

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- March US inflation
- February business cycle data from the euro area
- Banking sector news could still move markets

This week:

- This week's US data point to recession, but Friday's job report is still to come
- Euro area activity seems more resilient
- Increasing recession fears in the US made stock markets slide, but so far 5 days stand mostly in plus. However, Friday's job report could be a game changer
- In Europe Thursday brought some positive correction bringing the 5 days performance to moderates pluses
- Yields fell sharply, now the market prices the current Fed Funds Rate as the peak
- The EURUSD returned to the 1.089 level
- Oil prices could gain momentum on sharp OPEC+ production cut

Next week's spotlight: March US inflation and FOMC minutes; February business cycle data and ECB minutes from the euro area

Date*		Cd.	Event/Data	Period	Cons.	Prev.
2023 4. 10.	10 :30	EZ	Sentix Investor confidence (points)	Apr	-9.8	-11.1
11.	11 :00	EZ	Retail sales M oM ,%)	Feb	-0.8	0.3
12.	14 :30	US	core-CPI M oM ,SA,%)	Mar	0.4	0.5
	14 :30	US	core-CPI YoY,%)	Mar	5.6	5.5
	14 :30	US	CPI YoY,%)	Mar	5.3	6.0
	14 :30	US	CPI M oM ,SA,%)	Mar	0.3	0.4
	20 :00	US	Federal budget balance (USD bn)	Mar		-262
	20 :00	US	FOMC Minutes	Mar	-	-
13.	5 :00	CN	Export YoY,%)	Mar		-6.8
	11 :00	EZ	Industrial production M oM ,%)	Feb	1.0	0.7
	13 :30	EZ	ECB Minutes	Mar	-	-
	14 :30	US	Initial jobless claims (000s)	weekly		228
	14 :30	US	Continuing jobless claims (000s)	weekly		1823
	14 :30	US	Producer Prices YoY,%)	Mar		4.6
	14 :30	US	Producer Prices M oM ,%)	Mar	0.0	-0.1
14.	14 :30	US	Retail sales M oM ,%)	Mar		-0.4
	15 :15	US	Industrial production M oM ,%)	Mar	0.0	0.0
	16 :00	US	Business inventories M oM ,%)	Feb		-0.1
	16 :00	US	Michigan Consumer confidence (preliminary, points)	Apr		62.0

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

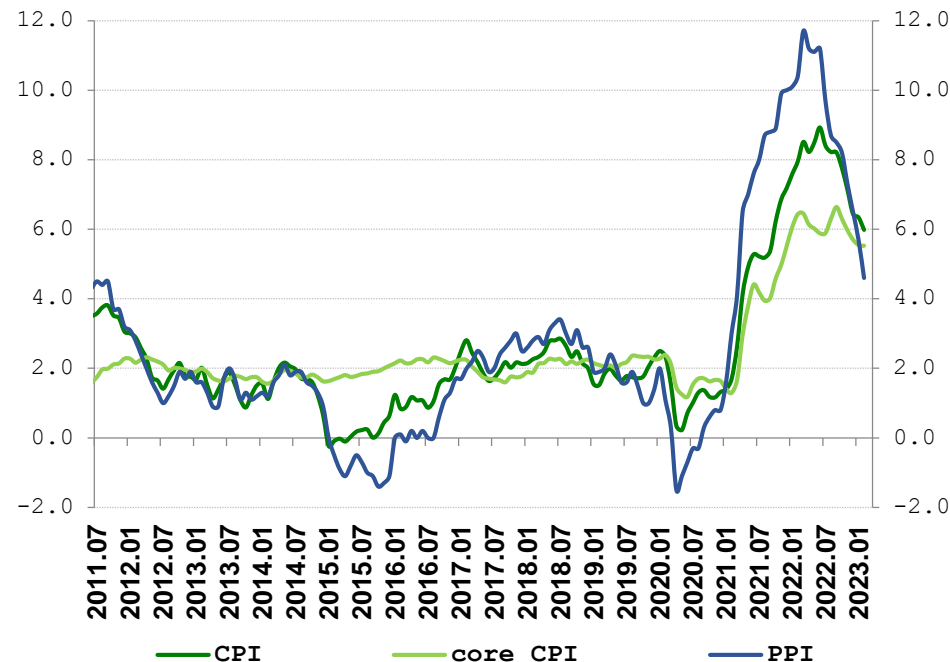
US: March price indices will be in the spotlight

