

OTP Weekly Outlook

Next week's spotlight:

- July's real economy data and FOMC minutes from the US
- Euro area GDP and business confidence
- China's business cycle indicators for July

This week:

- July's lower than expected US inflation caused a positive surprise; producer prices fell MoM
- Mixed news on euro area activity
- Stock markets seem to close the week with gains, driven by better-than-foreseen US inflation
- The USD weakened as rate hike expectations fell
- Energy prices ground higher

July's US real economy data and Fed minutes, euro area GDP, and China's business cycle indicators will be in the spotlight

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 8. 15.	1 :50	JP	GDP QoQ,%)	Q2	0.6	-0.1
	4 :00	CN	Infrastructural spending (YoY,%)	Jul	6.2	6.1
	4 :00	CN	Industrial production (YoY,%)	Jul	4.5	3.9
	4 :00	CN	Retail sales (YoY,%)	Jul	5.0	3.1
	14 :30	US	New York Fed Manufacturing index (points)	Aug	8.5	11.1
16.	11 :00	DE	ZEW Economic Sentiment (points)	Aug	-56.9	-53.8
	14 :30	US	Building permits (annualized monthly, 000s)	Jul		1696
	14 :30	US	Housing starts (annualized monthly, 000s)	Jul	1550	1559
	15 :15	US	Industrial production MoM,%)	Jul	0.2	-0.2
17.	11 :00	EZ	GDP preliminary, YoY,%)	Q2	4.0	4.0
	11 :00	EZ	GDP preliminary, QoQ,%)	Q2	0.7	0.7
	14 :30	US	Retail sales MoM,%)	Jul	0.1	1.0
	16 :00	US	Business inventories MoM,%)	Jun	1.4	1.4
18.	20 :00	US	FOMC Minutes	Jul		-
	14 :30	US	Initial jobless claims (000s)	weekly		262
	14 :30	US	Continuing jobless claims (000s)	weekly		1428
	16 :00	US	Existing home sales (annualized monthly, 000s)	Jul	4850	5120
	16 :00	US	Leading index MoM,%)	Jul	-0.6	-0.8
19.	1 :30	JP	core-CPI (YoY,%)	Jul	2.4	2.2
	1 :30	JP	CPI (YoY,%)	Jul		2.4

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

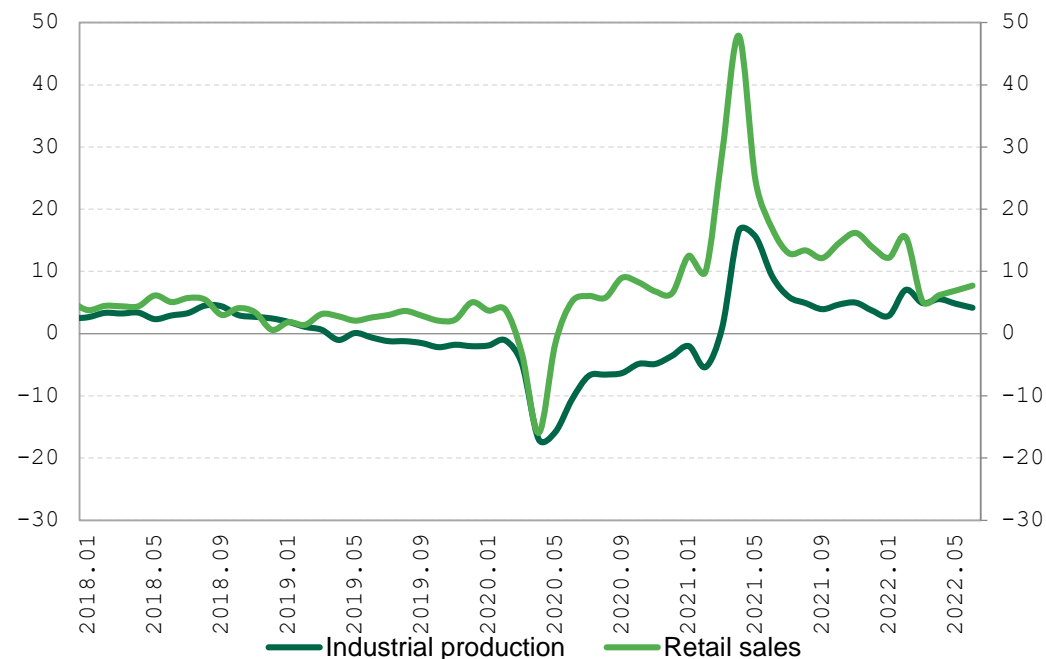
US: Business cycle indicators will be in the spotlight; the Fed will publish

