

# OTP Weekly Outlook

## Next week:

- US and Chinese real economy indicators for April, euro area Q1 GDP, and ECB minutes will be in the spotlight

## This week:

- Growth fears kept stock markets under pressure during the week and bond yields steeply declined
- The EUR/USD fell below 1.04 on risk-off
- Crypto markets collapsed
- Energy prices also fell on worsening growth outlook
- US inflation surprised to the upside, pointing to persistent underlying inflation
- Euro area business confidence suggest a recession in Q2

**US and Chinese indicators for April, euro area Q1 GDP, and ECB minutes  
will be in the spotlight**

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 5. 16.	4 : 00	CN	Infrastructural spending (YoY,%)	Apr	7.0	9.3
	4 : 00	CN	Industrial production (YoY,%)	Apr	0.3	5.0
	4 : 00	CN	Retail sales (YoY,%)	Apr	-6.0	-3.5
	11 : 00	EU	EC's Economic Forecast	-	-	-
	14 : 30	US	New York Fed Manufacturing index (points)	May	14.5	24.6
	17.					
	11 : 00	EZ	GDP (preliminary, YoY,%)	Q1	5.0	5
	11 : 00	EZ	GDP (preliminary, QoQ,%)	Q1	0.2	0.2
	14 : 30	US	Retail sales MoM,%)	Apr	0.9	0.5
	15 : 15	US	Industrial production MoM,%)	Apr	0.4	0.9
	16 : 00	US	Business inventories MoM,%)	Mar	1.8	1.5
	18.					
	1 : 50	JP	GDP QoQ,%)	Q1	-0.4	1.1
	14 : 30	US	Building permits (annualized monthly, 000s)	Apr	1815	1870
	14 : 30	US	Housing starts (annualized monthly, 000s)	Apr	1760	1793
	19.					
	13 : 30	EZ	ECB Minutes	Oct		-
	14 : 30	US	Initial jobless claims (000s)	weekly		203
	14 : 30	US	Continuing jobless claims (000s)	weekly		1343
	16 : 00	US	Existing home sales (annualized monthly, 000s)	Apr	5630	5770
		US	Leading index MoM,%)	Apr	0	0.3
	20.					
	1 : 30	JP	core-CPI (YoY,%)	Apr	2.1	0.8
	1 : 30	JP	CPI (YoY,%)	Apr		1.2
	16 : 00	EZ	Consumer confidence (point)	May	-21.5	-22.0

\* The time, when most likely market-mover data could come out is indicated in red.

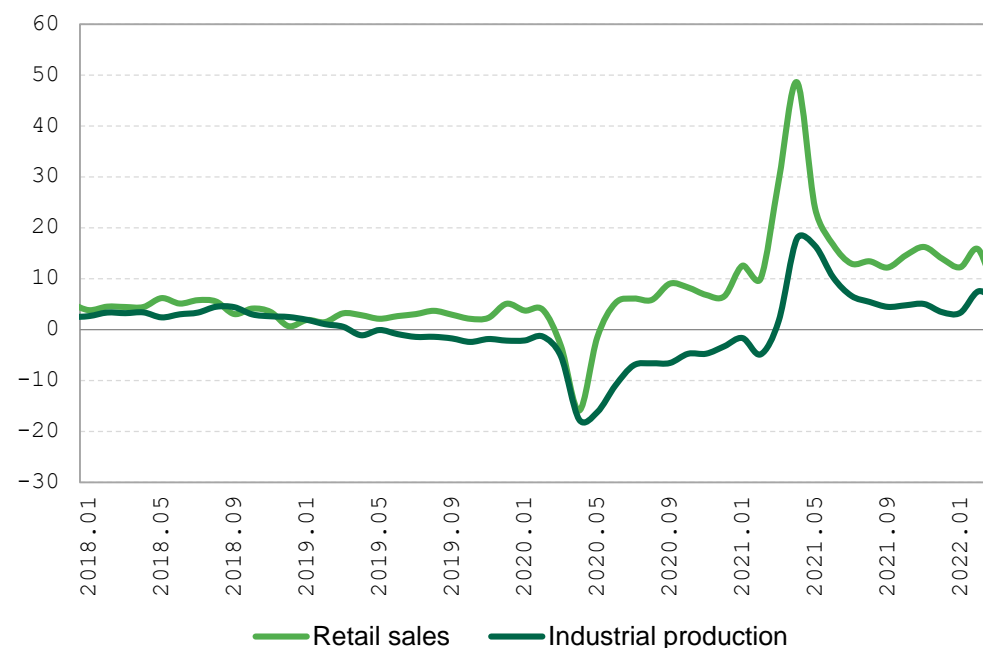
**US: downside surprises in retail sales and industrial production data could add to concerns about the growth outlook**

