

# OTP Weekly Outlook

 **otp** Global Markets

## Next week's spotlight:

- Flash March inflation data from the euro area
- Core PCE and consumer confidence from the USA
- Banking sector news could still be market mover

## This week:

- Changing sentiment toward the banking sector put indices on a rollercoaster during the week
- As confidence remained fragile, Friday's news on Deutsche Bank's bond buyback program shook the markets and led stock indices down limiting weekly gains
- LT bond yields fell further as rate hike expectations softened
- The euro and the yen gained vs. the US dollar
- The Fed hiked by 25 bips and gave a dovish bias; PMIs improved in March pointing to decent growth
- Euro area composite PMI edged up, driven by buoyant service sector, but consumer confidence stagnated
- Crude oils edged higher after last week's deep dive though tightening credit conditions may harm growth outlook

**Next week's spotlight: Flash March inflation data from the euro area;  
core PCE and consumer confidence from the USA**

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2023 3. 27.	10 :00	DE	IFO Economic sentiment index (points)	Mar	90.9	91.1
	16 :00	EZ	Discussion with L.Schnabel ECB Gov.C member (Columbia)	-	-	-
28.	15 :00	US	Case-Shiller Home Price Index (YoY,%)	Jan		4.6
	16 :00	US	Consumer confidence (point)	Mar	100.5	102.9
29.	16 :00	US	Pending home sales MoM,%)	Feb		8.1
	18 :00	US	FIEs Fed decision makers testimony on SVB	-	-	-
30.	11 :00	EZ	EC Economic Sentiment Index (points)	Mar	99.7	99.7
	14 :00	DE	CPI (preliminary, YoY,%)	Mar	7.3	8.7
	14 :30	US	Initial jobless claims (000s)	weekly		
	14 :30	US	Continuing jobless claims (000s)	weekly		
31.	3 :30	CN	NBS Manufacturing PMI (points)	Mar		52.6
	3 :30	CN	NBS Non-manufacturing PMI (points)	Mar		56.3
	8 :00	DE	Retail sales MoM,%)	Feb	0.5	-0.3
	11 :00	EZ	CPI (flash, YoY,%)	Mar	7.2	8.5
	11 :00	EZ	Core CPI (flash, YoY,%)	Mar	5.7	5.6
	11 :00	EZ	Unemployment rate (%)	Feb	6.7	6.7
	14 :30	US	Personal income MoM,%)	Feb	0.3	0.6
	14 :30	US	Personal consumption (adjusted, MoM,%)	Feb	0.3	1.8
	14 :30	US	Household core PCE index MoM,%)	Feb	0.4	0.6
	16 :00	EZ	C.Lagarde speech Osservatorio Permanente Giovani (Editori)	-	-	-
	20 :05	US	Discussion with J.Williams, Fed (Houston CC)	-	-	-

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

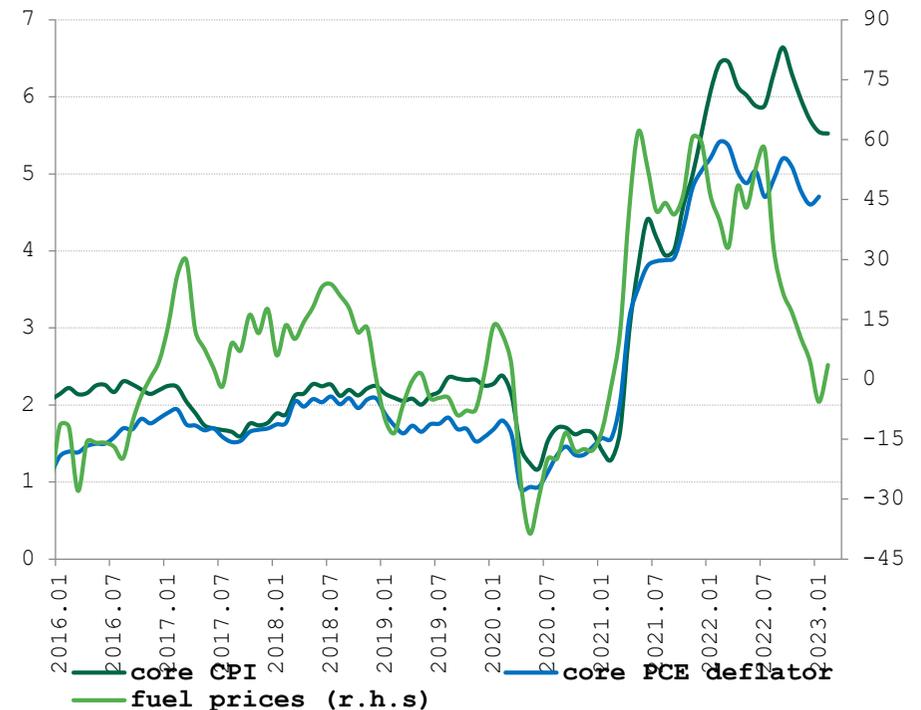
### US: Core PCE index and CB Consumer Confidence will be in the spotlight

