

OTP Weekly Outlook

Next week's spotlight:

- January inflation and real economy data from the US
- Second GDP estimate and industrial production from the euro area

This week:

- December indicators might point to recession for Q1 in the euro area
- US consumer sentiment improved above the consensus, but the expectations component fell
- After last week's US jobs report and this week's comments from Fed officials, investors seem to adjust to persistently higher interest rates
- 10Y yields crept considerably higher with the US 10Y yield rising near 3.7% and German 10Y climbing to 2.35%.
- Major stock indices edges lower with the S&P⁵⁰⁰ losing 1.7% and the Stoxx600 Europe dropping 0.8%.
- The EUR/USD fell to 1.07 from last week's peak of 1.10.
- Oil prices rose after Russia had announced output cut from March.
- The TTF gas prices fell below 53 EUR/MWh

Next week's spotlight: January inflation and real economy data from the US; Second GDP estimate and industrial production from the euro area

Date*		Cd.	Event/Data	Period	Cons.	Prev.	
2023 2. 14.	0 :50	JP	GDP QoQ,%)	Q4	0.5	-0.2	
	11 :00	EZ	GDP preliminary, YoY,%)	Q4	1.9	1.9*	
	11 :00	EZ	GDP preliminary, QoQ,%)	Q4	0.1	0.1*	
	14 :30	US	core-CPI MoM, SA,%)	Jan	0.4	0.3	
	14 :30	US	core-CPI YoY,%)	Jan	5.5	5.7	
	14 :30	US	CPI MoM, SA,%)	Jan	0.5	-0.1	
	14 :30	US	CPI YoY,%)	Jan	6.2	6.5	
	15.	8 :00	UK	Inflation YoY,%)	Jan	10.3	10.5
		11 :00	EZ	Industrial production MoM,%)	Dec	-0.8	1.0
		14 :30	US	New York Fed Manufacturing index (points)	Feb	-20.0	-32.9
14 :30		US	Retail sales MoM,%)	Jan	0.9	-1.1	
15 :15		US	Industrial production MoM,%)	Jan	0.4	-0.7	
16 :00		US	Business inventories MoM,%)	Dec	0.3	0.4	
16.	14 :30	US	Building permits (annualized monthly, 000s)	Jan	1350	1337	
	14 :30	US	Housing starts (annualized monthly, 000s)	Jan	1299	138.2	
	14 :30	US	Initial jobless claims (000s)	weekly	200	196	
	14 :30	US	Continuing jobless claims (000s)	weekly		168.8	
	14 :30	US	Producer Prices YoY,%)	Jan	5.4	6.2	
	14 :30	US	Producer Prices MoM,%)	Jan	0.4	-0.5	
	17.	16 :00	US	Leading index MoM,%)	Jan	-0.3	-0.8

