OTP Weekly Outlook

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Next week's spotlight:

- March job report from the USA
- Producer prices and German industrial data from the euro area
- Banking sector news could still be market mover

This week:

- Euro area inflation edged down slightly more than expected, but the core rate moved further up
- US core PCE came out a touch below the consensus
- Market jitters calmed down this week as regulators and market players seem to be committed to restore confidence in the bank sectors in Europe and overseas
- As bank crisis fears eased, and interest rate hike expectations strengthened, equity prices and bond yields edged steadily higher
- The euro and the British pound keep on gaining vs. the US dollar, while the yen weakened as risk-off sentiment fades away
- Crude oil prices climbed considerably higher, the TTF natural gas prices jumped 15% after two straight weeks of declines

Next week's spotlight: March job report from the USA; Producer prices and German industrial data from the euro area

Date*		Cd.	Event/Data	Period	Cons.	Prev.
2023. 4. 3.	3:45	CN	Caixin Manufacturing PMI (points)	Mar	51.7	51.6
	16:00	US	Construction spending (MoM, %)	Feb	-0.1	-0.1
	16:00	US	ISM Manufacturing PMI (points)	Mar	47.1	47.7
4.	8:00	DE	Export (MoM, SA, %)	Feb	1.4	2.1
	11:00	EZ	Producer Prices (MoM, %)		-0.3	-2.8
	11:00	EZ	Producer Prices (YoY, %)	Feb	13.5	15.0
	16:00	US	Factory orders (MoM, %)	Feb	-0.3	-1.6
	16:00	US	Job Openings (million)	Feb		10.8
5.	8:00	DE	Industrial orders (MoM, %)	Feb	0.4	1.0
	8:45	FR	Industrial production (MoM, %)	Feb	0.6	-1.9
	14:15	US	ADP non-farm employment (MoM, '000s)	Mar	200	242
	16:00	US	ISM non-Manufacturing PMI (points)	Mar	54.5	55.1
6.	3:45	CN	Caixin Services PMI	Mar		55.0
	8:00	DE	Industrial production (MoM, %)	Feb	0.1	3.5
	14:30	US	Initial jobless claims ('000s)	weekly		198
	14:30	US	Continuing jobless claims ('000s)	weekly		1689
7.	14:30	US	Non-farm payroll (MoM, '000s)	Mar	240	311
	14:30	US	Unemployment rate (%)	Mar	3.6	3.6
	14:30	US	Average earnings (MoM, %)	Mar	0.3	0.2
	14:30	US	Average earnings (YoY, %)	Mar	4.3	4.6

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

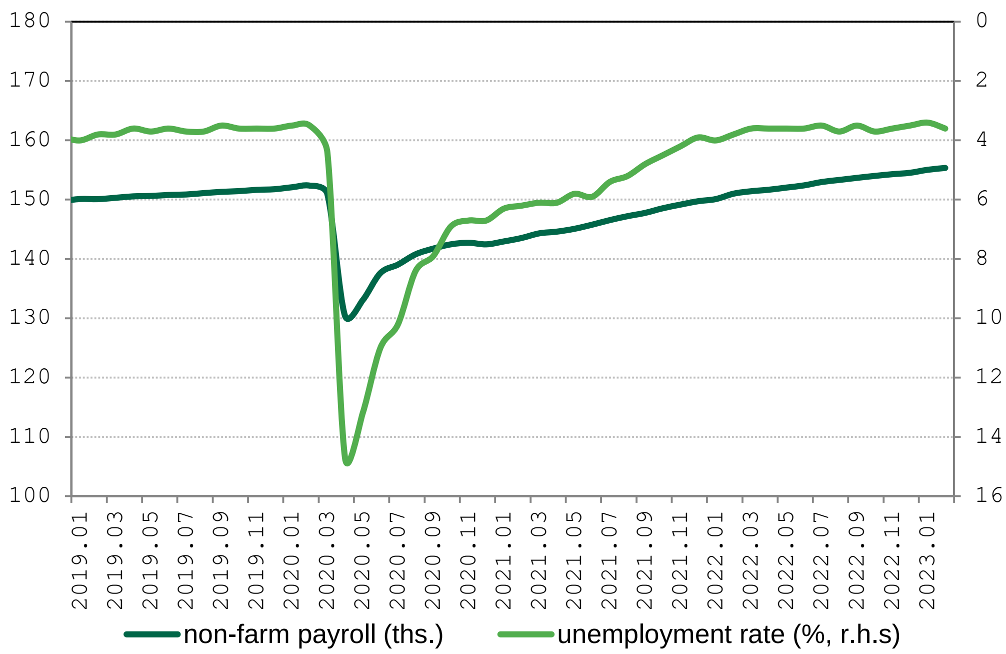
US: March job report will be in the spotlight

