

OTP Weekly Outlook

Next week's spotlight:

- 2022Q4 GDP, PMIs, core PCE data from the USA
- PMIs and consumer confidence from Europe

This week:

- The USA's key December real economy indicators turned out weaker than expected
- Euro area economic sentiment continued to improve. Rumour about a potential slowdown in ECB rate hikes was counterbalanced by the ECB minutes' hawkish tone
- China's Q4 GDP beat expectations, but still suggests obvious slowdown
- Stocks in Europe and the US are in for some losses as disappointing economic data and monetary policy signals made investors more wary
- 10Y yields declined in the USA, but were mixed in the eurozone
- The EUR/USD remained above 1.08
- Oil prices edged higher, TTF gas price remained near 60 EUR/MWh, at one-year low

Next week's spotlight: 2022Q4 GDP, PMIs, core PCE and housing data from the USA; PMIs and consumer confidence from Europe

Date*	Cd.	Event/ Data	Period	Cons.	Prev.
2023 1. 23.	16 :00	US Leading index M oM ,%)	Dec	-0.7	-1.0
	16 :00	EZ Consumer confidence point)	Jan	-20.0	-22.2
24.	9 :15	FR S&P GlobalM anufacturing PM I points)	Jan	49.7	49.2
	9 :15	FR S&P GlobalService PM I points)	Jan	49.8	49.5
	9 :30	DE S&P GlobalM anufacturing PM I points)	Jan	47.8	47.1
	9 :30	DE S&P GlobalService PM I points)	Jan	49.6	49.2
	10 :00	EZ S&P GlobalM anufacturing PM I points)	Jan	48.5	47.8
	10 :00	EZ S&P GlobalService PM I points)	Jan	50.2	49.8
	15 :45	US S&P GlobalM anufacturing PM I points)	Jan	46.4	46.2
	15 :45	US S&P GlobalService PM I points)	Jan	45.0	44.7
25.	10 :00	DE IFO Economic sentiment index points)	Jan	90.2	88.6
26.	14 :30	US Durable goods orders M oM ,%)	Dec	2.5	-2.1
	14 :30	US GDP preliminary, annualized QoQ ,%)	Q4	2.6	3.2
	14 :30	US Initial jobless claims (000s)	weekly		190
	14 :30	US Continuing jobless claims (000s)	weekly		1647
	16 :00	US New home sales (annualized monthly, 000s)	Dec	615	640
27.	9 :00	ES GDP preliminary, QoQ ,%)	Q4	0.1	0.1
	14 :30	US Personal income M oM ,%)	Dec	0.2	0.4
	14 :30	US Personal consumption (adjusted, M oM ,%)	Dec	-0.1	0.1
	14 :30	US Household core PCE index M oM ,%)	Dec	0.3	0.2
	16 :00	US Pending home sales M oM ,%)	Dec		-4.0

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

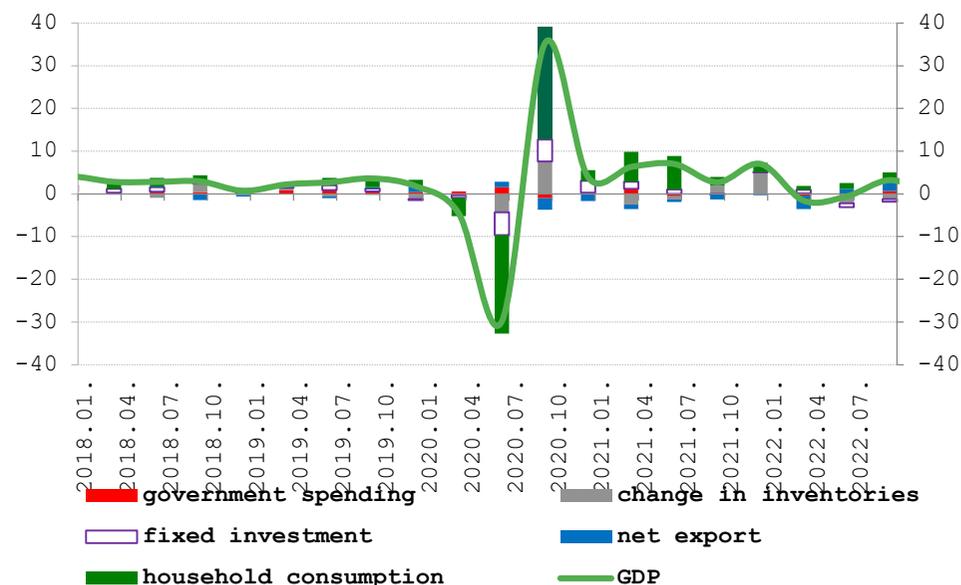
US: First estimate of the Q4 GDP will be in the spotlight; Fed's preferred

