

January US CPI and earnings reports will be in the spotlight

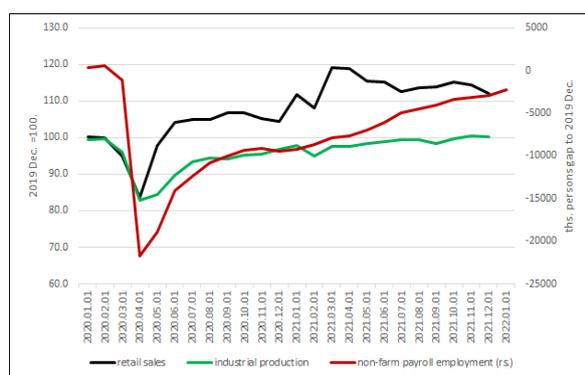
This week, the focus was on US CPI, which was again a negative, but at least a moderate surprise. In principle, next week, no important macro data will be released that could move rate expectations. However both the Fed minutes to be released on Thursday and ECB President Lagarde's testimony on Monday at the European parliament could give some food for thought for hawks and doves alike, as some new hints at the thoughts of decision-makers could be revealed. Otherwise, the January business cycle data in the USA can help analysts refine their Q1 GDP estimate. Additionally, the earnings season will go ahead, with some US giants (like Walmart, Cisco, and AIG); however, Europe is increasingly catching up with reports (Carrefour, Airbus, Renault and others). So markets will equally move with corporate news.

In the **USA**, the most interesting day will be Wednesday, when retail sales and industrial production statistics for January will be released. Back in December, both data disappointed by a large margin as they fell as opposed to the expectations of a moderate increase. Back then, Omicron-related absenteeism was found to be the main reason for the disappointment. January was still heavily affected by the pandemic, still, the consensus expects a small upwards correction in both cases. This seems to be somewhat more realistic in the case of retail sales, given the high inflation, as the figure is in nominal terms in that case. The data will be important from the point of view of 2022Q1 GDP estimates. Otherwise, the *Fed minutes*, due on Thursday, could also prove interesting. Here the key question is whether there was discussion at the January meeting on more than the projected three rate hikes (published in the December forecast) or about the path of balance sheet run-off. These issues were not really exposed at the latest press conference. Furthermore several FED FOMC members (Brainard, Bullard, Mester and others) will speak during Thursday-Friday at different events. Given the quickly changing landscape with FED policy it will be worth to follow these events closely.

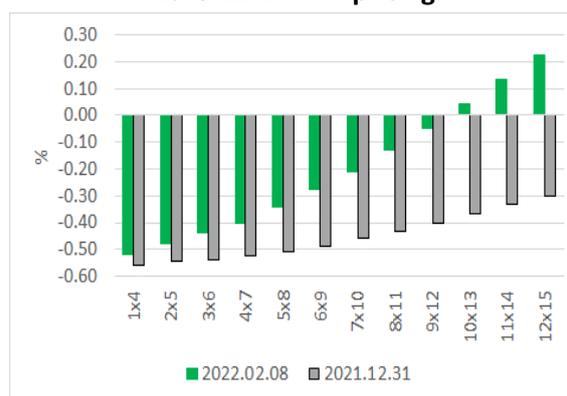
The **euro area** will publish few interesting macro data. The second release of the 2021Q4 GDP will hardly be a market mover, as the first release is already known. February confidence indices (consumer confidence for the whole area, and the ZEW business confidence for Germany) could prove to be more interesting, and could show the extent of rebound after the Omicron wave. Monday's testimony of ECB President Christine Lagarde at the European parliament has the biggest chance to move markets. At the press

conference after the Governing Council meeting in late January, President Lagarde caused shock to financial markets when refrained from repeating her previous statements on “rate hikes to be highly unlikely” this year. This sent European yields soaring, with the one-year (11x14 estimated) FRA to jump by 47 bps (from -33 to 13 bips). This means that markets have started to price already two rate hikes this year.

