

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- FOMC meeting and PMIs from the USA
- PMIs and consumer confidence from the euro area
- Banking sector news should be closely monitored

This week:

- US inflation in February was in line with the consensus, however this still means stubborn price pressures
- The ECB hiked by 50 bips as promised, despite banking fears, but left out further tightening bias
- Financial turmoil in the US banking sector led bond yields down amid very volatile trading when market uncertainty remained very high as woes of Credit Suisse and First Republic cast new waves
- 10Y bond yield declined 20-30bps, 2Y yield plunged more than 60bps in w/w as rate hike expectations eased.
- Plunging bank indices weighed on stock market performances, though US equities may end the week in the green after last week's big sell-off.
- The USD remained flat, the yen gained; precious metals jumped as risk-off sentiment prevailed.
- Crude oils dived as uncertainties affect growth outlook.

Next week's spotlight: FOMC meeting and PMIs from the USA; PMIs and consumer confidence index from the euro area

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2023 3. 21.	11 :00	DE	ZEW Economic Sentiment (points)	Mar	16.4	28.1
	15 :00	US	Existing home sales (annualized monthly, 000s)	Feb	418.0	400.0
22.	8 :00	UK	Inflation (YoY, %)	Feb		10.1
	19 :00	US	Interest rate decision (%)	Mar	4.75-5.00	4.5-4.75
23.	13 :30	US	Initial jobless claims (000s)	weekly		192
	13 :30	US	Continuing jobless claims (000s)	weekly		168.4
	15 :00	US	New home sales (annualized monthly, 000s)	Feb	640	670
	16 :00	EZ	Consumer confidence (point)	Mar	-18.2	-19.0
24.	0 :30	JP	core-CPI (YoY, %)	Feb	3.1	4.2
	0 :30	JP	CPI (YoY, %)	Feb		4.3
	10 :00	EZ	S&P Global Manufacturing PMI (points)	Mar	49.0	48.5
	10 :00	EZ	S&P Global Service PMI (points)	Mar	52.5	52.7
	13 :30	US	Durable goods orders MoM, %)	Feb	0.9	-4.5
	14 :45	US	S&P Global Manufacturing PMI (points)	Mar	47.6	47.3
	14 :45	US	S&P Global Service PMI (points)	Mar	50.9	50.6

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

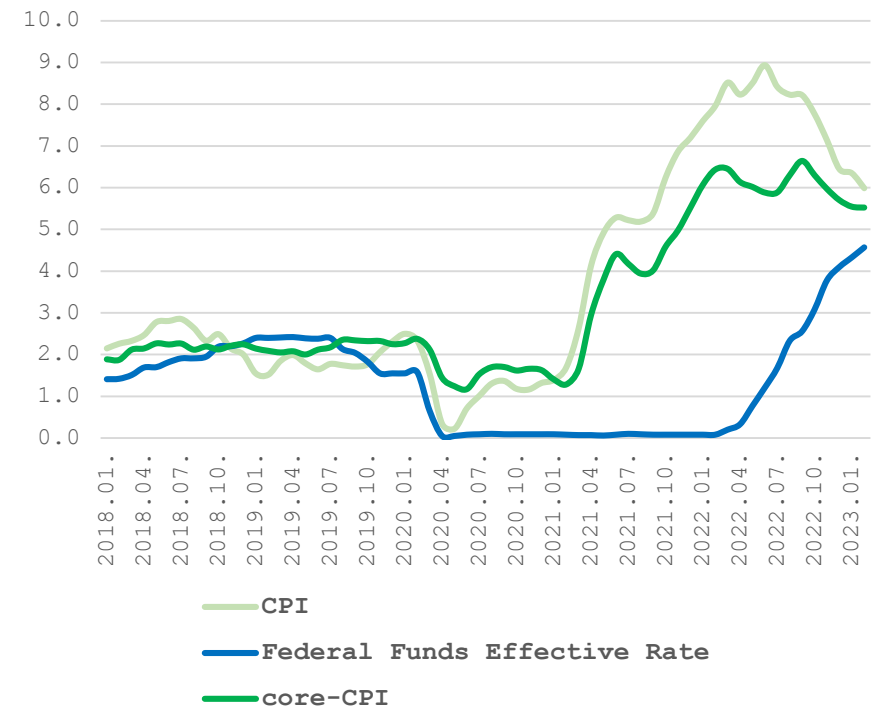
US: Fed's meeting will be in the spotlight

