

OTP Weekly Outlook

Next week:

- Business confidence and central bank minutes will be in the spotlight.

This week:

- Stock markets mostly closed with gains in weekly terms, both in Western Europe and the USA.
- Crude prices declined as fears grew over Chinese demand and the US released part of its strategic reserve. Gas prices eased on Friday after the payment dispute between Russia and its European counterparts seemed to be resolved.
- Long-term yields corrected after the past two weeks' steep rise.
- Incoming indicators suggest the U.S. labour market remained robust in March; euro area inflation jumped to 7.5%, well above expectations.

Market summary table

WEEKLY REPORT - 4 APRIL 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	4542,1	0,0	-4,7	US 2 year	2,44	17,1	170,8	Dollar index	98,663	-0,1	3,1	Brent	105	-12,9	35,1
Russell 2000	2088,2	0,5	-7,0	US 10 year	2,43	-4,1	92,2	EURUSD	1,1049	0,6	-2,8	WTI	100	-12,0	33,3
Stoxx 600	458,5	1,1	-6,0	DE 2 year	-0,04	10,7	59,9	USDJPY	122,93	-0,7	-6,4	Natural gas	120	18,3	79,7
DAX	14462,8	1,1	-9,0	DE 10 Year	0,59	0,8	77,4	GBPUSD	1,310	-0,6	-3,2	Gold	1930	-1,4	5,5
CAC40	6691,4	2,1	-6,5	ES 10 year	1,51	6,5	94,4	AUDUSD	0,751	-0,1	3,3	Silver	25	-3,1	6,1
FTSE 100	7544,1	0,8	2,2	UK 10 year	1,65	-4,1	68,6	USDCAD	1,250	-0,2	1,1	Palladium	2320	-0,3	21,8
FTSE MIB	25241,2	2,8	-7,7	IT 10 year	2,13	4,6	95,6	USDCHF	0,927	0,3	-1,5	Copper	473	0,9	5,9
Nikkei 225	27666,0	-1,7	-3,9	JP 10 year	0,22	-1,5	15,4	NZDUSD	0,691	-0,9	1,2	Steel	1545	37,6	7,7
CSI 300	4276,2	2,4	-13,4	CH 10 year	2,78	-2,3	0,3	CNHUSD	6,370	0,2	-0,2	Wheat	1014	-8,0	31,6

Source: Bloomberg

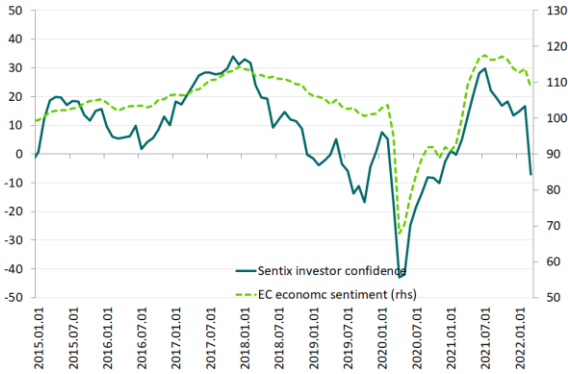
Business confidence and central bank minutes will be in the spotlight

News concerning the Russia-Ukraine conflict could still move market sentiment, otherwise next week will be less intense in terms of macro indicators than this one, when we have learnt a huge upside surprise in euro area inflation and it turned out that US job market remained robust in March. Still, all this makes ECB and FED minutes (both out on next Thursday) even more interesting. In case of the former, the question is whether there were discussions on rate hikes as early as Q3, when asset purchases could be fully phased out. As for the FED, some FOMC members already openly talk about the possibility of a 50 bips hike, the document could be even more interesting. Otherwise, from the euro area, the first April business confidence will be published (Sentix), which fell already sharply in March after the escalation of the Russia-Ukraine conflict. Also, February euro area retail sales could prove interesting, although this contains data before the eruption of the conflict.