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023.01.24 15:45	US	S&P Global Manufacturing PMI (points)	Jan	46.4	46.2
15:45	US	S&P Global Service PMI (points)	Jan	45.0	44.7
26. 14:30	US	Durable goods orders (MoM, %)	Dec	2.5	2.1
14:30	US	GDP (preliminary, annualized QoQ, %)	Q4	2.6	3.2
16:00	US	New home sales (annualized monthly, 000s)	Dec	615	640
27. 14:30	US	Personal income (MoM, %)	Dec	0.2	0.4
14:30	US	Personal consumption (adjusted, MoM, %)	Dec	-0.1	0.1
14:30	US	Household core PCE index (MoM, %)	Dec	0.3	0.2
16:00	US	Pending home sales (MoM, %)	Dec		-4.0

Key highlights

- **First estimate of the Q4 GDP** is coming. A technical recession in H1 was followed by a strong rebound in H2. One-offs, mainly inventory run-off, easing supply chain disruptions, tight labour market conditions, and moderating energy prices have helped growth, but soaring inflation, aggressive monetary tightening by the Fed and the fading of the large amount of government support received during Covid are clearly weighing on the growth outlook.
- **The Atlanta Fed's nowcast projects 3.5% growth** in Q4. **The market's median expectation** for the final quarter is lower, at **2.6%**. **Annual GDP could be around 2% in 2022.**
- **The Fed's preferred inflation gauge, household core PCE index,** is expected to gain 0.3% MoM, when headline inflation declined on the same basis.
- **S&P releases January's manufacturing and services PMIs,** which are expected to show an increase from December.

GDP (QoQ, annualized, %)



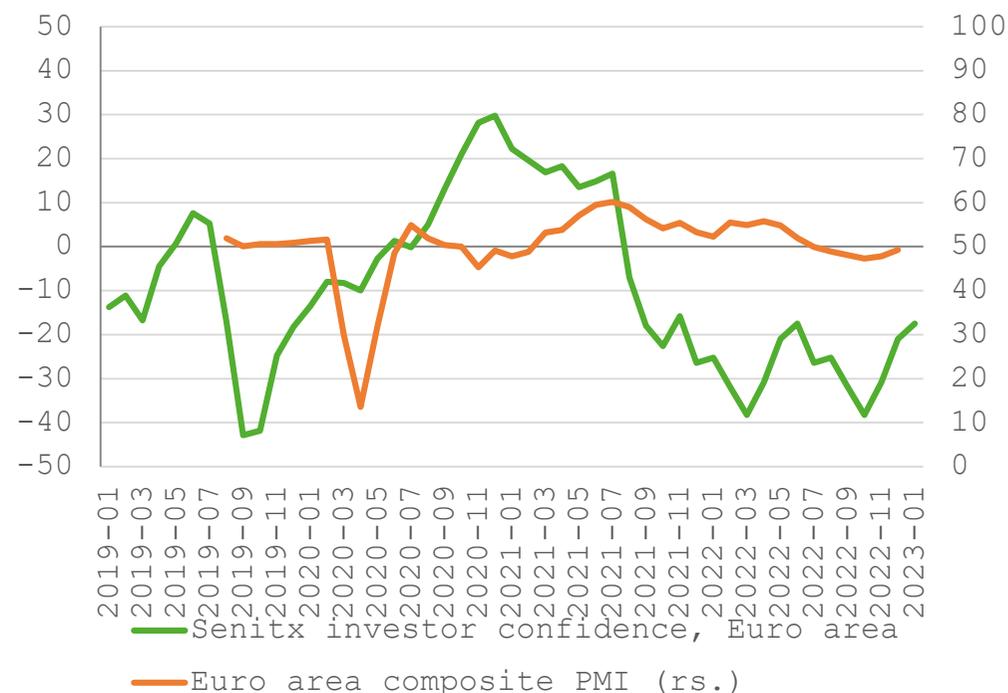
In the spotlight in the euro area: PMIs and consumer confidence

