

OTP Weekly Outlook

Next week:

- June business confidence will be in the spotlight

This week:

- Central banks pledged on tighter monetary policy with the Federal Reserve, the Swiss National Bank and the Bank of England rising key rates by 75, 50 and 25 bps, respectively
- The Fed also revised down growth projections
- Fears that central banks will drag economies to recession punched European and US stock markets deeper
- IT yields showed further steep increase, but yields in euro area peripheric countries declined after ECB's action
- EUR/USD cross rate dropped below 1.05
- Crude prices fell on growth fears, TTF natural gas prices jumped 50% as Russia cut supply to various European countries

June business confidence indicators will be in the spotlight

Date*	Cd.	Event/ Data	Period	Cons.	Prev.
2022 6. 20. 15 : 00	EZ	C.Lagarde hearing (EP Economic and Monetary Committee)	-	-	-
21. 16 : 00	US	Existing home sales (annualized monthly, 000s)	May	5410.0	5610.0
22. 8 : 00	UK	Inflation (YoY, %)	May	9.1	9
16 : 00	EZ	Consumer confidence (point)	Jun	-20.8	-21.1
16 : 00	US	J.Powell testimony (Senate banking committee)	-	-	-
23. 9 : 15	FR	S&P Global Manufacturing PMI (points)	Jun	53.8	54.6
9 : 15	FR	S&P Global Service PMI (points)	Jun	57.5	58.3
9 : 30	DE	S&P Global Manufacturing PMI (points)	Jun	54	54.8
9 : 30	DE	S&P Global Service PMI (points)	Jun	54.5	55
10 : 00	EZ	S&P Global Manufacturing PMI (points)	Jun	53.9	54.6
10 : 00	EZ	S&P Global Service PMI (points)	Jun	55.5	56.1
14 : 30	US	Continuing jobless claims (000s)	weekly		1312
14 : 30	US	Initial jobless claims (000s)	weekly	229	229
15 : 45	US	S&P Global Manufacturing PMI (points)	Jun	56.4	57
15 : 45	US	S&P Global Service PMI (points)	Jun	53.5	53.4
16 : 00	US	J.Powell Testimony (House Financial Committee)	-	-	-
24. 1 : 30	JP	CPI (YoY, %)	May	2.5	2.5
10 : 00	DE	IFO Economic sentiment index (points)	Jun	92.9	93

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

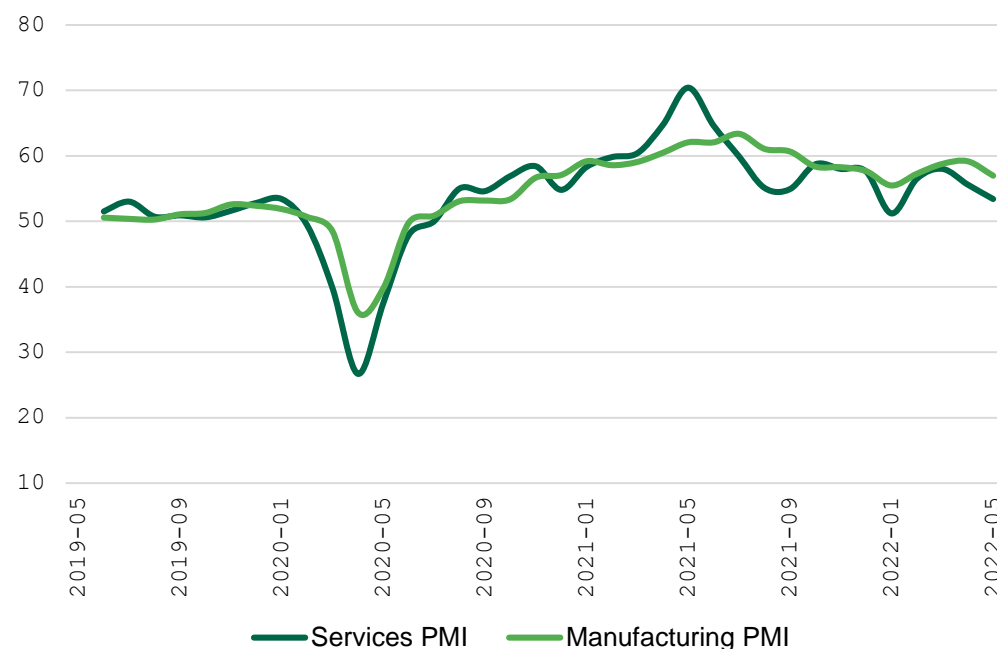
US: The risk of a recession has risen; S&P Global purchasing managers'