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2022.05.16	2:30	US	New York Fed Manufacturing index (points)	May	14.5	24.6
17.	2:30	US	Retail sales MoM (%)	Apr	0.9	0.5
	3:15	US	Industrial production MoM (%)	Apr	0.4	0.9
18.	2:30	US	Building permits (annualized monthly, 000s)	Apr	1815	1870
	2:30	US	Housing starts (annualized monthly, 000s)	Apr	1760	1793
	4:00	US	Existing home sales (annualized monthly, 000s)	Apr	5630	5770

Key highlights

- April's **retail sales** and **industrial production** figures will be the first high-frequency data to give an indication of the US economy's second-quarter performance.
- Nominal **retail sales** growth could reach 0.9% MoM, boosted by still high inflation and strong labour market conditions.
- **Industrial production's** expansion could slow to 0.4% as China's zero covid policy and the slowdown in China's economic growth will sooner or later weigh on the performance of the US manufacturing sector.
- The weaker-than-expected data could add to concerns about the growth outlook, which is already strong because of rising expectations of interest rate hikes.

US Retail sales & Industrial production (YoY, %)



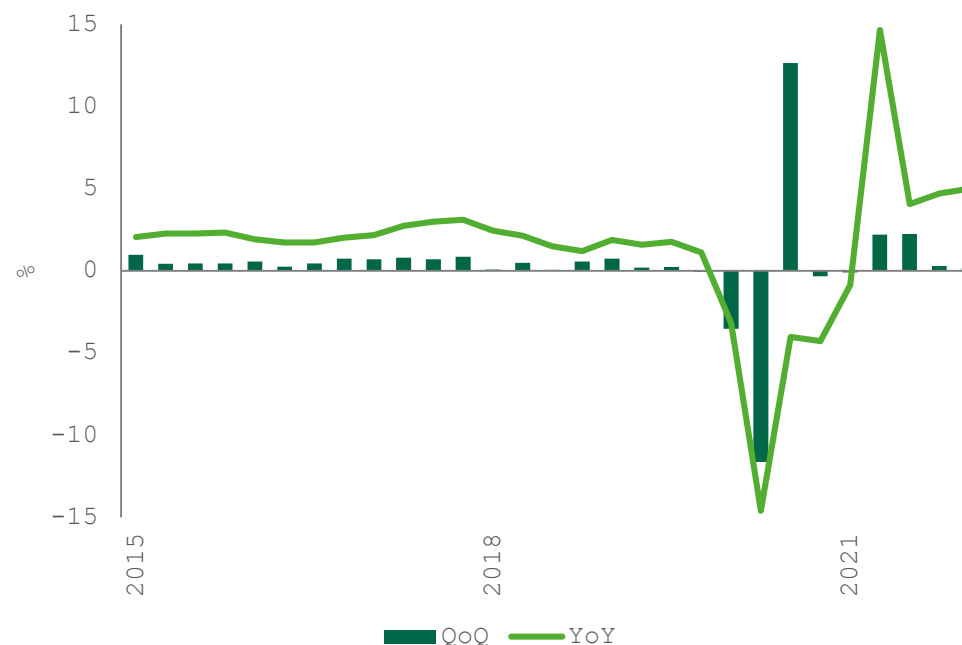
## Euro area: 2022Q1 GDP growth slowed to 0.2% QoQ, the ECB minutes might shed some light on date of the first rate hike

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2022.05.17	11:00	EZ	GDP (preliminary, YoY)	Q1	5.0	5.0
	11:00	EZ	GDP (preliminary, QoQ)	Q1	0.2	0.2
2022.05.19	13:30	EZ	ECB Minutes	Oct		-
2022.05.20	11:00	EZ	Consumer confidence (point)	May	-215	-22

