

OTP Weekly Outlook

Next week:

- The new covid variant, US job market report and euro area CPI for November could be in the spotlight

This week:

- The new covid variant caused market turmoil on Friday, amid increasing fears of persistent inflation and a speed-up of FED tapering leading to sizable weekly losses
- Long-term yields edged down, and the USD gained further momentum
- Oil fell on virus fears, but natural gas prices in Europe moved upward.



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 (%)	Commo dity	Last price	1 week change (%)	YTD (%)
S&P500	4624.4	-1.7	23.1	US 2 year	0.51	-0.1	38.5	Dollar index	96.248	0.7	7.0	Brent	77	-2.9	48.0
Russel 2000	2265.4	-4.2	14.7	US 10 year	1.51	-3.6	59.7	EURUSD	1.1294	0.0	-7.5	WTI	72	-8.4	49.2
Stoxx 600	468.1	-3.7	17.3	DE 2 year	-0.77	1.7	-5.3	USDJPY	113.54	0.4	-9.1	Gold	1800	-2.5	-5.2
DAX	15412.2	-4.6	12.3	DE 10 Year	-0.34	0.9	23.7	GBPUSD	1.334	-0.8	-2.4	Silver	23	-5.1	-11.5
CAC40	6802.4	-4.4	22.5	ES 10 year	0.43	4.4	38.2	AUDUSD	0.715	-1.2	-7.1	Palladium	1755	-14.9	-28.3
FTSE100	7089.5	-1.9	9.7	UK 10 year	0.83	-4.7	63.8	USDCAD	1.277	-1.0	-0.4	Copper	430	-0.2	22.1
FTSE MIB	26149.3	-4.3	17.6	IT 10 year	0.97	10.6	42.7	USDCHF	0.925	0.3	-4.3	Steel	1640	-8.8	63.2
Nikkei 225	28751.6	-2.9	4.8	JP 10 year	0.07	-0.4	5.4	NZDUSD	0.682	-2.7	-5.1	Wheat	822	0.2	28.3
CSI 300	4860.1	-0.6	-6.7	CH 10 year	2.85	-7.4	-28.9	CNHUSD	6.398	-0.1	1.6	Corn	571	-0.3	18.0

Source: Bloomberg

Data updated at 16:00 (CEST)

The new covid variant, US job market report and euro area CPI for November could be in the spotlight next week

After this relatively silent week in terms of macro data, and with the practical end of the Q3 earnings season, we could have turned to key macro data from November. However, life has overwritten expectations. The new Covid variant, so far named B.1.1.529 completely overhauled the picture. Markets reacted by a sizable fall on Friday, yields have nosedived, as the WHO started an emergency meeting over the new virus strain, which could wreak havoc with its significant mutations. While it is too early to tell how serious the situation is, markets seem to price the risk of a new significant wave as if the new strain is very contagious and could circumvent vaccine defence. If this would be the case, all talk about FED tapering and inflation fears will change completely. However it is yet to be seen how serious the problem is. Therefore next week, the primary focus will shift to news about the new variant.

As regards macro data, in the USA, the primary focus will be on the job report, where non-farm payrolls are expected to have gained more than 500,000, while unemployment may have edged slightly further downwards. However, since unemployment is getting closer to pre-pandemic lows, and there is no sizable increase in labour force, further employment gains will accelerate wage growth even more. Given this week's 4.1% YoY growth in core PCE (the highest since 1991), the Fed could realistically speed up tapering at its December meeting. In the euro area, there is less at stake. Although inflation probably edged up further in November, underlying inflation indicators point to a much more muted price growth than in the USA. In Europe, the focus probably will be more on the pandemic situation, and on whether Germany follows Austria on the road to lockdown.

A new stain of covid-19, called B.1.1.529, was detected in South Africa, where according to some experts it already caused 90% of recent daily infections. The variant, which contain 32 mutations to the original Vuhan virus could be a sad game changer. The risk is that the new version is more contagious than the delta, what is more, it could possibly circumvent the immune defence system after vaccination. These sad news have not been confirmed yet, and probably it takes even more weeks to know for sure the situation, however, it seems clear, that from now on, news on the new variant will dominate market movements, until these issues are known for sure. Markets already have started to price a fairly negative

scenario. Today's only good news seems to be that BioNTech stated, it could develop a new vaccine, within 100 days.

