

OTP Weekly Outlook



Next week's spotlight:

- November investor confidence and September real economy indicators from the euro area
- Labour market data and consumer confidence indicator from the US
- The US debt ceiling dispute may come forward in the weeks ahead making investors more wary, as the 45-day delay for making an agreement on funding legislation is coming to the end in two weeks

This week:

- The FED kept the policy rate as expected but suggested that disinflation has a still long way to go. The job market slowed below expectations
- Euro area inflation fell below the consensus, the economy contracted in Q3
- US 10Y yields fell 30bps this week near 4.5% after the FOMC decision and Friday's job report
- In the euro area, LT bond yields also declined considerably
- The USD lost ground after the FOMC and the NFP
- Positive earnings reports and declining yields gave big momentum to equities
- Oil prices declined amid easing concerns of the Middle East conflict and signs of weakening global demand

Next week's spotlight: November investor confidence and September real economy indicators from the euro area; Labour market data and consumer confidence indicator from the US

Date**		Cd.	Event/ Data	Period	Cons.	Prev.
2023 11. 6.	8 :00	DE	Industrial orders M oM ,%)	Sept	-1.0	3.9
	10 :30	EZ	Sentix Investor confidence (points)	Nov	-22.1	-21.9
7.	4 :00	CN	Export (YoY,%)	Oct	-3.1	-6.2
	8 :00	DE	Industrial production M oM ,%)	Sept	0.0	-0.2
	11 :00	EZ	Producer Prices M oM ,%)	Sept	0.5	0.6
	11 :00	EZ	Producer Prices (YoY,%)	Sept	-12.5	-11.5
8.	11 :00	EZ	Retail sales M oM ,%)	Sept	-0.2	-1.2
9.	14 :30	US	Initial jobless claims (000s)	weekly	219	217
	14 :30	US	Continuing jobless claims (000s)	weekly		1818.0
10.	8 :00	UK	GDP (preliminary, QoQ,%)	Q3	-0.1	0.2
	8 :00	UK	GDP (preliminary, YoY,%)	Q3	0.5	0.6
	16 :00	US	Michigan Consumer confidence (preliminary, points)	Nov	63.8	63.8

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

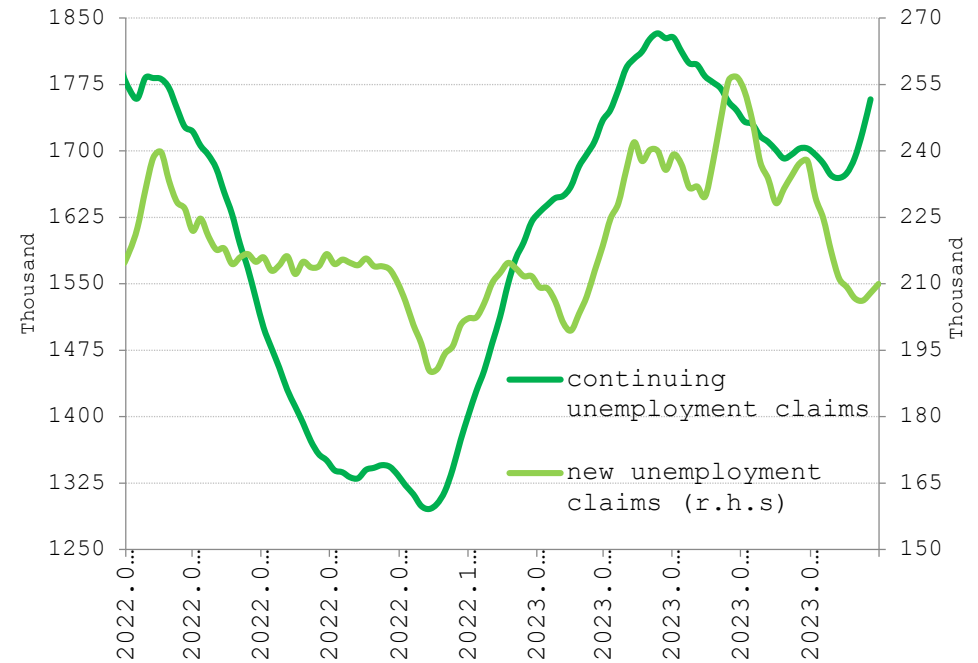
USA: Labour market data and consumer confidence indicator will be in the spotlight

Date		Cd.	Event/Data	Period	Cons.	Prev.
2023.11.09	14:30	US	Initial jobless claims (000s)	weekly	219	217
	14:30	US	Continuing jobless claims (000s)	weekly		1818
	10 16:00	US	Michigan Consumer confidence (preliminary, points)	Nov	63.8	63.8

Key highlights

Labour market data (4 weeks moving average)

- The number of **new jobless claims and continued jobless claims** are rising very slowly. Strong labour market data continue to fuel expectations of interest rate rises, keeping bond markets under pressure. The data now coming in will give an indication as to whether the long-expected rise in the unemployment rate will continue in November
- A **University of Michigan** survey since August shows a steady fall in **consumer confidence**, driven by concerns about inflation. The median expectation is for stagnation in November but considering the rise in energy prices recently and its impact on inflation, it would not be a big surprise to see a further deterioration in confidence.
- **The expiry of the US Congress's temporary agreement on budget financing on 17 November is looming**, so negotiations on this could intensify next.



