused this improvement, and to what extent. Apart from this, Christine Lagarde's speech at the European Banking Congress on Friday could be mentioned. In case of the latter, the question is what the President communicates on the future course

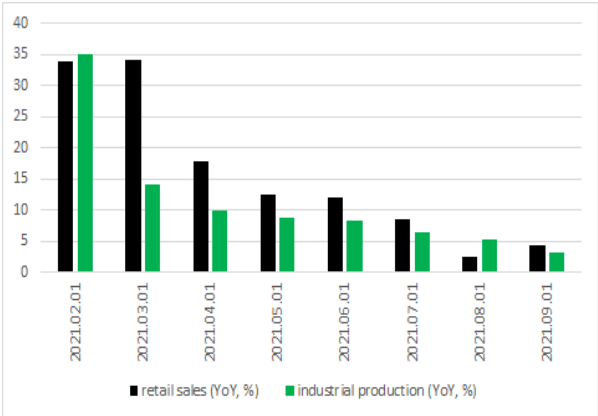
of monetary policy, after Governing Council member Mr Holzman said that by next September, the ECB could fully stop asset purchases. It is all the more interesting as so far, the market thought that once the PEPP is phased out, the APP may be stepped up probably next spring, to keep financial conditions loose through at least 2022.

The week starts with the release of the October batch of key monthly macro indicators for **China**: *industrial production, retail sales and fixed asset investment*. In recent months industrial production and investments have both slowed, while retail sales could have picked up somewhat, after the more widespread lockdown in August. However, October brought new virus outbreaks and the supply problems make the industry struggle, not to mention the accumulating problems in the real estate sector. All these point to a further weakening of economic activity.

US key monthly macro indicators



China: retail sales and industrial production



Sources: Refinitiv and Bloomberg

What to watch next week

Data		Cd.	Event/Data	Period	Cons.	Prev.	
2021	11.15.	0 : 50	JP	GDP (QoQ, %)	Q3	-0.2	0.5
		3 : 00	CN	Infrastructural spending (YoY, %)	Oct	6.2	7.3
		3 : 00	CN	Industrial production (YoY, %)	Oct	3.0	3.1
		3 : 00	CN	Retail sales (YoY, %)	Oct	3.5	4.4
		14 : 30	US	New York Fed Manufacturing index (points)	Nov	20.5	19.8
	16.	8 : 00	UK	Unemployment rate (%)	Sept	4.5	4.5
		11 : 00	EZ	GDP (second estimate, YoY, %)	Q3	3.7	3,7*
		11 : 00	EZ	GDP (second estimate, QoQ, %)	Q3	2.2	2,2*
		14 : 30	US	Retail sales (MoM, %)	Oct	1.4	0.7
		15 : 15	US	Industrial production (MoM, %)	Oct	0.7	-1.3
		16 : 00	US	Business inventories (MoM, %)	Sept	0.6	0.6
	17.	8 : 00	UK	Inflation (YoY, %)	Oct	3.9	3.1
		14 : 30	US	Building permits (annualized monthly, '000s)	Oct	1640.0	1586.0
		14 : 30	US	Housing starts (annualized monthly, '000s)	Oct	1578.0	1555.0
	18.	12 : 00	TR	Interest rate decision (%)	Nov	15.0	16.0
		14 : 30	US	Initial jobless claims ('000s)	weekly	260.0	267.0
		14 : 30	US	Continuing jobless claims ('000s)	weekly		2160.0
			US	Leading index (MoM, %)	Oct	0.8	0.2
	19.	0 : 30	JP	core-CPI (YoY, %)	Oct	0.1	0.1
		0 : 30	JP	CPI (YoY, %)	Oct	0.3	0.2
		8 : 00	UK	Retail sales (MoM, %)	Oct		-0.2
		9 : 30	EZ	Christine Lagarde speech (European Banking Congress)	-		

**Upside surprise in US inflation and mixed earnings reports seem to have led to a weekly fall in the USA, but Europe could pick-up mildly**