*Preliminary data

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

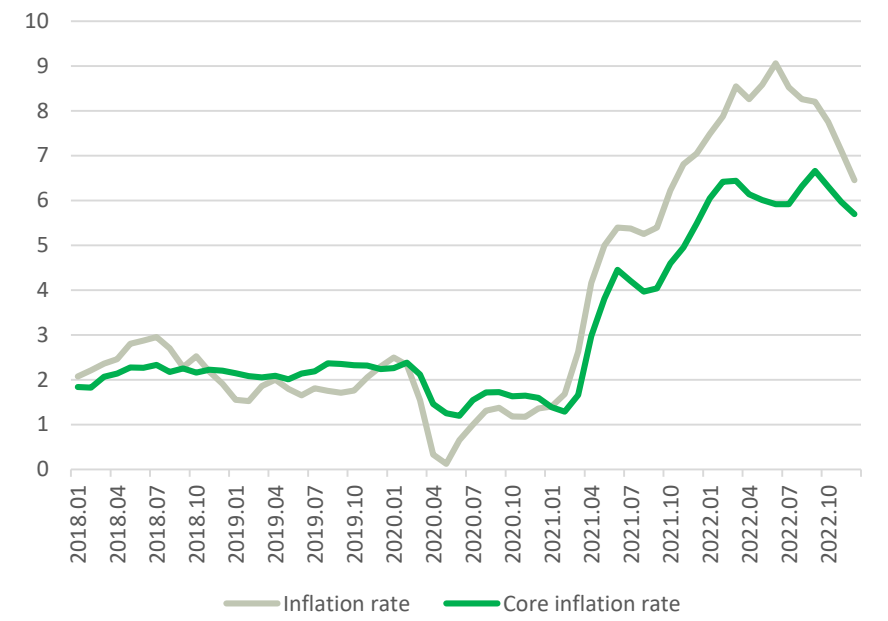
US: January inflation and real economy data will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 2. 14. 14 :30	US	core-CPI M oM ,SA,%)	Jan	0.4	0.3
	US	core-CPI (YoY,%)	Jan	5.5	5.7
	US	CPI M oM ,SA,%)	Jan	0.5	-0.1
	US	CPI (YoY,%)	Jan	6.2	6.5
15. 14 :30	US	New York Fed M anufacturing index (points)	Feb	-20.0	-32.9
	US	Retailsales M oM ,%)	Jan	0.9	-1.1
	US	Industrialproduction M oM ,%)	Jan	0.4	-0.7
	US	Business inventories M oM ,%)	Dec	0.3	0.4
16. 14 :30	US	Building permits (annualized monthly, 000s)	Jan	1350	1337
	US	Housing starts (annualized monthly, 000s)	Jan	1299	1382
	US	Initial jobless claims (000s)	weekly	200	196
	US	Continuing jobless claims (000s)	weekly		1688
	US	Producer Prices (YoY,%)	Jan	5.4	6.2
	US	Producer Prices M oM ,%)	Jan	0.4	-0.5
17. 16 :00	US	Leading index M oM ,%)	Jan	-0.3	-0.8

Key highlights

- The key date of next week will be Tuesday, when the January **inflation** data will be published. Inflation in the US has been on a sharp downward trajectory, the peak occurred in last June, so it has been declining for half a year by now. Core inflation has been more stubborn, but it has been also on a downward trajectory in the last 3 months, and underlying inflation indicators are also encouraging. Chair Powell at its latest FOMC press conference also acknowledged this improvement, although the previous week's bumper employment figure raised fears of a more hawkish FED. Therefore the data could easily be a market mover.
- Otherwise, the **January key monthly real economy indicators** (retail sales, industrial production, and the leading index), will help to refine whether the US fell into recession in Q1.

US inflation indicators (YoY, %)



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

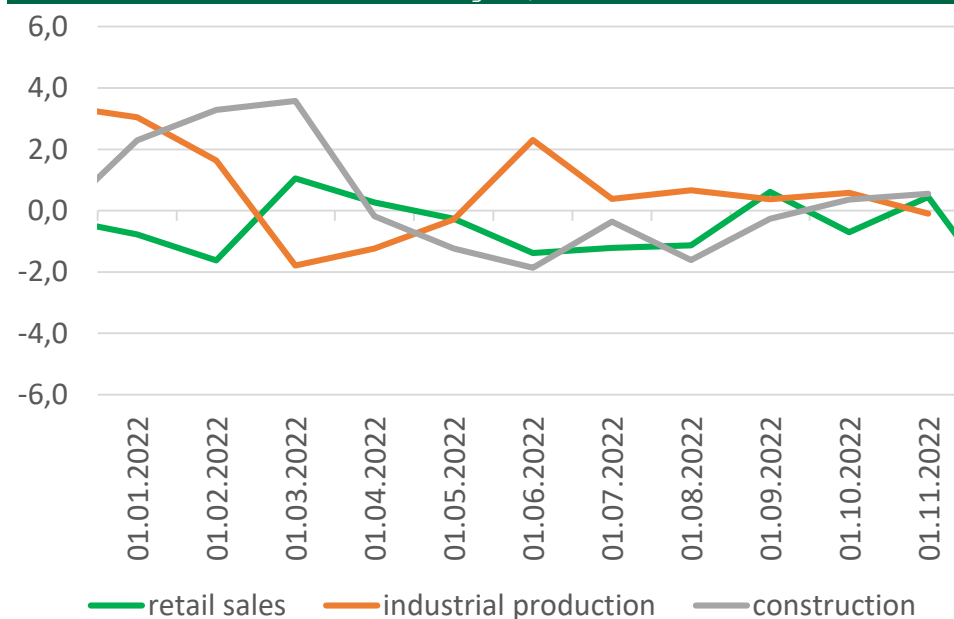
Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 2. 14.	EZ	GDP preliminary, YoY, (%)	Q4	1.9	1.9*
	EZ	GDP preliminary, QoQ, (%)	Q4	0.1	0.1*
15.	EZ	Industrial production MoM, (%)	Dec	-0.8	1.0