Source: Refinitiv

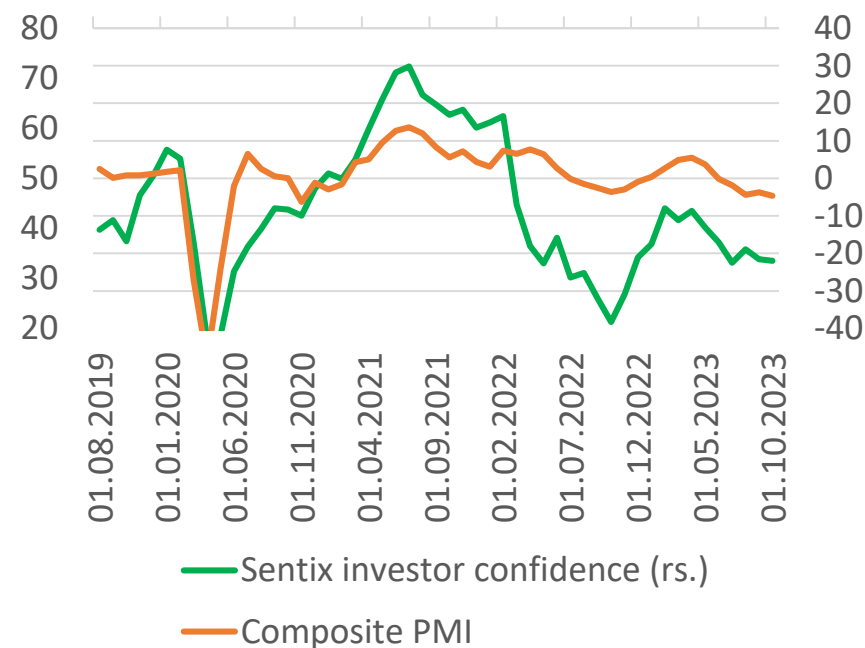
Euro area: October inflation and flash Q3 GDP will be in the spotlight

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023 11. 6.	8 :00	DE Industrialorders M oM ,%)	Sept	-1.0	3.9
	10 :30	EZ Sentix Investor confidence (points)	Nov	-22.1	-21.9
7.	8 :00	DE Industrialproduction M oM ,%)	Sept	0.0	-0.2
	11 :00	EZ Producer Prices M oM ,%)	Sept	0.5	0.6
	11 :00	EZ Producer Prices (YoY ,%)	Sept	-12.5	-11.5
8.	11 :00	EZ Retail sales M oM ,%)	Sept	-0.2	-1.2

Key highlights

- Limited data releases will occur in the euro area next week. One exception is the first November confidence index, **Sentix**. In the past years it was a relatively good guide to PMIs, which are released later, although the Sentix's volatility seems to be larger than that of the PMIs. The key question whether weakness persists, which would suggest that the euro area economy would remain in recession in November.
- A bunch of September indicator's will be also published, most notably **retail sales**. Although given the Q3 GDP is already known this seems less interesting, nevertheless the September figure could contain important carryover for Q4.
- Finally, after a long streak of decline, **producer prices** have become interesting again, as the recent spike in energy prices pushed MoM rates to the positive territory again. A further increase would be a bad news for consumer prices, even if we don't think that a complete turnaround is possible there.

Sentix investor confidence and Composite PMI



Source: Refinitiv, Bloomberg

This week's data: the FED kept the policy rate as expected, but suggested that disinflation has a still long way to go. The job market slowed below expectations.; Euro area inflation fell below the consensus, the economy contracted in Q3.