*The huge upside surprise in US inflation, and more mixed earnings reports (e.g. Walt Disney and TripAdvisor caused downside surprises while Pay Pal and Syco produced mixed results), during the week seem to have resulted in weekly loss on US stock markets. The sharp increase in Treasury yields also dented the sentiment. Consumer discretionary, telco, energy, and IT were hit particularly hard. In Europe, the earnings reports released this week seemed more positive (consequently profit growth expectations for the Stoxx600 were revised to 60.7%, up from 57.2% a week ago). Inflation fears are less acute, and as a result, government bond yields increased slower, and stock market could eke out small gains, in fact several markets seem to close on new record highs. Nevertheless, investor sentiment was not altogether good, driven by fears of the stagflation scenario.*

**Stagnating daily cases and death counts in the USA, confirmed cases are climbing further in Western Europe, while CEE countries still face significant headwinds. Localized outbreaks in China, the country tries to keep zero covid policy.**

The US lifted travel bans from 33 countries, vaccinated international travelers may enter without any restrictions. This includes air travelers and also passengers crossing land borders with Mexico and Canada. Meanwhile daily new cases and already death counts have stopped their previous decline.

Europe has become the center of the epidemic, many countries reporting rising infection statistics in the region, and also announcing policies to counter the new wave. France considers the covid passes for 65+ citizens valid only, if the last shot was given within 6 months. Booster shots will be available for citizens aged between 50 and 64, in early December. Children in schools are ordered to wear mask in most parts of France, once again. Netherlands announced a 3 week partial lockdown, non-essential shops, restaurants and cafes have to close after 7 pm. Working from home is highly recommended in the country during the lockdown. Austria suffers from one of the highest wave in Western Europe, and was forced to put the province of Upper Austria under lockdown for the unvaccinated.

The CEE region remained the worst covid affected region globally. Croatia had to restrict gatherings and extend the application of Covid passports due to the jumping daily case counts. Slovenia, Hungary, Czechia and Poland are also showing a concerning jump in infection rates. Serbia and Romania seems to have passed the peak of the infection wave, but their daily death statistics are still alarming. The increase of covid cases and deaths moderately halted in Russia last week, probably due to the extra holiday week that was issued lately.

After a brief decline, China reported growing new domestic cases within its territories. Authorities had to put malls and several residential compounds under lockdown in the country's capital, due to the new covid cases. The northeastern port city of Dalian has reported a new local infection cluster, and was forced to restrict travelling, while halting cultural events and school classes.

**European stocks seem to close the week in minimal pluses at record, while US markets decline**

In **Europe**, the *STOXX 600* closed two days on record during the week and seem to close the third on new highs as well, however the general upward trend was quite moderate, hence the index seems to close the week in a small, 0.5% plus. *DAX* and *CAC40* seem also finish all time high with 0.2% and 0.6% increase, while *FTSE100* moved up by 0.7%. However *FTSEMIB* edged down by 0.5%. Out of the *STOXX* components basic resources (4.0%), media (2.2%) and construction materials (1.9%) were the best performing, while, travel&leisure was the weakest spot (-3.8%).

In the **USA**, the *S&P* fell by 0.9%, while the small-cap *Russell 2000's* lost 0.8% in weekly terms by Friday afternoon. Among the *S&P* sectors, with the exception of materials (2.2%) and health care (0.3%) and the stagnating financials, all the rest were in the red, with the largest fall of 3.8% in consumer discretionary.

**Long term yields edged sharply upwards; energy prices performed mixed. The US dollar gained again.**

The week brought higher yields on both sides of the Atlantic. *US Treasury yields* moved up by 11 bps, as inflation data surprised during the week, and more than reverted the decline during the previous week. However the short term forward for the Fund Funds Rate futures moved up even more ( 17 bps upt to 11 November), so the yield curve has flattened. *Euro area long term yields* changed less pronouncedly, with the exception of Italian yields, which moved up by 10 bps (DE: 3 bps, ES: 7 bps).