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022-06-22 16:00	US	J.Powell testimony (Senate banking committee)			
23 15:45	US	S&P Global Manufacturing PMI (points)	Jun	56.4	57.0
15:45	US	S&P Global Service PMI (points)	Jun	53.5	53.4
16:00	US	J.Powell's testimony at the House's Financial			

Key highlights

- **The risk of a recession has risen** while people are already feeling the pinch of high prices, so all data can be important which can help us predict economic activity.
- **The BMIs from the US are expected to show a slowdown in the expansion of activity, but remain above 50 points (indicates expansion) for both services and manufacturing.**
- If the recent trend continues, we could see soon indices below 50 points represent a contraction in both sector.
- **Pedal to the metal:** The Fed is poised to really be aggressive about trying to get prices under control as we saw with their latest 75 basis points interest rate hike, the largest in thirty years. Another 75 bps hike could come also on the next meeting. We don't see the Fed really abating this approach so the calls and concerns about a potential looming recession are quite valid

Interest Rate, Yields (%)



WEEKLY REPORT - 20 June 2022



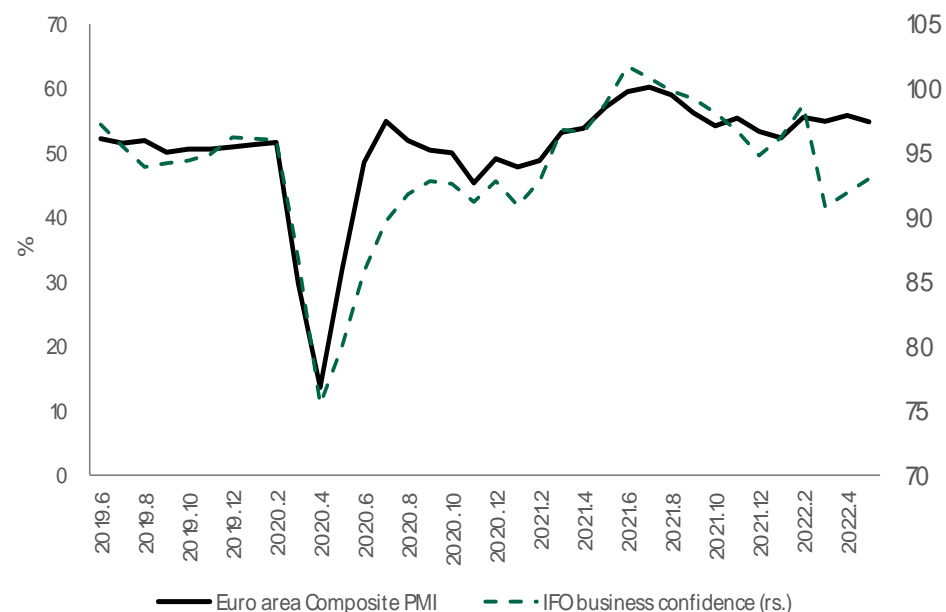
Euro area: S&P Global PMI-s, the German IFO index and EZ consumer confidence should be watched closely

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 6. 20. 15 :00	EZ	C.Lagarde hearing (EP Economic and Monetary Committee)	-	-	-
22. 16 :00	EZ	Consumer confidence (point)	Jun	-20.8	-21.1
23. 9 :15	FR	S&P Global Manufacturing PMI (points)	Jun	53.8	54.6
9 :15	FR	S&P Global Service PMI (points)	Jun	57.5	58.3
9 :30	DE	S&P Global Manufacturing PMI (points)	Jun	54	54.8
9 :30	DE	S&P Global Service PMI (points)	Jun	54.5	55
10 :00	EZ	S&P Global Manufacturing PMI (points)	Jun	53.9	54.6
10 :00	EZ	S&P Global Service PMI (points)	Jun	55.5	56.1
24. 10 :00	DE	IFO Economic sentiment index (points)	Jun	92.9	93

Key highlights

- This week the focus will be on **business and consumer confidence**. In addition to S&P Global PMI-s, the IFO business confidence for Germany, as well as the EC's consumer confidence for the euro area will be published. Since March, we have sharp divergence between different confidence indicators. While PMI-s held up well, IFO, Sentix, Zew as well as consumer confidence plummeted after the start of the Russia-Ukraine conflict and hardly recovered since then. It is a question, whether this divergence will remain for June.
- Otherwise, **President Lagarde's European Parliamentary hearing** could be interesting, where she might give some further hints on how they think about market fragmentation and the recently announced measures.