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2023.04.12	14:30	US	core-CPI (MoM, SA, %)	Mar	0.4	0.5
	14:30	US	core-CPI (YoY, %)	Mar	5.6	5.5
	14:30	US	CPI (YoY, %)	Mar	5.3	6.0
	14:30	US	CPI (MoM, SA, %)	Mar	0.3	0.4
	20:00	US	Federal budget balance (USD bn)	Mar		-262
	20:00	US	FOMC Minutes	Mar	-	-
13.	14:30	US	Producer Prices (YoY, %)	Mar		4.6
	14:30	US	Producer Prices (MoM, %)	Mar	0.0	-0.1
14.	14:30	US	Retail sales (MoM, %)	Mar		-0.4
	15:15	US	Industrial production (MoM, %)	Mar	0.0	0.0

Key highlights

- We expect a significant decline in headline **inflation in March** YoY, due to base effects, as in March 2022, the monthly dynamics was 1%, which is hard to imagine at the current data. Regarding CPI breakdowns, attention should continue to be paid on food prices and shelter costs, which are constantly rising and weigh heavily on CPI. In general, core inflation could be more interesting than the headline figure, where the expected 0.4% MoM would imply an increasing YoY rate (from 5.5 to 5.6%).
- We also expect a slowdown in **producer prices in March**, which will help ease cost-side pressure on CPI.
- After the number of job openings fell below 10 million in February, the market immediately priced out the 25 bps hike expected at the May interest rate decision, which could be reinforced by an expected fall in inflation.
- **March business cycle indicators** may help to draw up Q1 GDP expectations.

Consumer & Producer price indices



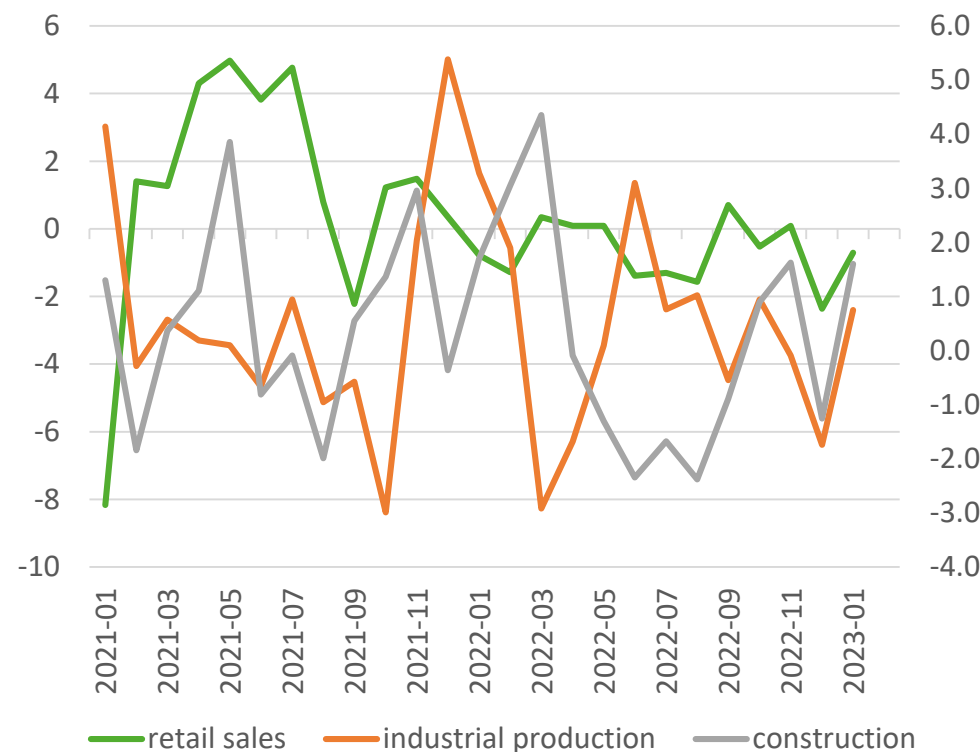
In the spotlight in the euro area: February real economy data, ECB minutes