*Preliminary data

Key highlights

- The euro area will also face limited data releases.
- One interesting release could be how **industrial production** performed in December, when retail sales fell sharply. The decline is quite likely as German industrial production fell almost 3% MoM in the last month of 2022.
- The **second release of Q4 GDP** will likely not be a market mover, unless there is a significant revision. The euro area could have avoided recession in Q4 based on the flash release due to a huge QoQ growth in Ireland. Without this effect, the economy would have stagnated. However so far it seems that by December, activity weakened sharply within the quarters, which is a bad news for Q1.

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



This week's data: December indicators might point to recession for Q1 in the euro area; US consumer sentiment improved above the consensus, but the expectations component fell

Date*	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2023 2. 6.	DE	Industrial orders M oM, %)	Dec	3.2	2.0	-4.4
	EZ	Sentix Investor confidence (points)	Feb	-8.0	-12.6	-17.5
	EZ	Retail sales M oM, %)	Dec	-2.7	-2.5	1.2
7.	DE	Industrial production M oM, %)	Dec	-3.1	-0.6	0.2
9.	DE	CPI (preliminary, YoY, %)	Jan	8.7	8.9	8.6
	US	Initial jobless claims (000s)	weekly	196	190	183
	US	Continuing jobless claims (000s)	weekly	1688	1650	1658
10	EU	EC's Economic Forecast				
	US	Michigan Consumer confidence (preliminary, points)	Feb	66.4	65.0	64.9
	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.

Key highlights

- In the **euro area**, although indicators were generally mixed, but the most important ones (**euro area retail sales and German industrial production**) fell sharply in December, suggesting that the economy could have had a weak start in 2023Q1. Nevertheless, the growth in **German new factory orders** and the further improvement in the **Sentix index** were encouraging, and might suggest a gradual improvement throughout the quarter. The main takeaway from **German flash inflation** figures for January, which were finally released after a week of delay, is that while headline inflation euro-zone could have fallen further in January, but less than Eurostat had estimated in its flash release.
- In the **US**, the preliminary reading of the **University of Michigan consumer sentiment** jumped to a thirteen-month high of 66.4 in February from 64.9 in January, beating market forecasts of 65. However, while current conditions improved sharply, the expectations component actually fell, after two months of increase in the previous periods.

After last week's US jobs report and this week's comments from Fed officials, investors seem to adjust to persistently higher interest rates. 10Y yields crept considerably higher with the US 10Y yield rising near 3.7%. Major stock indices fell. The EUR/USD fell to 1.07 from last week's peak of 1.10. Oil prices rose after Russia had announced output cut from March. The TTF gas prices fell below 53 EUR/MWh

