

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- July indicators and ECB policy-makers' speeches from the euro area
- August PMI from the US

This week:

- US core PCE remained contained for the second month and the job market is gradually cooling
- Euro area inflation caused upside surprise, but the core rate declined as expected
- China PMIs brought mixed signals
- LT yields fell further as investors are expecting the FED and hoping that ECB central bankers may leave key rates unchanged at their next meeting
- The USD weakened: the EUR/USD climbed above 1.08
- Equity markets were supported by the expectations of a lower yield environment and positive global sentiment
- Oil prices jumped higher, underpinned by tightening supplies and expectations of further output cuts in leading OPEC+ countries
- TTF gas prices increased moderately after a relatively calm week

Next week's spotlight: July indicators and ECB policy maker speeches from the euro area; August PMI from the US

Date**		Cd.	Event/ Data	Period	Cons.	Prev.
2023 9. 4.	8 :00	DE	Export M oM ,SA,%)	Jul	-1.5	0.1
	10 :30	EZ	Sentix Investor confidence points)	Sept	-20.0	-18.9
	14 :00	EZ	L.Schnabel Gov.C.m em ber,panel discussion (EKB LegalConference)	-	-	-
	16 :00	EZ	P.Lane Gov.C.m em ber,panel discussion (ECB LegalConference)	-	-	-
		EZ	C.Lagarde speech (Distinguished Speakers Sem inar)	-	-	-
5.	3 :45	CN	Cixin Services PM I			54.1
	9 :00	EZ	C.Lagarde panel discussion (ECB LegalConference)	-	-	-
	11 :00	EZ	Producer Prices M oM ,%)	Jul	-0.6	-0.4
	11 :00	EZ	Producer Prices (YoY,%)	Jul	-7.6	-3.4
	16 :00	US	Factory orders M oM ,%)	Jul	-2.5	2.3
6.	8 :00	DE	Industrial orders M oM ,%)	Jul	-4.0	7
	11 :00	EZ	Retail sales M oM ,%)	Jul	-0.2	-0.3
	16 :00	US	ISM non-M anufacturing PM I (points)	Aug	52.5	52.7
	20 :00	US	Beige Book	Sept	-	-
7.	5 :00	CN	Export (YoY,%)	Aug		-14.5
	8 :00	DE	Industrial production M oM ,%)	Jul	-0.2	-1.5
	14 :30	US	Initial jobless claims (000s)	weekly	235	228
	14 :30	US	Continuing jobless claims (000s)	weekly		1725
	21 :30	US	J.W illiam s (Fed) discussion (Blom berg M arket Forum)	-	-	-
8.	8 :45	FR	Industrial production M oM ,%)	Jul	-0.2	-0.9
9.		IN	G20 m eeting (2 days)			

*Preliminary data

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

USA: August's non-Manufacturing PMI and June's factory orders data will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2023.09.05 16:00	US	Factory orders (MoM, %)	Jul	-2.5	2.3
06 16:00	US	ISM non-Manufacturing PMI (points)	Aug	52.5	52.7
20:00	US	Beige Book	Sept		-
07 14:30	US	Initial jobless claims (000s)	weekly		
14:30	US	Continuing jobless claims (000s)	weekly		
21:30	US	J.Williams (Fed) discussion Bloomberg Market			-

Key highlights

- The **factory orders** data was favourable in June, mainly driven by transportation equipment, in line with the strong performance of the motor vehicles and parts production within the manufacturing sector. Now the market expects a setback, following the strong MoM data, and there are questions over the outlook as the US economy slows.
- The **Institute for Supply Management** will publish their **services sector PMI** for August, which is expected to be practically flat compared to the previous month. The performance of the services sector is particularly important now because the manufacturing index has been in contractionary territory for many months, so the performance of the services sector could be the key driver of the growth.
- The Fed will publish its new **Beige Book**, which will give a region-by-region picture of the US economy.
- The Fed's monetary policy remains the leading issue on markets and as we saw it this week, a data that shows a weaker business cycle can bring a big move in interest rate expectations and yield curve, so next week without hard data could also bring market-moving news.

