

OTP Weekly Outlook

Next week:

- May euro area inflation and US job report will be in the spotlight

This week:

- Recession fears weighed on equity markets, but improvement in retail sector outlook, the FED minutes and a slowing core PCE put investors into buying mood.
- The EUR strengthened further on hawkish ECB communication.
- Treasury yields declined, as the release of the latest FOMC minutes calmed investors' fears on overly aggressive Fed tightening.
- PMI-s mostly disappointed on both sides of the Atlantic
- Oil prices increased over 114 USD/bbl, natural gas prices dropped.

May euro area inflation and US job report will be in the spotlight

Date*		Cd.	Event/Data	Period	Cons.	Prev.
2022 5. 30.	11 :00	EZ	EC Economic Sentiment Index (points)	May	105.1	105
	14 :00	DE	CPI (preliminary, YoY, %)	May	7.3	7.4
31.	3 :30	CN	NBS Manufacturing PMI (points)	May		47.4
	3 :30	CN	NBS Non-manufacturing PMI (points)	May		41.9
	8 :45	FR	GDP (detailed, QoQ, %)	Q1		0
	11 :00	EZ	CPI (flash, YoY, %)	May	7.5	7.4
	11 :00	EZ	Core CPI (flash, YoY, %)	May	3.5	3.5
	15 :00	US	Case-Shiller Home Price Index (YoY, %)	Mar		20.2
	15 :45	US	Chicago PMI (points)	May	57.1	56.4
	16 :00	US	Consumer confidence (point)	May	104.0	107.3
6. 1.	3 :45	CN	Caixin Manufacturing PMI (points)	May		46
	8 :00	DE	Retail sales MoM, %)	Apr	0.0	-0.1
	11 :00	EZ	Unemployment rate (%)	Apr		6.8
	14 :15	US	ADP non-farm employment MoM, 000s)	May		247
	16 :00	US	ISM Manufacturing PMI (points)	May	55.3	55.4
	20 :00	US	Beige Book	-		-
2.	14 :30	US	Continuing jobless claims (000s)	weekly		
	14 :30	US	Initial jobless claims (000s)	weekly		
	16 :00	US	Factory orders MoM, %)	Apr		2.2
3.	8 :00	DE	Export MoM, SA, %)	Apr		-3.3
	8 :45	FR	Industrial production MoM, %)	Apr		-0.5
	11 :00	EZ	Retail sales MoM, %)	Apr	0.3	-0.4
	14 :30	US	Average earnings (YoY, %)	May		5.5
	14 :30	US	Average earnings MoM, %)	May	0.4	0.3
	14 :30	US	Unemployment rate (%)	May	3.5	3.6
	14 :30	US	Non-farm payroll MoM, 000s)	May	350	428
	16 :00	US	ISM non-manufacturing PMI (points)	May		57.1