Key US monthly macro indicators



Euro 11x14 FRA pricing



Sources: Refinitiv and Bloomberg

What to watch for the next week

Data	Cc.	Event/Data	Period	Cons.	Prev.
2022 2. 14. 17 : 00	EZ	C. Lagarde speech (European Parliament)	-	-	-
15. 0 : 50	JP	GDP (QoQ, %)	Q4	1.4	-0.9
8 : 00	UK	Unemployment rate (%)	Dec	4.1	4.1
11 : 00	EZ	GDP (preliminary, YoY, %)	Q4	4.6	4,6*
11 : 00	EZ	GDP (preliminary, QoQ, %)	Q4	0.3	0,3*
11 : 00	DE	ZEW Economic Sentiment (points)	Feb	53.5	51.7
14 : 30	US	New York Fed Manufacturing index (points)	Feb	10.0	-0.7
16. 8 : 00	UK	Inflation (YoY, %)	Jan	5.4	5.4
11 : 00	EZ	Industrial production (MoM, %)	Dec	0.3	2.3
14 : 30	US	Retail sales (MoM, %)	Jan	1.6	-1.9
15 : 15	US	Industrial production (MoM, %)	Jan	0.4	-0.1
16 : 00	US	Business inventories (MoM, %)	Dec	1.8	1.3
20 : 00	US	FOMC Minutes	Jan	-	-
17. 12 : 00	TR	Interest rate decision (%)	Feb	-	14.0
14 : 30	US	Housing starts (annualized monthly, '000s)	Jan	1702.0	1702.0
14 : 30	US	Building permits (annualized monthly, '000s)	Jan	1785.0	1885.0
14 : 30	US	Continuing jobless claims ('000s)	weekly	-	1621.0
14 : 30	US	Initial jobless claims ('000s)	weekly	-	223.0
18. 0 : 30	JP	CPI (YoY, %)	Jan	-	0.8
0 : 30	JP	core-CPI (YoY, %)	Jan	0.3	0.5
7 : 00	UK	Retail sales (MoM, %)	Jan	0.6	-3.7
16 : 00	EZ	Consumer confidence (point)	Feb	-8.0	-8.5
16 : 00	US	Existing home sales (annualized monthly, '000s)	Jan	6120.0	6180.0
16 : 00	US	Leading index (MoM, %)	Jan	0.2	0.8

European markets seem to close the week with larger gains, while US stocks with smaller gains as US inflation surprised to the upside

Until Wednesday, markets mostly rose. Although a few stock indices fell on Monday, the picture was generally upbeat, driven by positive earnings reports (like Tyson Foods or Hasbro, although Pfizer was mixed, and BNP Paribas disappointed). However, Thursday's release of January inflation data caused another upside surprise, and reversed the tendency of declining yields, sending stock indices to negative territory. Overall, stock markets seem to close the week with clearer gains in Europe, and more tiny ones in the USA, with yields up again; but oil prices fell after several weeks of winning streak.

Stock markets seem to close visibly higher in Europe, more moderately in the USA

In **Europe**, the *STOXX600* is heading to end the week with an increase of 1.7%. In terms of sector performance, most components seem to close in green, travel&leisure (7.7%), basic resources (5.6%) and auto&parts (5.3%) performed the best, while utilities (-0.4%) and real estate (-0.1%) declined. Among national stock indices, Germany's *DAX* is the best performer (2.5%), after several weeks of underperformance. France's *CAC40* grew by 1.1%, the UK's *FTSE100*, and the *FTSEMIB* could increase by 1.8% and 1.4% respectively.

In the **USA**, the S&P stood at 0.2% in weekly terms. Out of its components, materials (2.4%) and financial (1.5%) were the best performers, while telco (-1.5%) and utilities (-1.3%) were the weakest ones. Other large stock markets fared only slightly better, with Nasdaq composite growing by 0.3% and Dow by 0.6%. However the small-cap index *Russel2000* stood at 2.6% in green.

Long-term yields rallied further, and the USD strengthened as Fed rate hike expectations increased

Both US Treasury and European long-term yields moved considerably higher during the week. The US 10Y yield reached and exceeded the 2.0%, as markets have started to price in close 175-225 bips hike this year and giving a 75% chance of 50 bips hike in March during the lift-off. Some commentators even spoke about the possibility of an emergency rate hike. In weekly terms, it rose close to 10 bips. However, the story in Europe was also exciting, as the ECB's communication has become more hawkish. Germany 10Y yields gained by 6 bips, to 0.26%. Italy's bond yields edged up by 16 bips, while Spain's by 14 points. The USD strengthened against major currencies as, unlike in the previous week, now US rate hike expectations were the ones to intensify more than euro area ones.