Date		Cd.	Event/Data	Period	Cons.	Prev.
2023.04.03	16:00	US	Construction spending (MoM, %)	Feb	-0.1	-0.1
	16:00	US	ISM Manufacturing PMI (points)	Mar	47.5	47.7
04.	16:00	US	Factory orders (MoM, %)	Feb	-0.3	-1.6
	16:00	US	Job Openings (million)	Feb		10.824
05.	14:15	US	ADP non-farm employment (MoM, '000s)	Mar	200	242
	16:00	US	ISM non-Manufacturing PMI (points)	Mar	54.5	55.1
07.	14:30	US	Non-farm payroll (MoM, '000s)	Mar	240	311
	14:30	US	Unemployment rate (%)	Mar	3.6	3.6
	14:30	US	Average earnings (MoM, %)	Mar	0.3	0.2
	14:30	US	Average earnings (YoY, %)	Mar	4.3	4.6

Key highlights

- **Walk the talk:** The turmoil in the financial markets has left investors uncertain about the future of the Fed's monetary policy, but the cycle of interest rate hikes continued in March and the prospect of further tightening is not off the table, while the USA continues to implement decisions to bail out troubled banks.
- February's **job report** showed a mixed picture, as employment expanded strongly, but rising activity pushed up the unemployment rate, while wage dynamics slowed. NFP expansion is expected to have fallen below 300,000, while the unemployment rate is expected to stagnate **in March**. The market has also been waiting for months for the **number of job openings** to fall below 10 million, and now we will see whether the expected decline started **in February**. These data would confirm the easing of tight labour market conditions, which is critical for inflation to return to target soon..

Labour market data



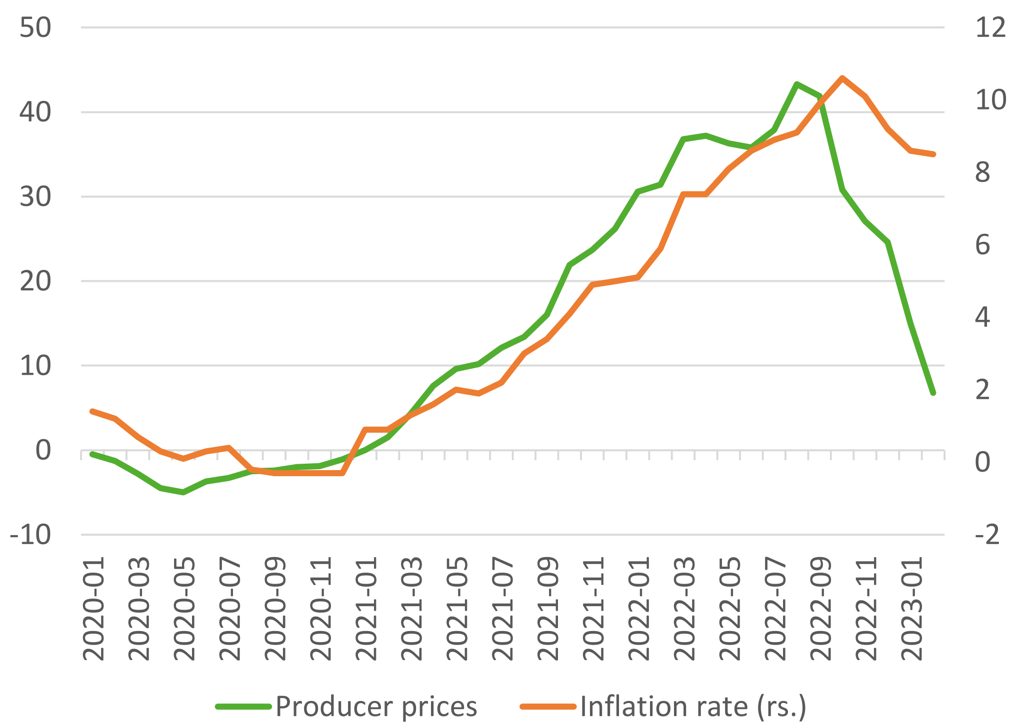
In the spotlight in the euro area: Producer prices and German industrial data from the euro area