Date	Time	Cd.	Event/ Data	Period	Cons.	Prev.
2023.03.28	15:00	US	Case-Shiller Home Price Index (YoY,%)	Jan		4.6
	16:00	US	Consumer confidence (point)	Mar	101	102.9
29.	15:00	US	FBI and Fed officials testify before House panel (failures)		-	-
	16:00	US	Pending home sales MoM,%)	Feb		8.1
31.	14:30	US	Personal income MoM,%)	Feb	0.3	0.6
	14:30	US	Personal consumption (adjusted, MoM,%)	Feb	0.3	1.8
	14:30	US	Household core PCE index MoM,%)	Feb	0.4	0.6
	20:05	US	J. Williams speaks and participates in a discussion (HCC)		-	-

#### Key highlights

- **Top regulatory officials for Fed and FDI testify before House panel about the US bank failures** that have dominated recent weeks, where details behind the collapses may be revealed.
- **The Conference Board's Consumer Confidence indices** for March will have already been affected by the turbulence seen in the banking market in recent weeks; the cut-off date for the preliminary results ended after the turmoil. However, with the expected minimal decline, it is likely that we have not yet reached the bottom of the downhill slope.
- **The core PCE index** jumped sharply MoM in January, stronger than the headline index did then. In February, the pace of price increases may have slowed somewhat on monthly basis, which implies stagnation YoY, confirming that the pace of the slowdown in price increases is slowing.
- **January's personal income and consumption** data also indicated strong economic activity and called for tighter monetary policy, but the market expects a much smaller monthly acceleration in February than in the previous month, which may help to ease fears of interest rate hikes.

#### core CPI & core PCE & fuel prices



## In the spotlight in the euro area: Flash March inflation data

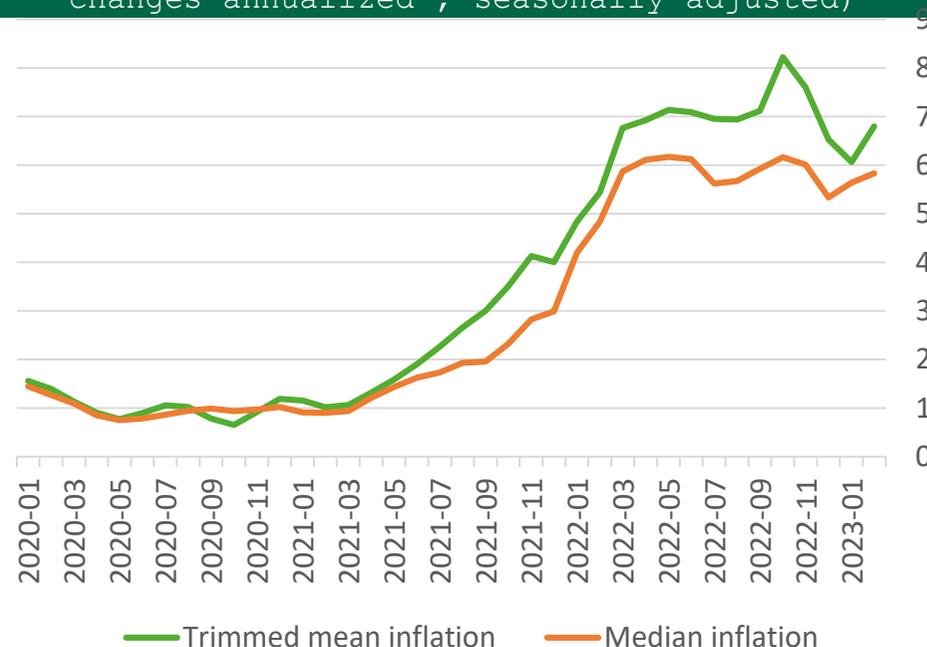
Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023 3. 27. 10 :00	DE	IFO Economic sentiment index (points)	Mar	90.9	91.1
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30. 11 :00	EZ	EC Economic Sentiment Index (points)	Mar	99.7	99.7
14 :00	DE	CPI (preliminary, YoY, %)	Mar	7.3	8.7
31. 8 :00	DE	Retail sales MoM, %)	Feb	0.5	-0.3
11 :00	EZ	CPI (flash, YoY, %)	Mar	7.2	8.5
11 :00	EZ	Core CPI (flash, YoY, %)	Mar	5.7	5.6
11 :00	EZ	Unemployment rate (%)	Feb	6.7	6.7
16 :00	EZ	C.Lagarde speech (Osservatorio Permanente Giovani Editori)	-	-	-