### Key highlights

- **GDP** could have expanded by 0.2% QoQ, and 5.0% YoY as the opposing effect of service sector reopening and the Russia-Ukraine conflict appeared in activity.
- On the sectoral side, industry and retail sales substantially weakened by March.
- On the demand side, household consumption and net exports likely fell, while investments performed better.
- A downward revision could add to market pessimism, and could lower yields, and weaken the euro.
- The **ECB minutes** could shed light on the probability of July rate hike, which was already mentioned publicly as an option by some Governing Council members.
- After a large fall, **consumer confidence** for May might have stabilized

### Euro area GDP growth ( % )



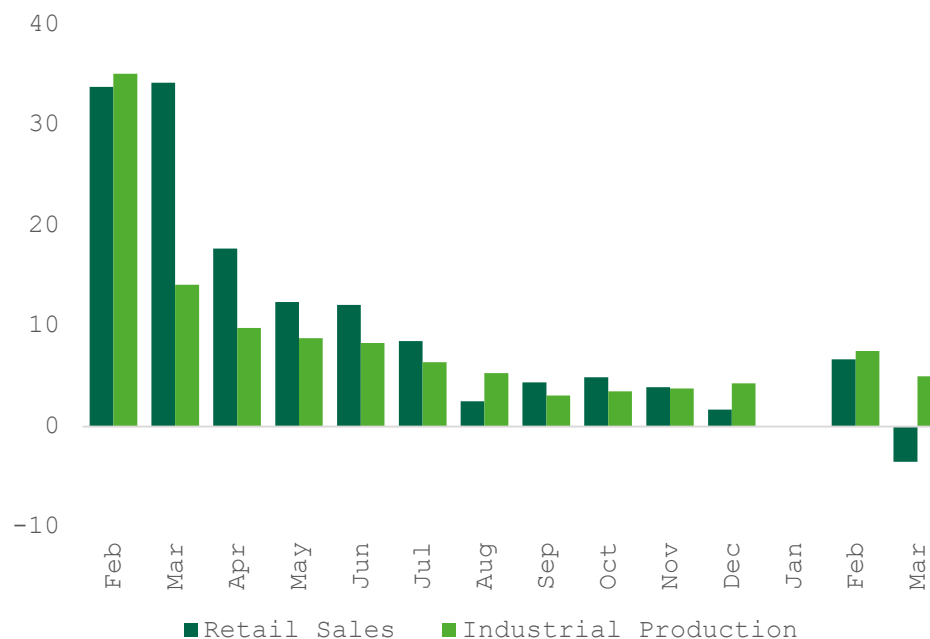
## China: Covid restrictions put further strain on China's economy

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.05.16	4:00	CN	Industrial Production YoY	Apr	0.3	5.0
	4:00	CN	Retail Sales YoY	Apr	-6.0	-3.5
	4:00	CN	Fixed Asset Investment (YTD) YoY	Apr	7.0	9.3

### Key highlights

- **Industrial production** is expected to nearly stagnate due to lockdowns in major cities.
- Both the NBS and Caixin manufacturing PMIs dropped further in April from its already below-50 mark in March
- Despite falling Covid cases, Shanghai tightened lockdowns in early May.
- **Retail sales** are expected to further decrease in April due to lockdowns.
- Risks from the Ukraine conflict, soft consumption and the struggling property market are also hurting China's economy.
- As a result, **investment** is also expected to ease further during the first four months of the year.
- Government actions could alleviate the problems.

### Retail Sales and Industrial Production (YoY, %)



# WEEKLY REPORT - 16 May 2022



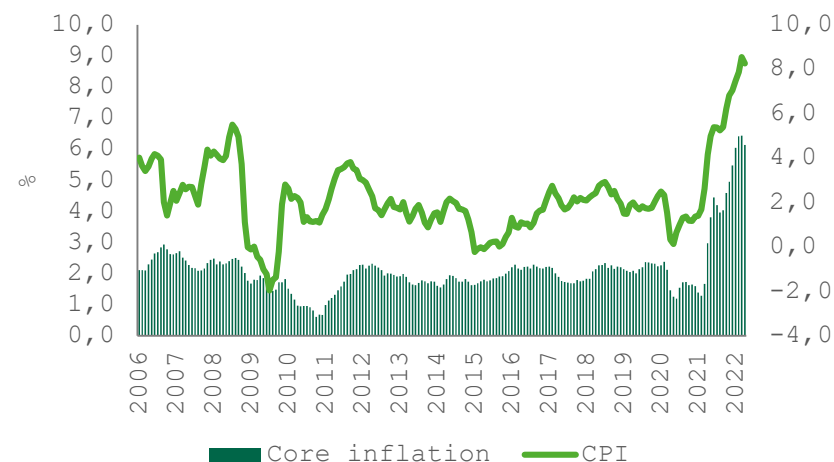
**This week's data: US inflation surprised to the upside; euro area business confidence points to recession in Q2**

