

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- September inflation from the USA
- August real economy data, October investor confidence and ECB minutes from the euro area

This week:

- The US labour market could cause upside surprise yet again
- Euro area still seems to be in recession in Q3 with a tight labour market
- US 10Y yields jumped near 4.9% (+26bps w/w), the highest in 16 years after Friday's US job report that strengthened the expectations on „higher interest rates staying longer“.
- German 10Y yields soared 2.9% after rising 8bps this week.
- The US dollar appreciated again with the EUR/USD dropping to 1.05.
- Major US stock indices are on track for ending the week with 1-2% losses, while major European indices are on course to decline 2-3% w/w as the higher yield environment weighs on the equities.
- Oil prices declined considerably as demand concerns intensified while the OPEC+ maintained the existing oil output policy.
- The TTF plunged 12% on mild weather and low demand outlook.

Next week's spotlight: September inflation from the USA; August real economy data, October investor confidence and ECB minutes from the euro area

Date**		Cd.	Event/ Data	Period	Cons.	Prev.
2023 10 . 9.	8 :00	DE	Industrial production M oM ,%)	Aug	-0.1	-0.8
	10 :30	EZ	Sentix Investor confidence (points)	Oct	-22.8	-21.5
	15 :00	US	L.Logan FOM C m em ber speech (65th NABE Annual Meeting)	-	-	-
			IM F & W orld Bank, Annual meeting (09.10-15.10.)	-	-	-
11.	14 :30	US	Producer Prices (YoY,%)	Sept	1.6	1.6
	14 :30	US	Producer Prices M oM ,%)	Sept	0.3	0.7
	20 :00	US	FOM C M inutes	Sept	-	-
12.	13 :30	EZ	ECB M onetary Policy Account	Sept	-	-
	14 :30	US	CPI (YoY,%)	Sept	3.6	3.7
	14 :30	US	CPI M oM ,SA,%)	Sept	0.3	0.6
	14 :30	US	core-CPI (YoY,%)	Sept	4.1	4.3
	14 :30	US	core-CPI M oM ,SA,%)	Sept	0.3	0.3
	14 :30	US	Initial jobless claims (000s)	weekly	210	207
	14 :30	US	Continuing jobless claims (000s)	weekly		1664
	20 :00	US	Federal budget balance (USD bn)	Sept		89
			OPEC m onthly oil market report	Oct	-	-
	13.	CN	Export (YoY,%)	Sept	-8.3	-8.8
	11 :00	EZ	Industrial production M oM ,%)	Aug	0.1	-1.1
	15 :00	US	P.Harker FOM C m em ber speech	-	-	-
	16 :00	US	Michigan Consumer confidence (preliminary, points)	Oct	67.5	68.1
	18 :50	US	P.Jefferson FOM C m em ber speech (65th NABE Annual Meeting)	-	-	-

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

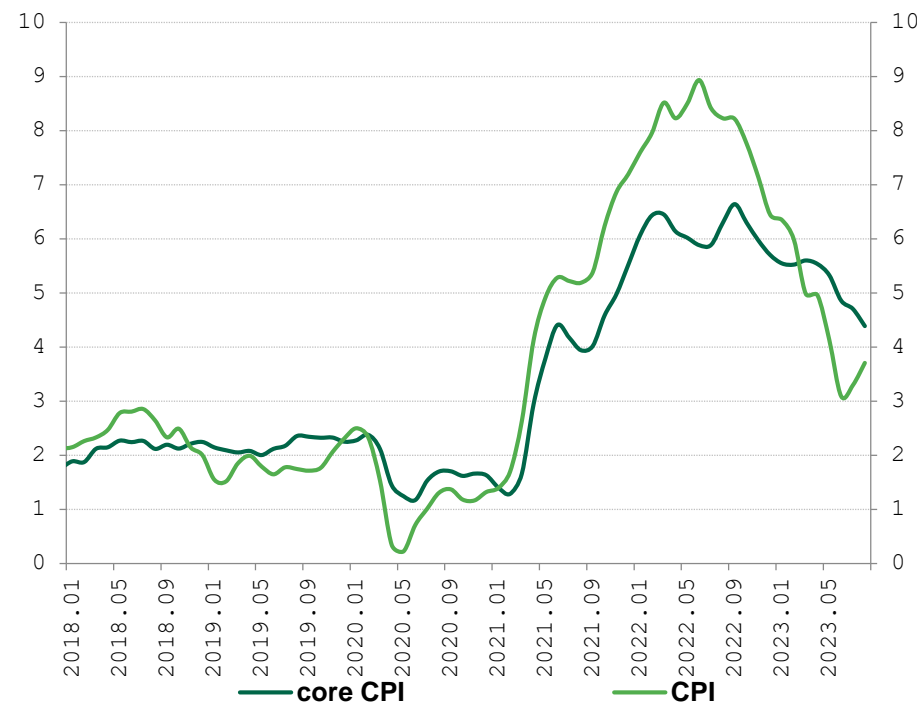
USA: September's CPI data will be in the spotlight