Date	Time	Cd.	Event/Data	Period	Cons.	Prev.
2022.08.15	14:30	US	New York Fed Manufacturing index (points)	Aug	8.5	11.1
16.	15:15	US	Industrial production MoM (%)	Jul	0.2	-0.2
17.	14:30	US	Retail sales MoM (%)	Jul	0.1	1.0
	16:00	US	Business inventories MoM (%)	Jun	1.4	1.4
	20:00	US	FOMC Minutes	Jul	-	-
18.	16:00	US	Existing home sales (annualized monthly, 000s)	Jul	4850	5120
	16:00	US	Leading index MoM (%)	Jul	-0.6	-0.8

Key highlights

- July's **retail sales and industrial production** figures will be the first high-frequency hard data to give an indication of the **US** economy's third-quarter performance.
- **Industrial output** fell (MoM) in June, mainly due to supply chain disruptions caused by China's zero-covid policy. So we expect better data in July, as supply chain disruptions have eased, but high inflation may continue to weigh on demand for consumer goods, which could sooner or later weigh on industrial output.
- We saw a rebound in **nominal retail sales** in June, but mainly due to high inflation. Now the market is expecting a minimal uptick, which is still not a strong reading in real terms. Real incomes may have been somewhat relieved by the easing of fuel prices, but we do not expect a significant pick-up in retail sales for the rest of the year.

US Industrial production & Retail sales (YoY, %)

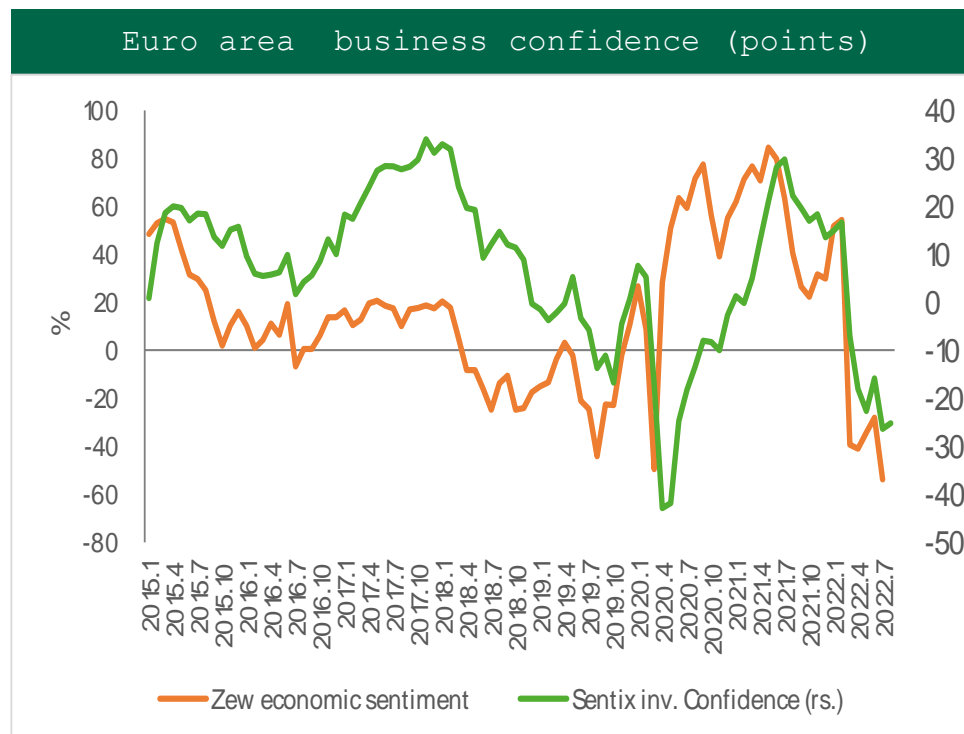


Euro area: the second estimate of Q2 GDP and the ZEW Index will be published

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 08 16. 11 :00	DE	ZEW Econom ic Sentim ent (points)	Aug	-56.9	-53.8
17. 11 :00	EZ	GDP prelim inary, YoY, %)	Q2	4.0	4.0
11 :00	EZ	GDP prelim inary, QoQ, %)	Q2	0.7	0.7

Key highlights

- Again, a relatively data scarce week will come for the euro area. First, the second estimate of the euro area's Q2 **GDP** will be published, but details will not be available. Therefore, the only question is whether the 0.7% QoQ figure will be revised. However, given that the issue is more about what happens in Q3, this is unlikely to become a market mover.
- Germany's **ZEW index** for August could prove somewhat more interesting, the more so as Germany seems to be suffering the most among the euro area's large economies from the current energy crisis. The fact that Sentix investor confidence remained at a very low level in August does not bode well for August's ZEW release.



