

OTP Weekly Outlook

Next week's spotlight:

- Business confidence, retail sales and German industrial data from Europe
- Michigan consumer sentiment from the USA

This week:

- The FOMC seemed less hawkish, but the strong job report could cause headache
- The ECB remained hawkish by committing to a further 50 bips hike in March, markets still saw the messages rather dovish; Euro area inflation fell more than expected but the core rate remained stubbornly high
- After a very data-intensive week the Fed's and the ECB's communication eased rate-hike expectations leading equities considerably higher and LT yields lower.
- Friday's US job report however poured a cold water on expectations that global rate hike cycle is coming to an end earlier than forecasted.
- After a very volatile trade this afternoon 10Y yields moved to sideways w/w with Treasury yields returning to near 3.5% and Bund yield remaining close to 2.2%. The EUR/USD stands near 1.08-1.085 after great swings.
- Crude oil prices declined, the TTF gas prices remained near 60 EUR/MWh.

Next week's spotlight: Business confidence, retail sales, and German industrial data from Europe; Michigan consumer sentiment from the USA

Date*		Cd.	Event/Data	Period	Cons.	Prev.
2023 2. 6.	10 :30	EZ	Sentix Investor confidence (points)	Feb	-12.6	-17.5
	8 :00	DE	Industrial orders M oM ,%)	Dec	2.0	-5.3
	11 :00	EZ	Retail sales M oM ,%)	Dec	-2.5	0.8
7.	8 :00	DE	Industrial production M oM ,%)	Dec	-0.6	0.2
9.	8 :00	DE	CPI (preliminary, YoY, %)	Jan	8.9	8.6
	14 :30	US	Initial jobless claims (000s)	weekly		183
	14 :30	US	Continuing jobless claims (000s)	weekly		1655
10	11 :00	EU	EC's Economic Forecast			
	16 :00	US	Michigan Consumer confidence (preliminary, points)	Feb	65.0	64.9
	20 :00	US	Federal budget balance (USDbn)	Jan	-97.0	-85.0

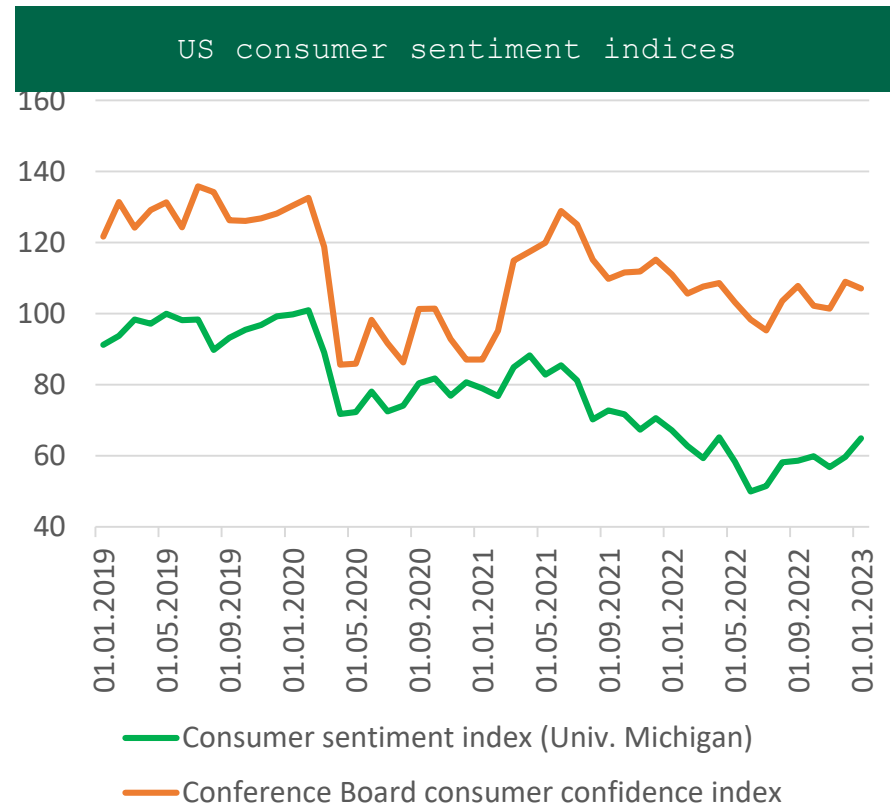
* The time, when most likely market-mover data could come out is indicated in red.