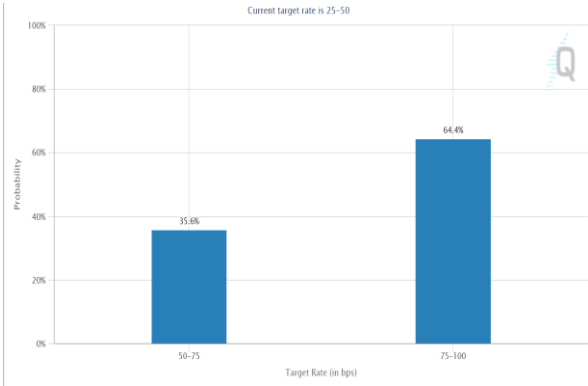
In the **euro area**, the minutes from the March meeting will be released on Thursday. Back then, the ECB managed to surprise the market, which assessed its decision to be more hawkish than foreseen. The Bank communicated to have sped-up the phase-out of asset purchases: instead of October, the ECB saw the APP at EUR 20 bn per months already by June. Furthermore, it also added that it will end net purchases completely in Q3, provided that "the incoming data support the expectation that the medium-term inflation outlook will not weaken". However there was another change, which seemed to be less hawkish. Policymakers announced plan to raise interest rates "some time after" (rather than "shortly" after) the end of net asset purchases, which means a de-linking the timing of its first rate hike from the end of net asset purchases. Since than March euro area inflation caused another upside surprise. Although naturally, this was not known at the time of the March ECB meeting, this surprise could put into new light the discussion back then. After tha latter data, some analysts now expects ECB to end QE by Q2 already. The *Sentix business confidence* from April (out on Monday), could give another insight on the extent of the gloom economic actors experience due to the Russia-Ukraine conflict. While *euro area retail sales* and *German plus French industrial production* for February could help to assess Q1 GDP, although these figures will still not contain any effect of the Russia-Ukraine conflict.

In the **USA**, the most interesting part (*FOMC minutes*) will come out on Thursday as well. Back in March, the FED brought the inevitable, by starting the rate hike cycle by 25 bps as expected. However there were a few other interesting announcements, which surprised markets. First, the dot plot contained still six rate hikes still this year, meaning a FED funds rate close to 2% (between 1.75-2.0% to be precise). The statement said that "ongoing increases in the target range will be appropriate", while in the past two tightening cycles the Fed was able to reassure that policy accommodation could be withdrawn at a "gradual" pace. This suggest that with record high inflation and full employment, FOMC members do not seem to hesitate. The pace of tightening was expected to slow in 2023, however, the median projection pointed to a 25bp rate hike at every other meeting next year, taking the target range to between 2.75% and 3.00% by end-2023. The statement noted that the FOMC members "expect to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities at a coming meeting". Since the meeting, several FOMC members (e.g. Chair Powell, and New York FED Williams) indicated the possibility of 50 bps hikes at some meeting, so it will be interesting to see to what extent this possibility was lamented. Markets already think a 50 bips hike for May more likely than a 25 bips one. Still from the US, *ISM non-manufacturing PMI* for March could prove interesting. This indicator fell, although remained robust in March.