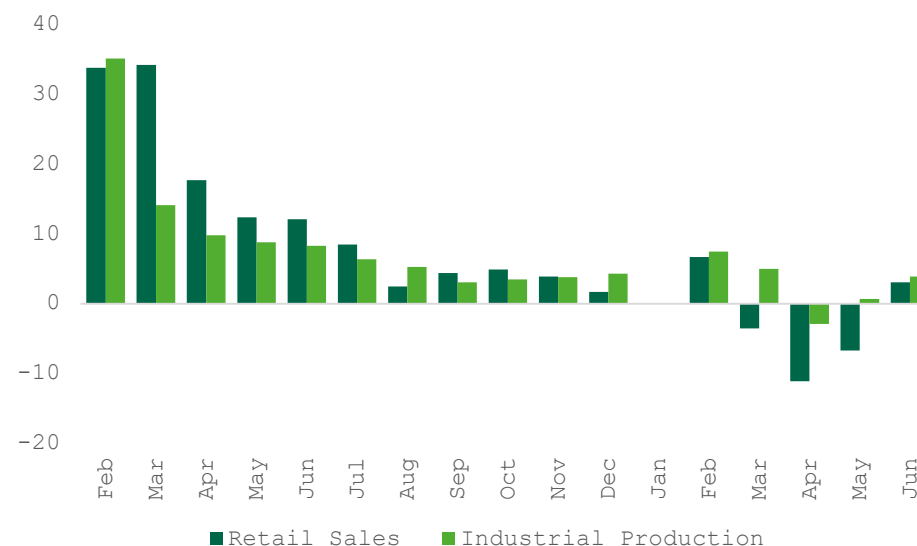
China: Industrial production may have lost momentum, while consumption growth is expected to strengthen further

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022.08.15	4.00	Infrastructural spending (YoY,%)	Jul	6.2	6.1
	4.00	Industrial production (YoY,%)	Jul	4.6	3.9
	4.00	Retail sales (YoY,%)	Jul	5.0	3.1

Key highlights

- After the easing of Covid restrictions, **industrial production** rebounded in May and June from the 5,8% MoM plunge in April. July's manufacturing PMIs declined to near 50 levels, showing that the momentum may have faded recently.
- **Retail sales**, on the other hand, are expected to grow further as both the NBS and the Caixin services PMIs came in well above 50 points.
- **Growth in infrastructural spending** is expected to stagnate near its previous month's level.
- Looking ahead, **the fundamentals of the Chinese economy point to a slowdown**, due to the **weakening global outlook**, and the **struggling property market**.

China's industrial production and retail sales (YoY, %)



WEEKLY REPORT - 16 August 2022

This week's data: good news on US inflation, mixed news on euro area economy

Date*		Cd.	Event/Data	Period	Fact.	Cons.	Prev.
2022 8. 8.	10 : 30	EZ	Sentix Investor confidence (points)	Aug	-25.2	-24.7	-26.4
	9. 14 : 30	US	Change in labour costs (prel.QoQ,%)	Q2	10.8	9.5	12.6
	14 : 30	US	Non-farm productivity growth (prel.QoQ,%)	Q2	9.5		-7.3
	14 : 30	US	Non-farm productivity growth (prel.YoY,%)	Q2	-4.6	-4.6	8.2
10.	14 : 30	US	CPI (YoY,%)	Jul	8.5	8.8	9.1
	14 : 30	US	CPI MoM, SA,%)	Jul	0.0	0.2	1.3
	14 : 30	US	core-CPI (YoY,%)	Jul	5.9	6.1	5.9
	14 : 30	US	core-CPI MoM, SA,%)	Jul	0.3	0.5	0.7
	20 : 00	US	Federal budget balance (USDbn)	Jul	-211	-194	-89
11.	14 : 30	US	Continuing jobless claims (000s)	weekly	1428	1407	1420
	14 : 30	US	Initial jobless claims (000s)	weekly	262	263	248
12.	8 : 00	UK	GDP (preliminary, QoQ,%)	Q2	-0.1	-0.2	0.8
	8 : 00	UK	GDP (preliminary, YoY,%)	Q2	2.9	2.8	8.7
	11 : 00	EZ	Industrial production MoM,%)	Jun	0.7	0.0	0.8
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	Aug	55.1	52.3	51.5