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	4066	-1.7	5.9	US 2 year	4.48	19.5	5.8	Dollar index	103.372	0.4	-0.1	Brent	85.8	7.3	-0.2
Nasdaq Comp.	11713	-2.4	11.9	US 10 year	3.69	16.8	-18.3	EURUSD	1.0699	-0.9	-0.1	WTI	79.1	7.7	-1.5
Dow Jones	33677	-0.7	1.6	DE 2 year	2.74	20.2	0.2	USDJPY	131	0.1	0.1	NatGas (TTF, front-month)	53.3	-8.9	-28.0
Russel2000	1906	-4.0	8.2	DE 10 Year	2.35	16.5	-21.1	GBPUSD	1.2112	0.5	0.2	Gold	1862.6	-0.1	2.1
Stoxx 600	457	-0.8	7.6	FR 10 year	2.82	17.8	-28.8	AUDUSD	0.694	0.2	1.9	Silver	22.1	-1.1	-7.7
DAX	15318	-1.0	10.0	SP 10 year	3.30	18.9	-34.9	USDCAD	1.336	0.3	1.5	Palladium	1566.5	-4.0	-12.6
CAC40	7107	-1.8	9.8	IT 10 year	4.19	16.9	-50.8	USDCHF	0.9236	0.3	0.1	Copper	403.3	-0.6	5.8
FTSE100	7857	-0.6	5.4	UK 10 year	3.35	30.1	-31.2	NZDUSD	0.633	0.0	-0.3	Steel	803.0	1.0	7.9
FTSEMIB	27246	1.1	14.9	CH 10 year	1.36	17.8	-21.9	CNHUSD	6.8189	-0.2	1.5	Wheat	774.5	2.3	-2.2
Nikkei225	27671	0.6	6.0	JP 10 year	0.50	1.0	8.3	USDTRY	18.833	0.0	-0.7	Com	676.8	-0.1	-0.3
CSI300	4106.3	-0.9	6.1	CN 10 year	2.89	0.3	6.2	USDBRL	5.2595	-2.4	0.4	Electricity (APX)*	137.7	-9.1	658.9

Source: Bloomberg

*In EUR/MWh

Key highlights: After last week's US job report, rate hike expectations came to the fore. 10Y yields crept considerably higher with the US 10Y yield rising near 3.7%. Major stock indices declined. The EUR/USD fell to 1.07 from last week's peak of 1.10. Oil prices rose after Russia had announced output cut from March. The TTF gas prices fell below 53 EUR/MWh

- A series of statements from Fed officials has kept investors on edge this week, after last week's much stronger-than-expected US job data hit the financial markets and reshaped rate expectations. Following the strong US labour market data, investors waited on Tuesday for the Fed Chair to provide comments on the data and the expected monetary path. Powell warned the markets that higher policy rates might be necessary to tame inflation in the US economy in case labour markets remain tight, but also reiterated his earlier message about disinflationary forces taking their effect. Though Powell's tone was less hawkish than analysts anticipated, other Fed officials seemed more committed towards persistently higher rate environment. Meanwhile, Joachim Nagel joined a chorus of hawkish policymakers, saying the ECB must act decisively, while board member Isabel Schnabel said that the rate hikes delivered by the ECB so far were having little impact. After last Friday's sharp yield increase, **10Y yields** kept on rising this week with US 10Y benchmark yield climbing near 3.7% (+17bps) and German 10Y yield edging near 2.4% (+17bps).
- **The US dollar** is on course to post another positive week, amid caution ahead of next week's crucial inflation data release. The EUR/USD is getting below 1.07 down from 1.10 registered last Thursday. The US dollar is set to gain 1% in a weekly horizon.
- **Stock markets** are heading for weekly losses in both sides of the Atlantic as rising yields affected equities' valuation. **In the US**, stock prices edged steadily lower as investors digested Fed officials' comments and the slew of corporate earnings reports. Disney and PepsiCo surprised the market with better-than-expected quarterly figures, but Alphabet plunged about 8% after the presentation of the company's AI developments disappointed investors. The Dow is in for about 1% weekly loss, while the S&P and the Nasdaq Composite is heading for around 2% weekly decline. All the S&P sectors are in the red with the exception of energy, while telco seems to end the week with far the biggest decline. **In Europe**, cyclical sectors led indices lower with travel & leisure, retail, real estate and basic resources falling the most along with rate sensitive technology. Oil & gas sector seems to become the biggest gainers this week after BP's record annual earnings in the company's 114 years of history and given the imminent output cut by Russia. In Europe, the Stoxx600 is on track of 1% weekly loss, the FTSE may edge 0.5% lower, the DAX seems to lose above 1%.
- **Crude oil prices** climbed considerably higher this week with WTI rising near USD 80/barrel, and the Brent jumping to USD 86/barrel after Russia announced its plans to cut output by 500,000 barrels a day in March. Earlier this week, a crucial oil terminal in Turkey suspended operations due to the recent earthquake. **The TTF natural gas** prices plunged to 53 EUR/MWh on Friday, close to the lowest since September 2021. Europe is heading close to the end of the winter season with storage about 69% full, much above the 10-year average of 54% for this time of the year, however, the outlook for next winter remains challenging.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1 week change (%)	YTD (%)
S&P 500	4066	-1.7	5.9
IT	2441	-1.4	12.4
Health care	1540	-0.4	-2.9
Financials	601	-1.2	5.5
Telco	181	-6.0	13.6
Consumer discretionary	1152	-2.1	14.6
Industrials	858	-1.4	3.2
Consumer staples	758	-1.2	-2.8
Utilities	340	-1.5	-5.2
Energy	681	3.4	1.3
Real estate	250	-2.9	7.6
Materials	512	-2.5	4.6
Key US Tech companies			
Company	Last price	1 week change (%)	YTD (%)
Alphabet	95	-9.1	7.9
Amazon	97	-5.9	15.8
Apple	150	-3.0	15.3
Meta	177	-5.4	46.7
Microsoft	261	1.1	8.9
Tesla	201	5.9	63.4