Date			Cd.	Event/Data	Period	Cons.	Prev.
2023 4.	4.	8:00	DE	Export (MoM, SA, %)	Feb	1.4	2.1
		11:00	EZ	Producer Prices (MoM, %)	Feb	-0.3	-2.8
		11:00	EZ	Producer Prices (YoY, %)	Feb	13.5	15.0
	5.	8:00	DE	Industrial orders (MoM, %)	Feb	0.4	1.0
		8:45	FR	Industrial production (MoM, %)	Feb	0.6	-1.9
	6.	8:00	DE	Industrial production (MoM, %)	Feb	0.1	3.5

Key highlights

- Euro area **producer prices** have been nose-diving since last September, when the peak was at **41.9%** YoY growth. The sharp 2.8% MoM fall in January was driven by the almost 50% slump in natural gas and electricity prices, which slowed the YoY index to 15%. In February, gas prices fell by about 16%, which, together with lower electricity prices likely drove a further fall. A lower-than-expected print would help investors become slightly more relaxed on the inflation outlook.
- **German industrial data** in January turned out well above the consensus (production 3.5% vs 1%; orders: 1.0% vs -0.9%). Although the upward surprise for the whole area (also having known the German data) was smaller, this was already a good omen that the area may avoid recession in Q1. However, in this respect the February data could turn out also crucial.

Producer and consumer prices in the euro area (YoY, %)



This week's data: Euro area inflation edged down slightly more than expected, but the core rate moved further up; US core PCE came out a touch below the consensus

Date*		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2023. 3. 27.	10:00	DE	IFO Economic sentiment index (points)	Mar	93.3	91.0	91.1
	16:00	EZ	Discussion with I.Schnabel ECB Gov.C.member (Columbia Uni.)	-	-	-	-
28.	15:00	US	Case-Shiller Home Price Index (YoY, %)	Jan	2.5	2.5	4.6
	16:00	US	Consumer confidence (point)	Mar	104.2	101.0	102.9
29.	16:00	US	Pending home sales (MoM, %)	Feb	0.8	-2.3	8.1
	18:00	US	FDI és Fed decision makers testimony on SVB	-	-	-	-
30.	11:00	EZ	EC Economic Sentiment Index (points)	Mar	99.3	99.8	99.6
	14:00	DE	CPI (preliminary, YoY, %)	Mar	7.4	7.3	8.7
31.	3:30	CN	NBS Manufacturing PMI (points)	Mar	51.9	51.5	52.6
	3:30	CN	NBS Non-manufacturing PMI (points)	Mar	58.2		56.3
	8:00	DE	Retail sales (MoM, %)	Feb		0.5	-0.3
	11:00	EZ	CPI (flash, YoY, %)	Mar	6.9	7.1	8.5
	11:00	EZ	Core CPI (flash, YoY, %)	Mar	5.7	5.7	5.6
	11:00	EZ	Unemployment rate (%)	Feb	6.6	6.7	6.6
	14:30	US	Personal income (MoM, %)	Feb	0.3	0.2	0.6
	14:30	US	Personal consumption (adjusted, MoM, %)	Feb	0.2	0.3	2.0
	14:30	US	Household core PCE index (MoM, %)	Feb	0.3	0.4	0.5
	16:00	EZ	C.Lagarde speech (Osservatorio Permanente Giovani-Editori)	-		-	-
	20:05	US	Discussion with J.Williams, Fed (Housatonic CC)	-	-	-	-