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

Key highlights

- The **July US CPI report** was good news for markets as headline inflation slowed to 8.5% (from 9.1%, consensus: 8.8%), while core inflation stagnated at 5.9%, as opposed to an expectation of picking up to 6.1%. However, Q2 data on **productivity and labour costs** suggest very elevated ULC growth. **Producer prices** fell by 0.5% in July, for the first time in more than two years, as energy costs declined. **University of Michigan consumer sentiment** rebounded in August on account of lower gasoline prices.
- In the euro area, the first August business confidence index, **Sentix** improved less than the consensus had forecast, and remained at a very low level (-25.2). However, **industrial production** rebounded in June stronger than expected.

Stock markets seem to close the week with gains, driven by better-than-foreseen US inflation; the USD weakened as rate hike expectations subsided; energy prices increased

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	4228	2.0	-11.3	US 2 year	3.23	0.6	250.0	Dollar index	105.55	-1.0	10.3	Brent	98.1	3.3	26.1
Nasdaq Comp.	12869	1.7	-17.7	US 10 year	2.86	3.2	134.8	EURUSD	1.0263	0.8	-9.7	WTI	92.5	3.9	23.0
Dow Jones	33437	1.9	-8.0	DE 2 year	0.57	11.3	120.5	USDJPY	133.77	0.9	-14.0	Natural Gas (TTF)*	204.7	5.6	207.8
Russel2000	1986	3.3	-11.6	DE 10 Year	0.98	2.9	116.3	GBPUSD	1.2108	0.3	-10.5	Gold	1793.4	1.0	-2.0
Stoxx 600	441	1.2	-9.6	FR 10 year	1.55	5.8	135.1	AUDUSD	0.7096	2.7	-2.3	Silver	20.5	2.9	-12.1
DAX	13770	1.4	-13.3	SP 10 year	2.09	5.7	152.3	USDCAD	1.2793	1.1	-1.2	Palladium	2247.7	5.6	18.0
CAC40	6553	1.2	-8.4	IT 10 year	3.07	5.8	190.5	USDCHF	0.9431	2.0	-3.2	Copper	365.8	3.0	-18.0
FTSE100	7492	0.7	1.5	UK 10 year	2.10	5.1	113.0	NZDUSD	0.6428	3.2	-5.8	Steel	813.0	-0.6	-43.3
FTSEMIB	22946	1.6	-16.1	CH 10 year	0.48	-4.3	62.8	CNHUSD	6.7389	0.4	-5.7	Wheat	794.3	2.4	3.0
Nikkei225	28547	2.2	-0.9	JP 10 year	0.18	2.1	11.8	USDTRY	17.9495	-0.2	-25.9	Corn	631.3	3.4	6.4
CSI300	4191.2	0.8	-15.2	CN 10 year	2.73	-0.9	-3.9	USDBRL	5.1166	0.9	9.0	Electricity (APX)*	364.6	1.7	289.9

Source: Bloomberg

*In EUR/MWh

Key highlights: Stock markets seem to close the week with gains, driven by better-than-foreseen US inflation ; The USD weakened as rate hike expectations fell; Energy prices moved up