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	457	-0.8	7.6
Health care	1015	1.7	1.9
Industrial goods & services	695	-2.7	9.3
Banks	163	1.5	15.8
Personal & household goods	1041	-3.2	8.4
Insurance	334	-0.8	4.9
Food and beverages	752	-1.7	0.8
Technology	676	-3.8	17.0
Utilities	365	-0.3	1.5
Oil & gas	366	7.5	6.4
Chemicals	1199	-2.5	5.1
Construction & materials	577	-2.8	13.2
Telco	205	0.9	8.1
Retail	351	-4.6	17.0
Financial services	625	-1.4	10.8
Basic resources	644	-3.3	2.9
Real estate	131	-3.4	11.3
Auto & parts	613	-0.9	16.2
Media	351	-2.7	7.5
Travel & leisure	224	-5.4	13.2

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	457	2.6	5.9	3.9	-3.2	15.6	1.9	1.3	13.7	1.1	159.2	0.0	-1.9
Germany	DAX Index	15318	3.7	8.3	11.8	-1.1	14.1	1.7	1.0	12.6	1.1	108.5	-8.1	-0.1
France	CAC Index	7107	3.5	8.4	9.0	0.1	15.0	1.8	1.2	15.0	1.1	179.8	-5.2	-7.5
Poland	WIG20 Index	1849	-4.6	9.4	9.1	-16.5	5.5	1.0	0.5	18.1	1.4	51.1	-4.4	-13.8
Czechia	PX Index	1383	8.9	11.0	10.6	-6.4	8.6	1.3	1.1	15.7		188.9	-1.1	-13.4
Hungary	BUX Index	45902	-0.4	6.3	4.0	-12.7	4.9	0.8	0.6	17.9	1.4	54.0	-301.7	-9.4
Romania	BET Index	12256	0.1	7.5	-1.4	-8.8	6.0	1.1	0.9	22.6	1.6	42.9	-65.8	-16.7
Bulgaria	SOFIX Index	614	-0.6	1.9	-0.6	-1.5	6.1	0.7	0.4	12.1	2.9	52.4		
Russia	MOEX Index	2260	4.7	2.3	5.0	-38.2	3.8	0.7	0.8	19.4	1.4	73.6	4.5	-18.4
Ukraine	PFTS Index	507	-1.4	-2.3	-2.3	-2.3		0.7				9.6		
Slovenia	SBITOP Index	1179	8.4	15.2	1.0	-8.0	15.9	1.0	0.4	6.1	1.6	34.4		
Croatia	CRO Index	2135	4.1	11.3	7.4	-1.4	8.6	1.0	1.1	12.2	1.7	30.8	-0.6	1156.1
Serbia	BELEX15 Index	879	4.7	12.6	4.8	2.0	435.4	60.1	40.5	14.8	1.8	17.0	0.0	-38.4
Montenegro	MNSE10 Index	1043	2.0	17.2	27.1	32.2	78.6	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	1.12	1.15
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	137.5	136