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

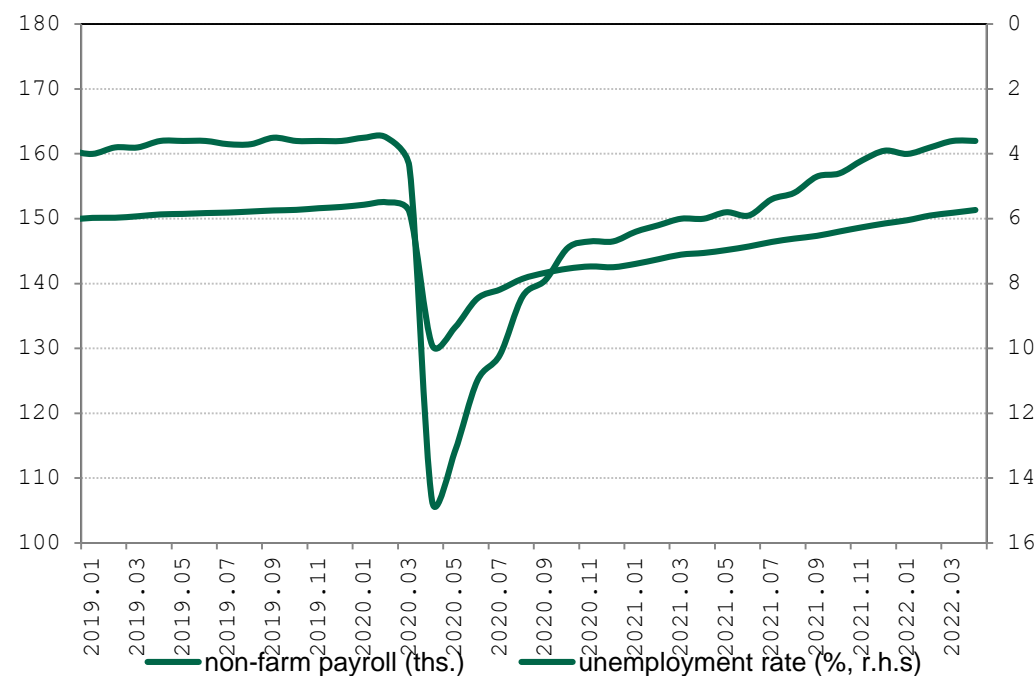
US: May labour market data and the Fed's Beige Book will be published

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.05.31	15:00	US	Case-Shiller Home Price Index (YoY,%)	Mar		20.2
06.01.	14:15	US	ADP non-farm employment (M oM, 000s)	May		247
	20:00	US	Beige Book			-
03.	14:30	US	Average earnings (YoY,%)	May		5.5
	14:30	US	Average earnings (M oM, %)	May	0.4	0.3
	14:30	US	Unemployment rate (%)	May	3.5	3.6
	14:30	US	Non-farm payroll (M oM, 000s)	May	350	428

Key highlights

- **Labour market data are coming from the US.** Nonfarm payrolls growth may slowed slightly, meanwhile wage dynamics could have accelerated in May.
- **The U.S. labor market is still tight** despite surging inflation and fears of a growth slowdown.
- The new release will likely have limited impact on the Fed's plans for aggressive monetary tightening.
- The **Fed** will publish the new **Beige Book**, which contains important information on recent economic activity.
- Home prices increased 20.2% in February YoY, according to the **Case-Shiller home price index**. The rising interest rates and deteriorating growth prospects may not support home price growth for much longer, so it will be important to watch out for the March data release.