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 1. 23. 16 :00	EZ	Consumer confidence (point)	Jan	-20.0	-22.2
24. 9 :15	FR	S&P Global Manufacturing PMI (points)	Jan	49.7	49.2
9 :15	FR	S&P Global Service PMI (points)	Jan	49.8	49.5
9 :30	DE	S&P Global Manufacturing PMI (points)	Jan	47.8	47.1
9 :30	DE	S&P Global Service PMI (points)	Jan	49.6	49.2
10 :00	EZ	S&P Global Manufacturing PMI (points)	Jan	48.5	47.8
10 :00	EZ	S&P Global Service PMI (points)	Jan	50.2	49.8
25. 10 :00	DE	Ifo Economic sentiment index (points)	Jan	90.2	88.6

Key highlights

- The focus remains on business confidence. Probably one of the most sophisticated indices are **PMIs**, which are computed with an internationally comparable methodology. The key question is whether these latter, in line with other sentiment indicators, kept improving in January. This would suggest that, contrary to initial expectations, the euro area might avoid a recession even in 2023Q1. The indicators on price pressures, which have been weakening in recent months, are also worth checking.
- Euro area **consumer confidence** will be also released. It improved in recent months as well, albeit remained at a historic low level. With gas prices falling and inflation coming down, the improvement can probably continue.

Euro area business confidence (points)



This week's data: US's real economy indicators disappointed; euro area economic sentiment continued to improve. Rumour about a potential slowdown in ECB rate hikes

			Cd.	Event/ Data	Period	Fact.	Cons.	Prev.
2023	1.	17.						
			3 :00	CN Industrial production (YoY,%)	Dec	1.3	0.5	2.2
			3 :00	CN Retail sales (YoY,%)	Dec	-1.8	-7.8	-5.9
			3 :00	CN Infrastructural spending (YoY,%)	Dec	5.1	5.0	5.3
			3 :00	CN GDP (YoY,%)	Q4	2.9	1.8	3.9
			3 :00	CN GDP QoQ, SA, %)	Q4	0.0	-0.8	3.9
			11 :00	DE ZEW Economic Sentiment points)	Jan	16.9	-15.0	-23.3
			14 :30	US New York Fed Manufacturing index (points)	Jan	-32.9	-8.7	-11.2
	18.		3 :00	JP Interest rate decision (%)	Jan	-0.1	-0.1	-0.1
			11 :00	EZ Construction output (YoY)	Nov	1.3		1.9
			11 :00	EZ Inflation rate (final, YoY)	Dec	9.2	9.2	9.2**
			14 :30	US Retail sales MoM, %)	Dec	-1.1	-0.8	-1.0
			15 :15	US Industrial production MoM, %)	Dec	-0.7	-0.1	-0.6
			16 :00	US Business inventories MoM, %)	Nov	0.4	0.4	0.2
			20 :00	US Beige Book	Jan		-	-
	19.		13 :30	EZ ECB minutes	Dec	-	-	-
			14 :30	US Building permits (annualized monthly, 000s)	Dec	1330	1370	1351
			14 :30	US Housing starts (annualized monthly, 000s)	Dec	138.2	135.9	140.1
	20.		0 :30	JP core-CPI (YoY, %)	Dec	4.0	4.0	3.7
			0 :30	JP CPI (YoY, %)	Dec	4.0		3.8
			16 :00	US Existing home sales (annualized monthly, 000s)	Dec	4020	3960	4080

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

**Preliminary data

Key highlights

- In the **USA**, both retail sales and industrial production in December 2022 turned out weaker than expected. The former slipped 1.1% MoM, following an upwardly revised 1% decline in November. US industrial production shrank 0.7% MoM, missing market expectations of 0.1% decline. The Fed **Beige book** suggested on balance stagnating activity for December.
- In the euro area, the January **German ZEW** was another index, which surprises sharply to the upside. Unexpectedly, it moved into the expansion territory, for the first time since last February. While on Tuesday, an insider info was leaked on a potential rate hike slowdown from March, eventually this was counterbalanced by a hawkish **ECB minutes** of the December meeting, released on Thursday. This suggested that Governing Council members were in hawkish mood. Several of them proposed initially a 75 bps hike, and only agreed to the 50 bps pace if commitments for future significant hikes remained strong.
- **China's** economy stagnated in 2022Q4, beating expectations of 0.8% fall. Annual **GDP** growth, at 2.9%, still suggests substantial slowdown.