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023.10.11 14:30	US	Producer Prices (YoY, %)	Sept	1.6	1.6
14:30	US	Producer Prices (MoM, %)	Sept	0.3	0.7
20:00	US	FOMC Minutes	Sept	-	-
12. 14:30	US	CPI (YoY, %)	Sept	3.6	3.7
14:30	US	CPI (MoM, SA, %)	Sept	0.3	0.6
14:30	US	core-CPI (YoY, %)	Sept	4.1	4.3
14:30	US	core-CPI (MoM, SA, %)	Sept	0.3	0.3
20:00	US	Federal budget balance (USD bn)	Sept		89.0
13 16:00	US	Michigan Consumer confidence (preliminary, points)	Oct	67.5	68.1

Key highlights

- **"Higher for longer"** the phrase that shapes sentiment in bond, equity and currency markets, which tells us that high interest rates are staying with us for the long term. This is why, even though the FOMC's next meeting seems a long way off, the market is looking at all data, news and announcements in the light of their impact on this decision.
- **Both headline and core inflation is expected to ease in September YoY**, in contrast to August, when surge in energy prices led to a big jump in the headline index MoM. The other big bogeyman of disinflation is still the rise in shelter costs, which account for a third of the consumer basket. Data in line with expectations could help discourage FOMC from raising interest rates further, but an upside surprise could shake bond and equity markets again.
- **Tensions in the House of Representatives could affect the Fed's decision too**, as the temporary agreement provide a budget just until mid-November and the House is without speaker, after its incumbent Republican leader was removed from his position, leaving it without an acting head to negotiate the details of a long agreement with the White House and members of Congress.

CPI data (YoY, %)



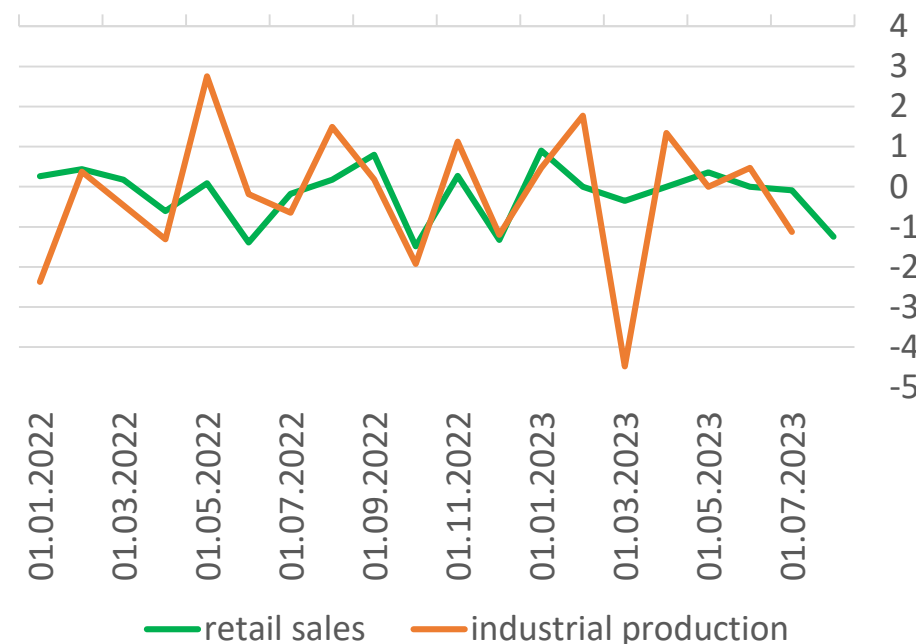
Euro area: August real economy data, October investor confidence and ECB minutes will be in the spotlight