Date		Cd.	Event/ Data	Period	Cons.	Prev.	
2023.03.21	15:00	US	Existing home sales (annualized monthly, 000s)	Feb	4170	4000	
	22.	19:00	US	Interest rate decision (%)	Mar	4.75-5.0	4.5-4.75
	23.	13:30	US	Initial jobless claims (000s)	weekly		192
		13:30	US	Continuing jobless claims (000s)	weekly		1684
		15:00	US	New home sales (annualized monthly, 000s)	Feb	638	670
	24.	13:30	US	Durable goods orders MoM (%)	Feb	0.9	-4.5
		14:45	US	S&P Global Manufacturing PMI (points)	Mar	47.6	47.3
		14:45	US	S&P Global Service PMI (points)	Mar	50.9	50.6

Key highlights

- **The market is waiting for the Fed's meeting with bated breath.** Interest rate expectations went up and down in recent weeks as the Fed Chair's words in response to incoming macro data, followed by concerns over the prospects for the financial sector, have caused turbulence in the market.
- **The market is now pricing 50bps hike this year,** 25 bps in March and 25 bps in May, raising the interest rate to 5.0-5.25%, which could fall by 100 bps by the end of the year. The peak is 50bps lower than the market expected after Chair Powell's Senate hearing, but before the financial sector problems erupted.
- There are some voices calling for a rate cut as banks fail one after the other, but in the current inflationary environment it is hard to believe that the Fed's monetary policy will change shortly in this direction.
- **The problem of failing financial institutions still does not appear to be systemic risk,** but authorities in both the US and Switzerland have acted swiftly to avoid a collapse of confidence in the financial sector. **But this story is not over yet.**

CPI data & Federal Funds Effective Rate



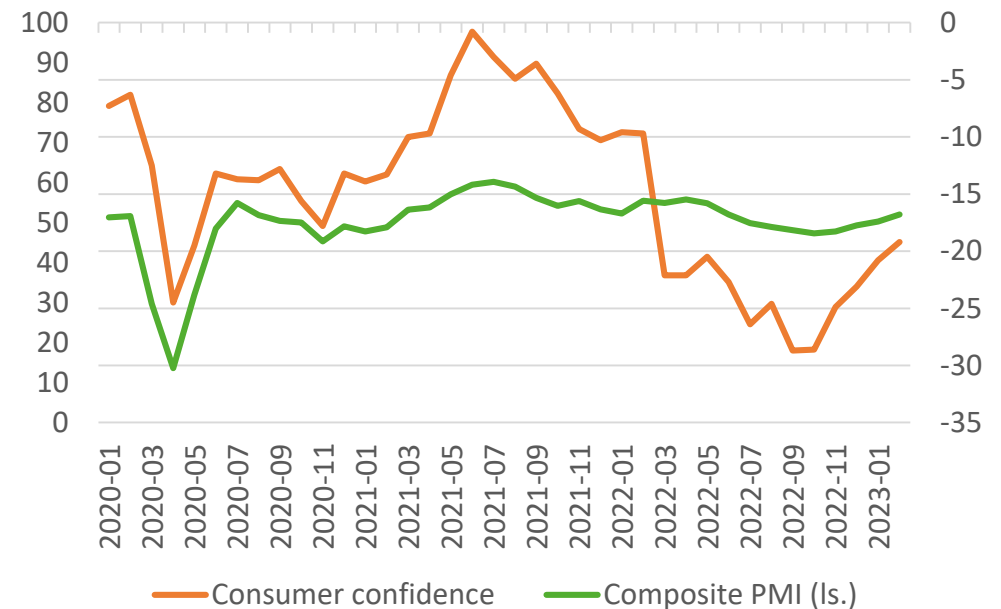
In the spotlight in the euro area: PMIs and consumer confidence

