

OTP Weekly Outlook

Next week:

- March euro area CPI and US job report will be in the spotlight.
- According to the previous report on February, wage growth was weaker than expected, although there is a risk that it will pick up again.

This week:

- Stock markets closed mixed in weekly terms, both in Western Europe and the USA.
- Crude prices jumped as military conflict between Russia and Ukraine is far from a solution, and Europe is seeking tools to cut dependence from Russian energy.
- Long-term yields increased sharply again on rising energy prices and further rate hike expectations.
- USD strengthened against the EUR and JPY
- The IFO business climate index fell sharply

Market summary table

WEEKLY REPORT - 28 MARCH 2022

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	4541,9	1,8	-4,7	US 2 year	2,27	33,3	153,7	Dollar index	98,557	0,3	3,0	Brent	117	8,4	50,5
Russel 2000	2078,3	-0,4	-7,4	US 10 year	2,48	33,1	97,0	EURUSD	1,1015	-0,3	-3,1	WTI	111	5,5	46,9
Stoxx 600	455,4	0,2	-6,7	DE 2 year	-0,16	18,9	47,5	USDJPY	122,04	-2,4	-5,7	Natural gas	101	-3,7	52,0
DAX	14407,8	0,0	-9,3	DE 10 Year	0,57	20,0	75,2	GBPUSD	1,321	0,2	-2,4	Gold	1952	1,6	6,7
CAC40	6605,7	-0,2	-7,7	ES 10 year	1,44	12,4	87,7	AUDUSD	0,752	1,4	3,5	Silver	25	1,9	9,1
FTSE100	7495,7	1,2	1,5	UK 10 year	1,69	19,3	72,0	USDCAD	1,251	0,7	1,0	Palladium	2448	-1,9	28,5
FTSE MIB	24653,4	1,8	-9,8	IT 10 year	2,07	18,4	90,4	USDCHF	0,929	0,3	-1,7	Copper	473	0,8	5,9
Nikkei 225	28149,8	5,6	-2,2	JP 10 year	0,23	3,1	16,9	NZDUSD	0,696	0,8	2,0	Steel	1117	-0,3	-22,2
CSI 300	4174,6	-2,1	-15,5	CH 10 year	2,80	-0,2	2,6	CNHUSD	6,378	-0,2	-0,3	Wheat	1085	2,0	40,8

Source: Bloomberg

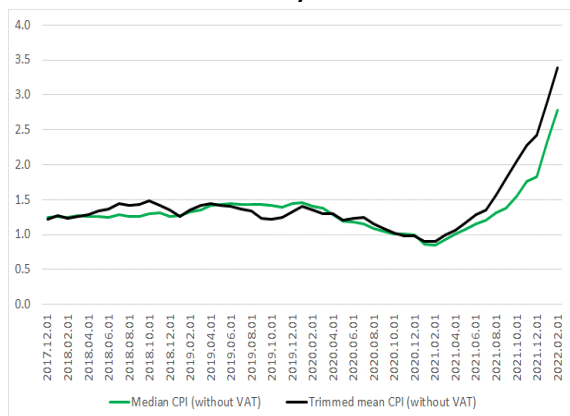
March euro area CPI and US job report will be in the spotlight

While news concerning the Russia-Ukraine conflict still move market sentiment, two pieces of macrodata during next week could prove particularly interesting. The March reading of euro area CPI will likely show an increase well above 6%, primarily on account of higher energy and food prices. As underlying inflation measures have been on the rise, the ECB will scrutinize the data very intensely. Similarly, the March job report will be an important food for thought for the Fed. Given practically full employment (non-farm payrolls only 1.3 million below pre-covid levels and unemployment rate below 4, where the latter is considered to be neutral), the primary focus will be on wage growth, to mitigate the potential second-round effects of wages on inflation.