Euro area business confidence



Target rate probabilities for the 6 May FED meeting



Sources: Bloomberg, Refinitiv, CMEgroup.com

What to watch for the next week

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 4. 4.	8 : 00 DE	Export (MoM, SA, %)	Feb		1,5	-2,8
	10 : 30 EZ	Sentix Investor confidence (points)	Apr		-9,7	-7,0
	16 : 00 US	Factory orders (MoM, %)	Feb		-0,6	1,4
5.	8 : 45 FR	Industrial production (MoM, %)	Feb		0,3	1,6
	9 : 45 IT	S&P Global Service PMI (points)	Mar		51,5	52,8
	16 : 00 US	ISM non-Manufacturing PMI (points)	Mar		58,5	56,5
6.	3 : 45 CN	Caixin Services PMI	Mar			50,2
	8 : 00 DE	Industrial orders (MoM, %)	Feb		-0,2	1,8
	17 : 00 PL	Interest rate decision (%)	Apr			3,5
	20 : 00 US	FOMC Minutes			-	-
7.	8 : 00 DE	Industrial production (MoM, %)	Feb		-0,2	2,7
	11 : 00 EZ	Retail sales (MoM, %)	Feb		0,6	0,2
	13 : 30 EZ	ECB Minutes			-	-
	14 : 30 US	Initial jobless claims ('000s)	weekly			202,0
	14 : 30 US	Continuing jobless claims ('000s)	weekly			1307,0
	10 : 00 IT	Retail sales (MoM, SA, %)	Feb			-0,5
10.	FR	Presidential election (first round)				E. Macron

Stock indices in developed markets edged higher, although investors became prudent, favouring mostly defensive sectors. Soaring inflation in the euro area fuels further rate hike from central bank and weighed on economic sentiment. Crude prices fell owing to both demand and supply side issues

The week started on a positive note in the European and the US stock markets, while in Asia, a new wave of covid infections and lockdowns in China caused fears of weaker economic growth and demand for basic resources. The current events of the military conflict between Russia and Ukraine remained on the centre stage during the week; however the peace negotiations of the last couple of days between the parties brought no break-through. Cyclical sectors strengthened at the beginning of the week; the energy and basic resources sectors decreased as commodity prices fell. By the middle of the week, the previous days' moderate optimism lost ground, as news raised questions about Russia's determination to withdraw troops. At the same time, Europe's efforts to cut energy dependence on Russia are also in the limelight, as high energy prices have already taken their toll on economic sentiment and growth prospects. CPI in the euro area and its biggest members rose higher than expected according to latest releases while the latest sentiment indices showed deterioration. By end-Thursday all the previous optimism evaporated in the DM stock markets, with leading indices closing the worst quarter in two years, since the outbreak of covid-19 pandemic. On Friday, the much-awaited March US job report was in the focus and US stocks inched up as data underlined economic resilience.

Crude prices suffered double-digit decline as worries about China's demand and the release of the US Strategic Petroleum Reserve eased supply-side pressure

Oil prices were set for a double-digit weekly decline after last week's considerable gain as a new wave of covid infections reached Shanghai, the commercial hub in China, prompting lockdowns. Fears over weakening demand from the Chinese economy have put prices under pressure from the beginning of the week. By the middle of the week, WTI futures were down 5% and Brent dropped 6%. On Thursday, US president Joe Biden announced a release of 1m barrels per day for six months, starting in May; this is the largest release ever, from the US Strategic Petroleum Reserve. At the same time OPEC+ also held meeting on Thursday and stuck with plans for an increase of 432,000 barrels per day, to their May output target, despite pressure to add more. On Friday, IEA member countries are scheduled to meet and discuss further emergency oil release. By Friday afternoon, WTI fell to 99 USD/bbl (-13.0%) and Brent declined to 104 USD/bbl (-14.0%).

As regards European *natural gas prices*, TTF gas price jumped 18% w/w by Friday afternoon, after a considerable decline in the past two weeks. Prices slightly dropped on Monday, below 99 EUR/MWh, but the consecutive days brought correction, and prices peaked near 123 EUR/MWh on Thursday. Vladimir Putin announced last week a rouble-for-gas scheme that brought uncertainties on the market. This Thursday the Russian president issued an even more serious warning of turning off Europe's gas supply if nations remain reluctant to pay in roubles. By Friday, the problem seems to be resolved with Russia's partner paying in convertible currencies to Gazprombank, which will manage the exchange and the transfer of the payments to Gazprom in roubles.