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 3. 21. 11 :00	DE	ZEW Economic Sentiment (points)	Mar	16.4	28.1
23. 16 :00	EZ	Consumer confidence (point)	Mar	-18.2	-19.0
24. 10 :00	EZ	S&P Global Manufacturing PMI (points)	Mar	49.0	48.5
10 :00	EZ	S&P Global Service PMI (points)	Mar	52.5	52.7

Key highlights

- Just when investors and analysts finally started to become more relaxed as the euro area **composite PMI** moved into a clear expansion territory, **consumer confidence** improved, and January real economy data proved better-than-expected, suddenly everything changed again. Regional banking sector problems in the USA put European banks also under pressure; in particular Credit Suisse has fallen sharply, and everybody is still trying to guess how deep the problems in the European banking sector are beneath the surface. Even if contagion will be limited, banks will surely become much more cautious and tighten credit standards further, implying an even more negative credit impulse than in January-February. However next week's data will quite likely not show this negative mood, but we can bet that PMIs and other confidence indicators will turn for the worse next month.

Euro area PMI and consumer confidence



This week's data: US inflation in February was in line with the consensus, but this still means stubborn price pressures; the ECB hiked by 50 bips as promised, despite banking fears, but left out further tightening bias

Date*		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2023 3. 14.	13 :30	US	core-CPI M oM ,SA,%)	Feb	0.5	0.4	0.4
	13 :30	US	core-CPI (YoY,%)	Feb	5.5	5.5	5.6
	13 :30	US	CPI M oM ,SA,%)	Feb	0.4	0.4	0.5
	13 :30	US	CPI (YoY,%)	Feb	6.0	6.0	6.4
15.	3 :00	CN	Industrial production (YoY,%)	Feb	2.4	2.6	1.3
	3 :00	CN	Retail sales (YoY,%)	Feb	3.5	3.5	-1.8
	3 :00	CN	Infrastructural spending (YoY,%)	Feb	5.5	4.4	5.1
	11 :00	EZ	Industrial production M oM ,%)	Jan	0.7	0.5	-1.1
	13 :30	US	New York Fed Manufacturing index (points)	Mar	-25	-8	-5.8
	13 :30	US	Producer Prices (YoY,%)	Feb	4.6	5.4	5.7
	13 :30	US	Producer Prices M oM ,%)	Feb	-0.1	0.3	0.3
	13 :30	US	Retail sales M oM ,%)	Feb	-0.4	-0.3	3.2
	15 :00	US	Business inventories M oM ,%)	Jan	-0.1	0.0	0.3
	16.	13 :30	US	Building permits (annualized monthly, 000s)	Feb	1524	1340
13 :30		US	Housing starts (annualized monthly, 000s)	Feb	1450	1305	1321
13 :30		US	Initial jobless claims (000s)	weekly	192	205	212
13 :30		US	Continuing jobless claims (000s)	weekly	1684	1715	1713
14 :15		EZ	Interest rate decision (lending rate,%)	Mar	3.5	3.5	3.0
14 :15		EZ	Interest rate decision (deposit rate,%)	Mar	3.0	3.0	2.5
17.	14 :15	US	Industrial production M oM ,%)	Feb	0.0	0.2	0.3
	15 :00	US	Leading index M oM ,%)	Feb	-0.3	-0.3	-0.3
	15 :00	US	Michigan Consumer confidence (preliminary, points)	Mar	63.4	67.0	67.0

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

Key highlights

- **US inflation** was in line with consensus (YoY), which implied that core inflation remained flat at 5.5%, while the headline index slowed to 6% (from 6.4%) as energy inflation eased. However, these numbers still imply underlying inflation figures of 7-8%. Meanwhile, producer prices were weaker than foreseen.
- The **ECB** hiked by 50 bips as promised, despite banking fears, but it left out further tightening bias. The European Central Bank has promised to remain data dependent, and also pledged to have the tool to tackle potential liquidity problems. At the press conference it was also stressed that the eurozone banking sector is in a resilient and strong position.
- **China's** indicators posted a rebound in February, in line with expectations.