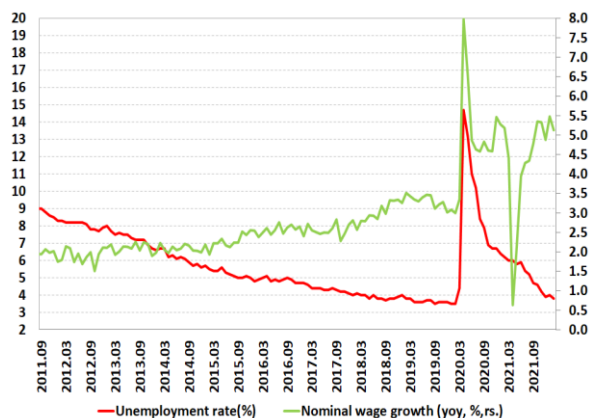
In the **euro area**, the flash March CPI will be released on Friday. Back in February, headline inflation increased from 5.1% in January to 5.9% in February, way above the consensus. The increase was broad-based, with inflation rising in all major categories. Energy inflation rose to a new record high of 31.7%, and the recent increases in oil and gas prices mean that it is almost certain to rise further. Food inflation rose to 4.1%, its highest since October 2008, and past increases in food PPI, together with the Ukraine conflict's impact on agricultural commodity prices, mean that the increase in food inflation also has further to run. Core inflation accelerated from 2.3% to 2.7% (consensus: 2.5%). Underlying inflation measures (Chart 1) point to broad-based price pressures.

In the **USA**, the focus will be on the March *job report*, also out on Friday. Back in February, the job report confirmed that the US economy remained in good shape. Nonfarm payroll employment grew by a decent 678,000, well above expectations (400,000). The strength of payrolls was widespread, with construction payrolls rising by 60,000, education & health payrolls up by 112,000 and leisure & hospitality employment up by 178,000. Unemployment rate edged down to 3.8%, but importantly, this occurred when labour force grew by 900,000 and it practically reached the pre-covid level (precisely only 282,000 short of it). Wage growth was weaker than expected, at 5.1%, and the January figure was also revised downwards.

Euro area underlying inflation measures (YoY, %)



US Job market indicators



Sources: Bloomberg , Refinitiv

What to watch for the next week

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
29. 9 : 00	ES	Retail sales (YoY, %)	Feb			4,0
15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Jan		18,4	18,6
16 : 00	US	Consumer confidence (point)	Mar		107	111
30. 11 : 00	EZ	EC Economic Sentiment Index (points)	Mar		110	114
14 : 00	DE	CPI (preliminary, YoY, %)	Mar		5,8	5,1
14 : 15	US	ADP non-farm employment (MoM, '000s)	Mar		450	475
31. 3 : 30	CN	NBS Non-manufacturing PMI (points)	Mar			51,6
3 : 30	CN	NBS Manufacturing PMI (points)	Mar			50,2
9 : 00	DE	Retail sales (MoM, %)	Feb		0,8	2,0
10 : 00	IT	Unemployment rate (%)	Feb		8,7	8,8
11 : 00	EZ	Unemployment rate (%)	Feb		6,7	6,8
14 : 30	US	Personal income (MoM, %)	Feb		0,5	0,0
14 : 30	US	Personal consumption (adjusted, MoM, %)	Feb		0,5	2,1
14 : 30	US	Household core PCE index (MoM, %)	Feb		0,4	0,5
14 : 30	US	Initial jobless claims ('000s)	weekly			187
14 : 30	US	Continuing jobless claims ('000s)	weekly			1350
14 : 30	CZ	Interest rate decision (%)				4,5
15 : 45	US	Chicago PMI (points)	Mar		56,4	56,3
4. 1. 3 : 45	CN	Caixin Manufacturing PMI (points)	Mar			50,4
9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	Mar			58,3
11 : 00	EZ	CPI (flash, YoY, %)	Mar		6,5	5,9
11 : 00	EZ	Core CPI (flash, YoY, %)	Mar		3,1	2,7
14 : 30	US	Non-farm payroll (MoM, '000s)	Mar		450	678
14 : 30	US	Unemployment rate (%)	Mar		3,7	3,8
14 : 30	US	Average earnings (MoM, %)	Mar		0,4	0,0
14 : 30	US	Average earnings (YoY, %)	Mar		5,5	5,1
16 : 00	US	Construction expenditure (MoM, %)	Feb		0,9	1,3
16 : 00	US	ISM Manufacturing PMI (points)	Mar		58,4	58,6