Stock markets seem to close mostly in the green in Europe and overseas as well

In **Europe**, the *STOXX600* is heading to end the week with moderate gain (+0.9%). In terms of sector performance, utilities (+3.6%), auto&parts (+3.2%) took the lead, coupled with moderate gains of insurance (+2.4%), financial services (+2.2%), personal & household goods (+2.1%) and healthcare (+2.0%). Retail (-3.6%), technology (-1.0%), oil&gas (-0.9%) and basic resources (-0.9%) became the biggest laggards. The national stock markets closed in the green, with the FTSE MIB and the *CAC40* posting nearly 2% weekly gains, and the *FTSE* and the *DAX* adding less than 1%. Considering quarterly performance, the Pan-European Stoxx600 lost 6.5% in the three months ending on 31 March. The DAX plunged 9.3% and the FTSE added 1.8%.

In the **USA**, the *S&P 500* was flat in weekly terms by Friday afternoon. Defensive sectors like utilities (+2.3%), consumer staples (+0.9%) and

health care (+0.6%) were among the best performers, although real estate sector (2.9%) also jumped into the club of top gainers. Financials (-2.7%) and energy sector (-2.0%) lost the most during the week. The small-cap *Russell2000* increased 0.5% w/w.

Considering the quarterly performance, US stock indices closed the worst quarter in two years, with the S&P500 and the DJIA losing near 5% and the Nasdaq Composite declining more than 9%.

Long-term yields came down from last weeks' steep rise; higher-than-expected March inflation in the eurozone may prompt the ECB to bring forward its planned actions

After previous weeks' steep rise, 10Y yields increased to record levels on last Friday, with 10Y US Treasury yield surging over 2.5%, a level not seen since 2019. This week, yields dropped, particularly after PCE release on Wednesday, which was only slightly higher than previous estimates, and the core index was in line with expectations, giving evidence of the effect of surging energy prices. On Friday, the US 10Y benchmark yield climbed again, softening the weekly decline. In weekly terms, the US 10Y Treasury yield dropped 4bps, Germany's Bund yield added 1bp, but yields grew much more in Italy and Spain. Several euro area countries released higher-than-expected inflation data during the week; having jumped to 7.5% in March, eurozone inflation adds to odds that the ECB would accelerate its plans to tighten monetary conditions.

The *USD* weakened in weekly terms against the *EUR* (0.8%) but somewhat less against the *yen* (0.5%).

Non-farm payroll remained robust in March, and wage growth increased as well; euro area inflation jumped to 7.5%, well above expectations

In the **euro area**, headline *inflation* increased from 5.9% in February to 7.5% in March, well above the market consensus, even though expectations had been ratcheted up after data for the region's major economies were released earlier in the week. Note that just a few weeks ago the ECB forecasted that inflation would average more than a half a percentage point lower in Q1. The increase was broad-based, with inflation rising in all major categories. Energy inflation rose to a new record high of 44.7%, and the recent developments of oil and gas prices mean that it is almost certain to rise further. Food inflation rose to 5%, its highest since October 2008, and past increases in food PPI, together with the Ukraine-Russia conflict's impact on agricultural commodity prices, mean that the increase in food inflation also has further to run. Core inflation accelerated from 2.7% to 2.3% (consensus: 3.1%). No full breakdown is available yet, but up to Match all leading indicators point toward further broad-based price pressures. As a result, we think that the ECB may soon conclude that it cannot wait much longer to start raising interest rates.

In the **USA**, the March job report confirmed that the US economy remained in good shape. Nonfarm payroll employment grew by a decent 431,00, slightly missing expectations (450,000). The strength of payrolls was widespread, with retail payrolls rising by 49,000, manufacturing payrolls up by 38,000, and leisure & hospitality employment up by 112,000 as Omicron infections faded. Unemployment rate edged down to 3.6%, even though the labour force grew by 418,000, which has now almost reached pre-covid levels (just 174,000 short of it). Wage growth was a bit higher than expected, at 5.6%, and the February figure was also revised slightly upwards. While the falling unemployment rate suggests that labour market conditions continue to tighten, there are some signs that wage growth may have peaked as labour market shortages have levelled off. If this is indeed the case, it may lead to weaker underlying inflation, easing pressure on the Fed to deliver a series of aggressive rate hikes.