S&P Global composite PMI for the euro area and the IFO business confidence for Germany.



This week's data: The FED delivered

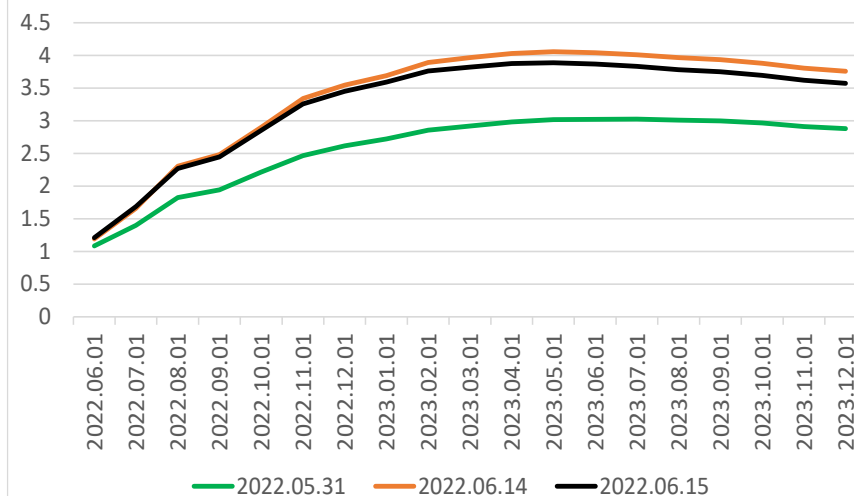
Date*	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 6. 14.	11 : 00	DE ZEW Economic Sentiment (points)	Jun	-28.0	-27.5	-34.3
15.	4 : 00	CN Industrial production (YoY, %)	May	0.7	-0.5	-2.9
	4 : 00	CN Retail sales (YoY, %)	May	-6.7	-7.3	-11.1
	4 : 00	CN Infrastructural spending (YoY, %)	May	6.2	6.0	6.8
	11 : 00	EZ Industrial production (MoM, %)	Apr	0.4	0.5	-1.8
	14 : 30	US Retail sales (MoM, %)	May	-0.3	0.2	0.9
	14 : 30	US New York Fed Manufacturing index (points)	Jun	-1.2	5.0	-11.6
	16 : 00	US Business inventories (MoM, %)	Apr	1.2	1.3	2
	20 : 00	US Interest rate decision (%)	Jun	1,5-1,75	1,25-1,5	0,75-1
16.	13 : 00	UK Interest rate decision (%)	Jun	1.25		1
	14 : 30	US Building permits (annualized monthly, '000s)	May	1695		1823.0
	14 : 30	US Housing starts (annualized monthly, '000s)	May	1549	1738	1724
	14 : 30	US Initial jobless claims ('000s)	weekly	229	210	229
	14 : 30	US Continuing jobless claims ('000s)	weekly	1312		1306
17.	5 : 00	JP Interest rate decision (%)	Jun	-0.1		-0.1
	15 : 15	US Industrial production (MoM, %)	May	0.2	0.8	1.1
	16 : 00	US Leading index (MoM, %)	May	-0.4	-0.4	-0.4

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

Key highlights

- The **Fed** raised the key rate by 75 basis points, as expected. At the news briefing, Chair Jerome Powell said that the Fed was closely watching inflation risks, particularly inflation expectations. In the new forecast, economic growth projections were revised down to 1.7% in both 2022 and 2023, from 2.8% and 2.2%, respectively. In contrast, the inflation forecast rose to 5.2% for this year (from 4.3%), and remained virtually unchanged at 2.6% for next year (vs 2.7% in March). Policymakers have markedly raised the median interest rate path, to 3.4% by the end of 2022, and to 3.8% for next year (up from 1.9% and 2.8%).