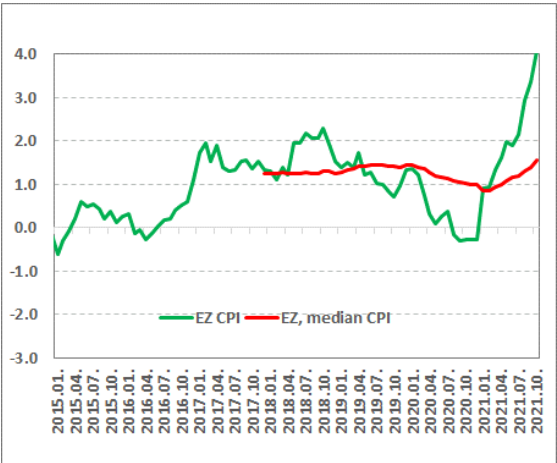
In the **USA** the key data will be out on Friday, when the November *employment report* will be released. As usual, we could have some initial guess on non-farm payrolls based on the ADP employment report (on Wednesday), but this latter statistic recently has been a relatively poor guide. In October, non-farm payrolls expanded by 531,000 and the September figure was also revised upwards to 312,000 (from 194,000). The data suggested a moderately rebounding economy from the initial Delta wave, but despite easing virus concerns, there was no sign of a pick-up in labour supply. There was a 164,000 rise in payrolls in leisure and hospitality last month, as the Delta wave of infections eased. There were also big gains elsewhere, with professional and business services employment up by 100,000, transportation and warehousing jobs up 54,000, and manufacturing payrolls increasing by 60,000, including a 22,000 gain in the motor vehicle sector, despite ongoing input shortages. However, the labour force rose by a muted 104,000 last month (it is still 3 million short of end-2019 level), which fell well short of population growth. However, given that household measure of employment rose by 359,000, the unemployment rate fell to 4.6% from 4.8%. As for November, high-frequency data suggest that the leisure and hospitality sectors' employment growth seems to peter out, while manufacturing employment may have been boosted by reopening of automaker plants. The market expects the November figure to be close to the October one, but the general point is that with an unemployment rate getting closer to 4-4.5%, any sizable job growth is hard to imagine without more significant labour force growth. In the meantime, with the tight labour market, wage growth could have strengthened further. The consensus is 5%, which is already way too high, especially, taking into account the fact that low wage sectors have been expanding and there was a falling productivity in Q3. Should there be an upside surprise it could move markets sharply. In addition to the job report, several other important data releases and events will occur. Fed Chair Jerome Powell will have his regular *hearing* at the Senate, just as Treasury Secretary Yellen. Additionally, the November reading of *consumer confidence* and *ISM non-manufacturing index* will be released, plus the *Fed's Beige Book* could be also interesting.

In the **euro area**, November *CPIs* should be followed most closely, which will be out on Tuesday. There was an increase in headline inflation from 3.4% in September to a higher-than-expected 4.1% in October, driven by both energy and core inflation. However, while recent moves in energy prices pushed the energy inflation rate up to 23.5%, its highest level since the start of the euro area, core

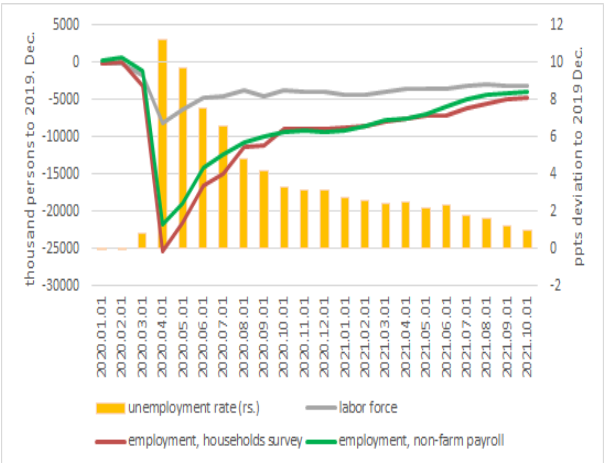
inflation only rose from 1.9% to 2.1%. Furthermore, other underlying inflation indicators, like the median CPI or trimmed CPI, also point to an inflation rate clearly below 2%. In this sense, while the headline inflation is unusually high (it stood at a similar level only in July 2008), there are good reasons to believe that the higher level will be much more short-lived than in the USA. In addition to a moderate level of underlying inflation, the labour market is also much less tight than in the USA, while the Phillips curve is said to be less responsive to excess demand in the economy. Germany's *retail sales* for October (due on Wednesday), just like France's *industrial production* could be also market movers, as these will be the first hard real economy data for large economies of the euro area from October.