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023 4. 10. 10 :30	EZ	Sentix Investor confidence (points)	Apr	-9.8	-11.1
11. 11 :00	EZ	Retail sales MoM (%)	Feb		0.3
13. 11 :00	EZ	Industrial production MoM (%)	Feb	1.0	0.7
13 :30	EZ	ECB Minutes	Mar	-	-

Key highlights

- By January, the euro area economy started to recover, as after the sharp MoM falls in December, all key monthly indicators (industry, retail sales, construction) have expanded. The key question is whether this tendency could have continued in February. If so, the euro area may have avoided a fall in Q1 GDP. Therefore, **industrial production** and **retail sales** data are worth following next week.
- The first confidence index (**Sentix**) for April will be also released. Here the issue is whether the banking sector's woes have started to appear in the sentiment.
- Last, but not least, the **ECB minutes** will shed light on the Governing Council (GC) member's discussion from the March meeting. It could reveal to what extent GC members were concerned about Europe's banking sector, and how they combine their view on monetary policy and financial stability.

Key monthly real economy indicators in the euro area (3-month changes, %)



This week's data so far: US data point to recession, but Friday's job report is still to come; euro area activity seems more resilient

Date*		Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2023 4. 3.	3 :45	CN	Caixin M anufacturing PM I (points)	Mar	50.0	51.7	51.6
	16 :00	US	Construction spending M oM ,%)	Feb	-0.1	0.0	0.4
	16 :00	US	ISM M anufacturing PM I (points)	Mar	46.3	47.5	47.7
4.	8 :00	DE	Export M oM ,SA,%)	Feb	4.0	1.4	2.5
	11 :00	EZ	Producer Prices M oM ,%)	Feb	-0.5	-0.3	-2.8
	11 :00	EZ	Producer Prices (YoY,%)	Feb	13.2	13.5	15.0
	16 :00	US	Factory orders M oM ,%)	Feb	-0.7	-0.5	-2.1
	16 :00	US	Job Openings (n illion)	Feb	9.9	10.4	10.6
5.	8 :00	DE	Industrial orders M oM ,%)	Feb	4.8	0.3	0.5
	8 :45	FR	Industrial production M oM ,%)	Feb	1.2	0.5	-1.4
	14 :15	US	ADP non-farm employment M oM ,000s)	Mar	145	200	261
	16 :00	US	ISM non-M anufacturing PM I (points)	Mar	51.2	54.5	55.1
6.	3 :45	CN	Caixin Services PM I	Mar	57.8		55.0
	8 :00	DE	Industrial production M oM ,%)	Feb	2.0	0.1	3.7
	14 :30	US	Initial jobless claims (000s)	weekly	228	200	246
	14 :30	US	Continuing jobless claims (000s)	weekly	1823	1699	1817
7.	14 :30	US	Non-farm payroll M oM ,000s)	Mar		240	311
	14 :30	US	Unemployment rate (%)	Mar		3.6	3.6
	14 :30	US	Average earnings M oM ,%)	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.

Key highlights

- Incoming **US** data up to Thursday pointed to gradual weakening of activity. On the one hand, both **ISM Surveys** for March came out below the consensus, the 46.3 print for manufacturing is consistent with recession periods. Although the service component remained below the 50 mark, it was more than 3 points below the consensus. Additionally, **factory orders** for February fell more than expected, while **job openings** stood at 21-month low, while ADP employment was also weaker than foreseen. Nevertheless, Friday's job report will be crucial.
- This week's data for the **eurozone** showed a different picture: **Germany's exports, industrial orders and production** all rebounded, **French industry figures** were also relatively strong, suggesting a good chance that Europe will avoid a recession in Q1, even the final PMIs were revised upwards slightly compared to the preliminary release. To continue the good news, February **producer prices** fell more than foreseen.

Increasing recession fears in the US made stock markets slide, but so far 5 days stand mostly in plus. However, Friday's job report could be a game changer. In Europe, Thursday brought some positive correction bringing the 5 days performance to moderate pluses. Yields fell sharply, The EURUSD returned to the 1.089 level. Oil prices could gain momentum on sharp OPEC+ production cut.