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2023 10. 9.	8 :00	DE	Industrialproduction MoM,%)	Aug	-0.1	-0.8
	10 :30	EZ	Sentix Investorconfidence points)	Oct	-22.8	-21.5
12.	13 :30	EZ	ECB Monetary Policy Account	Sept	-	-
13	11 :00	EZ	Industrialproduction MoM,%)	Aug	0.1	-1.1

Key highlights

- The week starts by **German industrial production**, which together with this week's French data is a good guide for the **euro area** production (out on Friday). The current consensus, suggests mild decline, after a sharp fall in July. All these, together with this week's forgettable retail sales data points to a recession for the euro area in Q3.
- Another interesting element could be the **Sentix investor confidence**, which is the first indicator for October. The indicator has been in a fairly negative territory in the last few months, after some temporary improvement at the start of the year.
- Finally, the **ECB's Monetary Policy Account** from Thursday, will help to understand, whether the September hike was the final in the current cycle, and what to expect in terms of future policy.

Retail sales and industrial production in the euro area (MoM, SA, %)



This week's data: The US labor market could still cause upside surprise; Euro area seems to be in recession in Q3 with a tight labor market

Date**		Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2023 10 . 2.	11 :00	EZ	Unem ploym entr ate (%)	Aug	6.4	6.4	6.5
	16 :00	US	Construction spending MoM (%)	Aug	0.5	0.5	0.7
3	16 :00	US	ISM Manufacturing PMI (points)	Sept	49.0	47.8	47.6
	16 :00	US	Job Openings (million)	Aug	9.6	8.8	8.8
4	10 :15	EZ	C.Lagarde opening speech (ECB Conference on Monetary Policy)	-	-	-	-
	11 :00	EZ	Retail sales MoM (%)	Aug	-1.2	-0.3	-0.1
	11 :00	EZ	Producer Prices MoM (%)	Aug	0.6	0.6	-0.5
	11 :00	EZ	Producer Prices YoY (%)	Aug	-11.5	-11.6	-7.6
	14 :15	US	ADP non-farm employment MoM, 000s)	Sept	89	153	180
	16 :00	US	Factory orders MoM (%)	Aug	1.2	0.2	-2.1
5.	16 :00	US	ISM non-Manufacturing PMI (points)	Sept	53.6	53.6	54.5
	8 :00	DE	Export MoM, SA, %)	Aug	-1.2	-0.1	-0.9
6.	8 :45	FR	Industrial production MoM (%)	Aug	-0.3	-0.4	0.8
	8 :00	DE	Industrial orders MoM (%)	Aug	3.9	1.8	-11.7
	14 :30	US	Non-farm payroll MoM, 000s)	Sept	336	170	227
	14 :30	US	Unem ploym entr ate (%)	Sept	3.8	3.7	3.8
	14 :30	US	Average earnings MoM (%)	Sept	0.2	0.3	0.2
	14 :30	US	Average earnings YoY (%)	Sept	4.2	4.3	4.3

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

Key highlights

- In the **USA**, the week was about labor market indicators, which altogether still showed remarkable resilience. **Job openings** stood at 9.6 million in August, way above the consensus, while the September **non-farm payroll** also came out surprisingly standing at 336,000 contradicting to the last few months below 200,000, and the August figure was also revised upwards. Furthermore, the weak **ADP report** was again a poor guide to payrolls. On the bright spot, from the point of view of monetary policy, **wages** grew by 0.2% MoM, a touch weaker than the consensus. The **unemployment rate** stayed at 3.8%.
- In the **euro area**, mixed real economy data came out during the week. **Unemployment** remained at historic low level of 6.4% in August (even a slight decline from July, but the same level as in June), suggesting a tight labor market. **Retail sales** disappointed, by a 1.2% fall, as opposed to a consensus of -0.3%. However **French industrial production** was a touch better than expected, while **German industrial orders** corrected by a 3.9% growth after the double-digit fall in July, MoM. Overall these data still do not seem to help the area to avoid recession in Q3.

- LT bond yields jumped higher this week with the US 10Y yields rising near 4.9%, the highest in 16 years and the German 10Y yields surpassing 2.9% after Friday's US job report that strengthened the expectations on „higher interest rates staying longer“.
- The US dollar appreciated again with the EUR/USD dropping to 1.05.
- The higher yield environment weighs on the equity markets, major US stock indices are on track for ending the week with 1-2% losses, while major European indices are on course to decline 2-3% w/w.
- Oil prices declined considerably as demand concerns intensified while the OPEC+ maintained the existing oil output policy. TTF plunged 12% on mild weather and low demand outlook.