The November bunch of *PMIs* for **China's** manufacturing and services will be available from both sources: the official NBS and Caixin. In August, these indicators posted a minor rebound after a substantial fall.

Euro area inflation indicators (YoY, %)



US labour market indicators



Sources: Refinitiv and Bloomberg

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.	
2021 11. 29.	11 : 00	EZ	EC Economic Sentiment Index (points)	Nov	117.5	118.6
	14 : 00	DE	CPI (preliminary, YoY, %)	Nov		4.5
	16 : 00	US	Pending home sales (MoM, %)	Oct	1.0	-2.3
30.	2 : 00	CN	NBS Manufacturing PMI (points)	Nov	49.6	49.2
	2 : 00	CN	NBS Non-manufacturing PMI (points)	Nov		52.4
	8 : 00	TR	GDP (first estimate, YoY, %)	Q3	7.5	21.7
	8 : 45	FR	GDP (detailed, QoQ, %)	Q3		3,0*
	9 : 00	IT	GDP (detailed, QoQ, %)	Q3		2,6*
	9 : 00	ES	Retail sales (YoY, %)	Oct		-0.1
	11 : 00	EZ	CPI (flash, YoY, %)	Nov	4.4	4.1
	11 : 00	EZ	Core CPI (flash, YoY, %)	Nov	2.1	2.0
	12 : 00	PT	GDP (detailed, QoQ, %)	Q3		2.9
	15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Sept		19.7
	15 : 45	US	Chicago PMI (points)	Nov	68.4	68.4
	16 : 00	US	Consumer confidence (point)	Nov	110.7	113.8
	16 : 00	US	J. Powell testimony (Senate Banking Committee)	-		-
	16 : 00	US	J. Yellen testimony (Senate Banking Committee)	-		-
12. 1.	2 : 45	CN	Caixin Manufacturing PMI (points)	Nov	50.5	50.6
	8 : 00	DE	Retail sales (MoM, %)	Oct		-2.5
	9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	Nov		61.1
	14 : 15	US	ADP non-farm employment (MoM, '000s)	Nov	480.0	571.0
	16 : 00	US	Construction expenditure (MoM, %)	Oct	0.6	-0.5
	16 : 00	US	ISM Manufacturing PMI (points)	Nov	61.0	60.8
	20 : 00	US	Beige Book	Nov		-
2.	9 : 00	AT	GDP (detailed, QoQ, %)	Q3		3,3*
	9 : 00	HU	Trade balance (detailed, monthly, EUR mn)	Sept		1.0
	10 : 00	IT	Unemployment rate (%)	Oct		9.2
	11 : 00	EZ	Unemployment rate (%)	Oct	7.3	7.4
	14 : 30	US	Continuing jobless claims ('000s)	weekly		2049.0
	14 : 30	US	Initial jobless claims ('000s)	weekly		199.0
3.	2 : 45	CN	Caixin Services PMI	Nov		53.8
	8 : 45	FR	Industrial production (MoM, %)	Oct		-1.3
	9 : 30	EZ	C. Lagarde speech (Reuters Next Summit)	-		-
	9 : 45	IT	Markit/IHS Services PMI (prelim.)	Nov		52.4
	11 : 00	EZ	Retail sales (MoM, %)	Oct	0.1	-0.3
	14 : 30	US	Average earnings (YoY, %)	Nov	5.0	4.9
	14 : 30	US	Average earnings (MoM, %)	Nov	0.4	0.4
	14 : 30	US	Unemployment rate (%)	Nov	4.5	4.6
	14 : 30	US	Non-farm payroll (MoM, '000s)	Nov	563.0	531.0
	16 : 00	US	Factory orders (MoM, %)	Oct	0.5	0.2
	16 : 00	US	ISM non-Manufacturing PMI (points)	Nov	65.2	66.7

*Preliminary data

The new covid variant caused market turmoil on Friday, amid increasing fears of persistent inflation and a speed-up of Fed tapering, leading to sizable weekly losses

The start of the week was already negative in Europe, where concerns about the Delta pandemic wave remained, after Austria introduced full lockdown last week and several other countries (including Germany) tightened social mobility rules. Investors were betting on the likelihood of a full lockdown in Germany. Nevertheless, incoming European PMI data were relatively upbeat, although price pressures remained at historic high. The minutes of the ECB also seemed to support the view that the ECB is not concerned about inflationary pressure. In the USA, the week was very short due to Thanksgiving. Up to Wednesday, markets were mixed as investors were reassured by the re-appointment of Jerome Powell as Fed chair, but they were concerned by the high core PCE figure, and seem increasingly inclined to think that the Fed could speed up tapering in December. Finally, the last kick hit Europe on Friday when news about the new super variant of the coronavirus started to make investors very anxious about the outlook. This has reversed the direction, bringing a sharp ~4% fall in major stock markets, as well as a substantial plunge in commodities. Yields moved down as the USD strengthened further. Given their short opening for Friday, US stock markets could not be saved from a fall on Friday either, so they finished in ~2% fall in weekly terms.