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	4072	0.5	6.1	US 2 year	3.79	-33.2	-63.8	Dollar index	102.074	-0.1	-1.4	Brent	84.8	7.0	-1.2
Nasdaq Comp.	11944	-0.6	14.1	US 10 year	3.29	-25.7	-58.3	EURUSD	1.0896	-0.1	1.8	WTI	80.4	8.1	0.2
Dow Jones	33371	1.6	0.7	DE 2 year	2.54	-19.7	-19.9	USDJPY	131.79	0.7	-0.5	NatGas (TTF, front-month)	43.1	-8.4	-41.8
Russel2000	1747	-1.2	-0.8	DE 10 Year	2.17	-20.0	-39.5	GBPUSD	1.2421	0.3	2.8	Gold	2003.9	12	9.9
Stoxx 600	458	0.8	7.9	FR 10 year	2.68	-19.7	-42.4	AUDUSD	0.6658	-0.8	-2.3	Silver	24.6	3.1	2.8
DAX	15549	0.2	11.7	SP 10 year	3.21	-19.4	-44.1	USDCAD	1.3495	0.2	0.4	Palladium	1428.5	-2.3	-20.3
CAC40	7319	0.8	13.1	IT 10 year	4.01	-22.0	-68.9	USDCHF	0.9058	0.8	2.1	Copper	398.0	-2.7	4.4
FTSE100	7729	1.4	3.7	UK 10 year	3.43	-9.2	-24.1	NZDUSD	0.6242	-0.4	-1.7	Steel	1170.0	0.4	57.3
FTSEMIB	27075	0.2	14.2	CH 10 year	1.07	-14.8	-50.6	CNHUSD	6.8847	-0.1	0.5	Wheat	683.3	-1.3	-13.7
Nikkei225	27473	-1.1	5.3	JP 10 year	0.46	14.7	4.7	USDTRY	19.2584	-0.4	-2.8	Com	646.0	-0.5	-4.8
CSI300	4096.6	2.3	5.8	CN 10 year	2.86	-0.1	2.5	USDBRL	5.0765	0.4	4.0	Electricity (APX)*	126.4	39.4	597.0

Source: Bloomberg

*In EUR/MWh

Key highlights: Increasing recession fears in the US made stock markets slide, but so far 5 days stand mostly in plus. However, Friday's job report could be a game changer. In Europe, Thursday brought some positive correction bringing the 5 days performance to moderate pluses. Yields fell sharply, The EURUSD returned to the 1.089 level. Oil prices could gain momentum on sharp OPEC+ production cut.

- This week's stock market movements so far have been about macro data. Although the week started on a positive note, incoming indicators, starting with an anaemic ISM manufacturing PMI, and continuing with factory orders, job openings, ADP employment, and ISM services PMIs, were all weaker than foreseen, thus raised recession fears in the USA and put markets on a downward trajectory. Although incoming macro data for the euro area seemed more resilient, this did not let Europe decouple from US indices until Thursday. However today, while the larger than expected rise in weekly unemployment gave another kick to US markets, major European stock markets are all up. Interest rate expectations eased and yields fell, currently market things that the FOMC likely ended the rate hike cycle.
- On the **FX market**, with interest rate hike expectations easing more in the USA than in Europe, the euro initially gained momentum vs. the US dollar, however it reversed later. The EUR/USD seems to close the 5 days in a roughly flat position.
- Major **European stock indices** are on track for 0.5-1.5% weekly gains, with oil&gas and defensive sectors like utility, telco and health care posting the largest positive gains. The biggest decline occurred with construction, basic resources, and industrial goods. **In the USA**, the picture is more mixed at 14:00 GMT: Dow is in 1.6% plus, S&P stand at 0.5% in, while Nasdaq at -0.6% in 5 days comparison. In terms of sector performances, just like in Europe, the energy and defensive sectors performed the best, while industrials fell the most.
- **Crude oil prices** increased considerably this week again, driven by the significant cut announced by the OPEC+ group. The **TTF** natural gas prices fell back by 8%, to EUR 43, after an increase a week earlier.