US: Michigan consumer sentiment will be in the spotlight

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023 2. 9. 14 :30	US	Initial jobless claims (000s)	weekly		183
14 :30	US	Continuing jobless claims (000s)	weekly		1655
10 16 :00	US	Michigan Consumer confidence (preliminary, points)	Feb	65.0	64.9
20 :00	US	Federal budget balance (USDbn)	Jan	-97.0	-85.0

Key highlights

- Apparently, next will be exactly the opposite of this one in terms of data and macro-events in the USA; very few releases are expected.
- One interesting part could be the **Michigan consumer sentiment survey**. The index has improved in December and January as inflation declined, but the Conference Board consumer confidence index showed a slightly different picture. Consumer sentiment is very important, as while private consumption takes the bulk of US GDP, personal spending has fallen in real terms already in December. If the US enters recession this year, that could be to a large extent due to falling consumer spending.



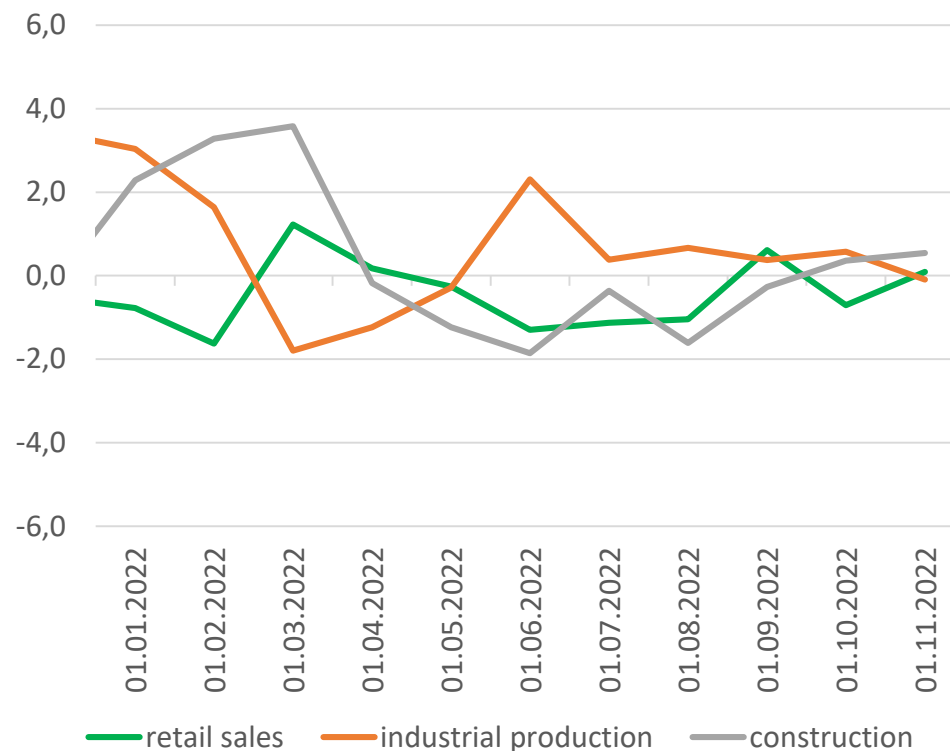
In the spotlight in the euro area: Business confidence, retail sales and German industrial data

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 2. 6. 10 :30	EZ	Sentix Investor confidence (points)	Feb	-12.6	-17.5
8 :00	DE	Industrial orders MoM (%)	Dec	2.0	-5.3
11 :00	EZ	Retail sales MoM (%)	Dec	-2.5	0.8
7. 8 :00	DE	Industrial production MoM (%)	Dec	-0.6	0.2
9. 8 :00	DE	CPI (preliminary, YoY, %)	Jan	8.9	8.6
10. 11 :00	EU	EC's Economic Forecast			

Key highlights

- The euro area will also face limited data releases. One interesting point is whether the **Sentix investor confidence**, which has been recovering since October, could improve further.
- The December release of **euro area retail sales** and **German industrial data** could also prove interesting. Although last year's Q4 GDP is already known, the December data could be important from the point of view of the carryover for 2023Q1.
- Destatis will likely publish **German January CPI data**, which was postponed from this week due to unspecified technical reasons. The data could be interesting as Eurostat used its own estimate of German Inflation for the flash euro area figure, so a very different release could change the whole euro area picture.
- Finally, the **European Commission** will release its **Winter Forecast**.