Stock markets closed mixed in weekly terms, soaring oil prices and gains in other commodities supported the energy and the basic material sectors while uncertainties amid the ongoing military conflict have not eased

The week started mixed with commodity-heavy stock indices creeping up and indices affected more by other cyclical sectors' downturn dropping after last week's gain. Oil prices jumped on Monday amid the ongoing military conflict between Russia and Ukraine while incidents against oilfields in Yemen also endangered supply and supported further price hike. The military conflict and the responses to it from Western allies against Russia defined basically the market sentiment during the week. The performance of the energy and the basic material sectors gave support to the stock markets in Western Europe and in the USA as well. In weekly comparison, the stock markets are expected to close the week with mixed performance in Europe and with gains in the USA. In the overseas market, besides energy and basic material companies, growth sectors could also pick up even though bond yields rose on Jerome Powell's hint at an aggressive interest rate hike in May if inflation necessitates it. Developed bond market replicated last week's performance with double-digit growth again, rising even slightly sharper than the week before. The US dollar bagged moderate gains against the euro and the British pound. In the commodity markets, oil prices hike prevailed, but natural gas fell significantly during the week. According to Friday afternoon's news, US and the EU reached LNG supply deal to cut dependence on Russia.

Crude prices crept up during the week as Europe is actively searching ways to cut dependence of Russian energy supply

Oil prices were set for a weekly gain after last week's considerable loss as previous optimism about ceasefire plans evaporated as positions are frozen in the ongoing military conflict between Russia and Ukraine. Oil prices jumped at the beginning of the week, with Brent climbing over 119 USD/bbl and WTI rising above 112 USD/bbl. Not only the ongoing turmoil in Ukraine but incidents against oilfield facilities in Yemen put supply under pressure. Further in the week, Brent reached 121 USD/bbl as tensions persist. Europe is desperately seeking solution to decrease dependence of fossil fuels from Russia: according to the latest news, the USA and the EU reached LNG supply deal, though the targeted supply amount of 15 billion cubic meters is only a fraction of Russia's supply towards the EU. On a weekly basis, Brent gained 8.4% and WTI rose 5.5%.

As regards European natural gas prices, the weekly fall still seems considerable, though more modest (-3.7%) than last week's 22% plunge. By the beginning of the week, prices fell below 64 EUR/MWh, but the consecutive days brought some correction and prices peaked at 71 EUR/MWh on Thursday.

Stock markets seem to close mixed in Europe and overseas as well

In **Europe**, the *STOXX600* is heading to end the week flat (+0.2%). In terms of sector performance, basic resources (+6.5%) and oil&gas (+5.7%) took the lead, coupled with moderate gains of insurance (+1.6%), telco (+1.5%), and chemicals (+1.3%). Cyclical sectors like construction & materials (-3.3), travel & leisure (-2.7%), real estate (-2.6%) and retail (-2.5%) became the biggest laggards. The national stock markets' weekly performance was mixed: the *DAX* and the *CAC40* closed in the red but near zero, while the *FTSE MIB* gained 1.8%, and *FTSE100* added 1.2%. In general, European markets stand 7-10% below end-2021 values except the *FTSE100* (YTD: +1.5%).

In the **USA**, the *S&P 500* stood at a 1.8% increase in weekly terms by Friday afternoon. All components increased but health care (-0.2%) and real estate (-0.4%). The sectors' performance followed the similar pattern like in Europe: we can see the largest gains in energy (+6.0%) and materials (+3.6%). Utilities, IT, and telco also outperformed the benchmark. Out of the other large indices, the *Dow* seems to end the week flat (-0.1%), while the *Nasdaq Composite* seems to post moderate gain (+1.3%). The small-cap *Russell2000* could decrease by 0.4%. Major US indices seem to be 4-7% in the red, compared to end-2021 levels.

Long-term yields continued to rise; the USD slightly strengthened against euro

Long-term yields remained on the fast-rising track during the week, with double-digit growth. Rising oil prices and expectations on further rate hike in the US pushed yields higher, with the 10Y Treasury yield approaching 2.5% (+33bps) and German Bund rate creeping up to near 0.6% (+20bps). Bond yields also rose on Fed governor Jerome Powell's Monday hint at possible aggressive rate hike in May. The *USD* slightly strengthened in weekly terms against the *EUR* and much more against the *yen*.