ISM indices & GDP



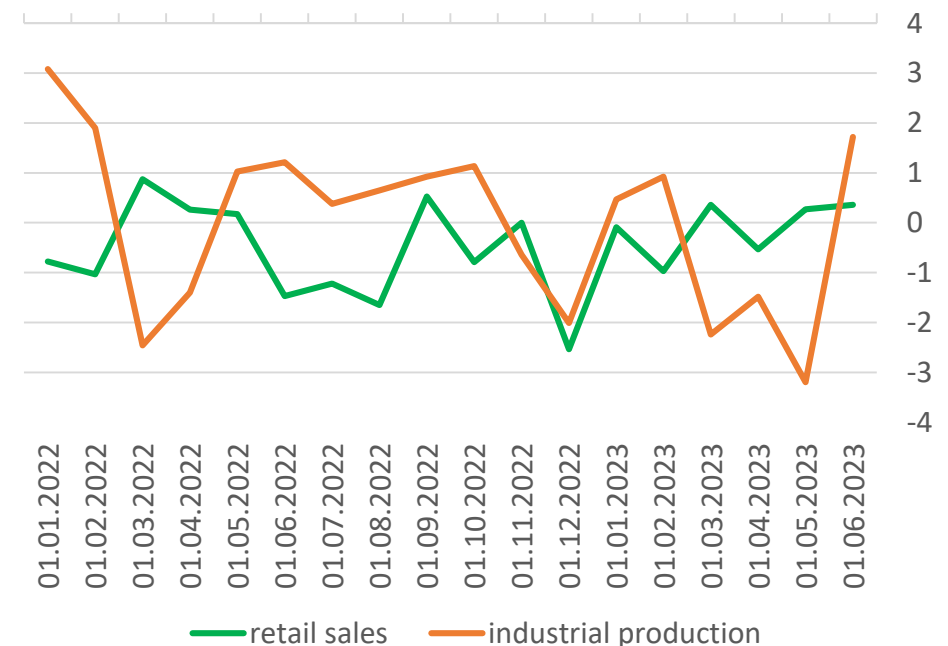
Euro area: August's inflation reading will be in the spotlight

Date		Cd.	Event/Data	Period	Cons.	Prev.
2023 9. 4.	8 :00	DE	Export M oM ,SA,%)	Jul	-15	0.1
	10 :30	EZ	Sentix Investor confidence (points)	Sept	-20.0	-18.9
	14 :00	EZ	L.Schnabel Gov.C.m em ber,panel discussion (EKB Legal	-	-	-
	16 :00	EZ	P.Lane Gov.C.m em ber,panel discussion (EKB Legal Conference)	-	-	-
5.		EZ	C.Lagarde speech (Distinguished Speakers Seminar)	-	-	-
	9 :00	EZ	C.Lagarde panel discussion (ECB Legal Conference)	-	-	-
	11 :00	EZ	Producer Prices M oM ,%)	Jul	-0.6	-0.4
	11 :00	EZ	Producer Prices (YoY,%)	Jul	-7.6	-3.4
8.	8 :00	DE	Industrial production M oM ,%)	Jul	-0.2	-1.5
	8 :45	FR	Industrial production M oM ,%)	Jul	-0.2	-0.9

Key highlights

- Next week will bring limited data releases for the euro area. The few exceptions are the September **Sentix index**, **German industrial indicators** for July, as well as **retail sales and producer prices for the euro area**. Usually none of them are strong market movers; however, given the recently weak indicators in the euro area, downbeat outcomes could make investors worry now.
- What could be a bit more interesting is the messages **ECB President C. Lagarde** will deliver during the week at different seminars. Other Governing Council members will also speak on different fora. Such appearances could bring crucial inputs for the markets ahead of the 14 September rate-setting meeting of the ECB, as investors and analysts now are divided whether the ECB will stop/pause or hike further.

