

OTP Weekly Outlook

Next week's spotlight:

- Q3 GDP, PMIs and core PCE from the USA
- ECB rate setting , Q3 GDP plus PMIs from Europe

This week:

- Developed stock markets are in for weekly gains after a roller coaster week
- IT yields hit new highs in the USA and the eurozone with 10Y Treasury yield jumping above 4.3% and the 10Y Bund yield to around 2.5%, though Friday brought some correction.
- The EURUSD rose to 0.98 and the British pound slightly strengthened against the US dollar in weekly terms after the resignation of the British PM
- The TTF gas 1M future price fell near to 110 EUR/MWh as the EU stepped up efforts to tackle soaring energy prices
- Crude prices moved mixed
- US industry rebounded but the economy is weakening in general
- The ZEW index and consumer confidence in Europe surprisingly improved

In the spotlight: Q3 GDP, PMIs and core PCE from the US; ECB rate setting, Q3 GDP plus PMIs from Europe

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 10 . 24 .	9 :15	FR	S&P GlobalM anufacturing PM I (points)	Oct	47.2	47.7
	9 :15	FR	S&P GlobalService PM I (points)	Oct	51.5	52.9
	9 :30	DE	S&P GlobalM anufacturing PM I (points)	Oct	47.1	47.8
	9 :30	DE	S&P GlobalService PM I (points)	Oct	44.8	45.0
	10 :00	EZ	S&P GlobalM anufacturing PM I (points)	Oct	48.0	48.4
	10 :00	EZ	S&P GlobalService PM I (points)	Oct	48.2	48.8
	15 :45	US	S&P GlobalM anufacturing PM I (points)	Oct	51.2	52.0
	15 :45	US	S&P GlobalService PM I (points)	Oct	49.1	49.3
25 .	10 :00	DE	IFO Econom ic sentim ent index (points)	Oct	83.3	84.3
	15 :00	US	Case-ShillerHom e Price Index (YoY,%)	Aug		16
	16 :00	US	Consum er confidence (point)	Oct	106.5	108
26 .	16 :00	US	New hom e sales (annualizedm onthly, 000s)	Sept	590	685
	27 .	14 :15	Interest rate decision (lending rate,%)	Oct	2.00	1.25
		14 :15	Interest rate decision (deposit rate,%)	Oct	1.50	0.75
		14 :30	Durable goods orders MoM,%)	Sept	0.5	-0.2
		14 :30	GDP (prelim inary, annualized QoQ,%)	Q3	2.4	-0.6
28 .	8 :00	DE	GDP QoQ,SA,prelim inary,%)	Q3	-0.2	0.1
	8 :00	DE	GDP (prelim inary,YoY,%)	Q3	0.7	1.8
	8 :30	FR	GDP (prelim inary,QoQ,%)	Q3	0.2	0.5
	11 :00	EZ	EC Econom ic Sentim ent Index (points)	Oct	92.5	93.7
	14 :00	DE	CPI (prelim inary,YoY,%)	Oct	10.1	10
	14 :30	US	Personal incom e MoM,%)	Sept	0.3	0.3
	14 :30	US	Personalconsum ption (adjusted,M oM,%)	Sept	0.4	0.4
	14 :30	US	Household core PCE index MoM,%)	Sept	0.5	0.6
	16 :00	US	Pending hom e sales MoM,%)	Sept		-2.0