Bank crises fears shaped market sentiment in the global capital and money markets this week amid bankruptcy filings in the US and growing concerns on financial meltdowns in the European banking sector. Plunging bank indices weighed on stock market performances, though US equities may end the week in the green after last week's big sell-off. Interest rate hike expectation faded away, bond yields declined after some very turbulent and volatile days. The USD slightly gained; precious metals jumped as risk-off sentiment prevailed. Crude oils and natural gas dived

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	3920	1.5	2.1	US 2 year	3.96	-63.0	-47.0	Dollar index	104.157	-0.4	0.6	Brent	72.2	-12.8	-16.0
Nasdaq Comp.	11628	4.4	11.1	US 10 year	3.41	-29.3	-46.9	EURUSD	1.0639	0.0	-0.6	WTI	65.9	-14.0	-17.9
Dow Jones	31868	-0.1	-3.9	DE 2 year	2.42	-67.6	-33.2	USDJPY	132.07	2.2	-0.7	NatGas (TF, front-month)	42.8	-19.0	-42.2
Russel2000	1731	-2.3	-1.7	DE 10 Year	2.09	-41.7	-47.7	GBPUSD	1.2153	1.0	0.6	Gold	1958.6	4.8	7.4
Stoxx 600	436	-4.0	2.5	FR 10 year	2.67	-34.7	-44.3	AUDUSD	0.6686	1.6	-1.9	Silver	22.2	8.1	-7.3
DAX	14731	-4.5	5.8	SP 10 year	3.21	-33.5	-44.4	USDCAD	1.3751	0.6	-1.4	Palladium	1393.3	0.7	-22.3
CAC40	6916	-4.2	6.8	IT 10 year	4.02	-29.5	-68.0	USDCHF	0.9272	-0.7	-0.3	Copper	390.1	-3.6	2.4
FTSE100	7322	-5.5	-1.7	UK 10 year	3.24	-40.1	-42.9	NZDUSD	0.6254	2.0	-1.5	Steel	1056.0	-0.4	41.9
FTSEMIB	25422	-6.8	7.2	CH 10 year	0.90	-43.8	-68.0	CNHUSD	6.8902	0.7	0.5	W heat	701.3	5.2	-11.5
Nikkei225	27334	-2.9	4.7	JP 10 year	0.28	-11.6	-13.0	USDTRY	19.008	-0.2	-1.6	Com	630.5	1.0	-7.1
CSI300	3958.8	-0.2	2.3	CN 10 year	2.85	-2.1	2.3	USDBRL	5.2775	-1.2	0.1	Electricity (APX)*	110.9	-2.1	511.5

Source: Bloomberg

*In EUR/MWh

Key highlights: Bank crises fears shaped market sentiment in the global capital and money markets this week amid bankruptcy filings in the US and growing concerns on financial meltdowns in the European banking sector. Plunging bank indices weighed on stock market performances, though US equities may end the week in the green after last week's big sell-off. Interest rate hike expectation faded away, bond yields declined after some very turbulent and volatile days. The USD slightly gained, precious metals jumped as risk-off sentiment prevailed.

- After last Friday's turmoil in the US markets amid the financial meltdown of SVB, one of the largest lender in the Silicon Valley, US banking sector's woes shed lights on the vulnerability of banks in a time when interest rate hikes are crucial to tame inflation but rates surging high too fast may cause liquidity problems at banks. Uncertainty is still very high that resulted in wide swings in the bond and the equity markets this week. In this environment, interest rate hike expectations steadily faded away and risk-off sentiment weighed on with **US 2Y yields** plunging 63bps and **German 2Y yields** falling 68bps on Monday. **10Y yields** also started the week with steep decline, and after some very volatile trading days 10Y Treasury yields are set to fall 29bps w/w and 10Y Bund yields are in for 42bps weekly drop. As interest rate hike expectations eased, investor foresee less rate hikes than previous forecast, and the Fed is highly expected to address the recent market turbulence at its forthcoming meeting next week.

- **In the currency market**, the USD and the Japanese yen benefited from its resort status with the yen gaining more than 2%, while the USD appreciation was limited by the ECB recent 50bp rate hike. The precious metals also rallied with gold gaining almost 5% and silver climbing near 8% w/w.