*Oil prices* fell on Friday, wiping out gains from the previous session as the *USD* continued to firm on expectations that the U.S. central bank will bring forward an increase to interest. At the same time European *natural gas prices* increased by over 3%, despite higher level of pumping to the pipeline by Gazprom, as the Belarus-Poland border conflict made investors nervous over the gas supply via the Jamal pipeline, which transits Belarus.

**Huge upside surprise in US inflation. Europe's business confidence improved in November.**

In the **USA**, the October *CPI* caused a significant upside surprise. Headline inflation at 6.2% exceeded the consensus forecast by 0.4 ppts, and is consistent with 0.8-ppts uptick. Importantly, core inflation picked up from 4.0 to 4.6%, which was 0.3 ppts above the consensus. While the headline index was also driven by higher fuel and energy prices, core inflation was supported by car prices as well as by items whose prices grew slower or fell previously, due to the Delta wave. However, the increase cannot be linked only to a few categories; this is best illustrated by a 0.6 ppts pick-up in Cleveland Fed trimmed mean inflation, and a 0.4 ppts uptick in 12-month median CPI. Importantly, MoM annualized median CPI already stood at 7.1%, the highest level ever since the index was launched in 1991. The building of inflationary pressures puts the Fed into an increasingly uncomfortable position to remain patient with the current high levels. Another bad news was the increase in *continuing jobless claims*, although it is yet to be seen whether this is just a temporary phenomenon or a more permanent tendency. The University of

Michigan's *consumer sentiment* fell to 66.8 in November of 2021 from 71.7 in October and below market expectations of 72.4. It is the lowest since November 2011. The gauge of current conditions dropped to 73.2 from 77.7 while the expectations subindex went down to 62.8 from 67.9. Meanwhile, inflation expectations for the year-ahead edged up to 4.9% from 4.8% while the 5-year outlook was unchanged at 2.9%.

In the **euro area**, both the *Sentix* and the *ZEW* business confidence indicators surprised to the upside by a large margin, and posted their first improvement after a deterioration that began in the summer. The euro-zone *industrial production* contracted by 0.2% MoM in September, following a revised 1.7% decline in August. This was in line with expectations based on national data releases. It means that output was 5.2% above its level in the same month last year, but 1.3% below pre-pandemic levels. The underperformance of industrial production is largely a consequence of the auto sector, which was reversed 3.5% MoM, as supply shortages, particularly in semiconductor chips, continue to hamper the sector.

### This week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2021 11. 8. 10 : 30	EZ	Sentix Investor confidence (points)	Nov	18.3	15.5	16.9
	EZ	Eurogroup meeting	-	-	-	-
9. 8 : 00	DE	Export (MoM, SA, %)	Sept	-0.7	0.0	-1.2
11 : 00	DE	ZEW Economic Sentiment (points)	Nov	31.7	20.0	22.3
14 : 00	EZ	Christine Lagarde speech (ECB Forum)	-	-	-	-
	EZ	ECOFIN Meeting	-	-	-	-
10. 10 : 00	IT	Industrial production (MoM, SA, %)	Sept	0.1	-0.1	-0.3
14 : 30	US	core-CPI (MoM, SA, %)	Oct	0.6	0.4	0.2
14 : 30	US	core-CPI (YoY, %)		4.6	4.3	4.0
14 : 30	US	CPI (MoM, SA, %)	Oct	0.9	0.6	0.4
14 : 30	US	CPI (YoY, %)	Oct	6.2	5.8	5.4
14 : 30	US	Initial jobless claims ('000s)	weekly	267	265	271
14 : 30	US	Continuing jobless claims ('000s)	weekly	2160.0	2095	2101
20 : 00	US	Federal budget balance (USDbn)	Oct	-165	-179.0	-62
11. 8 : 00	UK	GDP (preliminary, QoQ, %)		1.30	1.5	5.5
8 : 00	UK	GDP (preliminary, YoY, %)	Q3	7	6.8	23.6
12. 10 : 00	PL	GDP (preliminary, QoQ, %)	Q3	2.1		1.8
11 : 00	EZ	Industrial production (MoM, %)	Sept	0	-0.5	-1.7
16 : 00	US	Michigan Consumer confidence (preliminary, points)	Nov	66.8	72.4	71.7