Date		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 5. 9.	<b>5 :00</b>	CN	Export (YoY,%)	Apr	3.9	3.2	0.2
	<b>10 :30</b>	EZ	Sentix Investor confidence (points)	May	-22.6	-20.8	-18
	10 :00	IT	Industrial production MoM (SA,%)	Mar	0	-1.9	4.0
	<b>11 :00</b>	DE	ZEW Economic Sentiment (points)	May	-34.3	-42.0	-41.0
11.	<b>14 :30</b>	US	core-CPI MoM (SA,%)	Apr	0.6	0.4	0.3
	<b>14 :30</b>	US	core-CPI (YoY,%)	Apr	6.2	6.0	6.5
	<b>14 :30</b>	US	CPI MoM (SA,%)	Apr	0.3	0.2	1.2
	<b>14 :30</b>	US	CPI (YoY,%)	Apr	8.3	8.1	8.5
	20 :00	US	Federal budget balance (USDbn)	Apr	30.8	22.6	-19.3
	12. 8 :00	UK	GDP preliminary (YoY,%)	Q1	8.7	9.0	6.6
	8 :00	UK	GDP preliminary (QoQ,%)	Q1	0.8	1.0	1.3
	14 :30	US	Initial jobless claims (000s)	weekly	203	195	200
	14 :30	US	Continuing jobless claims (000s)	weekly	1343	1380	1384
	13. 11 :00	EZ	Industrial production MoM (%)	Mar	-1.8	-2.0	0.7
	16 :00	US	Michigan Consumer confidence (preliminary, points)	May	59.1	64.0	65.2

## Key highlights

- Both **headline and core US inflation** seemed to have peaked in April, but the data came out above expectations. In particular, the seasonally adjusted 0.6% MoM core price growth suggest that underlying inflation pressure is not moderating.
- The first May **business confidence** indices (Sentix and ZEW) point to **euro area** recession in Q2.
- **China's exports** in April slightly surpassed expectations.

## US underlying inflation measures (YoY, %)



**Risk-off sentiment led US stock markets lower as fears over growth outlook and runaway inflation made investors wary, but European markets fared better. Bond yields steeply declined, the EUR/USD dropped below 1.04**

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	3995	-3.1	-16.2	US 2 year	2.61	-11.8	188.1	Dollarindex	104.854	1.2	9.6	Brent	109.7	-2.4	41.0
Nasdaq Comp.	11724	-3.5	-25.1	US 10 year	2.91	-21.2	140.5	EURUSD	1.037	-1.7	-8.8	WTI	108.3	-1.3	44.0
Dow Jones	32111	-2.4	-11.6	DE 2 year	0.11	-20.7	74.1	USDJPY	129.27	1.0	-11.0	NaturalGas (TTF)*	93.5	-2.8	40.6
Russel2000	1782	-3.1	-20.7	DE 10 Year	0.94	-18.9	112.2	GBPUSD	1.2184	-1.3	-10.0	Gold	1814.1	-3.7	-0.8
Stoxx 600	431	0.4	-11.5	FR 10 year	1.45	-20.0	126.0	AUDUSD	0.6904	-2.4	-4.9	Silver	20.9	-6.5	-10.3
DAX	13946	2.0	-12.2	SP 10 year	2.00	-23.6	143.5	USDCAD	1.2958	-0.6	-2.5	Palladium	1959.4	-4.5	2.9
CAC40	6325	1.1	-11.6	IT 10 year	2.86	-27.3	169.1	USDCHF	1.0033	-1.4	-9.0	Copper	409.1	-4.0	-8.3
FTSE100	7382	-0.1	0.0	UK 10 year	1.74	-25.7	76.9	NZDUSD	0.625	-2.5	-8.4	Steel	1380.0	0.1	-3.8
FTSEMIB	23930	1.9	-12.5	CH 10 year	0.74	-24.7	89.1	CNHUSD	6.8088	-1.3	-6.6	Wheat	1174.5	7.2	52.4
Nikkei225	26428	-2.1	-8.2	JP 10 year	0.24	0.2	17.5	USDTRY	15.4727	-3.4	-14.0	Corn	813.5	1.2	37.1
CSI300	3989	2.0	-19.3	CN 10 year	2.80	-1.3	4.3	USDBRL	5.1171	-0.7	9.0	Electricity*	160.9	-25.1	72.1