Euro area key monthly indicators (three-month changes, SA)



This week's data: the FOMC seemed less hawkish, but the strong job report could cause headache; the ECB committed to a further 50 bips hike as core inflation remained stubborn

Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2023 1. 30.	8 :00 DE	GDP QoQ,SA,preliminary,%)	Q4	-0.2	0.0	0.4
	8 :00 DE	GDP preliminary,YoY,%)	Q4	0.5	0.8	1.2
31.	11 :00 EZ	GDP preliminary,QoQ,%)	Q4	0.1	-0.1	0.3
	11 :00 EZ	GDP preliminary,YoY,%)	Q4	1.9	1.8	2.3
2.	11 :00 EZ	CPI (Flash,YoY,%)	Jan	8.5	9.0	9.2
	11 :00 EZ	Core CPI (Flash,YoY,%)	Jan	5.2	5.1	5.2
	11 :00 EZ	Unemployment rate (%)	Dec	6.6	6.5	6.6
	14 :15.0 US	ADP non-farm employment MoM, 000s)	Jan	106.0	178.0	253.0
	16 :00 US	ISM Manufacturing PMI (points)	Jan	47.4	48.0	48.4
	16 :00 US	JOLTs Job Openings (in billn)	Dec	11.0	10.3	10.4
	20 :00 US	Interest rate decision (%)		4.5-4.75	4.5-4.75	4.25-4.5
2.	14 :15 EZ	Interest rate decision (lending rate,%)		3.0	3.0	2.5
	14 :15 EZ	Interest rate decision (deposit rate,%)		2.5	2.5	2.0
	14 :30 US	Non-farm labor costs preliminary,QoQ,%)	Q4	1.1	1.5	2.0
	14 :30 US	Non-farm productivity preliminary,QoQ,%)	Q4	3.0	2.4	1.4
3.	14 :30 US	Non-farm payroll MoM, 000s)	Jan	517.0	185.0	223.0
	14 :30 US	Unemployment rate (%)	Jan	3.4	3.6	3.5
	14 :30 US	Average earnings MoM,%)	Jan	0.3	0.3	0.3
	14 :30 US	Average earnings YoY,%)	Jan	4.4	4.3	4.6
	16 :00 US	ISM non-Manufacturing PMI (points)	Jan	55.2	50.4	49.2

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

Key highlights

- In the **USA**, the **Fed** hiked its rates by 25 bips, as expected, and committed to ongoing rate hikes. While Chair Powell communicated at the press conference that more evidence was needed for fighting inflation, he also hinted, that should inflation decline quicker than foreseen, the Fed has the tools to tackle it. However the sharp rise in **nonfarm payrolls** (517,000) well above expectations could cause headache for the FED.
- In the **euro area**, the **January CPI data** declined to 8.5%, well below expectations. However, the markets could not take comfort in this as the core rate stagnated at 5.2%, and because German inflation statistics publication was postponed. The **ECB** hiked its key rates by another 50 bips, and committed strongly to hike further in March by a similar rate. Afterwards, it will evaluate the subsequent path of monetary policy.

Friday's US job report poured cold water on markets' rate expectations causing strong volatility in the bond and the currency markets. Major stocks indices mostly gained this week, supported by the ECB's and the Fed's dovish communication after this week's rate-setting meetings. 10Y yields are mixed w/w. The EUR/USD on Friday fell below 1.09. Oil prices declined, TTF gas prices remained below 60 EUR/MWh, near 17-month 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	4151	2.0	8.1	US 2 year	4.29	8.8	-13.9	Dollar index	102.601	0.7	-0.9	Brent	83.4	-3.8	-2.9
Nasdaq Comp.	12058	3.8	15.2	US 10 year	3.55	4.3	-32.8	EURUSD	1.0811	-0.5	1.0	WTI	77.2	-3.1	-3.8
Dow Jones	33882	-0.3	2.2	DE 2 year	2.55	-1.6	-18.3	USDJPY	131.16	-1.0	0.0	NatGas (TTF, front month)*	59.0	4.3	-20.3
Russel2000	1992	4.2	13.1	DE 10 Year	2.21	-2.8	-35.6	GBPUSD	1.2066	-2.6	-0.1	Gold	1869.3	-3.0	2.5
Stoxx 600	459	0.8	8.0	FR 10 year	2.65	-4.6	-45.1	AUDUSD	0.6932	-2.4	1.7	Silver	22.5	-4.6	-6.0
DAX	15406	1.7	10.7	SP 10 year	3.13	-9.5	-52.1	USDCAD	1.3422	-0.8	1.0	Palladium	1612.2	-0.7	-10.1
CAC40	7180	1.2	10.9	IT 10 year	4.04	-5.1	-65.9	USDCHF	0.9269	-0.6	-0.3	Copper	409.6	-3.0	7.5
FTSE100	7880	1.5	5.8	UK 10 year	3.09	-22.6	-57.0	NZDUSD	0.6352	-2.2	0.0	Steel	795.0	2.6	6.9
FTSEMIB	26835	1.5	13.2	CH 10 year	1.20	-1.0	-38.2	CNHUSD	6.7897	-0.5	1.9	W heat	767.3	2.3	-3.1
Nikkei225	27509	0.5	5.4	JP 10 year	0.49	0.2	7.2	USDTRY	18.825	-0.1	-0.6	Com	679.3	-0.5	0.1
CSI300	4141.6	-1.0	7.0	CN 10 year	2.89	-2.3	5.9	USDBRL	5.1226	-0.3	3.1	Electricity (APX)*	151.4	46.6	734.6