Labour market data



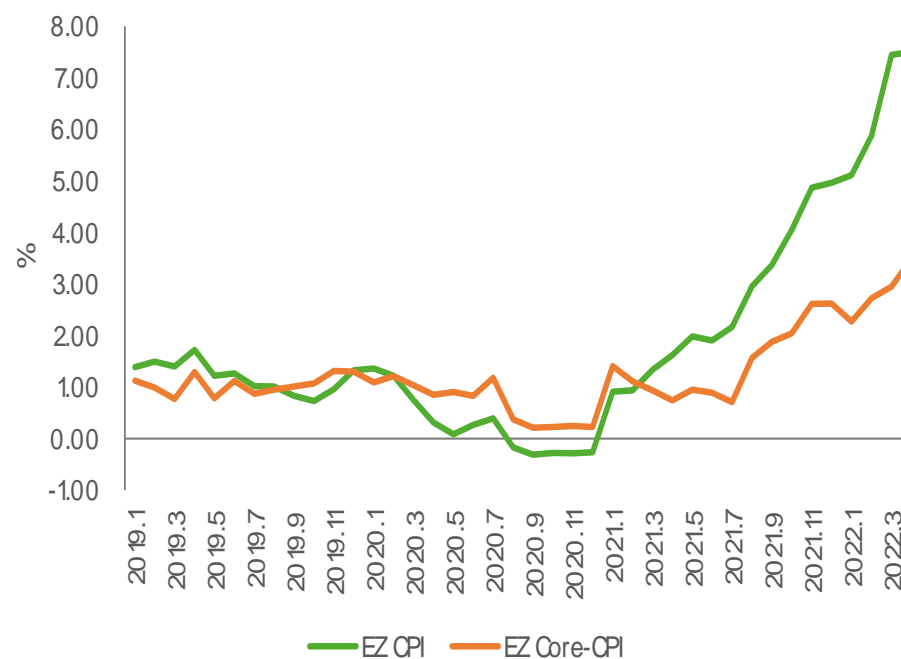
Euro area: May inflation and April real economy indicators will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 5. 30 11 :00	EZ	EC Economic Sentiment Index (points)	May	105.1	105
14 :00	DE	CPI (preliminary, YoY, %)	May	7.3	7.4
31. 8 :45	FR	GDP (detailed, QoQ, %)	Q1		0
11 :00	EZ	CPI (flash, YoY, %)	May	7.5	7.4
11 :00	EZ	Core CPI (flash, YoY, %)	May	3.5	3.5
6. 1 8 :00	DE	Retail sales MoM, %)	Apr	0.0	-0.1
9 :45	IT	S&P Global Manufacturing PMI (points)	May		54.5
10 :00	IT	Unemployment rate (%)	Apr		8.3
11 :00	EZ	Unemployment rate (%)	Apr		6.8
3. 8 :00	DE	Export MoM, SA, %)	Apr		-3.3
8 :45	FR	Industrial production MoM, %)	Apr		-0.5
9 :45	IT	S&P Global Service PMI (points)	May		55.7
11 :00	EZ	Retail sales MoM, %)	Apr	0.3	-0.4

Key highlights

- **Euro area inflation** rate is expected to increase mildly further to 7.5% as energy and food prices still have a significant effect, while underlying price pressures as implied by core inflation are foreseen to stagnate. An upside surprise could add to rising yields and lead to falling stock markets
- **April real economy data (euro area retail sales, German exports)** will help to show the unfolding effect of the Russia-Ukraine conflict on activity
- **The European Commission's economic sentiment index** will add to the further evidence on early activity for May. So far various business confidence indices have diverged on the extent of activity slowdown, with the ESI index and PMI-s holding up well, while several other indicators showing significant weakness.

Euro area inflation (YoY, %)



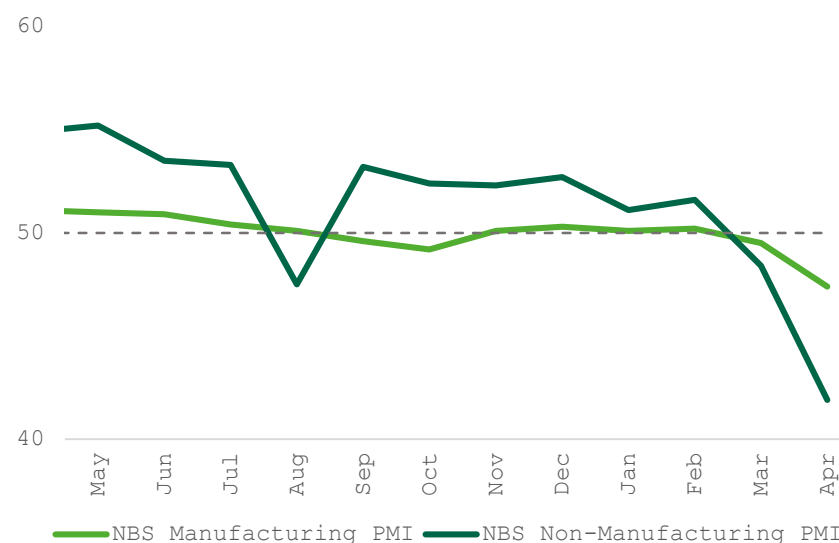
China: Covid restrictions put further strain on China's economy