Retail sales and industrial production (3 months changes, sa)



2023

This week's data: US core PCE remained contained for the second month and the job market is gradually cooling Euro area inflation caused upside surprise, but the core rate declined as expected

Date**		Cd.	Event/ Data	Period	Fact.	Cons.	Prev.
2023 8 . 29 .	15 :00	US	Case-Shiller Home Price Index (YoY,%)	Jun	-1.2	-1.3	-1.7
	16 :00	US	Consumer confidence (point)	Aug	106.1	116	117
	16 :00	US	Job Openings (million)	Jul	8.827	9.465	9.582
30 .	11 :00	EZ	EC Economic Sentiment Index (points)	Aug	93.3	93.7	94.5
	14 :00	DE	CPI (preliminary, YoY,%)	Aug	6.1	6	6.2
	14 :15	US	ADP non-farm employment MoM, (000s)	Aug	177	195	324
	14 :30	US	GDP (detailed, QoQ annualized,%)	Q2	2.1	2.4	2.4*
	16 :00	US	Pending home sales MoM, (%)	Jul	0.9	-0.6	0.4
31 .	3 :30	CN	NBS Manufacturing PMI (points)	Aug	49.7	49.4	49.3
	3 :30	CN	NBS Non-manufacturing PMI (points)	Aug	51.0		51.5
	8 :00	DE	Retail sales MoM, (%)	Jul	-0.8	0.3	-0.2
	11 :00	EZ	CPI (flash, YoY,%)	Aug	5.3	5.1	5.3
	11 :00	EZ	Core CPI (flash, YoY,%)	Aug	5.3	5.3	5.5
	11 :00	EZ	Unemployment rate (%)	Jul	6.4	6.4	6.4
	14 :30	US	Personal income MoM, (%)	Jul	0.2	0.3	0.3
	14 :30	US	Personal consumption (adjusted, MoM,%)	Jul	0.8	0.7	0.5
	14 :30	US	Household core PCE index MoM, (%)	Jul	0.2	0.2	0.2
	14 :30	US	Initial jobless claims (000s)	weekly	288	235	232
	14 :30	US	Continuing jobless claims (000s)	weekly	1725	1703	1697
9 . 1 .	3 :45	CN	Caixin Manufacturing PMI (points)	Aug	51	49.3	49.2
	10 :00	IT	GDP (detailed, QoQ,%)	Q2	-0.4	-0.3	-0.3*
	14 :30	US	Non-farm payroll MoM, (000s)	Aug	187	170	157
	14 :30	US	Unemployment rate (%)	Aug	3.8	3.5	3.5
	14 :30	US	Average earnings MoM, (%)	Aug	0.2	0.3	0.4
	14 :30	US	Average earnings (YoY,%)	Aug	4.3	4.4	4.4

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

Key highlights

- In the **USA**, the **PCE price index**, the Fed's preferred measure of inflation, grew by 3.3% YoY in July, in line with projections. The core index, which excludes the volatile food and energy prices, surged by 4.2% annually, also in line with estimates. This latter imply a moderate 0.2% MoM rate for the second month. The August US **job report** was another sign of a gradually cooling labour market, after **job openings** and **ADP employment** surprised downside during the week. Although the headline **non-farm payroll** growth was slightly above the consensus (187,000 vs 170,000), the previous two months figures were revised sharply downwards, while **wage growth** came out below expectations and the **unemployment rate** also increased more than the consensus.
- In the **euro area**, against the expected decline (from 5.3% to 5.1%), the August reading of the eurozone's headline **inflation** stagnated, but encouragingly, core inflation slowed from 5.5% to 5.3%, as expected. However, the data do not make it clearer for investors what the ECB will do at its 14 September meeting. The August economic sentiment index, just like German retail sales disappointed, while unemployment in the euro area remained record low.

- Both in the USA and in Europe, LT yields fell further as investors are expecting that central bankers may leave key rates unchanged at their next meeting. In the eurozone however, ECB hawks warned against halting rate hikes prematurely.
- The USD weakened: the EUR/USD climbed above 1.08.
- Equity markets were supported by the expectations of a lower yield environment and positive global sentiment.
- Oil prices jumped higher, underpinned by tightening supplies and expectations of further output cuts in leading OPEC+ countries.