Oil prices have started to correct after several weeks of winning streak

Oil prices have been heading to a weekly fall of around 1-1.5% as the rally has finally run out of steam, given the growing optimism that Iran nuclear deal talks are heading in the right direction and as the dollar rallies because money markets start to price in a supersized Fed hike. European natural gas prices also edged down by close to 8% and stayed around 75 EUR/MWH.

Another upside surprise in US inflation, core CPI hit 6% in January

In the **USA**, there was another upside surprise in *CPI*. The headline figure turned out at 7.5%, up from 7.0% in December, and 0.2 ppts above the consensus. Core inflation was also higher than foreseen, and it reached 6.0%, a level not seen since 1982. The strength of core prices may have partly reflected temporary staffing shortages due to Omicron, while airfares surged 2.3% MoM, and the further 1.1% gain in clothing prices reflects the earlier disruption in Asian factories. There were also some signs that supply chain problems eased: new vehicle prices stagnated while used car price growth slowed. However, in general, cyclical inflation kept strengthening, with owners' equivalent rent (OER) exceeding 4.0% YoY. After the publication of the data, rate hike expectations intensified, with markets starting to price a 50 bps hike already in March. The Governor of St Louis Fed, James Bullard stressed that he supports a 100 bps rate hike by July. Still from the list of bad news, the *University of Michigan's consumer sentiment* fell to an initial February reading of 61.7, from January's level of 67.2, the lowest reading since October of 2011. Expectations for inflation over the next year rose to 5% from January's expectation of 4.9%, the highest level since July of 2008

In the **euro area**, December *industrial production* turned out at -1.0% MoM, slightly weaker than the consensus had projected. At the same time, the February *business confidence index (Sentix)* topped expectations.

In the emerging world, the Central Bank of **Russia** continued its hawkish path by raising *the key rate* by another 100 bps directing it to 9.5%, on account of inflation and geopolitical risks. Interestingly the CBR is among the very few central banks which keep positive ex post real interest rate in the current high inflation environment.

This week's data

Data	Cc.	Event/Data	Period	Fact	Cons.	Prev.
2022 2. 7.	2 : 45 CN	Caixin Services PMI	Jan	51.4	-	53.1
	8 : 00 DE	Industrial production (MoM, %)	Dec	-0.3	0.4	-0.2
	10 : 30 EZ	Sentix Investor confidence (points)	Feb	16.6	15.2	14.9
	16 : 45 EZ	C. Lagarde speech (European Parliament)		-	-	-
8.	10 : 00 IT	Retail sales (MoM, SA, %)	Dec	0.9	-	-0.4
	16 : 00 PL	Interest rate decision (%)	Feb	2.75	2.75	2.25
9.	8 : 00 DE	Export (MoM, SA, %)	Dec	0.9	-0.2	1.7
	10 : 00 IT	Industrial production (MoM, SA, %)	Dec	-1.0	-0.7	1.9
10.	14 : 30 US	core-CPI (MoM, SA, %)	Jan	0.6	0.5	0.6
	14 : 30 US	core-CPI (YoY, %)	Jan	6.0	5.9	5.5
	14 : 30 US	CPI (MoM, SA, %)	Jan	0.6	0.5	0.5
	14 : 30 US	CPI (YoY, %)	Jan	7.5	7.3	7.0
	14 : 30 US	Initial jobless claims ('000s)	weekly	223.0	230	238
	14 : 30 US	Continuing jobless claims ('000s)	weekly	1621.0	1615	1628
	20 : 00 US	Federal budget balance (USDbn)	Jan	119.0	25	-21
11.	10 : 30 UK	GDP (preliminary, QoQ, %)	Q4	1.0	1.1	1.0
	10 : 30 UK	GDP (preliminary, YoY, %)	Q4	6.5	6.4	7.0
	16 : 00 US	Michigan Consumer confidence (preliminary, points)	Feb	61.7	67.5	67.2