March Euro area confidence data turned out contradictory, but suggest weakening activity, the US economy remained in good shape based on March PMIs

In the **euro area**, the March *consumer confidence* fell sharply to -18.7, well below the previous month's reading and the consensus (-12.9 and -8.8points), to levels not seen since end-2020. This suggests that despite weaker trade linkages, the Russia-Ukraine conflict could also have negative repercussions to the continent through confidence effects. Somewhat contrary, the *Markit PMI* figures turned out relatively decent. There was only a small fall in the Composite PMI, from 55.5 in February to 54.5 in March, which was stronger than the consensus forecast. However, the future output PMI experienced its second-biggest ever monthly fall, suggesting that things will get worse. The survey also showed that supply problems worsened at firms that are linked to the Ukraine conflict as well as delays from China

following the latest Covid outbreak there. Reflecting the moves in energy prices, the input price PMI shot up to a new record high. And firms passed those costs on to customers, with the output price index also reaching its highest ever level. Continuing the really bad news, the *IFO business climate index* fell sharply, from 98.9 in February to 90.8 in March, which was much worse than the consensus (94.5). Nearly all of the fall was due to a huge decline in the expectations component, which dropped from a downwardly-revised 98.4 in February to only 85.1, its biggest monthly decline on record.

In the **USA**, although *durable goods orders* for February fell more than expected (-2.2% vs. -0.5%), but March *manufacturing and non-manufacturing PMIs* improved, beating the consensus. This latest reading showed that the overall economy expanded for the 21st consecutive month. New orders and production continued to increase at a solid pace as COVID-19 infections subsided, though hiring at factories slowed, contributing to keeping supply chains snarled and prices for inputs high. There was no evidence of substantial negative effects from the Russia-Ukraine conflict.

This week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.		
2022 3. 21.	8 : 30	EZ	C. Lagarde speech (Institute Montaigne)	-	-	-		
	23.	8 : 00	UK	Inflation (YoY, %)	Feb	6,2	5,9	5,5
		15 : 00	US	New home sales (annualized monthly, '000s)	Feb	772,0	810	788
		16 : 00	EZ	Consumer confidence (point)	Mar	-18,7	-12,9	-8,8
	24.	9 : 15	FR	Markit Manufacturing PMI (points)	Mar	54,8	55,1	57,2
		9 : 15	FR	Markit Service PMI (points)	Mar	57,4	55,0	55,5
		9 : 30	DE	Markit Service PMI (points)	Mar	55,0	54,3	55,8
		9 : 30	DE	Markit Manufacturing PMI (points)	Mar	57,6	55,0	58,4
		10 : 00	EZ	Markit Manufacturing PMI (points)	Mar	57,0	56,0	58,2
		10 : 00	EZ	Markit Service PMI (points)	Mar	54,8	54,3	55,5
		10 : 30	UK	Manufacturing PMI (points)	Mar	55,5	57,1	58,0
		10 : 30	UK	Service PMI (points)	Mar	61,0	59,0	60,5
		13 : 30	US	Durable goods orders (MoM, %)	Feb	-2,2	-1	2
		13 : 30	US	Initial jobless claims ('000s)	weekly	187,0	208,0	214,0
		13 : 30	US	Continuing jobless claims ('000s)	weekly	1350,0		1419,0
		14 : 45	US	Markit Manufacturing PMI (points)	Mar	58,5	55,0	57,3
		14 : 45	US	Markit Service PMI (points)	Mar	58,9	56,0	56,5
	25.	8 : 00	UK	Retail sales (MoM, %)	Feb	-0,3	0,8	1,9
		10 : 00	DE	IFO Economic sentiment index (points)	Mar	90,8	94,0	98,5
		15 : 00	US	Pending home sales (MoM, %)	Feb	-4,1	1,5	-5,8