This week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 3. 29.	9 : 00 ES	Retail sales (YoY, %)	Feb	0.9		4.1
	15 : 00 US	Case-Shiller Home Price Index (YoY, %)	Jan	19.1	18.4	18.9
	16 : 00 US	Consumer confidence (point)	Mar	107.2	107.0	105.7
	30. 11 : 00 EZ	EC Economic Sentiment Index (points)	Mar	108.5	110.0	114.0
	14 : 00 DE	CPI (preliminary, YoY, %)	Mar	7.3	5.8	5.1
	14 : 15 US	ADP non-farm employment (MoM, '000s)	Mar	455.0	450.0	475.0
	31. 3 : 30 CN	NBS Non-manufacturing PMI (points)	Mar	48.4		51.6
	3 : 30 CN	NBS Manufacturing PMI (points)	Mar	49.5		50.2
	9 : 00 DE	Retail sales (MoM, %)	Feb	0.3	0.8	2.0
	10 : 00 IT	Unemployment rate (%)	Feb	8.5	8.7	8.8
	11 : 00 EZ	Unemployment rate (%)	Feb	6.8	6.7	6.8
	14 : 30 US	Personal income (MoM, %)	Feb	0.5	0.5	0.0
	14 : 30 US	Personal consumption (adjusted, MoM, %)	Feb	0.2	0.5	2.1
	14 : 30 US	Household core PCE index (MoM, %)	Feb	0.4	0.4	0.5
	14 : 30 US	Initial jobless claims ('000s)	weekly	202.0		187.0
	14 : 30 US	Continuing jobless claims ('000s)	weekly	1307.0		1350.0
	15 : 45 US	Chicago PMI (points)	Mar	62.9	56.4	56.3
	4. 1. 3 : 45 CN	Caixin Manufacturing PMI (points)	Mar	48.1		50.4
	9 : 45 IT	S&P Global Manufacturing PMI (prelim.)	Mar	55.8		58.3
	11 : 00 EZ	CPI (flash, YoY, %)	Mar	7.5	6.5	5.9
	11 : 00 EZ	Core CPI (flash, YoY, %)	Mar	3.0	3.1	2.7
	14 : 30 US	Non-farm payroll (MoM, '000s)	Mar	431.0	450	750
	14 : 30 US	Unemployment rate (%)	Mar	3.6	3.7	3.8
	14 : 30 US	Average earnings (MoM, %)	Mar	0.4	0.4	0.1
	14 : 30 US	Average earnings (YoY, %)	Mar	5.6	5.5	5.2
	16 : 00 US	Construction expenditure (MoM, %)	Feb	0.5	0.9	1.6
	16 : 00 US	ISM Manufacturing PMI (points)	Mar	57.1	58.4	58.6