Stock market and sector performance

Performance of US sectors

Sector	Last price	1week change (%)	YTD (%)
S&P500	4072	0.5	6.1
IT	2575	-1.0	18.5
Health care	1555	4.1	-1.9
Financials	530	0.1	-7.0
Telco	192	2.4	20.5
Consumer discretionary	1118	-1.4	11.2
Industrials	827	-2.1	-0.5
Consumer staples	783	1.2	0.5
Utilities	354	3.6	-1.3
Energy	661	4.8	-1.6
Realestate	231	0.6	-0.5
Materials	499	-0.2	1.9

Key US Tech companies

Company	Last price	1week change (%)	YTD (%)
Alphabet	105	3.9	18.8
Amazon	100	-1.6	19.5
Apple	162	-0.1	24.8
Meta	209	0.5	73.6
Microsoft	282	-0.6	17.8
Tesla	181	-7.2	47.2

Source: Bloomberg

Performance of Europe's sectors

Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	458	0.8	7.9
Health care	1061	3.6	6.4
Industrial goods & services	689	-2.7	8.3
Banks	148	0.9	5.3
Personal & household goods	1087	0.3	13.2
Insurance	329	2.5	3.1
Food and beverages	810	2.8	8.7
Technology	677	-2.3	17.2
Utilities	396	3.8	10.1
Oil & gas	348	3.5	1.1
Chemicals	1217	0.9	6.6
Construction & materials	560	-3.6	10.0
Telco	221	3.1	16.8
Retail	355	-1.0	18.4
Financial services	596	0.7	5.7
Basic resources	574	-3.0	-8.3
Realestate	112	0.8	-5.1
Auto & parts	600	-2.6	13.8
Media	363	-0.4	11.0
Travel & leisure	237	1.3	20.0

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 (%)
													1.264075	
Europe	SXXP Index	458	-1.2	3.2	15.7	0.5	13.8	1.9	1.3	11.9	1.1	156.3	-0.2	-0.9
Germany	DAX Index	15549	-0.7	6.4	24.7	9.9	12.3	1.6	0.9	10.8	1.2	113.0	8.8	-0.6
France	CAC Index	7319	-0.7	6.7	23.3	12.6	12.1	1.9	1.2	11.9	1.1	179.4	-5.5	-1.0
Poland	WIG20 Index	1756	-6.3	-5.4	23.9	-16.7	7.0	1.0	0.7	15.6		53.4	30.8	10.8
Czechia	PX Index	1382	-2.7	10.6	17.4	3.6	7.7	1.2	0.9	15.9		165.6	0.5	2.6
Hungary	BUX Index	44225	-0.3	-2.6	12.7	6.3	5.2	0.8	0.5	15.7		51.8	82.6	0.5
Romania	BET Index	12343	-1.1	1.7	12.8	-3.0	4.5	1.1	0.9	23.7		58.9	-146.0	-18.9
Bulgaria	SOFIX Index	611	-2.8	1.1	4.9	-2.5	6.2	0.7	0.4	12.6		50.2		
Russia	MOEX Index	2507	9.3	16.3	24.1	-4.0	2.2	0.4	0.6	17.4	1.3	62.9	-23.6	-5.1
Ukraine	PFTS Index	507	0.0	-1.4	-2.3	-2.3								
Slovenia	SBITOP Index	1211	0.8	13.4	22.9	0.5	8.6	0.9	0.3	12.8		37.9		
Croatia	CRO Index	2252	-0.7	12.2	16.7	6.5	658.7	59.4	49.5	10.0	1.6	38.6		0.0
Serbia	BELEX15 Index	886	-0.6	7.4	6.9	5.7	435.6	60.8	42.6	13.9	1.8	17.0	12.2	1133.4
Montenegro	MNSE10 Index	1042	1.2	3.3	26.9	32.2	15.0	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	0.89	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	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	380	386	389	393	396	398	397	398
Romania	EURRON (€op)	4.95	4.95	5	5.02	5.01	5.1	5.11	5.11	5.02
Russia	USDRUB (€op)	73.0	77.7	74.5	76.4	78.6	80	79.1	80.5	82.3
Ukraine	USDUAH (€op)	36.9	36.9	35.3	37.3	38.2	37.1	37.2	37.4	35.7
Serbia	EURRSD (€op)	117	117	117	117	117	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	3.0
Rom ania	4.8	2.8	3.5	2.4	3.6
Bulgaria	3.4	1.5	2.6	1.4	2.6
Russia	-2.1	0.5	1.2	-1.8	1.0
Ukraine	-28.6	2.6	7.3	2.2	7.3
Slovenia	5.4	1.1	2.6	1.0	2.5
Croatia	6.3	1.6	3.2	1.2	2.6
Serbia	2.3	1.6	3.0	1.9	3.2
Montenegro	6.1	2.3	2.8	2.9	3.1
Albania	4.2	2.9	3.7	2.4	3.7
Moldova	-5.9	1.6	6.1	1.8	4.2