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

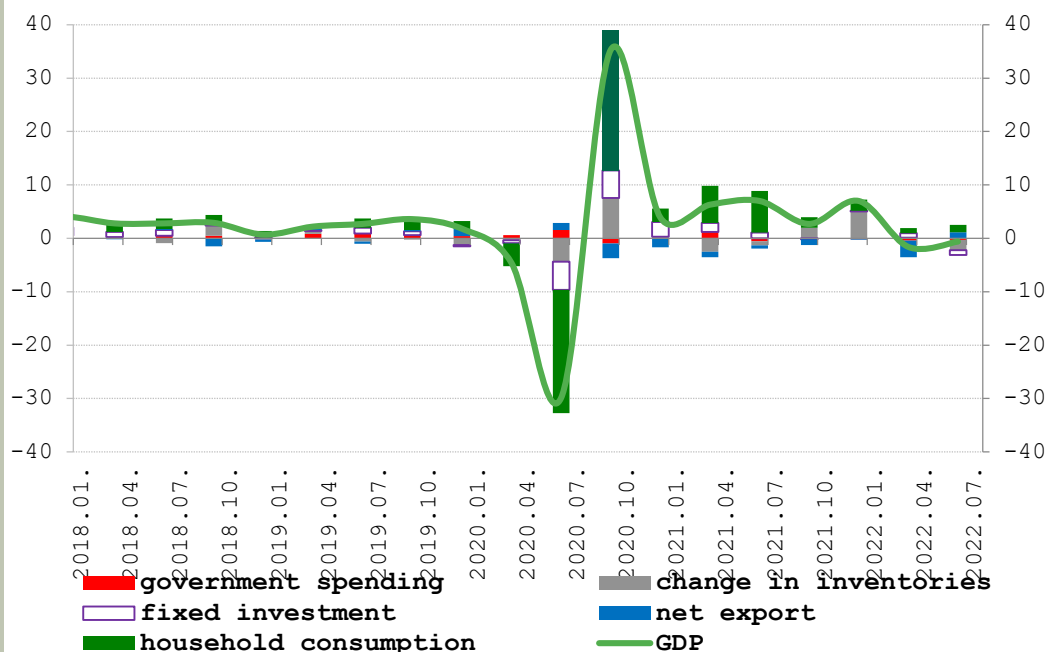
US: Q3 GDP release will be in the spotlight; Fed's preferred gauge of inflation, core PCE data are arriving

Date	Time	Cd.	Event/ Data	Period	Cons.	Prev.
2022.10.24	14:30	US	S&P Global Manufacturing PMI (points)	Oct	51.2	52.0
	15:15	US	S&P Global Service PMI (points)	Oct	49.1	49.3
25.	14:30	US	Case-Shiller Home Price Index (YoY, %)	Aug		16.1
	14:30	US	Consumer confidence (point)	Oct	107	108
26.	20:00	US	New home sales (annualized monthly, 000s)	Sept	590	685
27.	14:30	US	Durable goods orders MoM, %)	Sept	0.5	-0.2
	14:30	US	GDP (preliminary, annualized QoQ, %)	Q3	2.4	-0.6
28.	16:00	US	Household core PCE index MoM, %)	Sept	0.5	0.6

Key highlights

- **The U.S. economy contracted in the first two quarters of the year**, mainly due to inventories, which fell because of unusual circumstances.
- Based on confidence indices and high-frequency data, the third quarter will bring a better output, but we see downside risks. **The Atlanta Fed's nowcast expects 2.9% GDP growth in Q3, based on Reuters consensus, growth could reach 2.4% in Q3 (QoQ, annualized).**
- We expect that even weaker-than-expected data would not force the Fed to back down from its inflation fight.
- **The Fed's preferred core PCE data shows that inflation accelerated more than expected in August, 4.9% YoY and 0.6% MoM.** In light of September CPI data and the rising fuel prices, **the September reading will indicate further acceleration.**
- **PMIs and consumer confidence index** will also be released, which will give an indication of the economic performance in Q4.

GDP (QoQ, annualized)



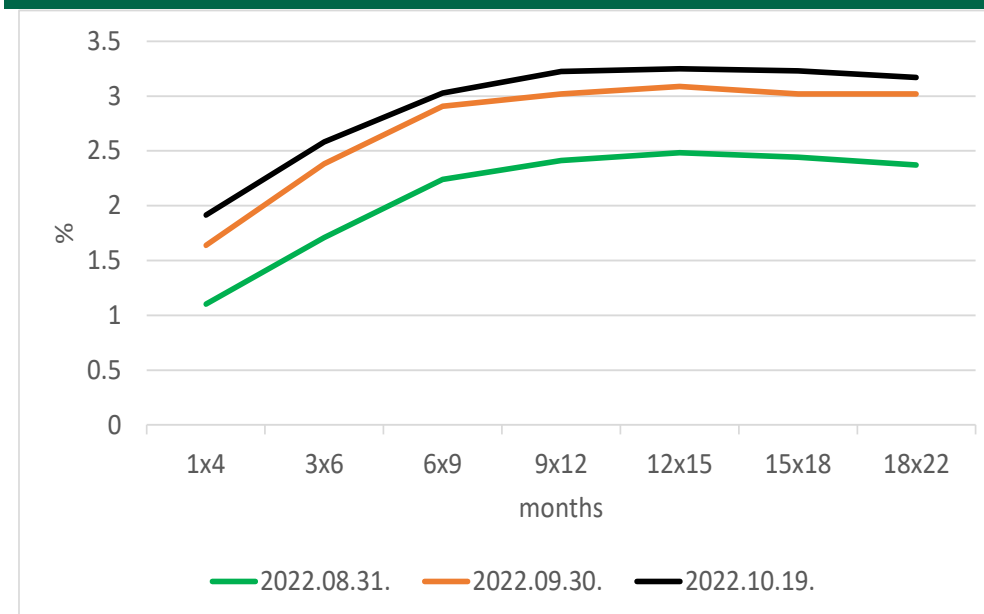
In the spotlight in euro area: ECB rate-setting, Q3 GDPs plus PMIs