\*In EUR/MWh

Source: Bloomberg

## Key highlights

- Stock markets** are expected to close another week in the red in the US as global growth worries and fears over runaway inflation, and the policy answers to tackle it have spoiled market sentiment. European markets finally seem to fare better. At the beginning of the week, heavy sell-off swept through the developed capital markets, hitting hard every asset class. Through the week, risk-off sentiment led stock indices even lower, with the S&P hitting new low for 2022. Safe-haven assets could not help mitigating losses either, with precious metals sliding steeply. Tuesday and Wednesday brought some correction in Europe, but on Thursday most markets renewed their decline. Friday seems to be in plus on both sides of the Atlantic, which eventually pushed European indices to modest weekly pluses: the Stoxx600, the DAX and the CAC40 may close the week with modest gains but the FTSE100 stagnates. However US stock indices are expected to decline around 3% in weekly comparison, with technology and consumer discretionary sectors losing the most. Cryptos crashed, with stablecoins even losing ground.

- On the **bond market**, this week has brought steep yield decline on both sides of the Atlantic as growth fears got stronger. 10Y Treasury yield hit 3.2% on Monday, but since then slid down considerably. The Bund yield fell below 1.0%. The **US dollar** strengthened further, the EUR/USD dropped below 1.04, the lowest in about two decades.

- Oil prices** have been driven down by fears over global demand, as strict lockdowns in China cast shadows on growth outlook. Gas prices in Europe stabilized below 100 EUR/MWh, while next month futures jumped after Russia imposed sanctions against German and Polish corporates in the gas industry and threatens to cut supply to Finland.

## Stock market and sector performance

Performance of US sectors			
Sector	Last price	1 week change (%)	YTD (%)
S&P500	3995	-3.1	-16.2
IT	2359	-4.2	-22.8
Health care	1491	-1.3	-9.3
Financials	558	-3.3	-14.2
Telco	199	-0.6	-25.6
Consumer discretionary	1181	-3.9	-26.7
Industrials	788	-2.4	-12.0
Consumer staples	795	-0.6	-1.2
Utilities	359	-1.9	-1.2
Energy	608	-3.6	43.8
Real estate	266	-5.1	-18.1
Materials	520	-2.0	-8.6

Top US Mega-Cap Companies			
Company	Last price	1 week change (%)	YTD (%)
Alphabet	2310	-0.2	-20.3
Amazon	2224	-3.1	-33.3
Apple	145	-7.8	-18.4
Meta	196	-3.9	-41.8
Microsoft	260	-5.5	-22.8
Tesla	763	-11.8	-27.8

Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	431	0.4	-11.5
Health care	1012	-1.7	-6.5
Industrial goods & services	633	0.3	-20.6
Banks	130	2.0	-10.5
Personal & household goods	922	3.2	-16.4
Insurance	303	2.2	-5.9
Food and beverages	803	0.5	-7.7
Technology	595	0.9	-26.2
Utilities	384	-0.2	-5.1
Oil & gas	328	-1.7	18.5
Chemicals	1221	0.7	-10.7
Construction & materials	537	0.0	-16.8
Telco	231	0.5	0.6
Retail	304	3.5	-31.6
Financial services	610	1.5	-19.0
Basic resources	625	-3.1	4.1
Real estate	157	0.0	-20.1
Auto & parts	556	2.0	-15.7
Media	329	-1.0	-11.6
Travel & leisure	199	0.4	-14.6