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	400	406	405	402	401
Romania	EURRON (€op)	4.95	4.94	4.95	4.95	4.95	4.93	4.95	4.97	4.98
Russia	USDRUB (€op)	75	82.4	54.8	61.1	73	68.1	70.6	72.7	74.8
Ukraine	USDUAH (€op)	27.3	29.5	29.4	36.9	36.9	38.8	39.6	41.7	42.8
Serbia	EURRSD (€op)	117.6	117.7	117.3	117.3	117.3	117.5	117.5	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	5.0	0.0
Rom ania	5.8	5.0	2.5	4.7	2.1
Bulgaria	7.6	3.0	1.3	3.2	1.2
Russia	5.6	-2.5	-0.7	-3.2	-2.8
Ukraine	3.4	-36.7	6.1	-32.6	2.9
Slovenia	8.2	5.3	1.1	5.4	0.9
Croatia	13.1	6.3	0.5	6.0	1.1
Serbia	7.5	2.1	2.0	2.5	2.0
Montenegro	13.0	5.7	2.3	6.0	2.6
Albania	8.5	4.2	2.9	3.5	2.3
Moldova	13.9	-7.1	-3.7	-2.3	1.3

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.1	-5.5	-3.7	-5.9	-4.3
Rom ania	-7.1	-6.0	-5.0	-6.2	-5.0
Bulgaria	-4.1	-3.7	-3.9	-3.5	-3.5
Russia	0.4	-2.3	-3.8	-1.9	-2.8
Ukraine	-3.5	-25.0	-20.0	-22.3	-20.3
Slovenia	-4.7	-2.3	-4.6	-3.6	-4.0
Croatia	-2.6	-2.5	-2.5	-1.9	-2.5
Serbia	-4.1	-4.0	-5.0	-3.1	-2.8
Montenegro	-2.1	-3.5	-3.3	-5.2	-4.9
Albania	-4.5	-2.2	-3.0	-3.5	-3.2
Moldova	-2.6	-8.0	-6.0	-5.6	-5.6

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.0	16.5	14.6	17.2
Rom ania	5.0	13.7	10.5	13.7	10.6
Bulgaria	3.3	15.3	10.0	15.3	9.4
Russia	6.7	13.8	5.3	13.8	6.4
Ukraine	3.3	15.3	10.0	20.2	20.0
Slovenia	2.0	9.3	6.3	9.3	6.8
Croatia	2.6	10.7	8.6	10.8	7.0
Serbia	4.0	11.9	10.5	12.0	10.0
Montenegro	2.4	13.1	8.3	13.0	7.5
Albania	2.0	6.7	5.3	6.7	4.6
Moldova	5.3	28.6	15.0	28.7	11.4

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	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	4.3	4.8
Russia	4.8	4.1	5.5	4.1	4.8
Ukraine	10.6	31.2	27.6	25.1	19.9
Slovenia	4.8	4.2	4.4	4.3	4.3
Croatia	7.6	7.0	7.0	6.7	6.8
Serbia	10.2	9.7	12.0	9.7	9.6
Montenegro	16.7	15.2	16.3	15.2	15.6
Albania	12.0	10.3	9.8	10.8	10.5
Moldova	3.9	3.5	4.6	3.0	3.6

Source: Focus Economics, OTP Research Center

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