Fed Funds Futures (%)



Rate-hike expectations and growth fears weighed on European and US stock markets, with various central banks pledging on tighter monetary policy; US and German LT yields further climbed. TTF natural gas jumped 50% on supply disruptions

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	3699	-5.2	-22.4	US 2 year	3.15	9.0	242.1	Dollar index	104.684	0.5	9.4	Brent	116.9	-4.2	50.3
Nasdaq Comp.	10784	-4.9	-31.1	US 10 year	3.26	10.2	174.8	EURUSD	1.0475	-0.4	-7.9	WTI	114.3	-5.3	51.9
Dow Jones	29999	-4.4	-17.4	DE 2 year	1.14	18.0	177.7	USDJPY	134.88	-0.3	-14.7	Natural Gas (TTF)*	120.0	45.1	80.5
Russel 2000	1677	-6.9	-25.3	DE 10 Year	1.72	20.6	190.1	GBPUSD	1.2215	-0.8	-9.7	Gold	1841.0	-1.6	0.6
Stoxx 600	407	-3.8	-16.6	FR 10 year	2.26	16.1	206.0	AUDUSD	0.6946	-1.6	-4.4	Silver	21.6	-1.1	-7.1
DAX	13161	-4.4	-17.1	SP 10 year	2.80	3.0	224.1	USDCAD	1.3038	-2.0	-3.1	Palladium	1834.1	-5.2	-3.7
CAC40	5937	-4.0	-17.0	IT 10 year	3.62	-14.0	244.8	USDCHF	0.9662	2.3	-5.5	Copper	404.4	-5.8	-9.4
FTSE100	7097	-3.0	-3.9	UK 10 year	2.52	7.5	155.2	NZDUSD	0.63	-0.9	-7.7	Steel	1134.0	-2.2	-21.0
FTSE MIB	22052	-2.2	-19.4	CH 10 year	1.38	27.8	153.5	CNHUSD	6.7148	0.2	-5.3	Wheat	1076.0	0.5	39.6
Nikkei 225	25963	-6.7	-9.8	JP 10 year	0.22	-2.5	15.7	USDTRY	17.3069	-1.1	-23.1	Corn	792.0	2.4	33.5
CSI 300	4309	1.7	-12.8	CN 10 year	2.81	1.8	3.8	USDBRL	5.133	-2.8	8.6	Electricity*	204.3	22.9	118.5

* In EUR/MWh

Source: Bloomberg

Key highlights

- Global **stock markets** are heading for sizeable weekly loss again as recession fears weigh on investors' sentiment and rising bond yields affect equity valuations particularly in the segment of growth stocks. Leading central banks doubled down on tighter policy in an effort to tame inflation though setting investors on edge about economic growth outlook.
- Stock indices in the US and Western Europe declined most of the days, though ECB's extraordinary meeting on Wednesday cheered investors and stock markets' performance today also points to some correction.
- All in all, not even a positive daily performance on Friday is expected to save major stock indices from a deep weekly decline. On Friday afternoon, Stoxx600 Europe, DAX and CAC40 are heading for about 4% weekly loss, while in the US, major stock indices are 4-5% below the level recorded one week ago. World stocks may suffer this week the steepest decline since markets' pandemic meltdown in March 2020.
- In terms of sectors' performance, all of S&P500 sectors are in the red with energy, materials and utilities plunging 8% or more. In Western Europe, oil & gas, retail, chemicals and basic resources suffered the biggest loss (around 7% each). Friday's positive note however, may moderate the poor weekly performance on both sides of the Atlantic.