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	4542,1	0,0	-4,7	Stoxx 600	SXXP Index	458,5	1,1	-6,0
IT	SSINFT Index	2779,2	-0,2	-9,0	Health care	SXDP Index	1068,5	1,8	-1,3
Health care	S5HLTH Index	1599,2	0,6	-2,7	Industrial goods & services	SXNP Index	692,8	-0,4	-13,0
Financials	S5FINL Index	640,1	-2,7	-1,5	Banks	SX7P Index	138,6	1,2	-4,5
Telco	S5TELS Index	235,5	-0,8	-12,0	Personal & households goods	SXQP Index	973,7	2,1	-11,6
Consumer discretionary	S5COND Index	1465,6	0,9	-9,0	Insurance	SXIP Index	329,2	2,5	2,2
Industrials	SSINDU Index	872,4	-0,6	-2,5	Food and beverages	SX3P Index	816,2	1,4	-6,1
Consumer staples	S5CONS Index	795,0	1,5	-1,2	Technology	SX8P Index	671,7	-0,3	-16,8
Utilities	S5UTIL Index	378,5	2,3	4,1	Utilities	SX6P Index	389,8	3,5	-3,7
Energy	S5ENRS Index	589,1	-2,0	39,3	Oil & gas	SXEP Index	319,1	-0,2	15,3
Real estate	S5RLST Index	304,0	2,9	-6,4	Chemicals	SX4P Index	1248,1	0,7	-8,7
Materials	S5MATR Index	560,7	-0,1	-1,6	Construction & materials	SXOP Index	573,4	1,0	-11,2
					Telco	SXKP Index	235,0	1,2	2,2
					Retail	SXRP Index	328,1	-2,6	-26,2
					Financial services	SXFP Index	693,3	2,3	-8,0
					Basic resources	SXPP Index	725,4	0,3	20,8
					Real estate	SX86P Index	184,0	1,2	-6,2
					Auto & parts	SXAP Index	580,9	3,3	-11,9
					Media	SXMP Index	354,3	0,0	-5,0
					Travel & leisure	SXTP Index	207,7	-0,4	-10,7

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	5,5	-4,7	4,2	13,0	23,4	4,5	2,9	20,6	1,3	111,8	2,2	7,6
Europe	SXXP Index	458	3,6	-6,0	1,2	6,1	16,0	1,9	1,5	14,1	1,1	162,8	0,3	11,1
Germany	DAX Index	14463	4,0	-9,0	-4,6	-4,3	14,8	1,7	1,1	13,0	1,1	117,9	17,9	5,5
France	CAC Index	6691	4,6	-6,5	2,7	9,6	15,3	1,8	1,3	14,5	1,1	186,8	8,1	19,4
Poland	WIG20 Index	2163	9,9	-4,6	-7,1	10,7	8,4	1,3	0,9	15,2	1,2	53,8	0,2	-10,1
Czechia	PX Index	1374	1,8	-3,6	3,3	25,8	16,9	1,7	1,9	9,9		164,6	-12,8	10,3
Hungary	BUX Index	44745	15,0	-11,8	-16,5	1,1	6,4	1,0	0,8	16,2	1,4	56,9	-173,4	-9,2
Romania	BET Index	12782	2,4	-2,1	1,2	12,8	2,5	1,2	0,1	13,2		58,7	-27,6	29,0
Bulgaria	SOFIX Index	637	7,4	0,1	9,4	27,3	8,1	0,9	0,6	9,8	3,3	65,2		
Russia	IMOEX Index	2781	12,6	-26,6	-32,0	-21,2	4,1	0,9	0,8	21,2	1,4	78,5	26,2	23,4
Ukraine	PFTS Index	519	0,0	-0,7	-1,3	0,4	5,6	1,4	0,3	10,2	0,6	7,8		
Slovenia	SBITOP Index	1209	7,8	-4,0	3,7	21,5	7,4	1,0	0,6	13,9	1,6	35,2		
Croatia	CRO Index	2092	5,5	0,6	3,3	11,5	12,7	1,0	1,2	9,2	1,5	40,5		
Serbia	BELEX15 Index	836	0,3	1,9	4,3	11,6	10,9	0,7	0,7	6,6	1,7	19,0		
Montenegro	MNSE10 Index	784	2,8	2,6	-3,1	5,0	76,7	0,3	0,9	0,3	2,1	14,0		