### Summary of regional stock market performance

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 (%)
Europe	SXXP Index	431	-5.5	-8.1	-11.4	-1.3	15.7	1.8	1.4	13.4	1.1	171.7	0.8	7.6
Germany	DAX Index	13946	-0.9	-9.6	-13.3	-8.2	12.9	1.6	1.0	13.4	1.1	110.3	53.4	6.7
France	CAC Index	6325	-3.3	-9.8	-10.8	0.6	14.3	1.7	1.2	14.9	1.1	220.7	25.7	11.9
Poland	WIG20 Index	1759	-16.4	-20.2	-25.4	-15.8	6.4	1.0	0.7	16.1	1.2	56.4	33.5	27.9
Czechia	PX Index	1298	-5.3	-11.6	-4.7	17.4	10.0	1.2	1.2	11.7		166.0	8.3	28.2
Hungary	BUX Index	41188	-3.4	-21.0	-21.3	-8.4	5.8	0.8	0.6	16.2	1.4	62.3	-196.3	4.5
Romania	BET Index	12170	-4.2	-9.0	-5.2	4.8	2.3	1.1	0.1	13.6		53.6	-76.9	5.0
Bulgaria	SOFIX Index	600	-4.9	-3.6	-1.4	15.5	6.5	0.8	0.6	11.8	2.9	66.5		
Russia	MOEX Index	2312	-8.6	-34.8	-43.9	-36.4	3.9	0.8	0.8	18.7	1.3	79.7	1.8	11.7
Ukraine	PFTS Index	519	0.0	0.1	-0.8	-1.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1116	-4.7	-12.6	-8.6	4.1	6.6	0.9	0.5	14.8	1.7	38.1		
Croatia	CRO Index	2083	-1.8	-3.8	3.5	7.5	11.6	1.0	1.1	9.7	1.5	38.1		
Serbia	BELEX15 Index	818	-4.2	-5.0	1.3	7.9	11.6	0.7	0.8	6.3	1.6	17.8		
Montenegro	MNSE10 Index	781	0.7	-0.2	2.5	1.3	88.2	0.3	0.8	0.1	2.0	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.

## FX outlook

FX pair	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.14	1.12	1.06	1.09	1.1	1.15	1.2
EURGBP	0.84	0.83	0.84	0.84	0.85	0.85	0.88
EURCHF	1.06	1.05	1.03	1.04	1.05	1.1	1.1
USDJPY	130	129.5	136	137	138	138	139

Source: Bloomberg

Country	FX pair	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4
Hungary	EURHUF (eop)	369	367	376	373	372	369	367	366	363
Romania	EURRON (eop)	4.95	4.94	4.96	4.98	5	5.03	5.02	5.03	5.02
Russia	USDRUB (eop)	74.3	84.1	91.9	94.2	95.9	95	97.1	94.4	97.4
Ukraine	USDUAH (eop)	27.3	29.5	32.1	33.2	33.6	33.5	31.9	32.3	32.3
Croatia	EURHRK (eop)	7.52	7.57	7.54	7.53	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (eop)	117.6	117.7	117.9	117.8	117.8	117.8	-	-	-

\*No forecast available for Moldova and Albania

Source: Focus Economics

## Macro outlook in the region

Countries	GDP (yoy, %)				
	2020	OTP		Focus Economics	
		2021	2022	2021	2022
Hungary	7.1	3.5	3.8	3.7	3.3
Romania	5.9	1.1	1.9	2.8	4
Bulgaria	4.2	2.2	2.7	2.7	3.4
Russia	4.7	-9.1	-0.8	-10.2	-1.1
Ukraine	3.4	-36.0	18.1	-36.5	12.9
Slovenia	8.1	4.9	2.6	4.2	2.9
Croatia	10.2	3.3	2.5	3.3	3.7
Serbia	7.4	3.2	3.7	3.7	3.7
Montenegro	12.4	3.7	3.3	3.9	3.8
Albania	8.5	3.8	3.2	3.1	3.4
Moldova	13.9	-6.2	-0.8	-0.2	3.1

Countries	Fiscal balance (% of GDP)				
	2020	OTP		Focus Economics	
		2021	2022	2021	2022
Hungary	-7.3	-4.9	-3.5	-5.8	-4.3
Romania	-7.1	-7.5	-6.0	-6.5	-5.3
Bulgaria	-4.1	-4.1	-2.6	-3.9	-2.7
Russia	0.4	-4.0	-2.5	-1.8	-1.2
Ukraine	-3.5	-15.0	-9.0	-15.1	-10.7
Slovenia	-5.7	-4.2	-3.1	-4.7	-3.2
Croatia	-2.9	-2.5	-2.0	-3.1	-2.4
Serbia	-4.1	-4.0	-2.0	-3.5	-2.1
Montenegro	-2.1	-5.1	-3.5	-5.2	-3.9
Albania	-4.5	-5.5	-4.0	-4.6	-3.2
Moldova	-3.3	-8.0	-6.0	-5.9	-4