Key highlights

- **Rate-hike expectations** in the euro area and the US led LT yields by 30-40bps higher in the first two trading days of the week.
- Central banks stepped in however, and broke the trend of steeply rising yields. The FOMC decided on the biggest rate rise (+75bps) since 1994 at its recent meeting, the Swiss central bank's move was the first of its kind in 15 years, while the Bank of England's hiked rates fifth time since December. A move by the ECB to bolster the indebted peripheral countries in the South of Europe contributed to a correction in the bond market. Overall, US and German benchmark 10Y yields climbed in weekly comparison with Treasury yield rising 10bps to 3.26% and Bund yield adding 21bps (1.72%). In Italy, 10Y bond yield plunged 14bps w/w.
- The EUR/USD cross dropped below 1.05, the Dollar Index added 0.5%.
- **Oil** is on track for a slight weekly drop as growth fears hit the markets. Brent dropped below 117 USD/bbl and WTI fell to 114 USD/bbl.
- The natural gas market got again to the limelight with TTF **natural gas** price jumping to 120 EUR/MWh from 80 EUR/MWh a week earlier. Russia said, the capacity of its Nord Stream 1 pipeline, which takes gas directly to Germany would be cut by around 60%. Italy and Slovakia recently reported that gas import from Russia was cut by 50% by Russian supplier Gazprom. France also announced that gas supply from Russia has been discontinued since the middle of May.

Stock market and sector performance

Performance of US sectors

Sector	Last price	1 week change (%)	YTD (%)
S&P500	3699	-5.2	-22.4
IT	2172	-5.0	-28.9
Health care	1409	-3.4	-14.3
Financials	515	-4.4	-20.7
Telco	183	-4.9	-31.7
Consumer discretionary	1063	-5.8	-34.0
Industrials	724	-5.5	-19.1
Consumer staples	715	-4.0	-11.2
Utilities	331	-8.0	-8.9
Energy	579	-13.6	37.1
Real estate	245	-4.6	-24.4
Materials	468	-8.4	-17.8

Top US Mega-Cap Companies

Company	Last price	1 week change (%)	YTD (%)
Alphabet	2142	-3.6	-26.1
Amazon	105	-3.8	-36.7
Apple	132	-3.8	-25.7
Meta	163	-7.1	-51.5
Microsoft	248	-1.8	-26.2
Tesla	660	-5.2	-37.5

Performance of Europe's sectors

Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	407	-3.8	-16.6
Health care	969	-3.0	-10.4
Industrial goods & services	587	-5.0	-26.4
Banks	129	-0.1	-11.3
Personal & households goods	880	-3.4	-20.2
Insurance	289	-0.1	-10.3
Food and beverages	745	-1.0	-14.4
Technology	536	-6.1	-33.6
Utilities	360	-4.2	-11.2
Oil & gas	320	-7.2	15.5
Chemicals	1115	-6.8	-18.4
Construction & materials	491	-5.5	-24.0
Telco	225	-1.0	-2.0
Retail	284	-6.9	-36.2
Financial services	559	-4.0	-25.9
Basic resources	612	-6.8	1.9
Real estate	141	-5.1	-28.3
Auto & parts	529	-5.3	-19.8
Media	299	-3.7	-19.8
Travel & leisure	179	-5.4	-23.1

Source: Bloomberg

Summary of regional stock markets' 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	407	-7.4	-9.7	-14.2	-11.5	14.6	1.7	1.3	13.5	1.1	174.2	0.2	6.1
Germany	DAX Index	13161	-7.2	-8.5	-15.3	-16.3	11.8	1.5	0.9	13.6	1.1	110.6	3.0	8.1
France	CAC Index	5937	-7.7	-10.2	-14.3	-10.9	13.4	1.6	1.2	14.9	1.1	220.6	9.4	9.9
Poland	WIG20 Index	1700	-3.5	-17.5	-23.2	-23.6	5.9	1.0	0.6	17.1	1.2	55.2	13.3	33.4
Czechia	PX Index	1296	-1.0	-1.3	-6.8	10.4	10.1	1.2	1.2	11.7		165.8	2.8	24.4
Hungary	BUX Index	39390	-6.0	-11.7	-22.6	-19.3	5.5	0.8	0.6	16.0	1.4	58.4	595.5	13.7
Romania	BET Index	12157	0.8	-2.6	-2.6	4.3	2.3	1.1	0.1	20.6	0.9	43.5	-31.1	-9.0
Bulgaria	SOFIX Index	608	-0.3	1.8	-1.9	10.3	5.4	0.8	0.8	13.3	2.3	58.6		
Russia	IMOEX Index	2353	-2.9		-36.8	-38.4	4.0	0.8	0.8	18.8	1.3	83.4	-15.5	-5.3
Ukraine	PFTS Index	519	0.0	0.0	-0.8	-2.3	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1148	1.1	-0.2	-7.1	0.1	6.6	1.0	0.5	14.8	1.7	37.5		
Croatia	CRO Index	2006	-3.5	-1.4	-1.4	0.6	8.2	1.0	0.5	9.7	1.5	37.5		
Serbia	BELEX15 Index	820	0.2	0.8	-0.6	5.2	7.6	0.6	0.6	9.1	1.6	16.4		
Montenegro	MNSE10 Index	821	3.3	5.5	6.6	5.8	116.1	0.3	0.8	0.1	2.0	13.1		