It turns out in the following weeks whether the new covid variant from South Africa will be a game changer, however the delta wave already a serious problem in Western Europe

A new covid mutation had been identified recently and raised concerns in South Africa. The new virus strain contains an excessive number of mutations and could be more transmissible and potentially more easily circumvent vaccinated people than previous variant. Researchers including the WHO are investigating the B.1.1.529 with high urgency. Many countries are introducing travelling bans from the country to slow down the new variant, although it has already been detected in Israel.

The rising new covid cases forced Western European countries to implement new or strengthen active restrictions. Italy will introduce "super green pass" from early December, people visiting cinemas, bars, theatres, gyms, stadiums have to show proof of immunization. Netherlands is already under partial lockdown, and now implements new social distancing rules at green pass free places and planning to close all non-essential shops soon. France and Portugal introduced mandatory mask usage indoors. Portugal is also set to reintroduce green pass again. People working in Northern Ireland are asked to work from home if possible.

A critical infection cluster can be observed in central Europe, Slovakia, Czechia, Austria, Croatia and Hungary reported the highest daily new case counts in the continent, per million. Slovakia announced a 2 week lockdown, gatherings will be restricted, and all non-essential shop will be closed.

The infection wave in Eastern Europe continues to ease, but the daily covid death count is still at a high level in Bulgaria and Ukraine.

The new cases started to fall after a few weeks of increase again, while death rates also declined.

China continues to keep up with its zero covid policy, the recent outbreak seems to be under control, but new cases were reported from Shanghai recently.

European and US stocks finished in sharp fall

In **Europe**, the *STOXX 600* fell by 3.7% by Friday afternoon, mostly related to the sizeable decline on Friday. All major markets fell significantly: *DAX* -4.6%, *CAC40* -4.4%, *FTSE100* -1.9%, *FTSEMIB* -4.3%. Almost all *STOXX* components nosedived, not surprisingly travel&leisure was hit the hardest (-11.9%), followed by auto&parts (-7.1%) and technology (-6.7%). The only component, which could grow was utilities (0.6%).

In the **USA**, there was also a sharp, although somewhat more moderate fall as markets opened for a shortened day after Thanksgiving. S&P stood at -1.7%, Dow at -2.0%, Nasdaq -2.9% in weekly terms. Out of S&P components, energy (-4.0%) and industrials (-3.3%) fell the most, while utilities (0.4%) and consumer staples (0.2%) could grow mildly in weekly terms.

Long term yields and oil prices fell, but European natural gas prices could still edge up. The US dollar gained again.

Despite increasing for the first half of the week, driven by inflation fears, finally long-term *Treasury yields* fell by almost 4 bps in the US in weekly terms. Interestingly, European long-term yields mostly edged-up, albeit minorly in Germany, but more in the periphery (IT: +10 bps, ES +4.4 bps). On FED tightening expectations during the first half of the week, the USD could gained further momentum, however today it fell slightly.

Oil prices fell sharply on Friday, the WTI stood in a roughly 8.5% minus, while Brent only fell around 3%. Despite all the pandemic fears, natural gas prices in Europe could increase another 4% in weekly terms as supply issues remained unresolved as the winter is approaching.

Fed minutes and core PCE point to a likely speed-up in tapering in December, the euro area PMIs surprised to the upside, but the general picture is more mixed.

In the **USA**, the latest *Fed minutes* reveal that many FOMC members pointed to the fact that high inflation could be more persistent than initially thought,

and some of them even suggested that a speed-up in the monthly pace of asset purchases would be warranted. This, together with a *core PCE* of 4.1%, record low weekly initial jobless claims, strongly increases the likelihood of a speed-up in tapering at the next Fed meeting. Other incoming data were rather mixed, with *PMIs* missing expectations, but remaining relatively solid, while input and output price pressures rose further in November. The USA's Q3 *GDP* growth was revised slightly upwards (from 2.0% to 2.1%), while monthly *consumption and household income* were stronger than expected. Putting together the recent incoming data, the Atlanta Fed's *GDP* estimate now stands at 8.6% (SA, annualized rate), mostly driven by the relatively decent October *ISM* indices, retail sales, and industrial data for October. If such an outcome occur, the Q4 growth rate could even exceed H1 figures.