\*Preliminary data

### Key highlights

- Euro area **inflation data** hit 8.5% in February, and have been declining for four months from a peak of 10.6% in October. However, this reflected slower energy and food price growth as the core inflation rate has grown almost uninterrupted since mid-2021. Furthermore, underlying inflation indicators show that price pressure has been hovering around 6-7% annualized rate since spring 2022. Hence, the pickup in YoY core inflation mostly reflected the fading effect of past lower price growth in the last one year. The key question is whether March could already bring a turning point in stubbornly high price growth. Ahead of the Friday release, country level figures, published during the week, will already tell a large part of the story. At its latest, March meeting, the ECB hiked the key rate by another 50 bps, and suggested that if things went ahead around the baseline, the Bank would have more grounds to cover. Naturally, everyone tries to find out, to what extent recent banking sector problems could alleviate inflation fears.

### Underlying inflation indicators (3-month changes annualized, seasonally adjusted)



**This week's data: The Fed hiked by 25 bips and gave a dovish bias; euro area composite PMI edged up, driven by buoyant service sector**

Date*		Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2023 3. 21.	11 :00	DE	ZEW Economic Sentiment (points)	Mar	13.0	16.4	28.1
	15 :00	US	Existing home sales (annualized monthly, 000s)	Feb	4580	4180	4000
22.	8 :00	UK	Inflation (YoY,%)	Feb	10.4	9.8	10.1
	19 :00	US	Interest rate decision (%)	Mar	4.75-5.00	4.75-5.00	4.5-4.75
23.	13 :30	US	Initial jobless claims (000s)	weekly	1910	1970	192
	13 :30	US	Continuing jobless claims (000s)	weekly	1694	1684.0	1680
	15 :00	US	New home sales (annualized monthly, 000s)	Feb	640.0	650	633
	16 :00	EZ	Consumer confidence (point)	Mar	-19.2	-18.3	-19.1
24.	0 :30	JP	core-CPI (YoY,%)	Feb	3.1	3.1	4.2
	0 :30	JP	CPI (YoY,%)	Feb	3.3		4.3
	10 :00	EZ	S&P Global Manufacturing PMI (points)	Mar	47.1	49.0	48.5
	10 :00	EZ	S&P Global Service PMI (points)	Mar	55.6	52.5	52.7
	13 :30	US	Durable goods orders (MoM,%)	Feb	-1.0	0.6	-5.0
	14 :45	US	S&P Global Manufacturing PMI (points)	Mar	49.3	47.0	47.3
	14 :45	US	S&P Global Service PMI (points)	Mar	53.8	50.5	50.6

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

### Key highlights

- In the **USA**, the **FOMC** hiked the fed funds rate by 25 bips as expected and gave a relative dovish signal on future rate hikes suggesting that 'some additional policy firming may be appropriate' as opposed to 'ongoing increases in the target range', the latter was mentioned at the February statement. At the press conference Chairman Powell stressed that the banking system was resilient and sound, but the recent events would likely lead to tightening in credit conditions, which implies that likely less rate hikes are needed to bring back inflation to target. **US PMIs** in March edged higher and turned out above the consensus. Although the manufacturing component remained a touch below the expansion threshold, the service components rebounded putting the composite value to 53.3 from 50.1 points.
- **Euro area composite PMI** edged up to 54.2 points, from 52.0 in March, which is a decent expansion level in historical comparison. However, the recovery was uneven as the manufacturing component weakened, while the service part jumped. The area level **consumer confidence** stagnated, contrary to the expectation of a mild improvement. Importantly, the surveys were prepared before the banking sector woes in the USA and Switzerland.