Stocks in Europe and the US are in for considerable losses as disappointing economic data and monetary policy signals made investors more wary. 10Y yields declined in the USA, but were mixed in the eurozone. The EUR/USD remained above 1.08. Oil prices edged higher, TTF gas price remained at one-year low.

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	3907	-1.9	1.8	US 2 year	4.16	-7.3	-26.6	Dollar index	102.413	0.2	-1.1	Brent	86.2	1.0	0.3
Nasdaq Comp.	10938	-0.6	4.5	US 10 year	3.45	-5.4	-42.5	EURUSD	1.0823	-0.1	1.1	WTI	80.4	2.5	0.1
Dow Jones	32991	-3.5	-0.5	DE 2 year	2.57	-0.6	-16.7	USDJPY	130.21	-1.8	0.7	NatGas (TTF, frontmonth)*	64.4	2.2	-13.0
Russel2000	1840	-1.9	4.5	DE 10 Year	2.15	-1.3	-41.3	GBPUSD	1.2364	1.1	2.3	Gold	1924.7	0.2	5.5
Stoxx 600	452	-0.2	6.3	FR 10 year	2.59	-3.7	-51.1	AUDUSD	0.6935	-0.5	1.8	Silver	23.8	-2.1	-0.8
DAX	14991	-0.6	7.7	SP 10 year	3.11	-4.9	-53.6	USDCAD	1.3461	-0.5	0.7	Palladium	1736.6	-3.1	-3.1
CAC40	6998	-0.4	8.1	IT 10 year	3.94	-5.9	-75.6	USDCHF	0.9222	0.5	0.2	Copper	423.2	0.8	11.0
FTSE100	7761	-1.1	4.2	UK 10 year	3.34	-2.7	-32.8	NZDUSD	0.643	0.9	1.3	Steel	718.0	-1.5	-3.5
FTSEMIB	25785	0.0	8.8	CH 10 year	1.14	5.2	-44.3	CNHUSD	6.7804	-1.0	2.1	Wheat	734.8	-1.1	-7.2
Nikkei225	26554	1.7	1.8	JP 10 year	0.38	-12.8	-3.7	USDTRY	18.8036	-0.1	-0.5	Com	675.5	0.7	-0.4
CSI300	4181.5	2.6	8.0	CN 10 year	2.92	2.3	8.4	USDBRL	5.2062	-2.0	1.4	Electricity (APX)*	149.0	11.8	721.6

Source: Bloomberg

*In EUR/MWh

Key highlights: After a week of choppy trade, stocks in Europe and the US are in for considerable losses as disappointing economic data and monetary policy signals made investors more wary. 10Y yields declined in the USA but were mixed in the eurozone. The EUR/USD remained above 1.08. Oil prices edged higher, TTF gas remained at 1-year low.

- At the beginning of the week, optimism surrounding the reopening in China and the possible slowdown of rate hikes in March in Europe led **European equities** higher and yields lower. The positive sentiment was also supported by some better-than-forecast economic data. However, market optimism faded later in the week, hawkish comments from the ECB and the decision makers' strong commitment to further aggressive rate hikes delivered by the ECB's latest minutes crushed market enthusiasm. Major European stock indices went sharply down on Thursday, consuming the previous days' modest gains, and are expected to decrease w/w, though Friday's trade may end on a positive note. The Stoxx600 is in for about 0.2% weekly drop, while the FTSE and the DAX may end deeper (-1.1% and 0.6%, respectively) in weekly terms; auto & parts, real estate, oil & gas and technology weigh the most on the Stoxx600's weekly performance.

- **In the USA**, major stock indices are on track for a considerable decline after a holiday-shortened week. A slew of data continued to show slowdown in the USA while the Fed seems to stick to its previously announced just above 5% rate target. On the corporate side, we are in the middle of Q4 earnings season with some disappointing earnings figures from Goldman Sachs, Charles Schwab, Alcoa, and Netflix, while some positive surprises also arrived, though earnings estimates are said to have declined so much at the start of the earnings season that they seem to be a really low bar. Several big names announced recently lay-offs, which also weighed on the sentiment. The S&P500 is in for about 2% weekly decline, while the Dow is expected to plunge near 4% and the Nasdaq Composite may lose less than 1% in one week. Utilities, industrials and consumer staples weigh on the benchmark's performance in the S&P500 universe.