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.05.31	3:30	CN	NBS Manufacturing PMI	May		47.4
	3:30	CN	NBS Non-Manufacturing PMI	May		41.9
2022.06.01	3:45	CN	Caixin Manufacturing PMI	May		46.0

Key highlights

- Both the **NBS and Caixin Manufacturing PMIs** are likely to decline further in May from its already below-50 mark as Covid restrictions are still in effect.
- **Non-Manufacturing PMIs** are also expected to weaken further.
- According to officials, lockdowns will ease only if progress toward controlling the Omicron outbreak is maintained.
- Officials say that most districts of Shanghai have eliminated the virus from the broader community, so **they plan to gradually reopen the city as of June 1**
- Soft consumption and the struggling property market are also hurting China's economy.

NBS Manufacturing and Non-Manufacturing PMI (balance)



WEEKLY REPORT - 30 May 2022



This week's data: Mostly negative news on business confidence, the FED does not seem to turn more hawkish, core PCE inflation slowed

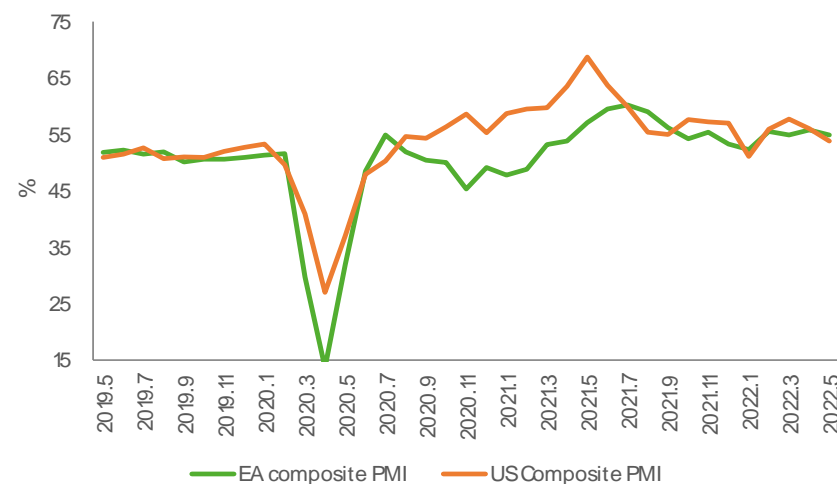
Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2022 5. 23. 10 : 00	DE	IFO Economic sentiment index (points)	May	93.0	91.4	91.8
24. 9 : 15	FR	S&P Global Manufacturing PMI (points)	May	54.5	55.1	55.7
9 : 15	FR	S&P Global Service PMI (points)	May	58.4	58.6	58.9
9 : 30	DE	S&P Global Manufacturing PMI (points)	May	54.7	54.0	54.6
9 : 30	DE	S&P Global Service PMI (points)		56.3	57.2	57.6
10 : 00	EZ	S&P Global Manufacturing PMI (points)	May	54.4	54.9	55.5
10 : 00	EZ	S&P Global Service PMI (points)	May	56.3	57.5	57.7
15 : 45	US	S&P Global Manufacturing PMI (points)	May	57.5	58.0	59.2
15 : 45	US	S&P Global Service PMI (points)	May	53.5	55.3	55.6
16 : 00	US	New home sales (annualized monthly, 000s)	Apr	591.0	748.0	763
25 14 : 30	US	FOMC Minutes	May			
26 14 : 30	US	GDP (detailed, QoQ annualized, %)	Q1	-1.5	-1.3	-1.4
	US	Pending home sales MoM, %)	Apr	-3.9	-1.7	-1.2
27. 14 : 30	US	Personal income MoM, %)	Apr	0.4	0.5	0.5
14 : 30	US	Personal consumption (adjusted, MoM, %)	Apr	0.9	0.7	1.1
14 : 30	US	Household core PCE index MoM, %)	Apr	0.3	0.3	0.3