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 10 . 24.	9 :15	FR S&P GlobalM anufacturing PM I (points)	Oct	47.2	47.7
	9 :15	FR S&P GlobalService PM I (points)	Oct	51.5	52.9
	9 :30	DE S&P GlobalM anufacturing PM I (points)	Oct	47.1	47.8
	9 :30	DE S&P GlobalService PM I (points)	Oct	44.8	45.0
	10 :00	EZ S&P GlobalM anufacturing PM I (points)	Oct	48.0	48.4
	10 :00	EZ S&P GlobalService PM I (points)	Oct	48.2	48.8
25.	10 :00	DE IFO Econom ic sentin ent index (points)	Oct	83.3	84.3
27.	14 :15	EZ Interest rate decision (lending rate,%)	Oct	2.00	1.25
	14 :15	EZ Interest rate decision (deposit rate,%)	Oct	1.50	0.75
28.	8 :00	DE GDP QoQ,SA,prelim inary,%)	Q3	-0.2	0.1
	8 :00	DE GDP (prelim inary, YoY,%)	Q3	0.7	1.8
	8 :30	FR GDP (prelim inary, QoQ,%)	Q3	0.2	0.5
	11 :00	EZ EC Econom ic Sentin ent Index (points)	Oct	92.5	93.7
	14 :00	DE CPI (prelim inary, YoY,%)	Oct	10.1	10.0

Key highlights

- This is going to be a super data intense week, starting with October **PMIs**, which will likely show a further weakening activity at the euro area level
- The **ECB's Governing Council** is expected to raise its key interest rates by another 75 bips. The quick pace is justified by incoming data, which suggested that headline CPI reached 10% in September, while underlying inflation pressures as well as core inflation also increased. Communication on potential QT is also in the cards.
- Watch out also for the **flash Q3 GDP data** releases for Germany and France. Germany is likely to have contracted already, while France may have fared better.

The euro FRA curve



This week's data: Q3 China's GDP data publication was postponed; US industry rebounded but the economy is weakening in general, the ZEW index and consumer

Date*		Cd.	Event/ Data	Period	Fact.	Cons.	Prev.
2022 10 . 17.	14 :30	US	New York Fed M anufacturing index (points)	Oct	-9.1	-5.0	-15
	18. 4 :00	CN	Infrastructural spending (YoY,%)	Sept	-	6.0	5.8
	4 :00	CN	Industrial production (YoY,%)	Sept	-	4.5	4.2
	4 :00	CN	Retail sales (YoY,%)	Sept	-	3.3	5.4
	4 :00	CN	GDP (YoY,%)	Q3	-	3.4	0.4
	4 :00	CN	GDP QoQ,SA,%)	Q3	-	3.5	-2.6
	11 :00	DE	ZEW Econom ic Sentim ent (points)	Oct	-59.2	-66.0	-61.9
	15 :15	US	Industrial production M oM ,%)	Sept	0.4	0.1	-0.2
19.	8 :00	UK	Inflation (YoY,%)	Sept	10.1	10.0	9.9
	14 :30	US	Housing starts (annualized monthly, 000s)	Sept	1439	1480	1575
	14 :30	US	Building permits (annualized monthly, 000s)	Sept	1564	1530	1542
	20 :00	US	Beige Book	Oct	-	-	-
20.	14 :30	US	Initial jobless claims (000s)	weekly	214	230	226
	14 :30	US	Continuing jobless claims (000s)	weekly	1385	1375	1364
	16 :00	US	Existing home sales (annualized monthly, 000s)	Sept	4710	4700	4780
	16 :00	US	Leading index M oM ,%)	Sept	-0.4	-0.3	-0.3
	21. 16 :00	EZ	Consumer confidence (point)	Oct	-27.6	-29.9	-28.8

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

Key highlights

- The publication of the key indicator of the week, **China's Q3 GDP data** was postponed.
- **US** September **industrial production** rebounded, but the **leading index** indicates a contraction in activity for six months in a row. While the Fed's **Beige Book** found US economic growth to be subdued, inflation is persistent. **Housing data** broadly came out in line with the consensus, while the **Empire State Manufacturing Index** for October caused negative surprise.
- In Europe, the **ZEW** index surprisingly improved just as consumer confidence.