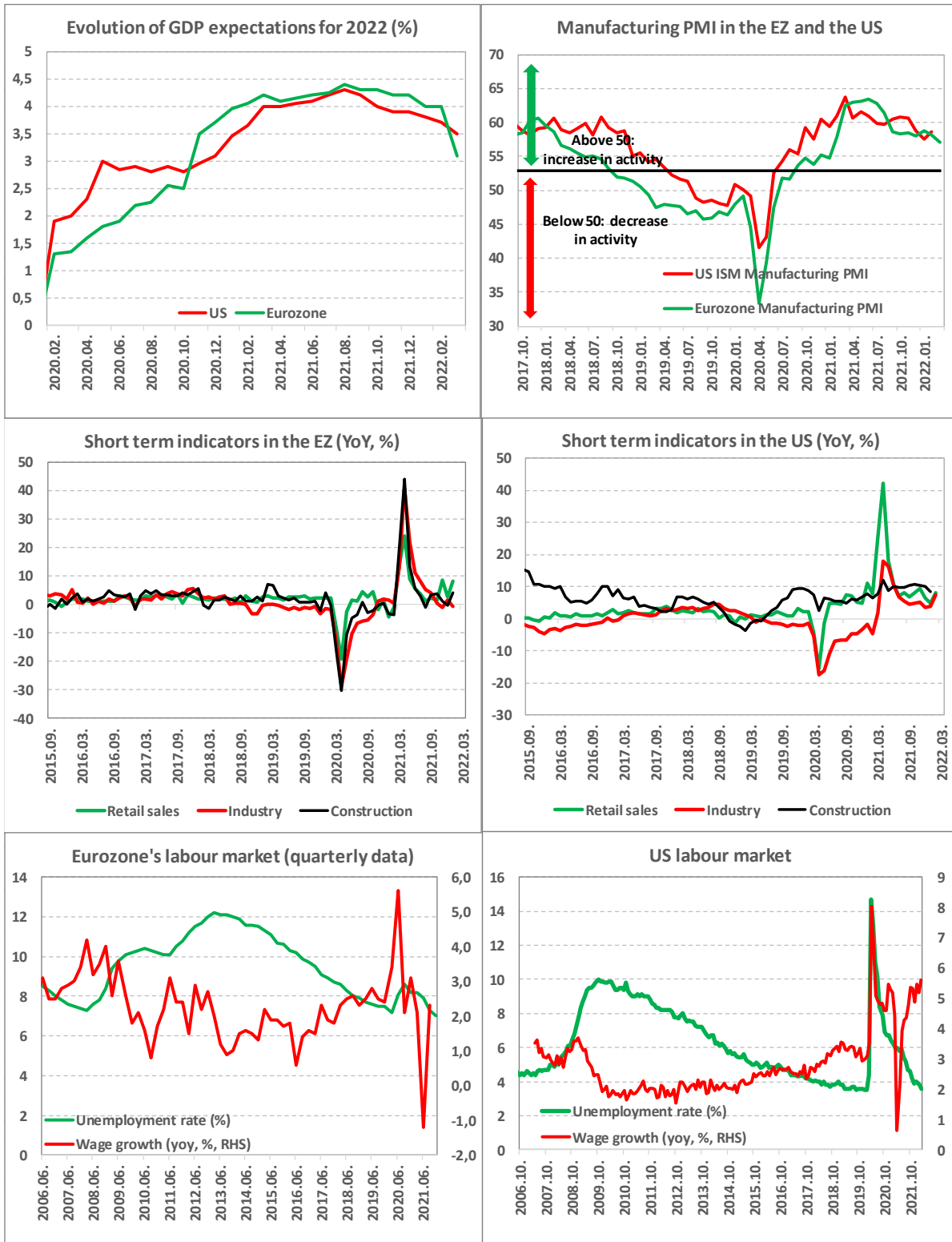
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