## 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	4654.6	-0.9	23.9	Stoxx 600	SXXP Index	485.9	0.5	21.8
IT	SSINFT Index	2907.6	-0.8	26.9	Health care	SXDP Index	1064.8	0.2	21.1
Health care	S5HLTH Index	1553.3	0.3	17.3	Industrial goods & services	SXNP Index	786.1	0.7	25.0
Financials	SSFINL Index	665.1	0.0	35.6	Banks	SX7P Index	148.7	-0.4	37.4
Telco	S5TELS Index	274.3	-1.7	23.6	Personal & households goods	SXQP Index	1087.9	1.4	16.6
Consumer discretionary	S5COND Index	1600.9	-3.8	22.9	Insurance	SXIP Index	321.1	-0.1	15.0
Industrials	S5INDU Index	898.6	-0.1	19.9	Food and beverages	SX3P Index	846.5	0.7	18.4
Consumer staples	S5CONS Index	756.7	-0.3	8.7	Technology	SX8P Index	828.3	-0.4	37.2
Utilities	S5UTIL Index	337.4	-1.1	5.7	Utilities	SX6P Index	389.4	-0.2	1.4
Energy	S5ENRS Index	435.2	-1.5	52.1	Oil & gas	SXEP Index	281.4	-0.4	19.0
Real estate	S5RLST Index	300.8	-0.2	32.0	Chemicals	SX4P Index	1350.9	1.5	21.2
Materials	S5MATR Index	564.1	2.3	23.8	Construction & materials	SXOP Index	635.7	1.9	29.0
Source: Bloomberg					Telco	SXKP Index	230.6	1.8	12.1
					Retail	SXRP Index	450.2	0.7	13.7
					Financial services	SXFP Index	765.6	0.4	26.3
					Basic resources	SXPP Index	568.1	4.0	13.8
					Real estate	SX86P Index	196.0	0.0	14.7
					Auto & parts	SXAP Index	690.9	0.0	31.0
					Media	SXMP Index	370.9	2.2	31.0
					Travel & leisure	SXTP Index	251.2	-3.8	12.0
					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	4655	7.0	4.3	14.6	31.6	25.6	4.8	3.1	18.6	1.3	115.7	3.4	3.0
Europe	SXXP Index	486	6.3	2.3	11.0	26.2	21.2	2.2	1.7	11.8	1.1	193.0	0.7	3.9
Germany	DAX Index	16089	6.2	1.0	6.2	23.3	15.9	2.0	1.2	12.9	1.1	114.3	20.8	-3.1
France	CAC Index	7085	8.2	2.9	12.8	32.1	21.4	2.0	1.5	9.7	1.1	238.2	8.5	3.7
Poland	WIG20 Index	2373	-3.4	3.9	12.4	33.4	13.7	1.4	1.1	10.0	1.2	53.5	23.7	17.7
Czechia	PX Index	1361	-1.0	6.9	22.6	49.8	19.3	1.6	2.0	8.4		170.9	5.7	10.1
Hungary	BUX Index	52273	-4.3	3.9	18.4	38.6	8.5	1.3	0.9	14.7	1.2	55.8	608.5	20.4
Romania	BET Index	12847	0.9	6.0	9.2	43.1	0.5	1.2	0.2	10.5	1.4	34.5	15.9	8.4
Bulgaria	SOFIX Index	608	6.8	4.2	17.4	42.0	20.3	0.7	0.7	3.4	2.4	45.9		
Russia	IMOEX Index	4123	-3.3	6.0	12.8	36.3	8.2	1.6	1.7	17.1	1.5	82.1	13.8	8.3
Ukraine	PFTS Index	523	-0.6	-0.3	-1.0	4.6	7.9	1.6	0.6	20.6	0.6	4.8		
Slovenia	SBITOP Index	1221	5.0	2.7	13.4	44.2	8.1	1.1	0.7	13.1	1.8	33.7	3.6	
Croatia	CRO Index	2012	-1.6	2.6	3.3	22.3	15.8	1.0	1.1	6.9	1.7	39.3		
Serbia	BELEX15 Index	808	1.5	2.3	6.8	13.8	12.2	0.7	0.7	5.7	1.6	19.3		
Montenegro	MNSE10 Index	762	-0.8	-0.2	-1.4	18.6	53.0	0.3	0.9	0.8	2.0	13.5		