*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	1.07	1.09	1.15	1.17
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	1.09
USDJPY	130	129.5	136	137	139	138.5	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 (€op)	369	367	379	379	379	374	373	374	369
Romania	EURRON (€op)	4.95	4.94	4.94	4.97	5	5.04	5.06	5.08	5.08
Russia	USDRUB (€op)	74.3	84.1	71.4	76.9	79.6	86	90.6	92.5	94.7
Ukraine	USDUAH (€op)	27.3	29.5	31.3	32.1	32.7	32	32	32.3	32.4
Croatia	EURHRK (€op)	7.52	7.57	7.54	7.54	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (€op)	117.6	117.7	117.9	117.8	117.8	117.7	-	-	-

*No forecast available for Moldova and Albania

Source: Focus Economics

Macro outlook in the region

Countries	GDP (yoy, %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	7.1	5.0	2.0	3.8	3.3
Romania	5.9	4.3	2.4	3.5	3.7
Bulgaria	4.2	2.5	2.7	2.6	3.2
Russia	4.7	-8.5	-0.8	-9.8	-1.4
Ukraine	3.4	-36.0	18.1	-36.8	12.5
Slovenia	8.1	5.6	2.4	4.3	2.9
Croatia	10.2	4.2	3.0	3.3	3.6
Serbia	7.4	3.2	3.8	3.5	3.8
Montenegro	12.4	3.7	3.3	3.9	3.9
Albania	8.5	3.2	3.0	3.0	3.3
Moldova	13.9	-6.2	-0.8	-0.3	2.9

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.3	-4.9	-3.5	-5.7	-4.1
Romania	-7.1	-7.0	-6.0	-6.7	-5.5
Bulgaria	-4.1	-3.6	-2.6	-3.9	-2.8
Russia	0.4	-2.2	-1.8	-2.0	-1.6
Ukraine	-3.5	-15.0	-10.0	-17.1	-12.4
Slovenia	-5.2	-4.2	-3.1	-4.4	-3.0
Croatia	-2.9	-2.5	-2.0	-3.0	-2.3
Serbia	-4.1	-4.0	-2.0	-3.7	-2.3
Montenegro	-2.1	-5.1	-3.5	-5.2	-3.8
Albania	-4.5	-5.5	-4.0	-4.8	-3.3
Moldova	-3.3	-8.0	-6.0	-5.9	-4.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	9.4	6.4	9.4	5.5
Romania	5.0	12.2	8.8	10.5	6.2
Bulgaria	3.3	13.8	4.5	12.0	4.9
Russia	6.7	14.6	6.2	19.8	11.5
Ukraine	3.3	13.8	4.5	22.5	14.4
Slovenia	1.9	8.5	5.2	7.0	4.3
Croatia	2.6	10.2	6.7	7.5	3.5
Serbia	4.0	10.0	6.5	8.5	4.8
Montenegro	2.4	9.2	2.6	8.1	3.6
Albania	2.0	6.4	5.0	5.9	3.6
Moldova	5.3	28.0	18.0	21.4	8.6

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.8	3.8	3.8	3.7
Romania	5.6	5.4	5.0	5.6	5.3
Bulgaria	5.3	4.9	4.8	5.2	4.8
Russia	4.8	6.5	6.5	7.4	7.0
Ukraine	10.6	15.4	11.0	23.5	14.0
Slovenia	4.8	4.5	4.2	4.5	4.4
Croatia	7.6	6.8	6.0	7.4	7.1
Serbia	10.2	10.2	9.5	10.1	9.4
Montenegro	16.7	16.0	15.5	16.9	15.8
Albania	11.3	11.5	11.9	11.2	11.0
Moldova	3.9	6.3	7.3	3.8	3.7

Source: Focus Economics, OTP Research Center

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