Countries	Inflation (average (yoy), %)				
	2020	OTP		Focus Economics	
		2021	2022	2021	2022
Hungary	5.1	8.3	5.2	9.1	5.2
Romania	5.0	12.3	6.2	9.3	5.3
Bulgaria	3.3	11.0	3.0	10.9	4.7
Russia	6.7	16.6	8.0	20.8	11.8
Ukraine	3.3	11.0	3.0	22.5	14.4
Slovenia	1.9	7.3	4.9	6.6	3.6
Croatia	2.6	7.0	3.4	6.8	3.2
Serbia	4.0	6.3	3.5	8.1	4.5
Montenegro	2.4	9.2	2.6	7.3	3.3
Albania	2.0	8.8	5.0	5.7	3.3
Moldova	5.3	22.0	7.9	19.8	7.3

Countries	Unemployment (%)				
	2020	OTP		Focus Economics	
		2021	2022	2021	2022
Hungary	4.1	3.8	3.8	3.8	3.7
Romania	5.6	5.4	5.0	5.5	5.2
Bulgaria	5.3	4.8	4.6	5.2	4.8
Russia	4.8	7.5	7.0	7.3	7.1
Ukraine	10.6	15.4	11.0	22.5	13.6
Slovenia	4.8	4.5	4.2	4.6	4.4
Croatia	7.6	6.8	6.0	7.3	6.9
Serbia	10.2	10.2	9.5	10.2	9.5
Montenegro	16.7	16.0	15.5	16.8	15.4
Albania	11.3	11.1	11.3	11.1	10.9
Moldova	3.9	6.3	7.3	3.6	3.4

Source: Focus Economics, OTP Research Center

**Gergely Tardos**

Chief Economist  
[tardosg@otpbank.hu](mailto:tardosg@otpbank.hu)

**Mihály András  
Kovács**

Analyst  
[Mihaly.Andras.Kovacs@otpbank.hu](mailto:Mihaly.Andras.Kovacs@otpbank.hu)

**Gergely Rezessy**

Analyst  
[Gergely.Gabor.Rezessy@otpbank.hu](mailto:Gergely.Gabor.Rezessy@otpbank.hu)

**Orsolya Rátkay**

Analyst  
[Orsolya.Ratkay@otpbank.hu](mailto:Orsolya.Ratkay@otpbank.hu)

**Beáta Váradi**

Analyst  
[Beata.Varadi@otpbank.hu](mailto:Beata.Varadi@otpbank.hu)

**OTP Bank Romania Global Markets Sales Team**

**Robert Kovacs**

Head of Sales  
+40 372 318 588  
[robert.kovacs@otpbank.ro](mailto:robert.kovacs@otpbank.ro)

**Anca Butuc**

Desk Dealer  
+40 372 318 587  
[anca.butuc@otpbank.ro](mailto:anca.butuc@otpbank.ro)

**Anamaria Toma**

Desk Dealer  
+40 372 318 585  
[anamaria.toma@otpbank.ro](mailto:anamaria.toma@otpbank.ro)

**Corina Bejan**

Desk Dealer  
+40 372 318 583  
[corina.bejan@otpbank.ro](mailto:corina.bejan@otpbank.ro)

**Teodor Tibuleac**

Desk Dealer  
+40 372 318 586  
[corina.bejan@otpbank.ro](mailto:corina.bejan@otpbank.ro)

**Szilamer Kozma**

Regional Dealer  
+40 372 504 520  
[szilamer.kozma@otpbank.ro](mailto:szilamer.kozma@otpbank.ro)

**Andrei Sala**

Regional Dealer  
+40 755 000 015  
[andrei.sala@otpbank.ro](mailto:andrei.sala@otpbank.ro)

**Dan Giurea**

Regional Dealer  
+40 372 318 584  
[dan.giurea@otpbank.ro](mailto:dan.giurea@otpbank.ro)

**Alexandru Sabin**

Regional Dealer  
+40 755 000 255  
[alexandru.sabin@otpbank.ro](mailto:alexandru.sabin@otpbank.ro)

## WEEKLY REPORT - 16 May 2022



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