In the **euro area**, Markit's *PMI* indices surprised to the upside on the output front, both in the euro area and in all major countries. Indicators improved almost unilaterally in both the manufacturing and the services sectors, nevertheless a few words of caution should be said. First, manufacturing components are still artificially held up by long delivery times; second, Germany's *IFO* (also published this week) was less of a bright spot: it weakened more than 1pp., slightly missing expectations, just like consumer confidence, which fell almost 1.5 ppts short of expectations. Finally, the survey surely cannot contain the recent sharp jump in virus cases in Germany. It cannot be ruled out that after significant tightening, the country will follow Austria into a full lockdown. Given the relatively hawkish tone of the Fed minutes, the *ECB's account of the October MPC meeting* could not have been more dovish. While it was acknowledged that high inflation could remain longer in the euro area, the possibility of any second-round effects on wages was ruled out, and it was repeatedly stated that the three conditions linked to the interest rate lift-off (the Governing Council should see inflation reaching 2% (i) well ahead of the end of its projection horizon and (ii) durably for the rest of the projection horizon, and that (iii) in the Governing Council's judgement realised progress in underlying inflation was sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term) were far away. This seems understandable as underlying inflation measures still seem to be below 2%, while wages stood at 1.5%-2.0%. Furthermore, while it was kept that the PEPP programme will be likely phased out by March 2022, "...It was seen as important that the Governing Council should keep sufficient optionality to allow for future monetary policy actions, including beyond its December meeting..."

This week's data

WEEKLY REPORT - 29 NOVEMBER 2021

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.		
2021 11.22.	16 : 00	EZ	Consumer confidence (point)	Nov	-6.8	-5.5	-4.8	
	16 : 00	US	Existing home sales (annualized monthly, '000s)	Oct	6340	6200	6290	
	23.	9 : 15	FR	Markit Manufacturing PMI (points)	Nov	54.6	53.0	53.6
		9 : 15	FR	Markit Service PMI (points)	Nov	58.2	56.0	56.6
		9 : 30	DE	Markit Manufacturing PMI (points)	Nov	57.6	56.9	57.8
		9 : 30	DE	Markit Service PMI (points)	Nov	53.4	51.5	52.4
		10 : 00	EZ	Markit Manufacturing PMI (points)	Nov	58.6	57.3	58.3
		10 : 00	EZ	Markit Service PMI (points)	Nov	56.6	53.5	54.6
		10 : 30	UK	Manufacturing PMI (points)	Nov	58.2	57.3	57.8
		10 : 30	UK	Service PMI (points)	Nov	58.6	58.5	59.1
		15 : 45	US	Markit Manufacturing PMI (points)	Nov	59.1	59.0	58.4
		15 : 45	US	Markit Service PMI (points)	Nov	57.0	59.0	58.7
	24.	10 : 00	DE	Ifo Economic sentiment index (points)	Nov	96.5	96.6	97.7
		14 : 30	US	Durable goods orders (MoM, %)	Oct	-0.5	0.2	-0.3
		14 : 30	US	GDP (detailed, QoQ annualized, %)	Q3	2.1	2.2	2.0
		14 : 30	US	Initial jobless claims ('000s)	weekly	199.0	260.0	268.0
		14 : 30	US	Continuing jobless claims ('000s)	weekly	2049.0	2033.0	2080.0
		16 : 00	US	Personal income (MoM, %)	Oct	0.5	0.2	-1.0
		16 : 00	US	Personal consumption (adjusted, MoM, %)	Oct	1.3	1.0	0.6
		16 : 00	US	Household core PCE index (MoM, %)	Oct	0.4	0.4	0.2
		16 : 00	US	New home sales (annualized monthly, '000s)	Oct	745.0	800.0	800.0
		20 : 00	US	FOMC Minutes	Nov	-	-	-
	25.	8 : 00	DE	GDP (detailed, QoQ, %)	Q3	1.7	1.8	1.8*
		13 : 30	EZ	ECB Minutes	Oct	-	-	-
	26.	9 : 00	EZ	Christine Lagarde speech (ECB Legal Conference)		-	-	-
		10 : 00	IT	Consumer confidence (point)	Nov	117.5	117.0	118.4