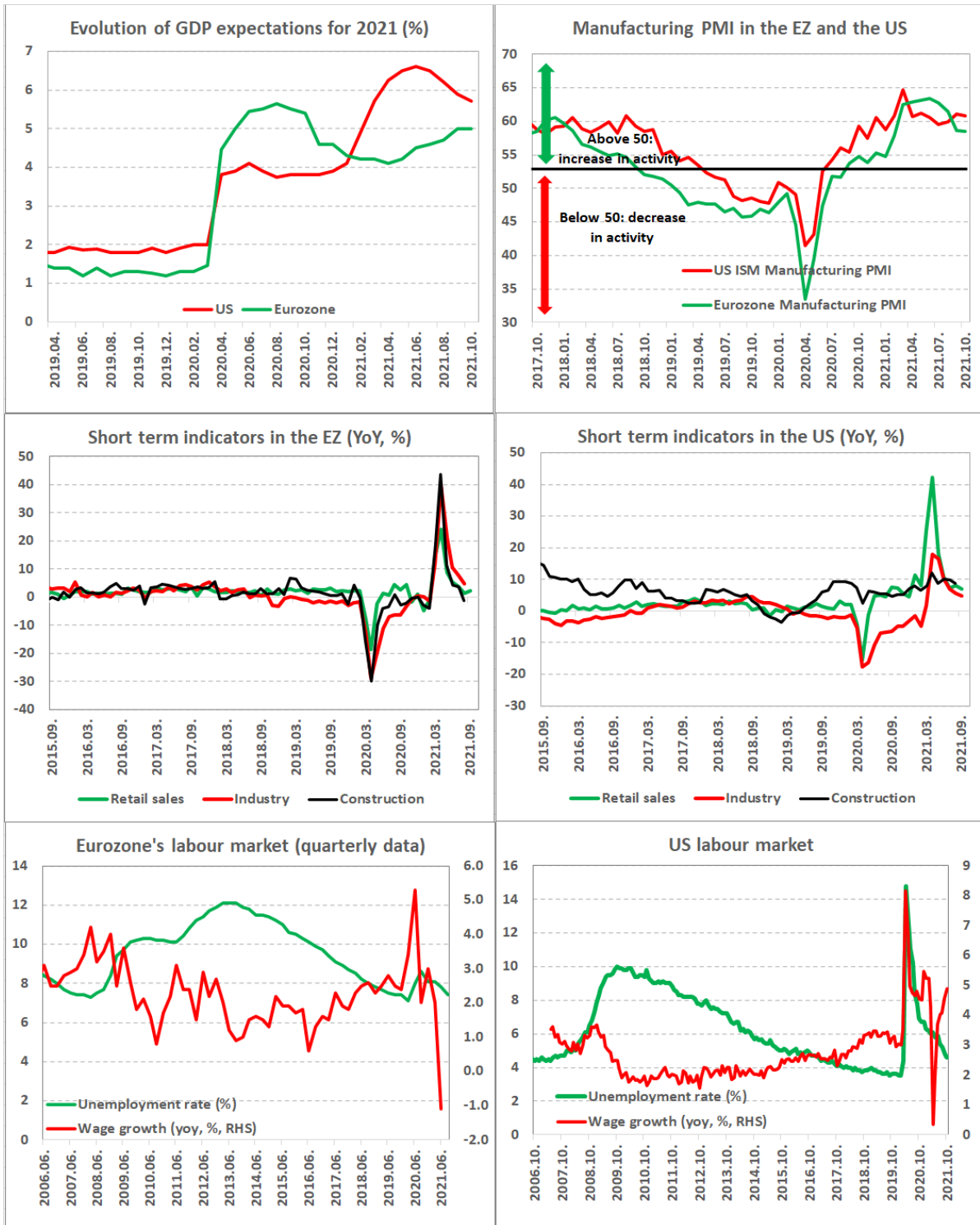
\*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

\*\*\*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.