Changing sentiment toward the banking sector put indices on a rollercoaster during the week. As confidence remained fragile, Friday's news on Deutsche Bank's bond buyback program shook the markets and led stock indices down limiting weekly gains. LT bond yields fell further as rate hike expectations softened. The euro and the yen gained vs. the US dollar. Crude oils edged higher, while natural gas dropped.

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	3925	0.2	2.2	US 2 year	3.71	-12.5	-71.4	Dollar index	103.162	-0.5	-0.3	Brent	74.3	1.8	-13.6
Nasdaq Comp.	11722	0.8	12.0	US 10 year	3.35	-8.0	-52.7	EURUSD	1.0748	0.7	0.4	WTI	68.4	2.4	-14.8
Dow Jones	31902	0.1	-3.8	DE 2 year	2.35	-1.4	-38.1	USDJPY	130.42	-1.1	0.5	NatGas (TTF, front-month)	42.0	-2.1	-43.2
Russel2000	1707	-1.1	-3.1	DE 10 Year	2.10	-0.1	-46.3	GBPUSD	1.2223	0.4	1.2	Gold	1995.3	0.3	9.4
Stoxx 600	439	0.6	3.3	FR 10 year	2.63	-4.3	-47.3	AUDUSD	0.6643	-0.8	-2.5	Silver	23.4	3.4	-2.4
DAX	14887	0.8	6.9	SP 10 year	3.16	-5.8	-48.4	USDCAD	1.3783	-0.4	-1.7	Palladium	1408.1	-1.1	-21.5
CAC40	6986	0.9	7.9	IT 10 year	4.00	-5.2	-70.0	USDCHF	0.9187	0.8	0.6	Copper	409.5	4.6	7.5
FTSE100	7380	0.6	-1.0	UK 10 year	3.25	-1.8	-40.2	NZDUSD	0.6201	-1.1	-2.3	Steel	1056.0	0.0	41.9
FTSEMIB	25875	1.5	9.1	CH 10 year	1.08	14.4	-49.6	CNHUSD	6.871	0.2	0.7	Wheat	689.8	-2.9	-12.9
Nikkei225	27385	1.4	4.9	JP 10 year	0.28	-0.4	-13.3	USDTRY	19.0746	-0.3	-1.9	Com	639.5	0.8	-5.7
CSI300	4027.1	1.7	4.0	CN 10 year	2.86	0.1	3.6	USDBRL	5.282	-0.1	0.0	Electricity (APX)*	23.5	-78.8	29.5

Source: Bloomberg

\*In EUR/MWh

Key highlights: Risk-off sentiment eased in the first half of the week, though Credit Suisse-UBS merger failed to impress investors at first sight. The markets later in the week recovered as authorities seem to be committed to resolve problematic banks within an orderly framework. As confidence remained fragile, Friday's news on Deutsche Bank's bond buyback program shook the markets and led stock indices down limiting weekly gains after a roller-coaster week. IT bond yields fell further as rate hike expectations softened. The euro and the yen gained vs. the US dollar.