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	4509.3	0.2	-5.4	Stoxx 600	SXXP Index	470.2	1.7	-3.6
IT	S5INFT Index	2792.6	-0.2	-8.6	Health care	SXDP Index	996.7	1.1	-7.9
Health care	S5HLTH Index	1545.0	0.3	-6.0	Industrial goods & services	SXNP Index	724.0	2.8	-9.1
Financials	S5FINL Index	676.3	1.5	4.0	Banks	SX7P Index	164.2	3.1	13.2
Telco	S5TELS Index	240.2	-1.5	-10.2	Personal & households goods	SXQP Index	1041.5	0.3	-5.5
Consumer discretionary	S5COND Index	1460.0	0.3	-9.4	Insurance	SXIP Index	338.8	2.1	5.2
Industrials	S5INDU Index	852.7	0.7	-4.7	Food and beverages	SX3P Index	820.6	1.3	-5.6
Consumer staples	S5CONS Index	790.9	-0.1	-1.7	Technology	SX8P Index	689.0	0.3	-14.6
Utilities	S5UTIL Index	343.4	-1.3	-5.6	Utilities	SX6P Index	386.7	-0.4	-4.5
Energy	S5ENRS Index	526.2	0.1	24.5	Oil & gas	SXEP Index	312.6	1.3	12.9
Real estate	S5RLST Index	288.9	-1.3	-11.1	Chemicals	SX4P Index	1258.7	1.4	-7.9
Materials	S5MATR Index	534.8	2.4	-6.1	Construction & materials	SXOP Index	605.5	2.1	-6.2
Source: Bloomberg					Telco	SXKP Index	243.7	2.7	6.0
					Retail	SXRP Index	405.3	1.7	-8.9
					Financial services	SXFP Index	701.4	1.4	-6.9
					Basic resources	SXPP Index	661.5	5.6	10.1
					Real estate	SX86P Index	181.5	-0.1	-7.5
					Auto & parts	SXAP Index	678.9	5.3	2.9
					Media	SXMP Index	359.1	2.5	-3.7
					Travel & leisure	SXTP Index	239.9	7.7	3.2

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	4509	-4.3	-3.0	1.4	15.1	23.5	4.5	2.9	20.4	1.3	112.3	1.8	6.4
Europe	SXXP Index	470	-2.7	-3.1	-0.9	14.3	17.4	2.0	1.6	12.9	1.1	171.4	0.6	8.9
Germany	DAX Index	15474	-2.9	-3.8	-2.2	10.2	14.9	1.9	1.2	12.9	1.1	113.1	6.3	6.6
France	CAC Index	7027	-2.2	-0.5	2.5	23.9	18.4	2.0	1.4	11.4	1.1	204.8	18.9	13.5
Poland	WIG20 Index	2194	-6.4	-7.3	-3.9	12.2	11.0	1.2	0.9	11.2	1.2	53.7	1.5	-12.4
Czechia	PX Index	1469	2.5	6.9	17.3	39.2	19.0	1.7	2.0	9.0		160.7	0.5	16.4
Hungary	BUX Index	51907	-3.2	-2.2	3.2	18.8	8.2	1.3	0.9	15.1	1.2	57.5	-45.1	-11.0
Romania	BET Index	13375	0.8	4.6	10.5	26.7	11.1	1.3	1.6	11.7		36.6	-34.4	
Bulgaria	SOFIX Index	623	-4.3	3.3	7.4	26.7	20.2	0.8	0.8	4.1	3.2	53.8		
Russia	IMOEX Index	3546	-6.3	-15.4	-8.5	3.9	6.8	1.1	1.0	16.1	1.4	70.6	3.4	16.3
Ukraine	PFIS Index	519	-0.8	-0.9	-1.2	-0.4	3.6	1.5	0.4	41.3	0.5	3.4		
Slovenia	SBITOP Index	1276	-2.6	4.9	7.9	37.1	7.7	1.1	0.7	14.2	1.8	32.5		
Croatia	CRO Index	2163	0.6	7.7	10.1	19.9	17.0	1.1	1.2	6.9	1.7	39.4		
Serbia	BELEX15 Index	861	4.1	6.8	9.0	16.7	13.0	0.7	0.7	5.7	1.6	19.3		
Montenegro	MNSE10 Index	783	3.0	2.0	2.5	5.4	64.8	0.3	0.9	0.8	2.0	13.4		