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	4522	2.6	17.8	US 2 year	4.83	-24.7	40.5	Dollar index	103.573	-0.5	0.0	Brent	87.9	4.0	2.3
Nasdaq Comp.	14044	3.3	34.2	US 10 year	4.15	-8.2	27.9	EURUSD	1.0845	0.5	1.3	WTI	84.9	6.4	5.8
Dow Jones	34902	1.6	5.3	DE 2 year	2.97	-5.8	23.1	USDJPY	145.37	-0.7	-9.8	NatGas (1TF, front-month)*	35.5	2.9	-52.0
Russel2000	1920	3.6	9.0	DE 10 Year	2.52	-4.2	-4.8	GBPUSD	1.2666	0.7	4.8	Gold	1943.1	1.5	6.5
Stoxx 600	458	1.5	7.8	FR 10 year	3.04	-4.7	-6.6	AUDUSD	0.6477	1.1	-4.9	Silver	24.5	1.0	2.1
DAX	15860	1.5	13.9	SP 10 year	3.54	-4.4	-10.6	USDCAD	1.3561	0.3	-0.1	Palladium	1228.7	0.1	-31.5
CAC40	7309	1.1	12.9	IT 10 year	4.20	-3.0	-49.0	USDCHF	0.8826	0.2	4.7	Copper	383.8	2.0	0.7
FTSE100	7466	1.8	0.2	UK 10 year	4.38	-5.6	71.8	NZDUSD	0.5974	1.1	-5.9	Steel	708.0	-11.8	-4.8
FTSEMIB	28659	1.6	20.9	CH 10 year	0.91	-6.1	-67.1	CNHUSD	7.256	0.5	-4.6	Wheat	583.0	-1.7	-26.4
Nikkei225	32711	3.4	25.4	JP 10 year	0.63	-2.8	21.3	USDTRY	26.7164	-0.6	-30.0	Com	464.3	-1.4	-31.6
CSI300	3791.5	2.2	-2.1	CN 10 year	2.62	4.9	-22.1	USDBRL	4.9211	-0.9	7.3	Electricity (APX)*	95.0	-13.0	423.6

Source: Bloomberg

*In EUR/MWh

Key highlights: Concerns that LT yields in the US and Europe can stick to a higher trading range have eased this week. The US 10Y yields dropped to 4.15% and the 10Y Bund yields seem to end the week at 2.5%. This week's data in the US were mostly weaker than expected and convinced investors that the Fed would likely pause the interest rate increases in September. In Europe, the latest inflation data failed to give a clear sign for further rate hikes, while growth concerns came to the fore. The USD slightly weakened: the EUR/USD climbed above 1.08. Expectations of a lower yield environment supported equities, with major European indices edging 2% higher and the US indices heading for 2-4% weekly gains. Oil price rose steadily higher this week, while the TTF gas price increased moderately.

- **LT bond yields in the US fell** this week, after hitting new highs last week. Investors focused on a flow of data after digesting Fed Chief Jerome Powell's speech in Jackson Hole last Friday, which had left open the door for further rate hikes. Most of the new data, however, reassured investors that the Fed would likely pause the rate hiking series at its September meeting. The 10Y US yield dropped below 4.1% on Thursday (-15bps w/w), its lowest in three weeks, but after Friday's job report it rebounded to 4.15%. **In the eurozone**, 10Y yields also edged lower after a bumpy week. Investors expected the ECB to keep on its rate hiking cycle, but that swiftly changed after Thursday's core inflation data. Money markets are pricing only a 30% chance of a 25bp hike this month, from 60% registered on Wednesday; that is, the ECB may also pause interest rate increases this month, though only a narrow majority of economists expect this, according to a Reuters poll. German 10Y yields dropped below 2.5% (-4bps) this week, though Friday's manufacturing PMIs, showing some signs of recovery, pushed yields somewhat higher on a daily basis.
- **In the currency markets**, as interest rate expectations eased overseas, the dollar depreciated against most of the currencies and the Dollar Index slipped 0.5%. After some ups and downs this week, the EUR/USD edged 0.5% higher, to 1.085.
- **Major equity markets gained this week**, supported by easing concerns on higher yield environment. **In the US**, weaker-than-expected Q2 GDP, consumer confidence indicators, and several job data also contributed to the positive sentiment in the stock markets, while Nvidia's momentum backed the technology sector, which also benefited from lower rate expectations. In weekly terms, the Dow is heading for near 2% gains, the S&P500 and the Nasdaq Composite seem to edge around 3% higher. **In Western Europe**, equity indices lost momentum on Thursday, after euro area CPI data showed stubbornly high headline inflation, and German retail data surprised to the downside. However, positive global sentiment helped European benchmarks to edge higher this week, with the Stoxx600, the FTSE and the DAX rising almost 2%. **In terms of sector performances**, IT, telco, consumer discretionary and materials gained the most among S&P500 sectors, while considering Stoxx600, the basic resources and the retail sector headed gainers.
- **In commodity markets, crude prices** edged steadily higher this week as expectations on production cut from OPEC+ leaders intensified and recent data from the US showed that crude inventories plummeted much more than forecast. WTI surged 6% this week, and Brent rose 4%. **TTF gas price** edged about 3% higher after a relatively calm week. Gas storage levels are exceptionally high in the EU, the possibility of worker strikes has been averted in Australia, though some maintenance work in a gas field in Norway may cause a significant decrease in gas flows.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	4522	2.6	17.8
IT	3123	4.2	43.8
Health care	1560	0.5	-1.6
Financials	575	1.9	0.9
Telco	229	3.6	43.6
Consumer discretionary	1344	3.5	33.7
Industrials	918	2.0	10.4
Consumer staples	765	0.6	-1.8
Utilities	320	-0.5	-10.8
Energy	689	3.4	2.4
Real estate	233	2.1	0.4
Materials	526	3.5	7.4

Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Apple	189	5.6	45.2
Microsoft	329	1.9	37.3
Nvidia	491	6.8	236.2
Amazon	138	3.9	64.8
Alphabet	136	4.6	54.0
Tesla	254	6.4	106.1

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	458	1.5	7.8
Health care	1075	0.4	7.8
Industrial goods & services	70.9	2.3	11.3
Banks	157	1.0	12.0
Personal & household goods	104.6	0.8	8.9
Insurance	327	1.6	2.5
Food and beverages	74.2	-1.0	-0.5
Technology	691	3.0	19.7
Utilities	370	-0.8	2.7
Oil & gas	351	3.5	1.8
Chemicals	122.6	3.4	7.4
Construction & materials	590	1.8	15.9
Telco	193	3.2	2.2
Retail	381	3.8	27.1
Financial services	627	3.4	11.2
Basic resources	540	4.7	-13.9
Real estate	113	3.2	-3.9
Auto & parts	59.6	-1.0	13.0
Media	359	1.7	9.7
Travel & leisure	234	1.9	18.5

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 (%)
														1264075
Europe	SXXP Index	458	-1.8	0.7	0.2	12.5	13.0	1.8	1.3	13.2	1.1	158.4	0.1	-0.6
Germany	DAX Index	15860	-2.3	0.1	3.7	25.7	12.5	1.5	0.9	10.5	1.2	115.5	-20.7	-1.6
France	CAC Index	7309	-1.2	2.5	1.1	21.2	12.6	1.8	1.2	12.5	1.1	195.2	4.9	1.4
Poland	WIG20 Index	2051	-6.3	5.4	10.5	40.2	6.7	1.0	0.6	15.6		40.7	-1.8	2.5
Czechia	PX Index	1344	-1.2	3.9	-5.4	16.5	7.0	1.1	0.8	16.5		146.2	4.2	11.3
Hungary	BUX Index	55757	3.5	18.9	24.8	34.4	6.6	1.0	0.6	18.5		70.3	830.8	4.6
Romania	BET Index	13308	-0.5	8.8	8.1	12.1	3.7	1.2	1.0			48.0	31.4	-1.6
Bulgaria	SOFIX Index	756	9.8	12.5	21.5	22.8	5.3	0.9	0.5	11.0	2.3	56.3		
Russia	MOEX Index	3222	4.2	18.4	41.3	31.7	2.5	0.5	0.6	19.5				
Ukraine	PFTS Index	507	0.0	0.0	0.0	-2.3	37.8	7.4	5.2	19.6		8.1		
Slovenia	SBIOP Index	1153	-8.5	-6.0	-3.5	3.1	7.6	0.9	0.3	12.9		40.3	19.2	8.0
Croatia	CRO Index	2446	1.4	7.8	8.7	22.8	93.4	8.5	5.8	7.0	1.4	31.8		
Serbia	BELEX15 Index	886	1.3	-2.5	0.9	4.5	447.9	56.0	41.7	12.6	2.0	17.6	0.0	
Montenegro	MNSE10 Index	1019	2.3	-1.5	-1.2	26.1	9.6	0.3	0.6	2.4	2.1	8.9		