- Banking crisis fears steadily eased this week, though concerns of further skeletons in the cupboard weighed on the bond and the equity markets as US and European banking sector's woes drift on. On Monday, the move to save Credit Suisse caused serious turmoil in the market of bank bonds with CDS of major European banks jumping higher (the CDS of the Credit Suisse-rescuer UBS jumped to 180bps from earlier 63 bps and Deutsche Bank's CDS soared 20bps). Later in the week, the Fed's rate decision meeting was in the focus with the Fed raising rates by 25bps in line with expectations. Fed Chair Jerome Powell warned that after the US bank failures, credit conditions would be tightened, and thus inflationary pressure will ease, so further interest rate hikes might no longer be necessary. In the Fed's footsteps, the Bank of England and the Swiss National Bank also raised rates by 25 and 50bps, respectively. All in all, the consensus of the central bankers and the market is that the authorities want and can avoid the disorderly bank failure that caused the collapse in 2008 as banks are better capitalized, they can resolve the problematic banks within an orderly framework, so it is not the end of the world. At the same time, tightening credit conditions will take its toll on growth economic growth and less rate hikes may also be enough to tame inflation. Though risk-off sentiment in the equity markets eased somewhat bond yields sank further. **US 10Y yields** seem to drop 8bps in one week and **German 10Y** yields seem to remain flat at 2.1%. Just as a reminder, at the beginning of March, the US 10Y yields stood near 4.1% and 10Y Bund-yield was over 2.7%. Other euro area benchmark yields are set to drop 8-12bps w/w.

- **In the currency market**, the USD lost further momentum against the euro and the yen as further Fed rate hike seems very uncertain in the near future, though expectations changes very quickly in the recent environment. The EUR/USD climbed over 1.07 (+0.7% w/w), the USD/JPY fell below 130 (-1.1% w/w).

- Though equity markets seem to gain in a weekly horizon, they are over some ups and downs, and react very edgily on every news casting any shadows on financial institutions. Until Friday, **European stock indices** were on track of some decent weekly gains, but news on Deutsche Bank's bond buyback made investors uneasy and quickly changed the landscape as confidence is fragile. On Friday afternoon, major European stock indices seem to end the week in modest pluses, but Friday's losses consume a part of the gains piled up during the week. Today's market turmoil weighs on **US equities** as well, with the Dow and the S&P set to end likely with tiny gains. **In terms of sector performances**, the real estate is the biggest laggard on both sides of the Atlantic as tightening credit rules and deteriorating growth outlook may deeply harm the sector.

- **Crude oil prices** edged higher this week after last week's steep decline, though fears of broader weakness in the world economy and market uncertainties' still linger. **The TTF natural gas** prices dropped 2% to 42 EUR/MWh after last week's 19% decline. Heating season nears to the end in Europe and gas storage are above-average full.

## Stock market and sector performance

### Performance of US sectors

Sector	Last price	1 week change (%)	YTD (%)
S&P500	3925	0.2	2.2
IT	2534	1.3	16.6
Health care	1465	0.2	-7.6
Financials	508	-0.9	-10.8
Telco	188	2.9	17.9
Consumer discretionary	1094	-0.4	8.8
Industrials	810	-0.6	-2.6
Consumer staples	753	0.3	-3.3
Utilities	328	-3.1	-8.6
Energy	585	0.1	-12.9
Real estate	218	-3.8	-6.2
Materials	477	0.7	-2.5

### Key US Tech companies

Company	Last price	1 week change (%)	YTD (%)
Alphabet	105	5.3	19.7
Amazon	99	-1.3	17.5
Apple	159	2.0	22.3
Meta	204	-0.3	69.8
Microsoft	278	0.5	15.8
Tesla	192	4.4	56.0

Source: Bloomberg

### Performance of Europe's sectors

Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	439	0.6	3.3
Health care	992	1.2	-0.5
Industrial goods & services	680	0.4	6.9
Banks	138	-2.0	-1.6
Personal & household goods	1061	2.8	10.5
Insurance	308	2.0	-3.4
Food and beverages	783	1.7	5.0
Technology	667	1.3	15.5
Utilities	367	0.8	1.8
Oil & gas	319	-0.8	-7.4
Chemicals	1170	0.6	2.5
Construction & materials	558	-2.2	9.6
Telco	210	0.3	10.7
Retail	341	0.3	13.6
Financial services	568	1.1	0.8
Basic resources	568	0.9	-9.3
Real estate	106	-5.8	-9.5
Auto & parts	591	-0.3	12.1
Media	356	0.6	8.8
Travel & leisure	224	0.8	13.4