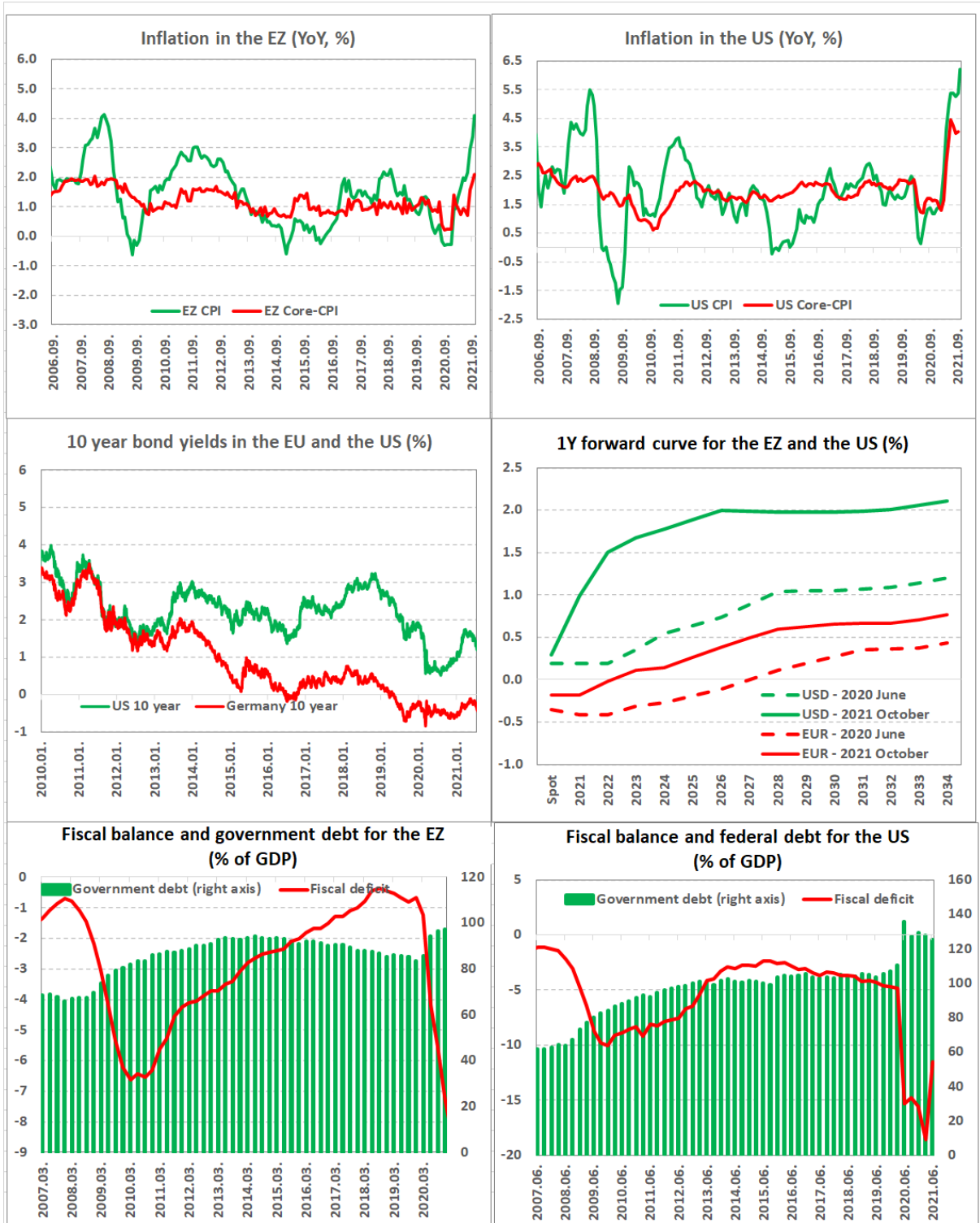
Data updated at 16:00 (CEST)