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

Key highlights

- The decline in headline **inflation** in the **euro-zone** from 8.5% in February to 6.9% in March was below the consensus forecast (7.1%). The fall was entirely due to a drop in energy inflation from 13.7% to -0.9%. In turn, that was due to base effects – this month marked the anniversary of the jump in oil and gas prices – lower gas prices and the introduction of Germany's energy price brake. By contrast, food, alcohol and tobacco inflation rose again, to 15.4% (from 15.0%). Most notably, the core inflation rate edged up from 5.6% to 5.7%, although this was in line with expectations. The data per se is not likely to change the ECB's view of the need for more rate hikes.
- **US core PCE** came out a touch weaker than the consensus with 0.3% MoM growth, after the 0.5% in January (trimmed from 0.6%). This implied a slowdown in the core PCE inflation rate to 4.6% after the 4.7% in January

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Bank crisis fears eased, and interest rate hike expectations strengthened, sending equity prices and bond yields steadily higher this week. The euro and the British pound keep on gaining vs. the US dollar, while the yen weakened as risk-off sentiment fades away. Crude oil prices climbed considerably higher, the TTF natural gas prices jumped 15% after two straight weeks of declines.

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	4068	2.5	6.0	US 2 year	4.10	32.9	-33.0	Dollar index	102.307	-0.8	-1.2	Brent	79.7	6.3	-7.2
Nasdaq Comp.	12073	2.1	15.4	US 10 year	3.52	14.0	-35.8	EURUSD	1.0892	1.2	1.7	WTI	75.3	8.7	-6.2
Dow Jones	33022	2.4	-0.4	DE 2 year	2.71	33.2	-2.6	USDJPY	133.02	1.7	-1.4	NatGas (TTF, front-month)*	47.0	14.5	-36.5
Russel2000	1786	2.9	1.4	DE 10 Year	2.32	20.0	-24.0	GBPUSD	1.2388	1.3	2.5	Gold	1979.8	0.1	8.5
Stoxx 600	458	4.1	7.8	FR 10 year	2.83	17.7	-27.5	AUDUSD	0.6707	0.9	-1.6	Silver	24.0	3.5	0.4
DAX	15627	4.5	12.2	SP 10 year	3.34	15.9	-30.8	USDCAD	1.3534	1.6	0.1	Palladium	1466.3	3.1	-18.2
CAC40	7320	4.4	13.1	IT 10 year	4.14	13.8	-55.5	USDCHF	0.913	0.7	1.3	Copper	408.7	-0.4	7.3
FTSE100	7642	3.2	2.6	UK 10 year	3.51	23.1	-15.5	NZDUSD	0.6266	1.0	-1.3	Steel	1165.0	10.3	56.6
FTSE MIB	27125	4.8	14.4	CH 10 year	1.18	8.7	-40.1	CNHUSD	6.8686	0.0	0.8	Wheat	687.8	-0.1	-13.2
Nikkei225	28041	2.4	7.5	JP 10 year	0.33	4.8	-8.5	USDTRY	19.1861	-0.6	-2.5	Corn	649.5	1.0	-4.3
CSI300	4050.9	0.6	4.6	CN 10 year	2.85	-1.2	1.9	USDBRL	5.0928	3.0	3.7	Electricity (APX)*	75.7	222.2	317.3

Source: Bloomberg

*In EUR/MWh

Key highlights: Market jitters calmed down this week as regulators and market players seem to be committed to restore confidence in the bank sectors in Europe and overseas. Bank crisis fears eased and interest rate hike expectations strengthened, sending equity prices and bond yields steadily higher. The euro and the British pound keep on gaining vs. the US dollar, while the yen weakened as risk-off sentiment fades away. Crude oil prices climbed considerably higher, the TTF natural gas prices jumped 15% after two straight weeks of declines.