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 (%)
Europe	SXXP Index	439	-4.1	2.7	12.4	-3.1	13.3	1.8	1.3	11.9	1.1	155.7	0.1	0.2
Germany	DAX Index	14887	-2.1	6.8	21.2	4.3	11.7	1.5	0.8	10.9	1.2	115.1	72.6	3.3
France	CAC Index	6986	-2.8	7.4	20.8	6.6	11.8	1.8	1.1	11.9	1.1	179.7	-1.6	-5.4
Poland	WIG20 Index	1670	-7.6	-6.2	14.6	-21.9	5.7	0.9	0.5	16.9		52.5	14.4	-21.5
Czechia	PX Index	1292	-6.9	7.8	10.6	-4.3	7.2	1.2	0.9	16.7		174.5	2.6	-12.8
Hungary	BUX Index	42098	-7.0	-6.5	8.9	-3.9	4.9	0.8	0.5	15.7		51.9	473.9	-21.8
Romania	BET Index	12006	-2.6	-1.2	10.2	-3.7	4.5	1.1	0.8	23.3		61.0	-67.9	-50.6
Bulgaria	SOFIX Index	600	-3.1	-0.5	1.9	0.5	6.1	0.7	0.3	12.6		50.2		
Russia	MOEX Index	2390	8.2	12.5	14.4	-7.3	3.1	0.6	0.5	16.6	1.3	67.7	-1.5	-9.8
Ukraine	PFTS Index	507	0.0	-2.3	-2.3	-2.3								
Slovenia	SBITOP Index	1180	-1.7	10.4	15.4	-0.1	8.5	0.9	0.3	12.8		37.4		
Croatia	CRO Index	2210	0.4	12.5	12.2	7.6	659.2	58.5	48.8	10.1	1.6	32.7	-1.3	1097.2
Serbia	BELEX15 Index	891	1.9	10.2	5.9	7.3	459.1	64.0	44.9	13.9	1.8	17.0	0.0	-67.0
Montenegro	MNSE10 Index	1047	0.3	4.6	27.8	36.5	12.7	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	1.12	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.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4	2024.Q1	2024.Q2	2024.Q3	2024.Q4
Hungary	EURHUF (€op)	400	395	394	393	394				
Romania	EURRON (€op)	4.95	4.96	5.01	5.03	5.01	5.1	5.11	5.12	5.00
Russia	USDRUB (€op)	73.0	69.5	71.9	74.2	76.6	77.8	77.2	78.7	80.1
Ukraine	USDUAH (€op)	36.9	38.7	39.4	41.5	42.5	44.2	44.5	43.1	43.2
Serbia	EURRSD (€op)	117	117	117	118	118	117	117	117	117

\*No forecast available for Moldova and Albania

Source: Focus Economics

## Macro outlook in the region

Countries	GDP (yoy, %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	4.6	0.6	3.7	0.1	2.9
Rom ania	4.8	2.8	3.5	2.3	3.5
Bulgaria	3.4	1.5	2.6	1.2	2.7
Russia	-2.1	0.5	1.8	-2.2	1.1
Ukraine	-28.6	2.6	7.3	2.5	7.5
Slovenia	5.4	1.5	2.8	1.0	2.6
Croatia	6.3	1.6	3.2	1.0	2.6
Serbia	2.3	1.6	3.0	2.0	3.3
Montenegro	6.1	2.3	2.8	2.5	3.0
Albania	4.2	2.9	3.7	2.3	3.7
Moldova	-5.9	1.6	6.1	1.4	4.1

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.6	-3.9	-4.7	-4.2	-3.6
Rom ania	-6.0	-5.0	-4.0	-5.0	-4.2
Bulgaria	-3.4	-3.4	-2.9	-3.4	-2.6
Russia	-2.3	-3.8	-2.8	-3.0	-2.1
Ukraine	-25.0	-15.0	-15.0	-19.0	-13.3
Slovenia	-2.3	-4.6	-2.9	-4.3	-2.7
Croatia	-1.0	-2.0	-1.5	-2.4	-1.9
Serbia	-3.3	-3.3	-3.3	-2.8	-2.1
Montenegro	-4.3	-5.1	-4.6	-4.9	-4.4
Albania	-2.2	-3.0	-3.0	-3.2	-2.2
Moldova	-5.0	-4.0	-3.5	-5.2	-4.3