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

Key highlights

- This week's May **business confidence** data were mostly negative. While in **Europe**, the week started by a slight improvement in the IFO index, S&P global PMI-s fell below expectations, just as in the **US**, where PMI-s suggested weakening activity for the second month.
- The **FED minutes** revealed that most decision makers concurred with the 50 bps rate hike pace and could even see a temporary pause or slowdown by the Autumn.
- On Friday, the FED preferred inflation measures (**core PCE**), came out as expected and dipped down from 5.2 to 4.9% YoY.

Euro area and US PMI-s



Growth fears had been offset by positive news from the retail sector, FED minutes, a declining core PCE; Treasury yields declined; The EUR/USD rose over 1.07 as ECB officials commented on impending rate hike.

Indices	Last price	1week change (%)	YTD (%)	Interest rates	Last price	1week change (bps)	YTD (bps)	FX rates	Last price	1week change (%)	YTD (%)	Commodity	Last price	1week change (%)	YTD (%)
S&P500	4101	5.1	-14.0	US 2 year	2.46	-11.9	173.0	Dollar index	101.607	-1.5	6.2	Brent	118.0	4.8	51.7
Nasdaq Comp.	11967	5.4	-23.5	US 10 year	2.72	-6.5	120.6	EURUSD	1.0748	1.7	-5.5	WTI	114.1	0.7	51.7
Dow Jones	32891	5.2	-9.5	DE 2 year	0.33	0.5	96.7	USDJPY	126.86	0.8	-9.3	Natural Gas (TTF)*	84.7	-3.4	27.3
Russel2000	1854	4.6	-17.4	DE 10 Year	0.94	0.5	112.7	GBPUSD	1.2649	1.4	-6.5	Gold	1856.0	0.5	1.5
Stoxx 600	443	2.7	-9.3	FR 10 year	1.46	-1.0	126.3	AUDUSD	0.716	1.7	-1.4	Silver	22.3	2.2	-4.5
DAX	14401	3.0	-9.3	SP 10 year	2.01	-6.6	144.9	USDCAD	1.2736	0.8	-0.8	Palladium	2059.2	4.8	8.1
CAC40	6490	3.3	-9.3	IT 10 year	2.86	-13.3	169.3	USDCHF	0.9561	1.9	-4.5	Copper	429.9	0.4	-3.7
FTSE100	7583	2.6	2.7	UK 10 year	1.89	-0.3	92.1	NZDUSD	0.6542	2.3	-4.2	Steel	1200.0	-13.4	-16.4
FTSEMIB	24614	2.2	-10.0	CH 10 year	0.70	2.8	85.2	CNHUSD	6.7121	-0.2	-5.3	Wheat	1154.5	-1.2	49.8
Nikkei225	26782	0.2	-7.0	JP 10 year	0.23	-1.0	16.3	USDTRY	16.2654	-2.2	-18.2	Com	776.8	-0.3	30.9
CSI300	4001	-1.9	-19.0	CN 10 year	2.75	-7.0	-2.8	USDBRL	4.7546	2.6	17.3	Electricity*	66.8	-66.0	-28.6