* preliminary data

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	4624.4	-1.7	23.1	Stoxx 600	SXXP Index	468.1	-3.7	17.3					
IT	SSINFT Index	2949.9	-1.1	28.7	Health care	SXDP Index	1040.3	-2.3	18.4					
Health care	S5HLTH Index	1549.2	-0.6	17.0	Industrial goods & services	SXNP Index	752.5	-4.9	19.6					
Financials	SSFINL Index	637.8	-2.6	30.1	Banks	SX7P Index	137.4	-4.9	27.0					
Telco	S5TELS Index	267.3	-3.1	20.4	Personal & households goods	SXQP Index	1074.8	-3.0	15.2					
Consumer discretionary	S5COND Index	1629.0	-2.3	25.1	Insurance	SXIP Index	304.0	-4.0	8.9					
Industrials	S5INDU Index	867.0	-3.3	15.7	Food and beverages	SX3P Index	828.0	-2.3	15.8					
Consumer staples	S5CONS Index	753.6	0.2	8.2	Technology	SX8P Index	791.5	-6.7	31.1					
Utilities	S5UTIL Index	340.1	0.4	6.6	Utilities	SX6P Index	390.4	0.6	1.7					
Energy	S5ENRS Index	411.3	-4.0	43.8	Oil & gas	SXEP Index	265.1	-3.0	12.1					
Real estate	S5RLST Index	302.1	-0.2	32.5	Chemicals	SX4P Index	1310.6	-3.2	17.6					
Materials	S5MATR Index	538.5	-3.0	18.2	Construction & materials	SXOP Index	606.7	-3.2	23.1					
Source: Bloomberg					Telco	SXKP Index	225.7	-1.4	9.7					
					Retail	SXRP Index	440.4	-4.1	11.2					
					Financial services	SXFP Index	726.7	-4.6	19.9					
					Basic resources	SXPP Index	546.3	-2.9	9.4					
					Real estate	SX86P Index	196.9	-2.2	15.2					
					Auto & parts	SXAP Index	644.2	-7.1	22.2					
					Media	SXMP Index	358.2	-2.8	26.5					
					Travel & leisure	SXTP Index	213.7	-11.9	-4.7					
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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	4624	1.3	2.9	10.4	27.4	25.4	4.7	3.1	18.7	1.3	115.3	2.8	3.3
Europe	SXXP Index	468	-1.6	-0.5	5.1	19.5	20.0	2.1	1.6	11.8	1.1	194.1	0.6	5.3
Germany	DAX Index	15412	-2.2	-2.4	-0.2	16.0	15.2	1.9	1.2	12.9	1.1	114.0	21.0	-2.4
France	CAC Index	6802	0.5	2.0	6.4	22.2	20.6	1.9	1.4	9.7	1.1	238.2	13.0	5.0
Poland	WIG20 Index	2154	-11.2	-6.7	-0.5	16.5	12.1	1.2	0.9	10.2	1.2	53.6	4.5	12.6
Czechia	PX Index	1352	0.8	5.5	16.7	40.0	18.9	1.6	1.9	8.5		168.5	4.7	10.9
Hungary	BUX Index	51229	-7.2	1.2	10.5	31.3	8.3	1.3	0.9	14.7	1.2	55.8	690.0	17.1
Romania	BET Index	12261	-3.7	-0.5	5.6	32.5	0.5	1.2	0.1	10.9		35.0	42.4	5.1
Bulgaria	SOFIX Index	618	8.0	8.1	16.2	45.5	20.9	0.7	0.7	3.4	2.4	45.7		
Russia	IMOEX Index	3828	-9.6	-0.6	3.2	22.0	7.5	1.2	1.2	16.2	1.6	70.7	18.5	10.3
Ukraine	PFTS Index	523	-0.6	-0.6	-1.0	4.4	7.9	1.6	0.6	20.6	0.6	4.8		
Slovenia	SBITOP Index	1242	5.2	4.2	8.5	40.9	7.6	1.1	0.7	14.0	1.7	32.9	18.2	
Croatia	CRO Index	1986	-3.0	1.2	2.8	17.3	15.6	1.0	1.1	6.9	1.7	39.3		
Serbia	BELEX15 Index	812	0.8	1.6	4.4	13.7	12.2	0.7	0.7	5.7	1.6	19.3		
Montenegro	MNSE10 Index	764	-2.4	-0.7	-3.8	19.1	100.7	0.3	0.9	0.6	2.0	13.5		