Source: Bloomberg

*In EUR/MWh

Key highlights: Major stocks indices mostly gained this week, thanks to the ECB's and the Fed's dovish communication after this week's rate-setting meetings though Friday's US job report rattled equities, the currency and the bond markets as well. 10Y yields are mixed w/w. The EUR/USD on Friday fell below 1.09. Oil prices declined, TTF gas prices remained below 60 EUR/MWh, near 17-month low.

- Investors have focused on major central banks' rate-setting decisions this week and a slew of economic data. European stocks rose to near one-year high on Thursday, supported by the market's dovish sentiment after the ECB's post-meeting press conference. After the Fed's more-dovish-than-expected message on Wednesday, ECB's communication further fuelled investors' hopes that the global rate hike cycle is coming to an end. Though recession fears still loom around, this week's economic data were mixed, bringing surprises to the upside and the downside as well. Friday's US job report however poured cold water on markets' rate expectations causing strong volatility in the bond and the currency markets.
- **10Y yields** sank w/w before the release of US job report with the US and German 10Y yield falling more than 10bps. After the release, 10Y benchmark yields jumped about 10bps or more erasing most of the previous yield drop. W/w yields moved to the sideways with 10Y Treasury yield returning to 3.5% and Bund yield remaining close to 2.2% The EUR/USD stands near 1.08-1.085 on Friday afternoon after great swings.
- **European stock markets** were less rattled by Friday's movements and are heading for weekly gains, with the Stoxx600 adding 0.8%, the FTSE gaining 1.5% and the DAX climbing 1.7% w/w. Slightly better-than-expected PMI failed to add further momentum on Friday after overly optimistic sentiment led major Western European indices 1-2% higher on Thursday. This week's corporate earnings releases were a mixed bag, with some financials surprising the market with better-than expected revenues and profits, while Swiss pharmaceuticals, Novartis and Roche released disappointing quarterly revenues among others from the plethora of earnings reports that had arrived this week. In terms of sector performances, auto & parts, retail and technology seem to end the week with the biggest gains, while commodity-linked sectors and health care are in for the biggest losses.
- **In the USA**, some better-than-expected earnings reports and economic data gave momentum to equities before the Fed's rate decision on Wednesday, while later the Fed's dovish stance supported the stock markets. On Friday however, stock indices opened in the red after major US tech sector players reported disappointing quarterly result after Thursday's market-close. Markets were also hit by much higher-than recent NFP, that fed into fears, the Fed could keep interest rates higher for longer in its fight against inflation. The S&P500 and the Nasdaq Composite are on track for 2% and 4% weekly gain, respectively, while the Dow is slightly in the red.
- **Crude oil prices** have fallen about 4% this week as growth outlook is still surrounded by uncertainties. **TTF natural gas prices remained firmly below 60 EUR/MWh on Friday**, holding close to levels not seen since September of 2021. According to the Moody's Investors Service's latest report, Europe could substitute two-thirds of lost gas delivery from Russia with increased LNG imports and purchases through gas pipe from Norway.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	4151	2.0	8.1
IT	2478	3.9	14.1
Health care	1543	-0.3	-2.7
Financials	606	0.6	6.4
Telco	194	6.0	21.7
Consumer discretionary	1189	3.3	18.2
Industrials	871	1.7	4.7
Consumer staples	763	0.1	-2.1
Utilities	343	-2.1	-4.4
Energy	669	-4.5	-0.5
Realestate	256	0.9	10.2
Materials	529	0.7	8.1
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Alphabet	105	6.0	19.4
Amazon	108	5.6	28.5
Apple	152	4.4	17.3
Meta	196	29.3	63.0
Microsoft	261	5.3	9.0
Tesla	195	9.4	58.0