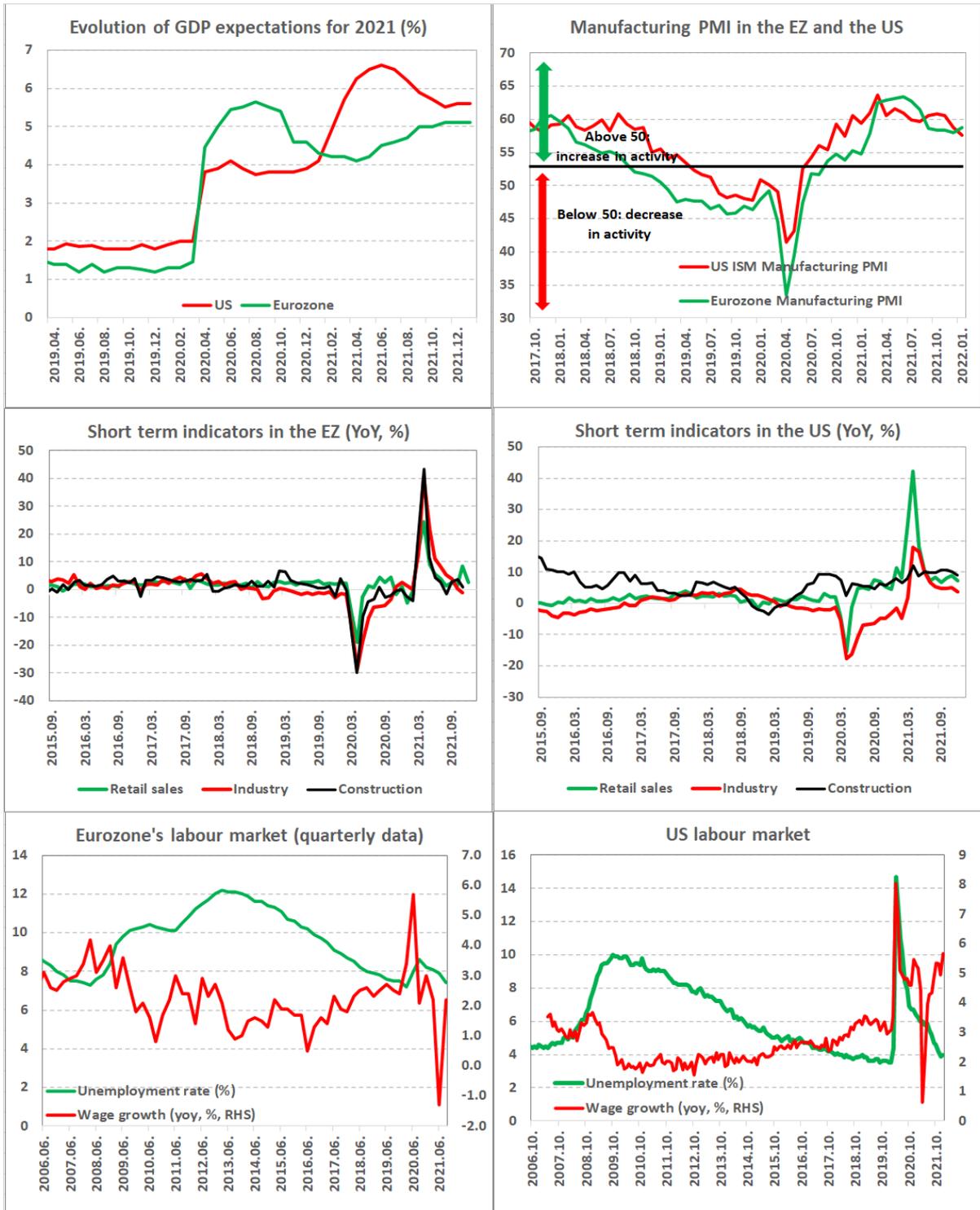
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