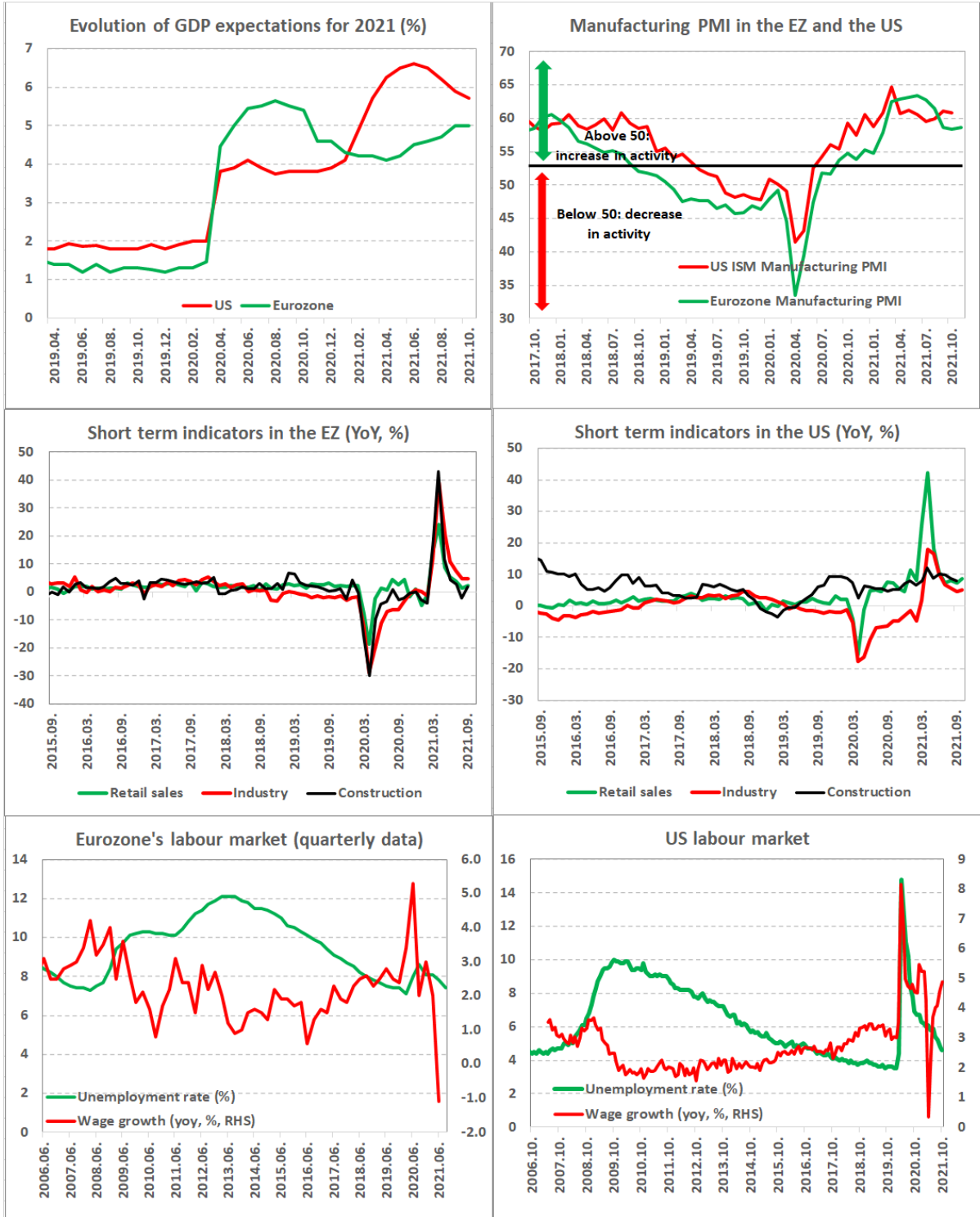
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