- **Yields** are mixed after a week of choppy trading, with US 10Y yield decreasing 5bps and German 10Y remaining roughly flat, though yields rose in the second half of the week in the wake of hawkish comments from central bankers. Yield drops in the eurozone periphery were steep. **In the FX market**, the euro retained its strength with the EUR/USD remaining above 1.08, practically flat in a weekly horizon. In the USA, the debt ceiling debate is again on the rise, and is expected to bring some tension into the markets.

- **Crude oils** are heading for a weekly gain, despite signs of gloomier global growth outlook. TTF natural gas prices remained around 60 EUR/MWh on Friday afternoon, at one-year low, and almost hit 50 EUR/MWh earlier in the week as gas storages across Europe are fuller than usual and LNG imports are set to remain strong.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	3907	-1.9	1.8
IT	2240	-1.3	3.1
Health care	1548	-1.6	-2.4
Financials	582	-2.5	2.1
Telco	174	2.0	9.5
Consumer discretionary	1061	-1.5	5.5
Industrials	826	-4.9	-0.7
Consumer staples	749	-3.7	-3.9
Utilities	346	-5.1	-3.6
Energy	688	-0.2	2.3
Realestate	242	-3.1	4.3
Materials	514	-2.1	4.9
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Alphabet	97	6.2	9.7
Amazon	94	-1.3	11.9
Apple	135	0.9	3.6
Meta	137	0.0	13.6
Microsoft	236	-1.1	-1.6
Tesla	128	3.7	4.0

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	452	-0.2	6.3
Health care	1022	0.1	2.5
Industrial goods & services	685	0.5	7.7
Banks	154	-0.2	9.8
Personal & household goods	1039	-0.7	8.2
Insurance	337	1.3	5.8
Food and beverages	768	-0.1	3.0
Technology	650	-1.3	12.5
Utilities	370	-0.8	2.8
Oil & gas	348	-1.3	1.1
Chemicals	1203	-0.2	5.4
Construction & materials	563	1.0	10.4
Telco	201	-1.0	6.2
Retail	342	-0.7	14.0
Financial services	604	-0.4	7.1
Basic resources	677	1.0	8.1
Realestate	129	-1.4	10.0
Auto & parts	567	-2.0	7.6
Media	344	0.9	5.3
Travel & leisure	227	3.0	15.1

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 (%)
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Europe	SXXP Index	452	6.5	13.3	6.9	-6.5	15.5	1.8	1.3	13.7	1.1	176.9	0.2	-1.3
Germany	DAX Index	14991	8.0	17.4	12.9	-5.8	13.9	1.6	0.9	12.4	1.1	110.5	-15.7	0.4
France	CAC Index	6998	8.5	15.0	13.2	-2.7	14.5	1.8	1.2	15.2	1.1	217.3	-38.2	-7.9
Poland	WIG20 Index	1892	7.3	32.6	11.7	-18.0	5.7	1.1	0.6	17.6	1.4	52.5	-76.6	-19.1
Czechia	PX Index	1280	8.8	9.9	3.1	-10.3	8.0	1.2	1.1	15.7		169.8	-25.4	-12.8
Hungary	BUX Index	46334	1.9	14.5	12.6	-11.5	5.0	0.8	0.6	17.9	1.4	54.0	-2009.9	-2.8
Romania	BET Index	12092	-0.9	11.5	0.0	-8.0	6.2	1.1	0.9	23.3	1.5	45.3	-505.3	-14.2
Bulgaria	SOFIX Index	618	3.3	6.5	1.3	-2.7	5.6	0.7	0.4	13.1	2.8	53.1		
Russia	MOEX Index	2169	2.4	7.1	4.5	-38.3	3.7	0.7	0.7	19.4	1.4	73.6		
Ukraine	PFIS Index	507	-2.3	-2.3	-2.3	-3.0		0.7				9.6		
Slovenia	SBTOP Index	1114	5.3	12.4	-0.4	-16.7	6.3	0.9	0.4	14.3	1.6	34.4		
Croatia	CRO Index	2072	6.5	7.6	6.0	-6.1	8.4	0.9	1.1	12.2	1.7	30.8	0.5	4.2
Serbia	BELEX15 Index	834	3.0	3.1	-0.4	-3.3	413.1	57.0	38.4	14.8	1.8	17.0	-0.4	-38.5
Montenegro	MNSEE10 Index	1035	6.5	20.1	24.7	33.6	78.0	0.3	0.8	-0.1	2.1	7.8		