**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	1.17	1.18	1.21
EURGBP	0.89	0.91	0.90	0.88	0.86	0.86	0.85	0.84	0.84	0.86
EURCHF	1.06	1.08	1.08	1.08	1.10	1.09	1.08	1.12	1.11	1.10
USDJPY	107.0	106.0	104.0	104.0	109.0	111.0	113.0	113.0	112.5	111.0

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	7.3	5.5	6.8	4.9	Hungary	-8.0	-7.5	-6.6	-7.1	-5.3
Romania	-3.9	7.2	3.6	7.1	4.8	Romania	-9.4	-8.2	-6.5	-7.2	-5.5
Bulgaria	-4.2	4.2	3.2	4.4	3.8	Bulgaria	-4.0	-2.4	-1.8	-3.8	-2.6
Russia	-3.0	4.6	2.3	4.2	2.6	Russia	-3.8	-0.6	0.5	-0.3	0.2
Ukraine	-4.0	3.8	4.4	3.6	3.8	Ukraine	-5.3	-5.0	-3.0	-4.3	-3.1
Slovenia	-4.2	6.2	4.5	5.8	4.1	Slovenia	-8.7	-7.1	-4.9	-7.0	-4.5
Croatia	-8.0	7.7	4.5	7.5	4.6	Croatia	-7.4	-4.5	-3.0	-4.1	-2.9
Serbia	-1.0	7.0	5.0	6.4	4.4	Serbia	-8.1	0.6	3.1	-4.8	-2.3
Montenegro	-15.3	11.4	6.3	8.5	5.7	Montenegro	-10.1	-3.9	-2.5	-4.9	-2.9
Albania	-4.0	8.5	4.2	7.1	4.2	Albania	-6.8	-6.0	-4.0	-6.1	-3.8
Moldova	-7.0	8.4	5.2	6.6	4.8	Moldova	-5.1	-5.0	-4.5	-5.0	-4.4

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	4.9	4.7	4.7	3.9	Hungary	4.1	3.9	3.3	4.1	3.8
Romania	2.6	5.1	6.0	4.6	4.5	Romania	5.0	5.5	4.5	5.3	4.9
Bulgaria	1.7	2.7	3.9	2.5	2.7	Bulgaria	5.1	5.4	5.0	5.5	5.0
Russia	3.4	6.6	6.6	6.3	4.9	Russia	5.8	5.0	4.0	5.0	4.7
Ukraine	2.7	9.5	7.0	9.2	7.0	Ukraine	9.5	9.2	8.3	9.4	8.8
Slovenia	-0.3	1.3	1.7	1.5	1.9	Slovenia	5.0	4.9	4.8	4.9	4.6
Croatia	0.1	2.2	2.5	2.1	2.0	Croatia	7.5	7.3	6.8	8.4	7.8
Serbia	1.6	3.3	3.0	3.3	3.3	Serbia	9.0	11.2	10.2	10.4	9.8
Montenegro	-0.3	2.3	2.4	1.9	1.7	Montenegro	17.9	15.5	15.0	21.5	17.1
Albania	1.6	2.0	2.6	2.0	2.5	Albania	11.7	11.3	10.9	11.7	11.4
Moldova	3.8	3.5	7.0	3.8	5.9	Moldova	3.8	13.5	11.3	4.4	4.4

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	360.0	355.0	354.0	354.0	353.0	353.0
Romania	EURRON (eop)	4.87	4.93	4.93	4.95	4.95	4.96	4.97	4.98	5.00
Russia	USDRUB (eop)	73.9	75.7	72.4	72.8	71.4	70.8	71.1	71.2	71.6
Ukraine	USDUAH (eop)	28.30	27.80	27.30	26.60	27.30	27.40	27.40	27.80	28.20
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	1.16	1.17	1.17	1.18	1.18	1.19

\*Slovenia and Montenegro uses EUR as a base currency.

\*\*No forecast available for Moldova and Albania

Source: Focus Economics

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