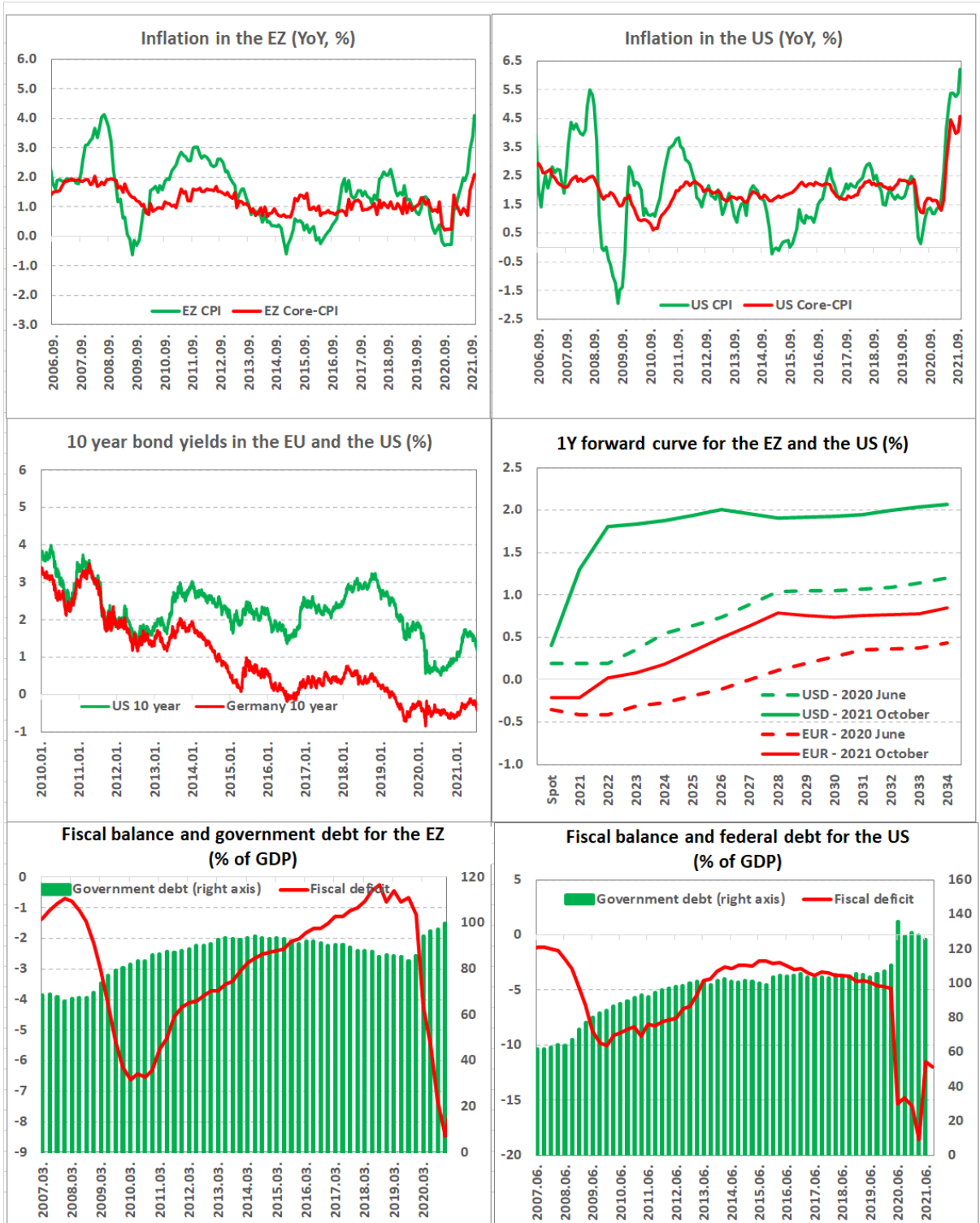
Data updated at 16:00 (CEST)

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	1.18	1.15	1.17	1.18	1.20
EURGBP	0.89	0.91	0.90	0.88	0.86	0.86	0.85	0.84	0.83	0.84
EURCHF	1.06	1.08	1.08	1.08	1.10	1.09	1.07	1.10	1.10	1.09
USDJPY	107.0	106.0	104.0	104.0	109.0	111.5	114.0	115.0	112.0	109.0

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	6.7	3.8	7.1	4.8	Romania	-9.4	-8.2	-6.5	-7.2	-5.5
Bulgaria	-4.2	4.7	4.0	4.4	3.8	Bulgaria	-4.0	-2.9	-1.8	-3.8	-2.6
Russia	-3.0	4.3	2.6	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	-5.5	-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	8.0	4.2	7.1	4.2	Albania	-6.8	-6.0	-4.0	-6.1	-3.8
Moldova	-7.0	10.8	4.2	6.6	4.8	Moldova	-5.1	-5.0	-5.0	-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	2.5	2.8	2.5	2.7	Bulgaria	5.1	5.1	4.8	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	9.0	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	2.3	2.0	2.5	Albania	11.7	11.3	10.9	11.7	11.4
Moldova	3.8	4.7	14.0	3.8	5.9	Moldova	3.8	13.5	11.7	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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