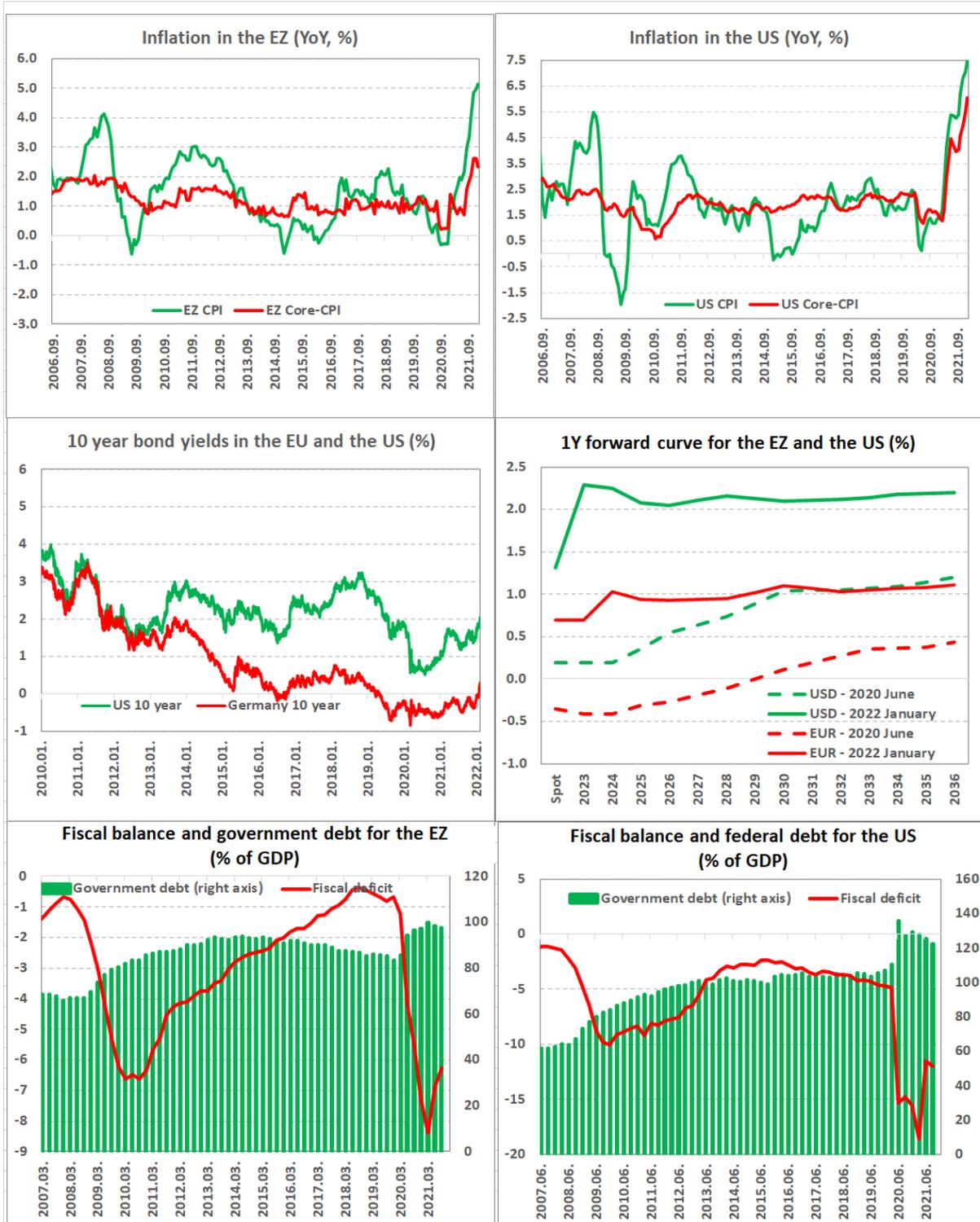
Data updated at 16:00 (CEST)