- The week was characterized by concerns with global economic slowdown, inflation outlook, and mostly upside surprises in earnings. The week started in green on Monday, but markets became more cautious ahead of US CPI data on Tuesday. Wednesday brought a decent increase, when it turned out that July's US CPI data was a way better than expectations, and inflation had likely peaked. Moreover, US producer prices declined for the first time in more than two years. The huge , 1-2% increase in stock markets on Wednesday was enough to push them into weekly gains, although Thursday was also partly in plus, while Friday also seems to end in green..
- **In the USA**, markets seem to close the week in 1.5-2.0% (Nasdaq: 1.7%, S&P: 2.0%, Dow: 1.9%). All S&P components are in the green, with energy (5.7%) leading the gains, while health care and consumer staples (both 0.5%), increasing the least
- **In Europe**, the STOXX and most national markets are heading for a weekly gain of around 1-1.5%. Travel & leisure seems to lead the gain (5.9%), boosted by favourable earning reports, but real estate (4.8%) ,insurance (4.3%) and oil&gas (3.3%) also performed fairly well, while health care (-1.6%) was the weakest spot.
- **Oil prices** gained new momentum and are heading for a weekly gain of 3-4%, but Friday was in minus. TTF **natural gas prices** rose above 5% in a week, to 205 EUR/MWh. Oil prices gained momentum as the IEA increased its projection for oil demand during the week, but recent heat waves and increasing natural gas prices also helped. Energy prices in general have been pushed up by extreme weather and maintenance works in Europe. The **dollar** weakened in weekly terms against major currencies, driven by expectations of less steep rate hikes from the Fed. The US **yield curve** has flattened as the 2Y horizon remained roughly unchanged, while long-term yields increased by 3 bps.. In contrast, the German 2Y moved up by 11 bps, while the 10Y added only 3 bps.

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&P500	4228	2.0	-11.3	Stoxx 600	441	1.2	-9.6
IT	2604	1.2	-14.8	Health care	1017	-1.6	-6.0
Health care	1539	0.5	-6.4	Industrial goods & services	667	1.8	-16.3
Financials	582	4.0	-10.5	Banks	134	2.4	-7.7
Telco	201	3.4	-24.7	Personal & household goods	1004	0.5	-8.9
Consumer discretionary	1313	1.3	-18.5	Insurance	307	4.3	-4.8
Industrials	833	2.5	-6.9	Food and beverages	816	0.7	-6.1
Consumer staples	778	0.5	-3.3	Technology	624	-0.1	-22.6
Utilities	385	2.2	6.0	Utilities	383	1.8	-5.5
Energy	590	5.7	39.5	Oil & gas	332	3.3	20.0
Real estate	282	3.0	-13.1	Chemicals	1183	1.5	-13.5
Materials	503	3.7	-11.7	Construction & materials	537	2.3	-16.9
Top US Mega-Cap Companies				Telco	227	-0.1	-1.3
Company	Last price	1 week change (%)	YTD (%)	Retail	324	2.5	-27.1
Alphabet	120	2.1	-17.2	Financial services	626	2.0	-16.9
Amazon	141	-0.1	-15.7	Basic resources	592	0.8	-1.5
Apple	170	2.6	-4.5	Real estate	153	4.8	-21.8
Meta	180	7.6	-46.5	Auto & parts	562	1.9	-14.9
Microsoft	287	1.6	-14.5	Media	336	0.0	-9.8
Tesla	859	-0.6	-18.7	Travel & leisure	202	5.9	-13.3

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 (%)
1.264075														
Europe	SXXP Index	441	5.7	3.9	-6.1	-7.2	15.0	1.8	1.3	13.5	1.1	170.0	0.6	4.4
Germany	DAX Index	13770	6.7	0.2	-10.7	-13.6	13.2	1.5	0.9	12.6	1.1	112.3	1.3	1.2
France	CAC Index	6553	8.4	5.6	-6.5	-4.8	13.6	1.7	1.2	15.3	1.1	196.4	17.1	8.6
Poland	WIG20 Index	1731	4.1	2.3	-21.4	-24.6	6.0	1.0	0.6	17.4	1.2	54.9	-29.6	8.2
Czechia	PX Index	1262	2.6	-1.4	-14.1	-0.9	7.7	1.2	1.1	13.2		154.5	1.9	4.3
Hungary	BUX Index	43868	13.9	9.7	-15.9	-12.8	5.5	0.8	0.6	17.0	1.3	56.1	2018.4	21.0
Romania	BET Index	12634	3.6	4.7	-5.5	4.3	7.9	1.2	1.1	21.4	1.3	58.6	1.9	8.1
Bulgaria	SOFIX Index	621	2.3	3.1	-0.3	6.4	5.4	0.7	0.8	13.3	2.5	57.2		
Russia	MOEX Index	2149	0.7	-6.5	-39.4	-44.7	3.5	0.7	0.6	20.5	1.3	81.8	75.5	8.7
Ukraine	PFTS Index	519	0.0	0.0	0.1	-1.1	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBI10P Index	1173	2.9	6.8	-8.1	-1.3	6.5	1.0	0.5	15.1	1.7	36.6	19.4	
Croatia	CRO Index	2004	1.4	-3.4	-7.4	2.2	11.2	1.3	1.3	12.3	1.5	34.7		
Serbia	BELEX15 Index	846	-1.7	3.0	-1.7	6.8	5.9	0.6	0.6	11.9	1.7	15.4		
Montenegro	MNSE10 Index	821	0.8	5.1	4.9	7.5	44.7	0.3	0.7	0.6	2.2	12.6		