Stock markets are in for decent weekly gains after a rollercoaster week. LT yields hit new highs in the USA and the eurozone. The euro gained and stands at 0.98 and the British pound slightly strengthened against the US dollar. The TTF gas 1M future price fell near 110 EUR/MWh. Crude prices moved mixed.

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	3682	2.8	-22.8	US 2 year	4.54	4.5	380.9	Dollar index	113.016	-0.3	18.1	Brent	93.4	1.9	20.1
Nasdaq Comp.	10704	3.7	-31.6	US 10 year	4.24	21.9	272.8	EURUSD	0.9807	0.9	-13.7	WTI	85.3	-0.3	13.4
Dow Jones	30717	3.7	-15.5	DE 2 year	2.04	9.5	267.5	USDJPY	151.27	-1.7	-23.9	NatGas (TTF, front month)*	110.9	-21.6	69.3
Russel2000	1708	1.5	-23.9	DE 10 Year	2.43	9.1	261.6	GBPUSD	1.1203	0.3	-17.2	Gold	1643.3	-0.1	-10.2
Stoxx 600	395	0.9	-19.1	FR 10 year	2.99	5.1	279.3	AUDUSD	0.6323	2.0	-12.9	Silver	18.9	3.4	-18.9
DAX	12688	2.0	-20.1	SP 10 year	3.55	3.7	298.4	USDCAD	1.3712	1.3	-7.8	Palladium	2007.5	0.6	5.4
CAC40	6016	1.4	-15.9	IT 10 year	4.75	-3.5	357.9	USDCHF	1.0053	0.0	-9.2	Copper	344.0	0.5	-22.9
FTSE100	6938	1.2	-6.0	UK 10 year	4.02	-30.2	305.5	NZDUSD	0.5706	2.6	-16.4	Steel	757.0	0.5	-47.2
FTSEMIB	21504	2.7	-21.4	CH 10 year	1.31	-3.7	145.9	CNHUSD	7.2403	-0.3	-12.2	W heat	841.3	-2.2	9.1
Nikkei225	26891	-0.7	-6.6	JP 10 year	0.25	0.6	18.6	USDTRY	18.5917	-0.5	-28.4	Corn	682.8	-1.0	15.1
CSI300	3742.9	-2.6	-24.2	CN 10 year	2.73	2.7	-4.7	USDBRL	5.1804	2.8	7.6	Electricity (APX)*	132.9	-12.4	42.1

Source: Bloomberg

*In EUR/MWh

Key highlights: Stock markets are in for decent weekly gains after a rollercoaster week. LT yields hit new highs in the USA and the eurozone. The euro gained and stands at 0.98 and the British pound slightly strengthened against the US dollar. The TTF gas 1M future price fell near 110 EUR/MWh. Crude prices moved mixed.