*In EUR/MWh

Source: Bloomberg

Key highlights

- Though recession fears weighed on **stock markets**, the retail sector became a bright spot, and this together with less hawkish news from the FED, plus a declining core PCE index helped equity indices in the US and Western Europe recording weekly gains.
- The week started in a risk-on mood both in Western Europe and in the USA, supported by a better-than-expected IFO business climate indicator in Germany, some M&A deals and Joe Biden's remark on a possible revision of Trump-era tariffs on imports from China. However, the positive sentiment quickly evaporated on Tuesday, as recession fears came to the fore with disappointing earning figures from the US retailer Abercrombie & Fitch, and a profit warning from Snap. This latter broke down the technology sector, while news of heavy fights in Ukraine depressed markets in Europe. Nothing indicates better the investors' focus on consumption outlook that good news from retailers in the US and Europe later helped markets to bounce back. A new stimulus plan was revealed in the UK, aimed to support consumption in the current cost of living crisis, and retailers listed in the stock exchanges also benefited from it. In the US, the release of the latest FOMC minutes calmed fears that a faster pace of tightening is on the way. By end-Thursday, major equity indices in Europe were in modest plus. Friday was also green, helped by a declining YoY core PCE index, putting European and US stock markets into the green every day during the week, except Tuesday. Eventually, markets seem to close in decent pluses for the week overall on both sides of the Atlantic. Among sectors, financials, consumer discretionary and energy (S&P500) added the most in the US, while in Europe, retail, banks and basic resources (Stoxx600) led the increase.
- Though **bond yields** added in the first trading days of the week, 10Y Treasury yield came down later and is set to end the week in minus. The release of early-May FOMC minutes convinced the market that the Fed will not turn more hawkish, furthermore as the YoY core PCE declined in April this also added to the lower yield environment. Bund yields almost stagnated compared to last week's level, and bond spreads on the Southern periphery moderated.. The euro strengthened by more than 1.5% against the dollar (the **EUR/USD** was reaching out to almost 1.075) following statements by ECB officials, which hinted at the possibility of faster-than-expected interest rate hikes and made it clear that the ECB was concerned about the inflation-increasing effect of the weak euro. European Central Bank's president Christine Lagarde described in a blog post that an interest rate hike could begin in July, the age of negative interest rates could end by the end of September, and interest rate normalization will continue. The **Dollar Index** dropped 1.5%.
- **Oil prices** stood in weekly plus though the demand outlook remained clouded. EIA data released on Wednesday, showed a larger-than-expected drawdown in US crude inventories last week due to soaring exports, highlighting a tight global market. Meanwhile, the EU failed to reach an agreement on the planned embargo on Russian oil import. Gas prices in Europe dropped to around 85 EUR/MWh, stood around 3.5% fall in weekly comparison.

Stock market and sector performance

Performance of US sectors				Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)	Sector	Last price	1 week change (%)	YTD (%)
S&P 500	4101	5.1	-14.0	Stoxx 600	443	2.7	-9.3
IT	2436	6.6	-20.3	Health care	1038	0.6	-4.1
Health care	1545	2.3	-6.0	Industrial goods & services	651	3.2	-18.3
Financials	586	7.2	-9.9	Banks	139	5.9	-4.2
Telco	198	2.4	-25.8	Personal & households goods	921	3.6	-16.4
Consumer discretionary	1188	8.1	-26.2	Insurance	308	2.5	-4.3
Industrials	800	5.7	-10.6	Food and beverages	783	2.1	-9.9
Consumer staples	775	5.8	-3.7	Technology	604	3.3	-25.2
Utilities	377	4.0	3.8	Utilities	395	-1.8	-2.5
Energy	661	6.8	56.4	Oil & gas	346	3.0	25.1
Real estate	277	4.5	-14.8	Chemicals	1247	2.1	-8.8
Materials	541	4.6	-5.0	Construction & materials	549	3.5	-15.0
Top US Mega-Cap Companies				Telco	241	3.5	4.6
Company	Last price	1 week change (%)	YTD (%)	Retail	321	7.1	-27.9
Alphabet	2204	1.2	-23.9	Financial services	630	3.4	-16.4
Amazon	2266	5.3	-32.0	Basic resources	689	5.2	14.7
Apple	146	6.1	-17.8	Real estate	162	0.7	-17.4
Meta	191	-1.5	-43.3	Auto & parts	570	3.7	-13.6
Microsoft	269	6.6	-19.9	Media	328	-0.5	-12.0
Tesla	736	10.8	-30.4	Travel & leisure	204	1.9	-12.3