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	1.14	1.15	1.17	1.20
EURGBP	0.89	0.91	0.90	0.88	0.86	0.85	0.84	0.84	0.84	0.86
EURCHF	1.06	1.08	1.08	1.08	1.10	1.08	1.06	1.07	1.10	1.08
USDJPY	107.0	106.0	104.0	104.0	109.0	111.5	114.0	116.0	115.0	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	-4.7	6.8	5.1	6.6	4.8	Hungary	-8.0	-7.3	-4.9	-7.2	-5.3
Romania	-3.9	6.7	3.8	6.6	4.5	Romania	-9.4	-7.1	-6.3	-7.2	-6.1
Bulgaria	-4.4	3.8	3.5	3.6	3.7	Bulgaria	-4.0	-2.5	-3.0	-3.4	-3.1
Russia	-3.0	4.5	2.6	4.2	2.6	Russia	-3.8	0.4	0.8	0.1	0.9
Ukraine	-4.0	3.1	3.3	3.2	3.4	Ukraine	-5.4	-5.0	-3.0	-3.9	-3.3
Slovenia	-4.2	6.8	4.3	6.3	3.9	Slovenia	-7.7	-6.7	-4.9	-6.6	-4.6
Croatia	-8.1	10.5	4.0	9.5	4.5	Croatia	-7.4	-4.0	-2.9	-4.4	-3.0
Serbia	-0.9	7.5	4.6	7.5	4.5	Serbia	-8.0	-2.7	-3.0	-4.3	-2.7
Montenegro	-15.3	11.0	5.4	11.1	5.6	Montenegro	-10.1	-2.9	-2.6	-4.7	-3.7
Albania	-4.0	8.0	4.2	8.0	4.0	Albania	-6.8	-6.0	-4.0	-6.0	-4.2
Moldova	-7.0	7.0	3.6	8.5	4.4	Moldova	-5.1	-6.0	-5.0	-4.1	-4.9

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	5.1	5.2	5.1	5.4	Hungary	4.1	3.9	3.3	4.0	3.7
Romania	2.6	5.1	8.0	5.0	6.2	Romania	6.0	5.5	4.5	5.5	4.9
Bulgaria	1.7	3.3	6.2	3.3	5.1	Bulgaria	5.2	5.4	5.0	5.3	5.1
Russia	3.4	6.7	7.5	6.7	6.5	Russia	5.8	4.9	4.0	4.9	4.6
Ukraine	2.7	9.3	8.0	9.3	7.9	Ukraine	9.5	9.4	8.5	9.4	8.7
Slovenia	-0.3	1.9	2.7	2.1	2.9	Slovenia	5.0	4.8	4.6	4.8	4.5
Croatia	0.1	2.6	4.1	2.6	3.1	Croatia	7.5	7.9	6.8	8.0	7.4
Serbia	1.6	4.0	4.7	4.0	4.8	Serbia	9.5	11.0	10.2	11.1	10.2
Montenegro	-0.3	2.4	2.6	2.4	1.8	Montenegro	17.9	17.8	17.4	19.1	17.6
Albania	1.6	2.0	2.3	2.0	2.7	Albania	11.7	11.3	10.9	11.7	11.3
Moldova	3.8	5.3	14.0	5.1	8.3	Moldova	3.8	13.5	11.7	4.7	3.9

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	369.0	359.0	357.0	358.0	357.0
Romania	EURRON (eop)	4.87	4.93	4.93	4.95	4.95	4.97	4.98	4.99	5.01
Russia	USDRUB (eop)	73.9	75.7	72.4	72.8	73.7	73.8	73.3	73.3	73.1
Ukraine	USDUAH (eop)	28.30	27.80	27.30	26.60	27.30	27.60	27.60	27.80	28.00
Croatia	EURHRK (eop)	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Serbia	EURRSD (eop)	117.6	117.6	117.6	117.6	117.6	117.8	117.8	117.8	117.8
Montenegro	EURUSD (eop)	1.22	1.18	1.19	1.16	1.14	1.13	1.13	1.13	1.14

*Slovenia and Montenegro uses EUR as a base currency.

**No forecast available for Moldova and Albania

Source: Focus Economics

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This document was prepared on 14 February 2022.

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