- **Sentiment was mixed in the developed stock markets** this week. In a revival of risk appetite, equity prices rose in the first few trading days as Q3 earnings season delivered better-than-expected results, while the turnaround in the UK fiscal policy also calmed investors. However, the positive news from the corporate sector could only provisionally hide worries surrounding inflation and growth outlook throughout the developed world. From the middle of the week, stocks lost their appeal and indices went down. In a weekly comparison though, major indices are expected to end the week with some gains.
- **In Europe**, the Stoxx600 may end this week in the green with 0.9% w/w gain; similarly, the FTSE, the DAX, and the CAC40 are heading for a decent weekly performance. **In the USA**, major stock indices are expected to end the week with considerable gains after Friday's turnaround.
- Considering **sector performance**, risk appetite led cyclical sectors higher in Europe, with technology, banks, auto & parts and chemicals topping the list of biggest gainers. In the USA, energy, IT and materials are expected to gain the most along with telco, consumer discretionary and industrials.
- Policy turnaround in the UK also contributed to the declining yields in Europe, in the first few days of the week. The resignation of British Prime Minister Liz Truss seems to end the turmoil in the UK's financial markets, but uncertainties still linger. Inflation and recession fears got again to the limelight in developed bond markets after Fed and ECB officials reiterated concerns about rising prices, and warned that further rate hikes may come. As a result, long-term yields climbed higher in the second half of the week, with **10Y Treasury** and **Bund yields** hitting new highs in a more-than-a decade long horizon. 10Y Treasury yield jumped over 4.3% and 10Y German yield climbed to 2.5%, during the week. In a weekly comparison US 10Y benchmark yield rose 22bps by Friday afternoon, and the German 10Y yield added 9bps. The UK's 10Y benchmark yield was above 4.1% again after the relief on fiscal turnaround led yields lower. On Friday afternoon it corrected to 4.0% and stands 30bps below last Friday's level.
- The euro ends a choppy week, with gathering momentum sometimes, and rising near 0.99 against the dollar, but it plunged later, though the level of 0.97 could serve as a support level. In terms of weekly performance, the **EURUSD** may rise near 1.0%, while the **British pound** is expected to gain 0.3% against US dollar.
- **Crude oil** future prices changed direction several times this week as investors' sentiment balanced between fears of potential global recession and hopes of higher Chinese demand and output cuts by OPEC+. For the week, the international benchmarks are mixed, with the WTI dropping 0.3% and the Brent adding almost 2%. Front-month **TTF gas futures** fell close to 110 EUR/MWh, near a level not seen since early June, and is heading for about 22% weekly decline as the EU stepped up efforts to tackle soaring energy price, gas inventories stand at a high level and short-term supply seems ensured.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	3682	2.8	-22.8
IT	2148	5.0	-29.7
Health care	1460	1.3	-11.2
Financials	528	2.6	-18.8
Telco	168	3.9	-37.3
Consumer discretionary	1106	3.9	-31.3
Industrials	740	3.3	-17.3
Consumer staples	714	1.5	-11.3
Utilities	319	1.0	-12.4
Energy	661	7.1	56.4
Real estate	216	2.4	-33.3
Materials	448	4.6	-21.3
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Alphabet	100	3.1	-31.3
Amazon	116	8.2	-30.6
Apple	144	4.3	-18.7
Meta	127	0.5	-62.1
Microsoft	236	3.4	-29.7
Tesla	207	0.8	-41.3

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	395	0.9	-19.1
Health care	935	-1.4	-13.6
Industrial goods & services	591	2.1	-25.8
Banks	126	3.2	-13.4
Personal & household goods	896	-0.1	-18.7
Insurance	284	2.1	-11.7
Food and beverages	716	-2.0	-17.7
Technology	532	5.5	-34.0
Utilities	318	0.1	-21.6
Oil & gas	325	1.4	17.4
Chemicals	1101	2.6	-19.5
Construction & materials	465	0.0	-28.0
Telco	189	-2.2	-18.0
Retail	254	-0.5	-42.9
Financial services	526	0.1	-30.2
Basic resources	557	-0.2	-7.2
Real estate	107	0.2	-45.6
Auto & parts	500	3.3	-24.1
Media	308	1.1	-17.3
Travel & leisure	184	1.7	-20.8

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 (%)
													1264075	
Europe	SXXP Index	395	-3.0	-7.0	-14.5	-16.0	13.8	1.7	1.2	13.7	1.1	167.1	-0.2	3.0
Germany	DAX Index	12688	-0.6	-4.2	-12.5	-18.0	12.4	1.4	0.8	12.3	1.1	111.7	27.4	3.2
France	CAC Index	6016	-0.3	-3.0	-10.4	-10.0	12.7	1.5	1.1	15.2	1.1	195.8	-0.3	7.4
Poland	WIG20 Index	1417	-6.1	-15.8	-30.2	-41.6	4.5	0.8	0.4	18.0	1.2	53.9	3.5	-12.6
Czechia	PX Index	1161	-2.3	-7.0	-16.3	-13.5	7.6	1.1	1.0	13.4		175.6	1.7	9.7
Hungary	BUX Index	40271	2.6	-4.2	-6.9	-26.9	5.0	0.7	0.5	16.4	1.3	59.1	-225.4	36.7
Romania	BET Index	10868	-3.8	-10.6	-16.4	-14.8	6.6	1.0	0.9	21.1	1.4	76.2	34.7	35.7
Bulgaria	SOFIX Index	579	-3.4	-4.8	-8.8	0.6	4.9	0.7	0.5	13.6	2.6	56.0		
Russia	MOEX Index	2043	-4.1	-0.5	-10.1	-51.6	3.3	0.7	0.5	20.1	1.2	86.1	34.5	12.9
Ukraine	PFTS Index	519	0.0	0.0	0.0	-1.3	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	993	-5.7	-11.3	-15.5	-15.9	6.1	0.9	0.4	14.1	1.6	29.4	-6.1	3.1
Croatia	CRO Index	1917	-2.9	-1.8	-10.3	-6.3	8.5	0.9	1.0	11.9	1.5	33.6		
Serbia	BELEX15 Index	805	-5.0	-3.2	-2.1	2.2	412.8	54.9	37.4	14.1	1.7	16.8	0.0	
Montenegro	MNSE10 Index	870	3.9	4.9	11.1	13.2	32.0	0.3	0.7	0.7	1.9	10.6		