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	4231	-1.3	10.2	US 2 year	5.0939	5.0	66.8	Dollar index	106.813	0.6	3.2	Brent	83.97	-11.9	-2.3
Nasdaq Comp.	13116	-0.8	25.3	US 10 year	4.8303	25.9	95.6	EURUSD	1.0512	-0.6	-1.8	WTI	82.15	-9.5	2.4
Dow Jones	32912	-1.8	-0.7	DE 2 year	3.1285	-6.9	39.0	USDJPY	149.31	0.0	-0.1	NatGas (TTF, front-month)*	37.8	-3.2	-49.0
Russel2000	1720	-3.7	-2.4	DE 10 Year	2.9135	7.5	34.8	GBPUSD	1.2161	-0.3	0.6	Gold	1823.8	-1.3	0.0
Stoxx 600	443	-1.7	4.2	FR 10 year	3.5016	10.4	39.6	AUDUSD	0.634	-1.5	-7.0	Silver	21305	-3.9	-11.1
DAX	15115	-1.8	8.6	SP 10 year	4.0367	10.6	38.7	USDCAD	1.3719	-1.0	-1.2	Palladium	1144.3	-8.3	-36.2
CAC40	7018	-1.6	8.4	IT 10 year	4.9668	19.0	26.9	USDCHF	0.9156	0.0	1.0	Copper	359.8	-3.7	-5.6
FTSE100	7474	-1.8	0.3	UK 10 year	4.61	17.4	94.5	NZDUSD	0.5944	-0.9	-6.4	Steel	705	0.1	-5.2
FTSEMIB	27641	-2.1	16.6	CH 10 year	1.1723	11.1	-40.8	CNHUSD	7.314	-0.3	-5.4	Wheat	573.5	5.9	-27.6
Nikkei225	30995	-2.7	18.8	JP 10 year	0.799	4.0	38.6	USDTRY	27.622	-0.7	-32.3	Com	493.25	3.5	-27.3
CSI300	3690	0.5	-4.7	CN 10 year	2.6736	-0.8	-17.0	USDBRL	5.2097	-3.4	1.4	Electricity (APX)*	49.54	-57.9	173.1

Source: Bloomberg

*In EUR/MWh

Key highlights: LT bond yields jumped higher this week with the US 10Y yields rising near 4.9%, the highest in 16 years and the German 10Y yields surpassing 2.9% after Friday's US job report that strengthened the expectations on „higher interest rates staying longer“. The US dollar appreciated again this week with the EUR/USD dropping to 1.05. The higher yield environment weigh on the equity markets, major US stock indices are on track for ending the week with 1-2% losses, while major European indices are on course to decline 2-3% w/w. Oil prices declined considerably as demand concerns intensified while the OPEC+ maintained the existing oil output policy. TTF plunged 12% on mild weather and low demand outlook.