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.6	-3.9	-4.7	-4.3	-3.6
Rom ania	-6.0	-5.0	-4.0	-4.9	-4.1
Bulgaria	-3.4	-3.4	-2.9	-3.3	-2.6
Russia	-2.3	-3.8	-2.8	-3.3	-2.2
Ukraine	-25.0	-15.0	-15.0	-18.7	-13.8
Slovenia	-2.3	-4.6	-2.9	-4.3	-2.7
Croatia	-1.0	-2.0	-1.5	-2.4	-2.0
Serbia	-3.3	-3.3	-3.3	-2.9	-2.2
Montenegro	-4.3	-5.1	-4.6	-4.8	-3.9
Albania	-2.2	-3.0	-3.0	-3.4	-2.4
Moldova	-5.0	-4.0	-3.5	-4.9	-3.9

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	19.0	5.5	18.2	5.5
Rom ania	13.7	10.3	4.9	10.3	5.2
Bulgaria	15.3	11.0	3.6	9.8	4.1
Russia	13.8	5.2	4.0	6.5	5.4
Ukraine	15.3	11.0	3.6	18.7	12.6
Slovenia	9.3	6.2	2.5	6.7	3.6
Croatia	10.7	8.6	3.9	7.2	3.2
Serbia	11.9	11.5	4.5	10.9	5.2
Montenegro	13.0	8.8	2.5	9.7	4.0
Albania	6.7	5.3	3.5	4.5	3.0
Moldova	28.8	13.6	6.1	12.5	5.9

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.0	4.2	4.0
Rom ania	5.6	5.8	5.5	5.6	5.5
Bulgaria	4.3	4.9	4.6	4.5	4.7
Russia	3.9	3.7	4.0	4.1	4.3
Ukraine	35.0	27.6	16.2	21.9	20.2
Slovenia	4.8	4.4	4.3	4.2	4.2
Croatia	7.0	7.0	6.8	6.8	6.6
Serbia	9.4	10.0	9.5	9.5	9.1
Montenegro	15.0	16.3	16.0	15.6	14.9
Albania	10.3	9.8	9.7	10.7	10.5
Moldova	3.5	3.8	3.5	3.7	3.6

Source: Focus Economics, OTP Research Center

Gergely Tardos

Chief Economist
tardosg@otpbank.hu

Mihály András Kovács

Analyst
Mihaly.Andras.Kovacs@otpbank.hu

Gergely Rezessy

Analyst
Gergely.Gabor.Rezessy@otpbank.hu

Orsolya Rátkay

Analyst
Orsolya.Ratkay@otpbank.hu

Beáta Váradi

Analyst
Beata.Varadi@otpbank.hu

OTP Bank Romania Global Markets Sales Team

Robert Kovacs

Head of Sales
+40 372 318 588
robert.kovacs@otpbank.ro

Anca Butuc

Desk Dealer
+40 372 318 587
anca.butuc@otpbank.ro

Anamaria Toma

Desk Dealer
+40 372 318 585
anamaria.toma@otpbank.ro

Corina Bejan

Desk Dealer
+40 372 318 583
corina.bejan@otpbank.ro

Teodor Tibuleac

Desk Dealer
+40 372 318 586
corina.bejan@otpbank.ro

Szilamer Kozma

Regional Dealer
+40 372 504 520
szilamer.kozma@otpbank.ro

Andrei Sala

Regional Dealer
+40 755 000 015
andrei.sala@otpbank.ro

Dan Giurea

Regional Dealer
+40 372 318 584
dan.giurea@otpbank.ro

Alexandru Sabin

Regional Dealer
+40 755 000 255
alexandru.sabin@otpbank.ro

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