*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	1.01	0.97	1.05	1.1
EURGBP	0.84	0.83	0.85	0.85	0.9	0.9	0.89
EURCHF	1.06	1.05	1.03	0.97	0.95	1	1.06
USDJPY	130	129.5	136	136	140	141	132.5

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	396	423	401	401	398	399	393
Romania	EURRON (eop)	4.95	4.94	4.95	4.95	4.96	4.99	5.02	5.05	5.01
Russia	USDRUB (eop)	74.3	84.1	51.2	57.4	65.4	68.8	72.5	76	77.9
Ukraine	USDUAH (eop)	27.3	29.5	29.4	36.9	39.1	39.3	39.5	39.7	39.5
Croatia	EURHRK (eop)	7.52	7.57	7.53	7.52	7.53	7.53	7.53	7.53	7.53
Serbia	EURRSD (eop)	117.6	117.7	117.3	117.3	117.5	117.5	-	-	-

*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	4.9	-0.9	4.9	1.1
Romania	5.1	4.7	2.5	5.3	2.7
Bulgaria	7.6	2.8	1.2	2.7	2.0
Russia	4.7	-3.8	-2.3	-5.9	-3.3
Ukraine	3.4	-36.7	6.1	-34.3	7.3
Slovenia	8.2	6.5	1.5	5.2	2.0
Croatia	13.1	6.3	2.1	5.1	2.2
Serbia	7.4	3.0	2.5	3.1	2.9
Montenegro	13.0	6.1	2.4	3.8	3.5
Albania	8.5	3.0	2.7	3.1	3.2
Moldova	13.9	-4.5	-1.8	-0.5	2.0

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-6.8	-6.1	-6.0	-5.4	-4.1
Romania	-7.1	-6.5	-5.5	-6.3	-5.1
Bulgaria	-4.1	-3.4	-3.9	-4.1	-3.2
Russia	0.4	-2.0	-2.0	-2.2	-2.6
Ukraine	-3.5	-25.0	-20.0	-21.7	-17.6
Slovenia	-5.2	-3.3	-4.8	-4.0	-3.2
Croatia	-2.9	-2.9	-3.0	-2.7	-2.6
Serbia	-4.1	-4.0	-5.0	-3.3	-2.7
Montenegro	-2.1	-3.1	-3.3	-4.6	-3.7
Albania	-4.5	-2.7	-3.0	-4.2	-3.2
Moldova	-2.6	-8.0	-6.0	-6.6	-4.8

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.2	15.5	13.2	12.0
Romania	5.0	13.4	8.5	13.0	8.3
Bulgaria	3.3	15.0	7.4	14.8	8.5
Russia	6.7	13.8	5.3	14.3	7.7
Ukraine	3.3	15.0	7.4	21.5	19.9
Slovenia	1.9	8.6	5.0	9.3	6.5
Croatia	2.6	10.2	7.0	10.2	6.0
Serbia	4.0	11.9	8.5	11.0	7.5
Montenegro	2.4	12.6	6.5	11.6	5.8
Albania	2.0	7.0	7.0	6.6	4.1
Moldova	5.3	28.0	18.0	26.7	9.5

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	3.9
Romania	5.6	5.6	5.8	5.5	5.4
Bulgaria	5.3	4.8	5.7	4.9	4.9
Russia	4.8	4.7	6.0	5.2	5.7
Ukraine	10.6	31.2	27.6	20.0	12.6
Slovenia	4.8	4.2	4.4	4.4	4.3
Croatia	7.6	6.5	6.5	7.2	7.2
Serbia	10.2	11.0	12.0	10.0	9.6
Montenegro	16.7	15.1	16.1	18.2	16.4
Albania	12.0	12.2	12.8	11.3	11.1
Moldova	3.9	3.5	4.4	3.4	3.8

Source: Focus Economics, OTP Research Center

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