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	4541,9	1,8	-4,7	Stoxx 600	SXXP Index	455,4	0,2	-6,7
IT	S5INFT Index	2788,8	2,4	-8,7	Health care	SXDP Index	1052,7	0,5	-2,7
Health care	S5HLTH Index	1590,1	-0,2	-3,3	Industrial goods & services	SXNP Index	700,2	-1,7	-12,1
Financials	S5FINL Index	658,1	1,7	1,2	Banks	SX7P Index	137,8	-0,5	-5,0
Telco	S5TELS Index	237,5	2,3	-11,2	Personal & households goods	SXQP Index	961,8	-1,0	-12,7
Consumer discretionary	S5COND Index	1458,0	1,4	-9,5	Insurance	SXIP Index	321,2	1,6	-0,3
Industrials	S5INDU Index	876,3	1,0	-2,1	Food and beverages	SX3P Index	806,3	-0,4	-7,3
Consumer staples	S5CONS Index	783,0	1,3	-2,7	Technology	SX8P Index	679,0	0,1	-15,9
Utilities	S5UTIL Index	367,8	2,9	1,1	Utilities	SX6P Index	378,5	-0,7	-6,5
Energy	S5ENRS Index	593,5	6,0	40,4	Oil & gas	SXEP Index	318,1	5,7	14,9
Real estate	S5RLST Index	293,1	-0,4	-9,7	Chemicals	SX4P Index	1246,7	1,3	-8,8
Materials	S5MATR Index	558,7	3,6	-1,9	Construction & materials	SXOP Index	570,7	-3,3	-11,6
					Telco	SXKP Index	232,4	1,5	1,0
					Retail	SXRP Index	338,7	-2,5	-23,9
					Financial services	SXFP Index	680,4	-0,8	-9,7
					Basic resources	SXPP Index	722,5	6,5	20,3
					Real estate	SX86P Index	182,0	-2,6	-7,3
					Auto & parts	SXAP Index	566,5	0,5	-14,1
					Media	SXMP Index	355,9	0,5	-4,5
					Travel & leisure	SXTP Index	209,6	-2,7	-9,8

Source: Bloomberg

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	4542	3,6	-3,9	1,9	16,2	23,4	4,5	2,9	20,6	1,3	111,8	2,4	7,5
Europe	SXXP Index	455	0,4	-5,6	-1,7	7,6	15,9	1,9	1,5	14,2	1,1	162,2	0,6	11,7
Germany	DAX Index	14408	-1,1	-8,6	-7,2	-1,5	14,7	1,7	1,1	13,1	1,1	118,0	20,7	5,6
France	CAC Index	6606	-2,2	-6,8	-0,5	11,0	15,3	1,8	1,3	14,6	1,1	188,3	15,7	19,5
Poland	WIG20 Index	2116	7,4	-4,9	-8,0	12,8	8,2	1,3	0,9	15,3	1,2	55,5	0,8	-9,7
Czechia	PX Index	1345	-2,7	-5,6	2,9	24,2	16,1	1,7	1,9	10,2	0,9	161,5	-10,2	11,8
Hungary	BUX Index	44089	-3,7	-11,4	-14,3	-0,2	6,2	1,0	0,8	16,4	1,4	57,7	-391,4	-9,3
Romania	BET Index	12438	-3,5	-1,2	0,0	13,6	2,4	1,2	0,1	13,0		58,8	140,5	33,3
Bulgaria	SOFIX Index	606	-0,2	-4,4	7,4	22,2	7,6	0,8	0,6	10,1	3,3	62,4		
Russia	IMOEX Index	2484	0,6	-32,9	-38,5	-27,8	3,8	0,8	0,7	20,4	1,4	78,0	99,0	26,4
Ukraine	PFTS Index	519	0,0	-0,8	-1,3	0,4	3,9	1,5	0,4	14,5	0,5	3,4		
Slovenia	SBITOP Index	1194	3,0	-3,5	2,0	22,3	7,3	1,0	0,6	14,2	1,7	33,6		
Croatia	CRO Index	2059	0,8	0,8	4,2	11,5	12,5	1,0	1,1	9,2	1,5	40,0		
Serbia	BELEX15 Index	836	-0,6	0,9	4,3	12,0	10,8	0,7	0,7	6,7	1,7	19,0		
Montenegro	MNSE10 Index	751	-1,9	-1,8	-4,9	0,8	62,1	0,3	0,9	0,8	2,0	13,4		