- **European equities** underperformed their US peers this week, as bank sector woes hit them only this week, while US equities already suffered huge losses last Friday. What's more, one of the biggest European banking groups, the Credit Suisse was also hit by the liquidity crisis, similarly to that, that made SVB and two other US regional banks to wind down their operation last week. Though the Swiss National Bank intervened and gave a helping hand to Credit Suisse, the huge uncertainty in the markets still linger resulting in big volatility. The Stoxx600 Europe is in for 4% weekly loss with its banking sector subindex plunging 12% w/w. The FTSE100 is on track of 5.5% weekly loss, the DAX is set to drop more than 4% this week. Financials-heavy FTSE/MIB and IBEX may plunge near 7% w/w. **US equities** are maybe over the worst and the S&P500 and the Nasdaq Composite are heading for some weekly gains, but the US Bank Index dived and lost 14% this week as the First Republic's latest woes cast new waves. **In terms of sector performances**, apart from financials (banks, financial services, insurance) energy and basic resources declined the most as uncertainties in the bank sector may undermine earlier growth outlook. In Europe, only food & beverages may end this week in the green with meagre gains, while in the US telco and IT are expected to close the week with considerable pluses. Ironically, cryptos rallied this week with Bitcoin and Ether jumping more than 30 and 20%, respectively thus raising their YTD performance to zero.

- **Crude oil prices** declined 13-14% this week amid the global banking turmoil that stoked fears of broader weakness in the world economy. **The TTF natural gas** prices fell 19% to 42 EUR/MWh on forecasts for mild weather, prospects of robust wind power and sufficient gas inventories.

Stock market and sector performance

Performance of US sectors

Sector	Last price	1 week change (%)	YTD (%)
S&P500	3920	1.5	2.1
IT	2501	5.6	15.1
Health care	1469	1.7	-7.4
Financials	513	-6.0	-9.9
Telco	183	7.1	14.8
Consumer discretionary	1095	2.1	8.9
Industrials	814	-2.6	-2.1
Consumer staples	749	1.1	-3.8
Utilities	337	3.7	-6.0
Energy	585	-6.9	-12.9
Realestate	228	1.0	-1.7
Materials	475	-3.4	-3.0

Key US Tech companies

Company	Last price	1 week change (%)	YTD (%)
Alphabet	102	12.2	15.2
Amazon	98	8.3	16.9
Apple	155	4.5	19.4
Meta	199	11.1	65.7
Microsoft	281	13.0	17.1
Tesla	180	3.5	45.7

Performance of Europe's sectors

Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	436	-4.0	2.5
Health care	980	-0.1	-1.7
Industrial goods & services	677	-3.6	6.4
Banks	140	-12.1	-0.2
Personal & household goods	1032	-2.1	7.5
Insurance	303	-9.0	-4.9
Food and beverages	770	0.5	3.3
Technology	657	-0.2	13.7
Utilities	362	-1.1	0.7
Oil & gas	322	-10.1	-6.7
Chemicals	1159	-3.0	1.5
Construction & materials	568	-4.1	11.5
Telco	209	-2.9	10.3
Retail	339	-4.8	13.0
Financial services	560	-7.0	-0.7
Basic resources	561	-7.8	-10.4
Realestate	112	-3.4	-4.7
Auto & parts	591	-7.0	12.0
Media	354	-1.8	8.2
Travel & leisure	222	-3.7	12.5