- After the Fed's hawkish remark on "higher interest rates staying longer" two weeks ago, the **US 10Y yields** left behind the 3.3-4.3% trading range of the past 12 months and rose even higher this week compared to the previous one. All eyes were on Friday's US job report that brought a big surprise to the upside as non-farm payrolls increased in September much faster than expected. The US 10Y yields jumped 15bps on Friday and returned near 4.9%, the level briefly touched in the first half of the week. Easing rate expectations and the yield reversal we saw on Wednesday and Thursday after the release of service sector PMIs, was a temporary phenomenon and the bond sell-off returned on Friday and US 10Y yields jumped again to the highest in 16 years. In a weekly horizon, US 10Y yields rose 26bps. **EA bond yields** moved in the same trajectory this week with German 10Y yields soaring over 3.0% mid-week to the highest in more than a decade. In parallel to US yield movements, sell-off eased in the eurozone bond market as well in the second half of the week but on Friday eurozone yields also got higher. The 10Y Bund yield is on track for 8bp weekly increase on Friday afternoon (2.92%).
- **In the currency markets**, the US dollar appreciated further. In the first half of the week, the EUR/USD dropped below 1.05, but later the euro rebounded as US rate hike expectations eased. Friday's US job report boosted the USD again, the EUR/USD returned to 1.05. In a weekly horizon, the US dollar gained 0.6%.
- The environment characterized by higher interest rates staying longer still weighed on **equity markets** with major Western European indices falling 2-3% and their US counterparts dropping 1-2% this week. Investors seem to remain sensitive to further rate movements, despite the positive expectations regarding the Q3 corporate profits as the reporting season nears. Friday's job report tossed major developed stock indices even lower. Disappointing PMIs and German real economy data were also a drag on equities **in Western Europe**. Concerns on growth outlook pushed basic material prices lower thus basic resources and energy sector became one of the biggest drag on the Pan-European Stoxx600 alongside the rate-sensitive utilities sector. **In the US**, weekly sector performances were similar with energy and utilities declining the most, but consumer staples also steeply declined. On the other hand, IT and telco were the only sectors ending in the green as investors still are eager to buy in corporates involved in AI development.
- **In commodity markets**, crude prices are on course for about 9% plunge this week, as demand fears driven by macroeconomic headwinds were compounded by another partial lifting of Russia's fuel export ban on Friday. In the first half of the week, oil prices were stable, OPEC+ maintained their existing oil output policy at their meeting this week, extending voluntary supply cuts through the end of the year, aligning with Saudi Arabia and Russia's decision. The **TTF gas price** also declined more than 10% this week as mild weather forecast for October, low demand outlook and high storage levels seem to offset supply risks.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	4231	-1.3	10.2
IT	2915	0.3	34.2
Health care	1500	-0.1	-5.4
Financials	542	-1.8	-4.8
Telco	224	0.6	40.3
Consumer discretionary	1234	-2.4	22.8
Industrials	837	-2.4	0.7
Consumer staples	691	-5.0	-11.4
Utilities	279	-6.9	-22.3
Energy	649	-6.5	-3.5
Real estate	207	-3.4	-11.1
Materials	485	-2.0	-1.0
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Apple	174	1.5	33.8
Microsoft	319	1.2	33.2
Nvidia	442	1.5	202.1
Amazon	136	3.7	53.9
Alphabet	125	-1.7	48.8
Tesla	252	0.5	104.2

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	443	-1.7	4.2
Health care	1056	-0.4	6.0
Industrial goods & services	672	-2.2	5.6
Banks	160	-0.9	14.0
Personal & household goods	975	-1.1	1.6
Insurance	326	-0.4	2.2
Food and beverages	692	-2.7	-7.2
Technology	648	-0.5	12.2
Utilities	336	-5.6	-6.6
Oil & gas	348	-3.9	1.1
Chemicals	1137	-3.0	-0.4
Construction & materials	568	-2.0	11.5
Telco	189	-2.5	-0.4
Retail	360	-2.4	20.1
Financial services	616	-1.2	9.4
Basic resources	535	-3.9	-14.6
Real estate	107	-2.4	-8.7
Auto & parts	590	-2.1	11.9
Media	373	1.0	14.0
Travel & leisure	217	-1.3	9.9

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	443	-2.6	-1.0	-3.6	11.7	12.9	1.8	1.2	13.0	1.1	160.5	0.2	0.8
Germany	DAX Index	15115	-4.0	-2.7	-3.1	21.2	12.0	1.4	0.8	10.5	1.2	115.5	40.2	1.2
France	CAC Index	7018	-2.4	-0.9	-4.2	18.2	12.1	1.7	1.2	12.5	1.1	191.4	4.7	2.9
Poland	WIG20 Index	1868	-4.6	-7.1	6.5	31.8	5.3	0.9	0.6	15.2		40.7	7.5	0.6
Czechia	PX Index	1335	-0.3	3.8	-3.3	13.4	7.1	1.1	0.8	15.7		151.5	-1.8	8.5
Hungary	BUX Index	55043	-1.5	11.0	24.5	40.2	6.5	1.0	0.6	18.2		71.9	1262.4	49.3
Romania	BET Index	14060	4.3	11.1	14.0	28.5	3.9	1.2	1.0	18.5		48.0	54.7	-11.7
Bulgaria	SOFIX Index	753	1.0	12.1	23.2	29.3	5.3	0.8	0.5	11.2	2.3	54.8		
Russia	MOEX Index	3134	-3.4	11.2	25.5	55.1	2.6	0.5	0.6	19.3		57.8		
Ukraine	PFTS Index	507	0.0	0.0	0.0	-2.3	37.8	7.4	5.2	19.6		8.1		
Slovenia	SBITOP Index	1164	-0.4	-5.8	-3.9	18.1	7.9	0.9	0.4	12.0		39.1	3.3	10.0
Croatia	CRO Index	2410	-2.2	2.8	6.9	24.9	92.3	8.4	5.8	7.0	1.4	31.8		
Serbia	BELEX15 Index	891	1.0	3.4	0.6	7.6	57.7	5.8	4.4	10.2	1.9	17.1	-0.4	-95.0
Montenegro	MNSE10 Index	1064	5.3	3.7	2.0	29.5	10.0	0.3	0.6	2.4	2.0	8.5		