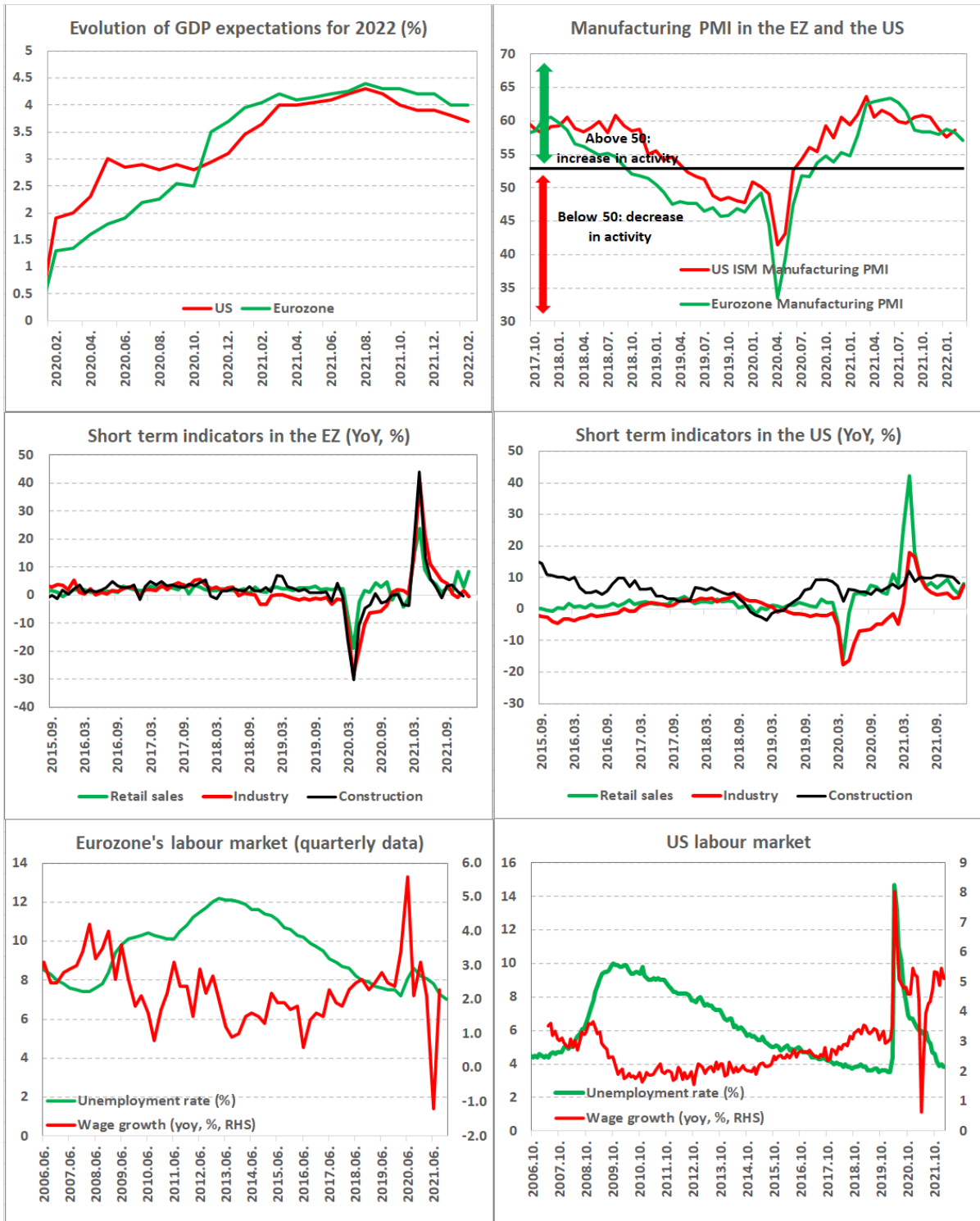
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