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 (%)
Europe	SXXP Index	436	-6.2	2.5	6.6	-3.4	13.5	1.9	1.3	12.1	1.2	156.2	0.5	0.1
Germany	DAX Index	14731	-4.9	5.9	15.5	2.3	12.0	1.5	0.8	11.4	1.1	109.3	73.2	3.8
France	CAC Index	6916	-5.9	7.1	13.7	4.5	12.4	1.8	1.1	12.0	1.1	181.0	6.4	-5.2
Poland	WIG20 Index	1683	-9.6	-3.4	12.0	-20.9	5.9	1.0	0.6	16.9		52.5	-1.9	-25.9
Czechia	PX Index	1315	-6.0	12.7	7.8	0.1	8.2	1.0	1.0	11.7		154.0	2.3	-13.7
Hungary	BUX Index	40982	-10.4	-9.3	2.1	-8.3	4.8	0.8	0.5	15.7		51.9	235.1	-20.8
Romania	BET Index	12242	-0.6	2.3	4.2	-1.9	4.6	1.1	0.9	22.6		59.8	-69.1	-52.1
Bulgaria	SOFIX Index	609	0.2	1.2	0.8	2.0	6.3	0.8	0.4	12.6		50.2		
Russia	MOEX Index	2320	7.0	8.8	-4.7	-6.1	2.8	0.6	0.5	16.9	1.3	67.7	-5.2	-18.8
Ukraine	PFTS Index	507	0.0	-2.3	-2.3	-2.3								
Slovenia	SBI10P Index	1175	-1.5	10.6	9.1	2.1	6.8	0.9	0.5	16.1		33.8		
Croatia	CRO Index	2231	3.7	15.2	12.5	9.3	664.1	58.9	49.1	10.1	1.6	32.7	2.4	1222.1
Serbia	BELEX15 Index	898	2.5	10.9	6.0	10.4	460.9	64.3	45.1	13.9	1.8	17.0	0.0	-67.0
Montenegro	MNSE10 Index	1032	-0.3	7.0	24.1	32.5	12.8	0.3	0.7	0.7	2.2	6.6		

*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	1.0	1.11	1.14
EURGBP	0.84	0.83	0.85	0.85	0.88	0.9	0.89
EURCHF	1.06	1.05	1.03	0.97	0.98	1.01	1.05
USDJPY	130	129.5	136	136	144.5	139	136

Source: Bloomberg

Country	FX pair	2022.Q3	2022.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4	2024.Q1	2024.Q2	2024.Q3
Hungary	EURHUF (€op)	423	400	395	394	393	394			
Romania	EURRON (€op)	4.95	4.95	4.96	5.01	5.03	5.01	5.1	5.11	5.12
Russia	USDRUB (€op)	61.1	73	69.5	71.9	74.2	76.6	77.8	77.2	78.7
Ukraine	USDUAH (€op)	36.9	36.9	38.7	39.4	41.5	42.5	44.2	44.5	43.1
Serbia	EURRSD (€op)	117	117	117	117	118	118	117	117	117

*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	4.6	0.6	4.6	0.1
Rom ania	5.9	4.8	2.8	4.4	2.3
Bulgaria	7.6	3.1	1.4	3.3	1.2
Russia	5.6	-2.1	0.5	-2.1	-2.2
Ukraine	3.4	-30.4	2.6	-31.8	2.5
Slovenia	8.2	5.4	1.5	5.4	1.0
Croatia	13.1	6.3	1.6	6.1	1.0
Serbia	7.5	2.3	1.6	2.3	2.0
Montenegro	13.0	5.7	2.3	6.0	2.5
Albania	8.5	4.2	2.9	3.6	2.3
Moldova	13.9	-6.9	-1.5	-2.9	1.4

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.1	-6.6	-3.9	-5.9	-4.2
Rom ania	-7.1	-6.0	-5.0	-6.2	-5.0
Bulgaria	-3.9	-3.4	-3.4	-3.3	-3.4
Russia	0.4	-2.3	-3.8	-2.0	-3.0
Ukraine	-3.5	-25.0	-15.0	-21.6	-19.0
Slovenia	-4.7	-2.3	-4.6	-3.5	-4.3
Croatia	-2.6	-1.0	-2.0	-1.8	-2.4
Serbia	-4.1	-3.3	-3.3	-3.3	-2.8
Montenegro	-2.1	-4.3	-5.1	-5.3	-4.9
Albania	-4.5	-2.2	-3.0	-3.5	-3.2
Moldova	-2.6	-5.0	-4.0	-4.9	-5.2