- Markets calmed down this week after the turbulences that hit them in the past few weeks. Stock indices and bond yields slowly edged higher after bank crisis fears eased and interest rate hike expectations strengthened somewhat. Regulators and market players made special efforts to restore confidence in the banking sector: **in the US**, the Biden administration urged banking authorities to tighten regulation of mid-sized banks, which it said could be pushed through without support from the Congress, and First Republic Bank is expected to get more support from regulators to resolve its balance sheet imbalances. The First Citizens Bank applied to take over SVB's loans and deposits, while **in Europe**, investors cheered on word of the return of former UBS CEO Sergio Ermotti. Though 10Y yields in the US and Germany are much lower than at the beginning of March, they steadily crept up during the week. **10Y Treasury yields** rose 14 bps to over 3.5% and 10Y Bund yield soared 20bps to 2.32%. Fridays' lower than expected inflation data from the euro area and the US pushed LT yields lower putting a break on this week's yield rise. Benchmark 10Y yields in the eurozone peripheric countries rose 13-18bps, while in the UK, yields rose 23bps in one week.
- **In the currency market**, with interest rate hike expectations increasing more in Europe, the euro and the British pound gained momentum vs. the US dollar. The EUR/USD climbed near 1.09 (1.2% w/w) and the GBP/USD soared well above 1.24. (1.3% w/w). As risk-off sentiment faded, the Japanese yen weakened, the USD/JPY rose to 133 (+1.7% w/w).
- **Equities** in the US and Western Europe have been steadily edging higher this week as fears around stability in the banking sector continue to ease. On the other hand, interest rate hike expectations also strengthened, which limited gains in the rate-sensitive sectors, like technology. **Major European stock indices** are on track for 3-5% weekly gains, with the FTSE100 adding 3.2%, the Stoxx600 Europe climbing 4.1%, and the DAX and the CAC40 jumping well over 4% in one week. Banks-heavy FTSE/MIB gained almost 5% w/w. **In the US**, the Dow and the S&P are in for far more than 2% weekly gains, and the Nasdaq Composite is only slightly behind them. In terms of sector performances, all S&P sector seem to close in the green as sentiment considerably improved after the past week's market jitters. In the US, energy, consumer discretionary and real estate ganed the most, but consumer staples, healthcare and telco underperformed. **In Europe**, the retail, the travel & leisure sector, oil & gas and banks benefited the most from improving market sentiment as the stock markets seems to calm down after Deutsche Bank's plunge last week, and as H&M released better-than-expected quarterly results.
- **Crude oil prices** edged considerably higher this week as bank sector fears and global growth concerns eased, sending energy prices higher, though raw material prices were mixed. **The TTF natural gas** prices jumped to 47 EUR/MWh, or 15% w/w following two weeks of declines.

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Stock market and sector performance

Performance of US sectors

Sector	Last price	1 week change (%)	YTD (%)
S&P500	4068	2.5	6.0
IT	2605	2.1	19.9
Health care	1503	1.3	-5.2
Financials	530	2.7	-7.0
Telco	189	0.0	18.5
Consumer discretionary	1146	4.0	14.0
Industrials	850	3.6	2.3
Consumer staples	779	2.3	0.0
Utilities	342	2.5	-4.5
Energy	631	5.5	-6.2
Real estate	232	3.9	-0.2
Materials	502	3.6	2.5

Key US Tech companies

Company	Last price	1 week change (%)	YTD (%)
Alphabet	101	-3.8	15.0
Amazon	103	4.7	22.4
Apple	163	1.5	25.2
Meta	209	1.7	74.0
Microsoft	284	1.2	18.4
Tesla	199	4.3	61.2