*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	1.08	1.13	1.15
EURGBP	0.88	0.88	0.88	0.86	0.87	0.87	0.89
EURCHF	0.98	0.99	0.98	0.96	0.97	1.00	1.00
USDJPY	144.5	140	145	156	155	148	141.5

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	388	382	380	380	381	384
Romania	EURRON (€op)	4.95	4.95	4.96	4.97	4.98	5	5.01	5.04	5.04
Russia	USDRUB (€op)	73.0	77.7	89.5	97.6	94.11	92.78	94.06	95.89	96.94
Ukraine	USDUAH (€op)	37.0	36.7	36.7	37.0	37.6	38.9	39.1	39.2	39.4
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	-0.5	2.7
Romania	4.7	2.3	3.2	2.3	3.2
Bulgaria	3.4	1.7	2.1	1.6	2.3
Russia	-2.1	2.3	1.2	1.3	1.1
Ukraine	-29.1	1.0	3.9	3.7	5.5
Slovenia	2.5	1.9	2.4	1.4	2.3
Croatia	6.2	2.6	2.1	2.5	2.5
Serbia	2.3	1.7	3.0	1.9	3.1
Montenegro	6.4	4.7	3.3	3.4	3.1
Albania	4.9	3.2	3.8	2.8	3.5
Moldova	-5.9	2.8	4.4	1.8	4.2

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.2	-6.0	-3.8	-4.6	-3.5
Romania	-6.2	-5.5	-5.0	-5.2	-4.3
Bulgaria	-2.8	-3.4	-3.1	-3.3	-3.0
Russia	-2.1	-2.6	-1.8	-3.3	-2.4
Ukraine	-16.3	-17.0	-15.0	-19.7	-15.8
Slovenia	-3.0	-4.6	-2.9	-3.7	-2.6
Croatia	0.4	-1.0	-1.0	-1.0	-1.4
Serbia	-3.1	-3.3	-2.7	-2.9	-2.3
Montenegro	-4.3	-1.8	-4.9	-4.6	-4.3
Albania	-3.8	-3.0	-3.0	-3.0	-2.5
Moldova	-3.3	-4.0	-3.5	-4.9	-3.9

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	5.0	17.8	5.3
Romania	13.7	10.5	6.5	10.5	5.4
Bulgaria	15.3	9.8	4.1	9.7	4.5
Russia	13.8	5.8	6.2	5.8	5.4
Ukraine	15.3	9.8	4.1	14.8	10.1
Slovenia	9.3	7.4	4.1	7.3	3.7
Croatia	10.7	8.5	4.7	7.9	3.6
Serbia	11.9	13.0	6.7	12.3	5.4
Montenegro	13.0	8.5	3.0	8.7	4.6
Albania	6.7	4.8	3.9	4.4	3.2
Moldova	28.8	13.0	5.5	14.0	5.9

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.2	4.0	3.9
Romania	5.6	5.6	5.8	5.6	5.5
Bulgaria	4.2	4.2	4.1	4.4	4.5
Russia	3.9	3.2	3.4	3.4	3.5
Ukraine	21.0	20.0	17.0	20.4	15.3
Slovenia	4.8	3.6	3.3	3.9	3.9
Croatia	7.0	6.5	6.5	6.7	6.4
Serbia	9.4	10.0	9.5	9.6	9.0
Montenegro	14.9	15.0	14.5	17.7	17.9
Albania	11.3	10.5	10.1	10.5	10.2
Moldova	3.1	4.4	4.2	3.9	3.7

Source: Focus Economics, OTP Research Center

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