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.5	19.0	14.6	17.6
Rom ania	5.0	13.7	10.3	13.7	10.4
Bulgaria	3.3	15.3	10.7	15.3	9.7
Russia	6.7	13.8	5.2	13.8	6.4
Ukraine	3.3	15.3	10.7	20.2	19.5
Slovenia	2.0	9.3	6.2	9.3	6.7
Croatia	2.6	10.7	8.6	10.8	7.2
Serbia	4.0	11.9	11.5	12.0	10.6
Montenegro	2.4	13.0	8.8	13.0	7.6
Albania	2.0	6.7	5.3	6.7	4.4
Moldova	5.3	28.6	13.6	28.7	12.2

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.6	4.1	3.6	4.2
Rom ania	5.6	5.6	5.8	5.6	5.6
Bulgaria	5.3	4.3	5.0	4.3	4.6
Russia	4.8	3.9	4.0	3.9	4.3
Ukraine	10.6	35.0	27.6	26.6	22.4
Slovenia	4.8	4.2	4.4	4.2	4.3
Croatia	7.6	7.0	7.0	6.6	6.7
Serbia	10.2	9.4	10.0	9.7	9.7
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	4.3	3.0	3.6

Source: Focus Economics, OTP Research Center

Gergely Tardos

Chief Economist

tardosg@otpbank.hu

Mihály András

Kovács

Analyst

Mihaly.Andras.Kovacs@otpbank.hu

k.hu

Máté Serdült

Analyst

Mate.Serdult@otpbank.hu

Orsolya Rátkai

Analyst

Orsolya.Ratkai@otpbank.hu

Beáta Váradi

Analyst

Beata.Varadi@otpbank.hu

Global Markets Team

Individual Investment Sales Desk

Zsigmond Csillag

Head of Department

+36 1 288 7556

zsigmond.csillag@otpbank.hu

k.hu

Csaba

Szemán

Deputy Head of

Department

+36 1 288 7554

Csaba.Szeman@otpbank.hu

k.hu

Pál András

Saághy

+36 1 288 7553

Pal.Andras.Saaghy@otpbank.hu

nk.hu

Botond Varga

+36 1 288 7552

Botond.Varga@otpbank.hu

Tamás Szabó

+36 1 288 7512

Tamas.Szabo.1@otpbank.hu

k.hu

Frigyes Soós

+36 1 288 7571

SoosF@otpbank.hu

Ottó Izbéki

+36 1 288 7521

otto.izbeki@otpbank.hu

k.hu

Sándor András

+36 1 288 7559

Sandor.Andrasi@otpbank.hu

k.hu

Bálint Torda

+36 1 288 7562

Balint.Torda@otpbank.hu

Balázs Péntek

+36 1 288 7577

balazs.pentek@otpbank.hu

Institutional Sales Desk

Attila Preisz

Head of Department

+36 1 288 7526

[Attila.Preis�@otpbank.
hu](mailto:Attila.Preis�@otpbank.hu)

Zoltán Ballai

Deputy Head of

Department

+36 1 298 4945

[Zoltan.Ballai@otpbank.h
u](mailto:Zoltan.Ballai@otpbank.hu)

Kitti Palásthy

+36 1 288 7574

[Kitti.Palasthy@otpbank
.hu](mailto:Kitti.Palasthy@otpbank.hu)

Péter Nagy

+36 1 298 7551

Peter.Nagy.4@otpbank.hu

Markets Corporate Sales Desk

János Imrei

Head of Department

+36 1 288 7544

Janos.Imrei@otpbank.hu

**Orsolya Edit Kovács-
Gyimóti**

Deputy Head of

Department

+36 1 288 7542

KovacsGyE@otpbank.hu

Borbála André

+36 1 288 7541

[Borbala.Sarolta.Andre@otp
bank.hu](mailto:Borbala.Sarolta.Andre@otpbank.hu)

**Nóra Ilona
Gordos**

+36 1 288 7549

[Nora.Ilona.Gordos@otpba
nk.hu](mailto:Nora.Ilona.Gordos@otpbank.hu)

Péter Huck

OTP Trader

+36 1 288 7543

[Peter.Huck.2@otpbank.h
u](mailto:Peter.Huck.2@otpbank.hu)

Fodor István

+36 1 288 7555

[Istvan.Fodor.1@otpbank
.hu](mailto:Istvan.Fodor.1@otpbank.hu)

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This document was prepared on 20 March, 2023.

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