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	459	0.8	8.0
Health care	993	-0.9	-0.4
Industrial goods & services	710	2.2	11.5
Banks	160	0.3	13.8
Personal & household goods	1066	1.7	11.1
Insurance	336	-1.4	5.4
Food and beverages	763	2.1	2.3
Technology	696	3.3	20.4
Utilities	366	-0.9	1.7
Oil & gas	342	-2.1	-0.8
Chemicals	1221	0.9	7.0
Construction & materials	589	1.9	15.6
Telco	204	0.4	7.9
Retail	367	4.4	22.2
Financial services	630	1.8	11.7
Basic resources	668	-1.9	6.6
Realestate	136	2.6	15.6
Auto & parts	618	5.1	17.2
Media	360	3.3	10.0
Travel & leisure	235	1.9	19.0

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	459	5.7	12.0	4.7	-2.1	15.9	1.9	1.3	13.5	1.1	169.2	-0.6	-3.3	
Germany	DAX Index	15406	8.6	17.3	13.4	0.2	14.1	1.6	1.0	12.6	1.1	107.5	-19.9	-0.5	
France	CAC Index	7180	8.4	15.0	10.9	2.5	14.7	1.8	1.2	15.3	1.1	216.7	-12.0	-8.5	
Poland	WIG20 Index	1899	4.1	21.8	12.5	-15.0	5.7	1.1	0.6	17.7	1.4	51.0	-3.9	-18.8	
Czechia	PX Index	1356	11.2	13.9	10.6	-5.8	8.4	1.3	1.1	15.7		169.8	-1.0	-13.2	
Hungary	BUX Index	45155	1.2	8.1	5.2	-13.6	4.8	0.8	0.5	17.9	1.4	54.0	-82.6	-5.1	
Romania	BET Index	12280	2.2	13.4	-1.6	-8.3	6.3	1.1	0.9	22.7	1.6	42.9	-82.1	-16.7	
Bulgaria	SOFIX Index	611	1.5	3.0	1.9	-2.2	6.0	0.7	0.4	12.1	2.8	52.6			
Russia	MOEX Index	2242	3.2	4.0	5.6	-35.4	3.8	0.7	0.8	19.4	1.4	73.6			
Ukraine	PFTS Index	507	-2.3	-2.3	-2.3	-2.9		0.7				9.6			
Slovenia	SBIOP Index	1163	10.2	15.5	1.9	-9.2	6.6	0.9	0.4	14.3	1.6	34.4			
Croatia	CRO Index	2114	5.4	11.5	7.7	-0.8	8.5	0.9	1.1	12.2	1.7	30.8	0.0	4.3	
Serbia	BELEX15 Index	866	5.0	11.0	2.9	0.4	429.0	59.2	39.9	14.8	1.8	17.0	0.0	-38.4	
Montenegro	MNSE10 Index	1039	3.0	16.0	27.7	34.3	78.3	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	1.11	1.14
EURGBP	0.84	0.83	0.85	0.85	0.88	0.89	0.88
EURCHF	1.06	1.05	1.03	0.97	0.98	1.02	1.05
USDJPY	130	129.5	136	136	144.5	137	134

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, %)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	7.1	4.9	-0.9	5.0	0.2
Rom ania	5.9	4.8	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	5.3	1.1	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)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	-7.1	-5.8	-3.8	-5.8	-4.4
Rom ania	-7.1	-6.0	-5.0	-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	-2.3	-4.6	-3.8	-4.0
Croatia	-2.6	-2.5	-2.5	-2.0	-2.5
Serbia	-4.1	-4.0	-5.0	-3.3	-2.8
Montenegro	-2.1	-3.5	-3.3	-5.5	-4.9
Albania	-4.5	-2.2	-3.0	-3.4	-3.3
Moldova	-2.6	-8.0	-6.0	-6.0	-5.5

Countries	Inflation (average (yoy), %)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	5.1	14.0	16.5	14.5	15.7
Rom ania	5.0	13.8	10.5	13.6	10.5
Bulgaria	3.3	15.3	10.0	15.4	8.8
Russia	6.7	13.8	5.3	14.2	7.0
Ukraine	3.3	15.3	10.0	20.4	21.2
Slovenia	2.0	9.3	6.3	9.2	6.8
Croatia	2.6	10.7	8.6	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 (%)				
	2021	OTP		Focus Economics	
		2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	4.2
Rom ania	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	10.3	9.8	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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