Source: Bloomberg

Performance of Europe's sectors

Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	458	4.1	7.8
Health care	1032	3.5	3.5
Industrial goods & services	714	4.7	12.2
Banks	146	5.1	3.9
Personal & households goods	1097	3.2	14.3
Insurance	322	4.0	1.0
Food and beverages	797	1.7	6.9
Technology	695	4.4	20.3
Utilities	385	4.9	6.9
Oil & gas	337	5.1	-2.1
Chemicals	1219	3.9	6.8
Construction & materials	587	4.8	15.1
Telco	217	3.2	14.4
Retail	365	6.9	21.6
Financial services	600	5.0	6.4
Basic resources	595	4.5	-5.1
Real estate	111	4.8	-5.1
Auto & parts	617	3.7	17.0
Media	367	3.2	12.4
Travel & leisure	237	5.5	19.8

Source: Bloomberg

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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 (%) 1264075	Change in EPS growth in the last 3 month (%)
Europe	SXXP Index	458	-0.7	7.8	18.1	0.5	13.7	1.9	1.3	11.9	1.1	157.5	-0.1	0.4
Germany	DAX Index	15627	1.7	12.2	29.0	8.4	12.3	1.6	0.9	10.8	1.2	114.0	6.8	3.7
France	CAC Index	7320	0.7	13.1	27.0	9.9	12.0	1.9	1.2	11.9	1.1	179.4	-2.2	-5.3
Poland	WIG20 Index	1762	-4.6	-1.7	27.9	-17.4	6.9	1.0	0.7	15.5		57.2	23.0	-19.6
Czechia	PX Index	1348	-4.6	12.2	20.0	-1.4	7.4	1.2	0.9	16.7		174.5	0.7	-12.6
Hungary	BUX Index	42430	-5.2	-3.1	12.1	-5.1	4.9	0.8	0.5	15.7		51.9	257.3	-18.8
Romania	BET Index	12099	-1.7	3.7	13.7	-4.8	4.5	1.1	0.8	23.8		60.4	25.9	-56.7
Bulgaria	SOFIX Index	611	-2.9	1.5	4.0	-2.5	6.2	0.7	0.4	12.6		50.2		
Russia	IMOEX Index	2438	8.2	13.2	24.5	-9.8	3.2	0.6	0.5	16.5	1.3	67.7	-20.0	-9.6
Ukraine	PFTS Index	507	0.0	-2.3	-2.3	-2.3								
Slovenia	SBITOP Index	1199	0.6	14.7	24.7	-0.5	8.5	0.9	0.4	12.8		38.3		
Croatia	CRO Index	2230	0.1	12.7	17.0	6.3	665.0	59.0	49.2	10.1	1.6	32.7		-100.0
Serbia	BELEX15 Index	891	1.7	8.1	7.7	6.0	455.2	63.5	44.5	13.9	1.8	17.0	0.2	-11.5
Montenegro	MNSE10 Index	1033	0.0	2.3	27.9	32.6	12.9	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	1.15
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	1.01	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 (eop)	400	395	394	393	394				
Romania	EURRON (eop)	4.95	4.96	5.01	5.03	5.01	5.1	5.11	5.12	5.00
Russia	USDRUB (eop)	73.0	69.5	71.9	74.2	76.6	77.8	77.2	78.7	80.1
Ukraine	USDUAH (eop)	36.9	38.7	39.4	41.5	42.5	44.2	44.5	43.1	43.2
Serbia	EURRSD (eop)	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
Romania	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	1.2	-2.2	1.1
Ukraine	-28.6	2.6	7.3	2.5	7.5
Slovenia	5.4	1.1	2.6	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
Romania	-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
Romania	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
Romania	5.6	5.8	5.5	5.6	5.5
Bulgaria	4.3	4.9	4.6	4.6	4.7
Russia	3.9	3.7	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

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