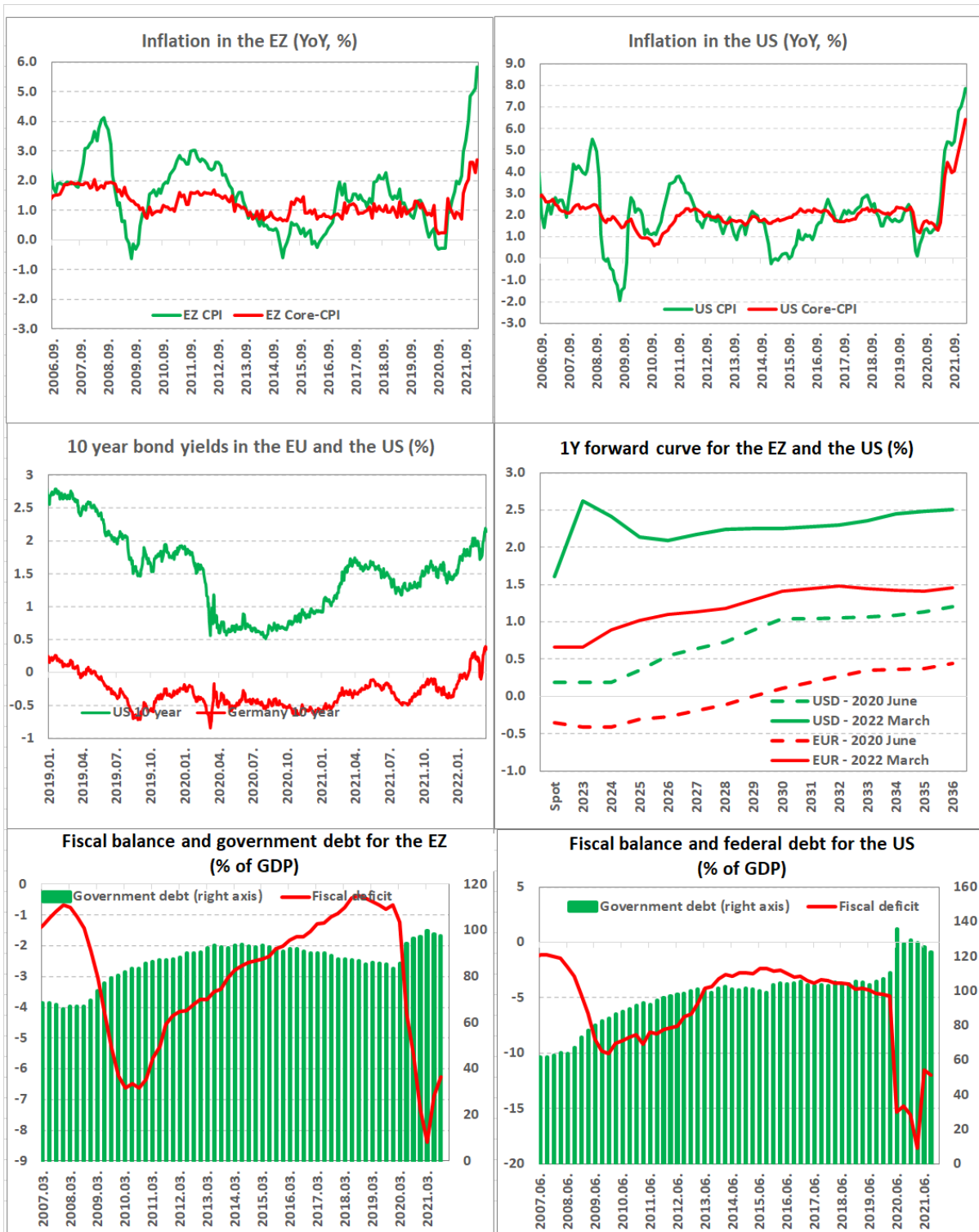
Data updated at 16:00 (CEST)

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	1,18	1,20
EURGBP	0,89	0,91	0,90	0,88	0,86	0,85	0,84	0,84	0,85	0,87
EURCHF	1,06	1,08	1,08	1,08	1,10	1,08	1,06	1,06	1,11	1,09
USDJPY	107,0	106,0	104,0	104,0	109,0	111,5	114,0	116,0	116,5	112,0

Source: Bloomberg

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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