*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	2022.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4	2024.Q4	2025.Q4
EURUSD	1.00	1.07	1.08	1.09	1.10	1.15	1.16
EURGBP	0.88	0.88	0.88	0.86	0.87	0.87	0.89
EURCHF	0.98	0.99	0.98	0.97	0.97	1.00	1.01
USDJPY	144.5	140	145	155.5	152	144	140

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	373	377	379	380	380	378	381
Rom ania	EURRON (€op)	4.95	4.95	4.96	4.98	5	5.01	5.03	5.03	5.05
Russia	USDRUB (€op)	73.0	77.7	89.5	84.9	85.5	85.7	87.4	88.3	88.1
Ukraine	USDUAH (€op)	37.0	36.7	36.7	38.4	39.8	41.1	41.1	41.4	41.8
Serbia	EURRSD (€op)	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0	117.0

*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	1.5	-0.1	2.8
Rom ania	4.7	2.2	3.5	2.6	3.5
Bulgaria	3.4	1.6	1.9	1.6	2.4
Russia	-2.1	2.1	1.2	0.2	1.1
Ukraine	-29.1	1.0	3.9	3.3	5.7
Slovenia	5.4	1.9	2.3	1.3	2.4
Croatia	6.2	2.7	2.1	2.0	2.5
Serbia	2.3	1.7	3.0	1.8	3.2
Montenegro	6.1	4.7	2.8	3.3	3.0
Albania	4.9	3.2	3.8	2.8	3.5
Moldova	-5.9	2.1	5.1	1.8	4.3

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.2	-6.0	-3.8	-4.5	-3.5
Rom ania	-6.2	-5.0	-4.0	-5.1	-4.3
Bulgaria	-2.8	-3.4	-3.1	-3.4	-3.0
Russia	-2.1	-3.6	-2.3	-3.5	-2.3
Ukraine	-16.3	-17.0	-15.0	-18.6	-15.2
Slovenia	-3.0	-4.6	-2.8	-3.7	-2.5
Croatia	0.4	-1.0	-1.0	-1.4	-1.5
Serbia	-3.1	-3.3	-2.7	-3.0	-2.3
Montenegro	-4.3	-5.1	-4.6	-4.6	-4.4
Albania	-3.8	-3.0	-3.0	-3.0	-2.5
Moldova	-3.3	-4.0	-3.5	-5.0	-4.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	5.0	18.0	5.5
Rom ania	13.7	10.4	5.1	10.4	5.3
Bulgaria	15.3	9.7	3.8	9.8	4.1
Russia	13.8	5.5	5.0	5.5	4.8
Ukraine	15.3	9.7	3.8	15.7	11.5
Slovenia	9.3	7.1	3.3	7.3	3.9
Croatia	10.7	8.3	4.1	7.4	3.3
Serbia	11.9	11.7	4.5	11.8	5.3
Montenegro	13.0	8.5	2.5	8.2	4.0
Albania	6.7	4.5	3.0	4.5	3.2
Moldova	28.8	13.0	5.5	13.8	5.9

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.2	4.1	3.9
Rom ania	5.6	5.8	5.5	5.6	5.5
Bulgaria	4.2	4.3	4.3	4.3	4.3
Russia	3.9	3.4	3.6	3.7	3.8
Ukraine	21.0	20.0	17.0	21.1	16.3
Slovenia	4.8	3.5	3.2	3.9	3.9
Croatia	7.0	6.5	6.5	6.6	6.4
Serbia	9.4	10.0	9.5	9.5	9.0
Montenegro	15.0	15.2	14.8	17.7	17.9
Albania	11.3	10.2	9.4	10.6	10.3
Moldova	3.1	4.7	4.5	3.7	3.5

Source: Focus Economics, OTP Research Center

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