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	19.0	5.5	17.6	5.3
Rom ania	13.7	10.3	4.9	10.4	5.0
Bulgaria	15.3	11.0	3.6	9.7	3.9
Russia	13.8	5.2	4.0	6.4	5.3
Ukraine	15.3	11.0	3.6	19.5	12.3
Slovenia	9.3	6.2	2.5	6.7	3.5
Croatia	10.7	8.6	3.9	7.2	3.2
Serbia	11.9	11.5	4.5	10.6	5.2
Montenegro	13.0	8.8	2.5	7.6	3.5
Albania	6.7	5.3	3.5	4.4	3.0
Moldova	28.8	13.6	6.1	12.2	5.9

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.0	4.2	4.1
Rom ania	5.6	5.8	5.5	5.6	5.5
Bulgaria	4.3	4.9	4.6	4.6	4.7
Russia	3.9	4.0	4.0	4.3	4.5
Ukraine	35.0	27.6	16.2	22.4	20.2
Slovenia	4.8	4.4	4.3	4.3	4.3
Croatia	7.0	7.0	6.8	6.7	6.5
Serbia	9.4	10.0	9.5	9.7	9.4
Montenegro	15.0	16.3	16.0	15.6	14.9
Albania	10.3	9.8	9.7	10.5	10.3
Moldova	3.5	3.8	3.5	3.6	3.4

Source: Focus Economics, OTP Research Center

**Gergely Tardos**

Chief Economist  
[tardosg@otpbank.hu](mailto:tardosg@otpbank.hu)

**Mihály András  
Kovács**

Analyst  
[Mihaly.Andras.Kovacs@otpbank.hu](mailto:Mihaly.Andras.Kovacs@otpbank.hu)

**Máté Serdült**

Analyst  
[Mate.Serdult@otpbank.hu](mailto:Mate.Serdult@otpbank.hu)

**Orsolya Rátkai**

Analyst  
[Orsolya.Ratkai@otpbank.hu](mailto:Orsolya.Ratkai@otpbank.hu)

**Beáta Váradi**

Analyst  
[Beata.Varadi@otpbank.hu](mailto:Beata.Varadi@otpbank.hu)

## Global Markets Team

### Individual Investment Sales Desk

**Zsigmond Csillag**

Head of Department  
+36 1 288 7556  
[zsigmond.csillag@otpbank.hu](mailto:zsigmond.csillag@otpbank.hu)

**Csaba  
Szemán**

Deputy Head of  
Department  
+36 1 288 7554  
[Csaba.Szeman@otpbank.hu](mailto:Csaba.Szeman@otpbank.hu)

**Pál András  
Saághy**

+36 1 288 7553  
[Pal.Andras.Saaghy@otpbank.hu](mailto:Pal.Andras.Saaghy@otpbank.hu)

**Botond Varga**

+36 1 288 7552  
[Botond.Varga@otpbank.hu](mailto:Botond.Varga@otpbank.hu)

**Tamás Szabó**

+36 1 288 7512  
[Tamas.Szabo.1@otpbank.hu](mailto:Tamas.Szabo.1@otpbank.hu)

**Frigyes Soós**

+36 1 288 7571  
[SoosF@otpbank.hu](mailto:SoosF@otpbank.hu)

**Ottó Izbéki**

+36 1 288 7521  
[otto.izbeki@otpbank.hu](mailto:otto.izbeki@otpbank.hu)

**Sándor Andrási**

+36 1 288 7559  
[Sandor.Andrasi@otpbank.hu](mailto:Sandor.Andrasi@otpbank.hu)

**Bálint Torda**

+36 1 288 7562  
[Balint.Torda@otpbank.hu](mailto:Balint.Torda@otpbank.hu)

**Balázs Péntek**

+36 1 288 7577  
[balazs.pentek@otpbank.hu](mailto:balazs.pentek@otpbank.hu)

**Institutional Sales Desk**

**Attila Preisz**

Head of Department

+36 1 288 7526

[Attila.Preiszi@otpbank.  
hu](mailto:Attila.Preiszi@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](mailto:Peter.Nagy.4@otpbank.hu)

**Markets Corporate Sales Desk**

**János Imrei**

Head of Department

+36 1 288 7544

[Janos.Imrei@otpbank.hu](mailto:Janos.Imrei@otpbank.hu)

**Orsolya Edit Kovács-  
Gyimóti**

Deputy Head of

Department

+36 1 288 7542

[KovacsGyE@otpbank.hu](mailto: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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