*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	1.00	1.1	1.14
EURGBP	0.84	0.83	0.85	0.85	0.88	0.89	0.89
EURCHF	1.06	1.05	1.03	0.97	0.98	1.02	1.05
USDJPY	130	129.5	136	136	144.5	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	396	423	411	411	409	407	409
Romania	EURRON (€op)	4.95	4.94	4.95	4.95	4.96	4.97	4.99	4.99	4.99
Russia	USDRUB (€op)	75	82.4	54.8	61.1	62.3	66.1	68.9	71.5	73.9
Ukraine	USDUAH (€op)	27.3	29.5	29.4	36.9	37	38.1	39.2	40.4	41.6
Croatia	EURHRK (€op)	7.52	7.57	7.53	7.52	7.53	7.53	7.53	7.53	7.53
Serbia	EURRSD (€op)	117.6	117.7	117.3	117.3	116.9	116.8	116.8	116.8	116.7

*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	4.9	-0.9	5.0	0.2
Romania	5.9	4.7	2.5	4.9	2.2
Bulgaria	7.6	3.0	1.3	3.2	1.2
Russia	5.6	-2.7	-1.8	-3.6	-3.0
Ukraine	3.4	-36.7	6.1	-33.7	3.8
Slovenia	8.2	5.5	1.5	5.5	1.1
Croatia	13.1	6.3	0.5	6.0	1.2
Serbia	7.5	2.1	2.0	2.7	2.0
Montenegro	13.0	5.7	2.3	5.6	2.6
Albania	8.5	4.2	2.9	3.3	2.4
Moldova	13.9	-7.1	-3.7	-1.6	1.3

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.1	-5.7	-3.7	-5.8	-4.4
Romania	-7.1	-6.5	-5.5	-6.2	-4.9
Bulgaria	-4.1	-3.7	-3.9	-3.8	-3.5
Russia	0.4	-2.3	-2.3	-1.6	-2.5
Ukraine	-3.5	-25.0	-20.0	-23.1	-20.8
Slovenia	-4.7	-3.5	-5.1	-3.8	-4.0
Croatia	-2.6	-2.5	-2.5	-2.0	-2.5
Serbia	-4.1	-3.5	-5.0	-3.3	-2.8
Montenegro	-2.1	-3.5	-3.3	-5.5	-4.9
Albania	-4.5	-2.7	-3.0	-3.4	-3.3
Moldova	-2.6	-8.0	-6.0	-6.0	-5.5

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.0	16.5	14.5	15.7
Romania	5.0	13.8	10.6	13.6	10.5
Bulgaria	3.3	15.3	10.0	15.4	8.8
Russia	6.7	13.8	5.5	14.2	7.0
Ukraine	3.3	15.3	10.0	20.4	21.2
Slovenia	1.9	9.3	6.4	9.2	6.8
Croatia	2.6	10.7	9.3	10.6	6.7
Serbia	4.0	11.9	10.5	11.8	9.8
Montenegro	2.4	13.1	8.3	12.4	7.1
Albania	2.0	6.7	5.3	6.8	4.8
Moldova	5.3	28.6	15.0	28.1	12.1

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	4.2
Romania	5.6	5.6	5.8	5.5	5.5
Bulgaria	5.3	4.7	5.6	4.6	4.9
Russia	4.8	4.1	5.5	4.1	4.9
Ukraine	10.6	31.2	27.6	23.9	18.8
Slovenia	4.8	4.2	4.4	4.3	4.3
Croatia	7.6	7.0	7.0	6.6	6.8
Serbia	10.2	9.7	12.0	9.9	9.8
Montenegro	16.7	15.2	16.3	17.1	15.9
Albania	12.0	11.5	11.9	11.3	11.3
Moldova	3.9	3.5	4.6	3.1	3.6

Source: Focus Economics, OTP Research Center

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