*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	1.03	1.04	1.1	1.15
EURGBP	0.84	0.83	0.85	0.85	0.85	0.87	0.88
EURCHF	1.06	1.05	1.03	0.98	0.99	1.04	1.05
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)	369	367	397	396	395	393	392	387	390
Romania	EURRON (€op)	4.95	4.94	4.95	4.99	5.01	5.03	5.07	5.07	5.08
Russia	USDRUB (€op)	74.3	84.1	51.2	66.2	70	73.2	76.5	78.1	79.1
Ukraine	USDUAH (€op)	27.3	29.5	29.4	35.4	36.1	36.2	36.4	35.4	35.4
Croatia	EURHRK (€op)	7.52	7.57	7.53	7.53	7.53	7.53	7.53	7.53	7.52
Serbia	EURRSD (€op)	117.6	117.7	117.3	117.5	117.6	117.6	-	-	-

*No forecast available for Moldova and Albania

Source: Focus Economics

Macro outlook in the region

Countries	GDP (yoy, %)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	7.1	4.7	0.0	4.5	2.4
Romania	5.9	4.5	2.5	4.2	3.2
Bulgaria	4.2	2.7	2.0	2.6	2.6
Russia	4.7	-5.5	-0.6	-8.1	-2.5
Ukraine	3.4	-36.0	18.1	-34.6	8.7
Slovenia	8.1	6.0	1.9	4.6	2.6
Croatia	10.2	5.0	2.4	4.0	2.8
Serbia	7.4	3.0	2.7	3.1	3.3
Montenegro	12.4	4.2	3.3	3.7	3.9
Albania	8.5	3.2	3.0	2.9	3.3
Moldova	13.9	-3.2	-0.4	-0.4	2.6

Countries	Fiscal balance (%of GDP)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	-6.8	-4.9	-3.5	-5.5	-3.9
Romania	-7.1	-6.5	-5.5	-6.6	-5.2
Bulgaria	-4.1	-3.6	-2.6	-4.0	-2.8
Russia	0.4	-2.1	-1.6	-1.8	-2.2
Ukraine	-3.5	-15.0	-10.0	-21.1	-16.5
Slovenia	-5.2	-2.5	-2.7	-4.1	-2.7
Croatia	-2.9	-2.5	-2.0	-2.9	-2.4
Serbia	-4.1	-4.0	-2.0	-3.8	-2.4
Montenegro	-2.1	-4.6	-3.5	-5.3	-4.0
Albania	-4.5	-5.5	-4.0	-4.7	-3.3
Moldova	-3.3	-8.0	-6.0	-6.8	-5.0

Countries	Inflation (average (yoy), %)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	5.1	13.2	12.4	11.2	8.0
Romania	5.0	12.9	8.4	12.1	7.4
Bulgaria	3.3	14.1	4.8	13.6	6.1
Russia	6.7	13.8	5.3	16.0	9.0
Ukraine	3.3	14.1	4.8	21.4	14.4
Slovenia	1.9	8.8	4.5	7.9	5.3
Croatia	2.6	10.6	7.3	9.2	4.5
Serbia	4.0	10.0	6.5	9.7	5.8
Montenegro	2.4	10.2	3.1	9.5	3.6
Albania	2.0	6.4	5.0	6.1	3.3
Moldova	5.3	28.0	18.0	23.1	9.9

Countries	Unemployment (%)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	4.1	3.5	3.9	3.7	3.7
Romania	5.6	5.4	5.0	5.5	5.3
Bulgaria	5.3	4.7	5.2	5.0	4.9
Russia	4.8	4.7	5.5	6.2	6.3
Ukraine	10.6	25.0	15.0	20.0	12.6
Slovenia	4.8	4.0	4.3	4.4	4.3
Croatia	7.6	6.5	6.0	7.2	7.0
Serbia	10.2	10.5	10.0	10.3	9.6
Montenegro	16.7	15.8	15.3	16.9	15.7
Albania	11.3	11.5	11.9	11.3	11.1
Moldova	3.9	5.6	6.5	3.7	3.9

Source: Focus Economics, OTP Research Center

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