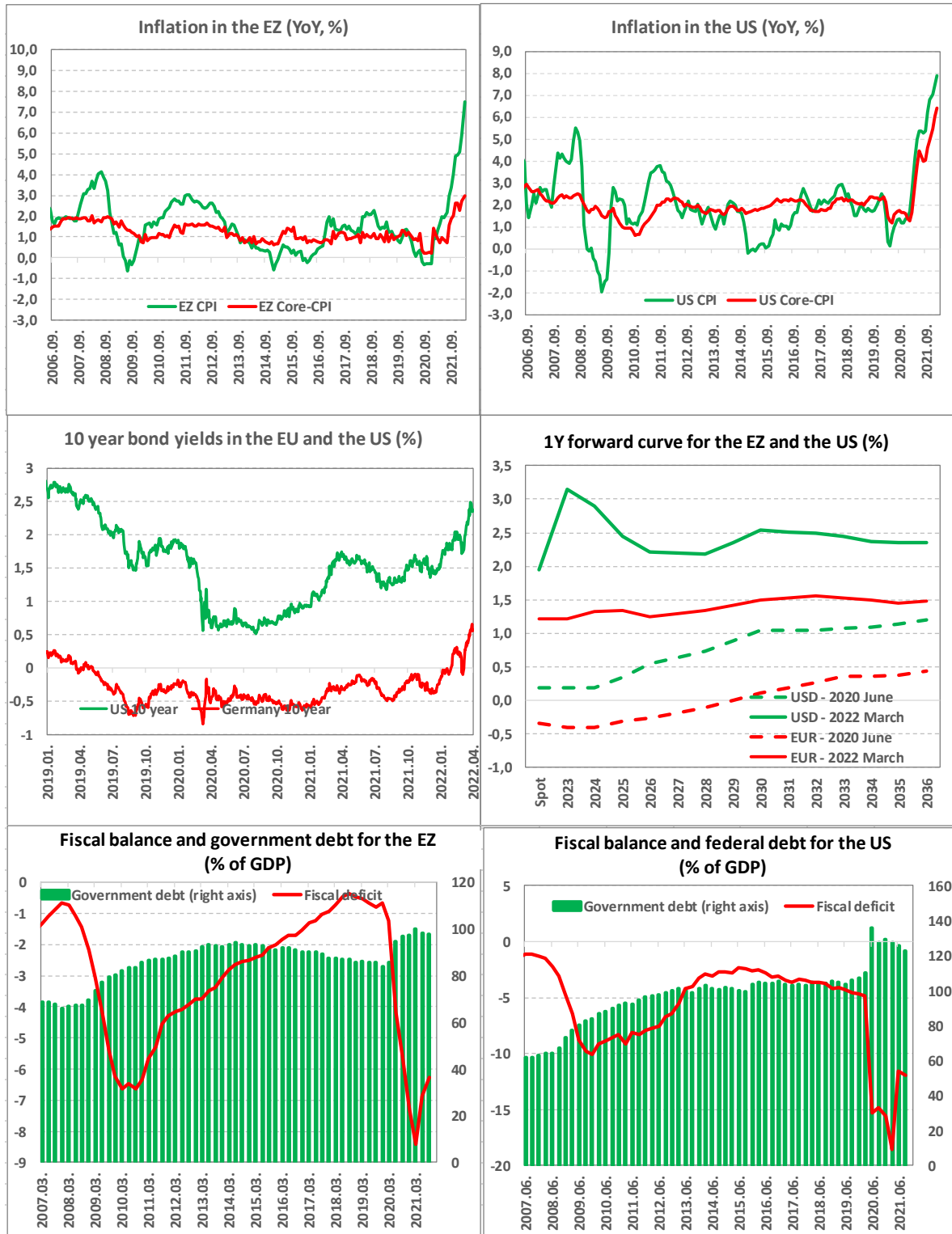
Data updated at 16:00 (CEST)

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	1,14	1,18	1,19
EURGBP	0,89	0,91	0,90	0,88	0,86	0,85	0,84	0,84	0,85	0,86
EURCHF	1,06	1,08	1,08	1,08	1,10	1,08	1,06	1,06	1,10	1,09
USDJPY	107,0	106,0	104,0	104,0	109,0	111,5	114,0	117,5	115,5	113,5

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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