Source: Bloomberg

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 (%)
														1.264075
Europe	SXXP Index	443	-0.4	-2.4	-4.6	-0.9	15.9	1.9	1.4	13.5	1.1	173.9	0.6	6.5
Germany	DAX Index	14401	4.4	-1.1	-5.6	-6.5	12.9	1.6	1.0	13.6	1.1	110.6	44.3	6.9
France	CAC Index	6490	0.7	-3.9	-3.7	0.8	14.7	1.7	1.3	14.9	1.1	220.5	20.3	10.3
Poland	WIG20 Index	1813	-3.7	-8.0	-15.4	-17.9	6.3	1.1	0.7	17.0	1.2	54.9	7.5	26.8
Czechia	PX Index	1313	-3.9	-5.1	-2.9	12.7	10.2	1.2	1.2	11.6		165.7	3.8	26.4
Hungary	BUX Index	38561	-8.4	-15.7	-24.3	-15.8	5.4	0.8	0.6	16.2	1.5	62.4	28.8	-0.7
Romania	BET Index	12388	-2.6	-3.9	1.7	9.6	2.3	1.1	0.1	20.6	0.9	43.3	-94.5	1.8
Bulgaria	SOFIX Index	614	0.2	1.2	-0.6	15.6	6.1	0.8	0.8	13.1	2.9	66.0		
Russia	MOEX Index	2417	-0.3	-2.2	-36.6	-35.4	4.1	0.8	0.8	18.6	1.3	80.5	-1.9	10.5
Ukraine	PFTS Index	519	0.0	0.0	-0.8	-1.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1132	-3.4	-2.3	-8.9	-0.5	6.6	1.0	0.5	14.7	1.6	37.7		
Croatia	CRO Index	2086	-1.5	2.2	5.1	8.3	11.6	1.0	1.1	9.7	1.5	38.1		
Serbia	BELEX15 Index	819	-0.5	-2.6	0.8	5.2	8.8	0.7	0.8	8.1	1.6	17.8		
Montenegro	MNSE10 Index	793	0.8	3.6	3.8	-0.1	89.6	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	1.08	1.09	1.15	1.19
EURGBP	0.84	0.83	0.85	0.85	0.86	0.86	0.87
EURCHF	1.06	1.05	1.03	1.04	1.05	1.1	1.08
USDJPY	130	129.5	136	137	138	138	138

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 (€op)	36.9	36.7	37.6	37.3	37.2	36.9	36.7	36.6	36.3
Romania	EURRON (€op)	4.95	4.94	4.96	4.98	5	5.03	5.02	5.03	5.02
Russia	USDRUB (€op)	74.3	84.1	91.9	94.2	95.9	95	97.1	94.4	97.4
Ukraine	USDUAH (€op)	27.3	29.5	32.1	33.2	33.6	33.5	31.9	32.3	32.3
Croatia	EURHRK (€op)	7.52	7.57	7.54	7.53	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (€op)	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, %)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	7.1	5.0	2.0	3.7	3.3
Romania	5.9	3.3	2.8	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	3.5	3.0	3.1	3.4
Moldova	13.9	-6.2	-0.8	-0.2	3.1

Countries	Fiscal balance (% of GDP)				
	OTP			Focus Economics	
	2020	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	-2.1	-1.8	-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), %)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	5.1	9.4	6.4	9.1	5.2
Romania	5.0	12.3	8.7	9.3	5.3
Bulgaria	3.3	13.2	4.0	10.9	4.7
Russia	6.7	15.4	7.2	20.8	11.8
Ukraine	3.3	13.2	4.0	22.5	14.4
Slovenia	1.9	7.3	4.9	6.6	3.6
Croatia	2.6	8.9	5.6	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	6.4	5.0	5.7	3.3
Moldova	5.3	28.0	18.0	19.8	7.3

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2020	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

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