Date**		Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2023 10 . 30 .	10 :00	DE	GDP QoQ,SA,prelim inary,%)	Q3	-0.1	-0.2	0.1
	31.	CN	NBS Non-m anufacturing PM I (points)	Oct	50.6		51.7
	7 :30	FR	GDP (prelim inary,QoQ,%)	Q3	0.1	0.1	0.6
	8 :00	DE	Retailsales MoM,%)	Sept	-0.8	0.5	-1.2
	10 :00	IT	GDP (prelim inary,QoQ,%)	Q3	0.0	0.1	-0.4
	11 :00	EZ	CPI (flash, YoY,%)	Oct	2.9	3.1	4.3
	11 :00	EZ	Core CPI (flash, YoY,%)	Oct	4.2	4.2	4.5
	11 :00	EZ	GDP (prelim inary,QoQ,%)	Q3	-0.1	0	0.2
	11 :00	EZ	GDP (prelim inary, YoY,%)	Q3	0.1	0.2	0.5
11. 1.	2 :45	CN	Cakin M anufacturing PM I (points)	Oct	49.5	50.8	50.6
	13 :15	US	ADP non-fam em ploym ent MoM, 000s)	Oct	113	150	89
		US	Job Openings (n illbn)	Sept	9.553	9.25	9.497
	19 :00	US	Interest rate decision (%)	-	5.25-5.5	5.25-5.5	5.25-5.5
2.	13 :30	US	Non-fam Unit Labor Costs (prelim inary,QoQ,%)	Q3	-0.8	0.8	3.2
	13 :30	US	Non-fam productivity growth (prelim inary,QoQ,%)	Q3	4.7	4.0	3.6
3	11 :00	EZ	Unem ploym ent rate (%)	Sept	6.5	6.4	6.4
	13 :30	US	Non-fam payroll MoM, 000s)	Oct	150	180	297
	13 :30	US	Unem ploym ent rate (%)	Oct	3.9	3.8	3.8
	13 :30	US	Average earnings MoM,%)	Oct	0.2	0.3	0.2
	13 :30	US	Average earnings YoY,%)	Oct	4.1	4.1	4.3

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

Key highlights

- In the **US**, the **FOMC** held interest rates steady, as expected. In the subsequent statement, the Fed noted that the economy grew at a strong pace in the third quarter, while job growth slowed from the beginning of the year but remained strong. However, referring to the recent weeks' rise in yields on long maturities, the announcement has noted that households and businesses are facing tighter financial conditions, which may slow growth. At the post-meeting press conference, Chairman Jerome Powell reiterated that the Fed was still far from achieving its 2% inflation target, so it is still yet to be seen what interest rate decision will be made at the following meetings; this will primarily depend on the incoming data. The October **job report** posted a 150,000 growth in non-farm payroll, below the consensus and wage growth was also slightly weaker MoM, than expected.
- In the **euro area**, the October flash **inflation rate** brought a big surprise, by declining more than the consensus (2.9% vs 3.1%). However, this was entirely driven by food and energy prices as the core decline to 4.2% (from 4.5%) as expected. The fresh Q3 GDP growth figure implied a mild recession in QOQ terms (-0.1%),

- US 10Y yields fell 30bps this week near 4.5% after the Fed left interest rates steady and the recent labour market report.
- In the euro area, LT bond yields also declined considerably.
- The USD lost ground after the FOMC and Friday's job report.
- Positive earnings reports and declining yields gave big momentum to equities.
- Oil prices declined amid easing concerns of the Middle East conflict and signs of weakening global demand.

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	4349	5.6	13.3	US 2 year	4.8699	-13.2	44.4	Dollar index	105.324	-1.2	1.7	Brent	85.67	-5.3	-0.3
Nasdaq Comp.	13405	6.0	28.1	US 10 year	4.5332	-30.1	65.8	EURUSD	1.0719	1.5	0.1	WTI	81.34	-4.9	1.3
Dow Jones	33988	4.8	2.5	DE 2 year	2.9591	-7.1	22.1	USDJPY	149.477	-0.1	14.0	NatGas (TTF, front-month)	47.1	-7.7	-36.4
Russel2000	1755	7.2	-0.4	DE 10 Year	2.6483	-18.2	8.4	GBPUSD	1.2338	1.8	2.1	Gold	1995.2	-0.6	9.4
Stoxx 600	444	3.5	4.6	FR 10 year	3.243498	-20.5	13.9	AUDUSD	0.650	2.6	-4.6	Silver	23.243	0.5	-3.0
DAX	15208	3.5	9.2	SP 10 year	3.684878	-23.8	3.6	USDCAD	1.37	1.2	-1.1	Palladium	1113.4	-1.0	-37.9
CAC40	7060	3.9	9.1	IT 10 year	4.508615	-29.3	-18.9	USDCHF	0.899	0.4	2.8	Copper	368.05	0.9	-3.4
FTSE100	7407	1.6	-0.6	UK 10 year	4.293651	-24.9	62.8	NZDUSD	0.5978	2.9	-5.9	Steel	873	0.8	17.3
FTSEMIB	28684	5.1	21.0	CH 10 year	1.100601	0.4	-47.9	CNHUSD	7.305	0.4	-5.2	W heat	572	-0.6	-27.8
Nikkei225	31950	4.4	22.4	JP 10 year	0.92	4.9	50.6	USDTRY	28.4089	-0.8	-34.1	Com	476.25	-0.9	-29.8
CSI300	3584	0.6	-7.4	CN 10 year	2.661	-5.6	-17.6	USDBRL	4.895	2.4	7.9	Electricity APX)*	29.51	-68.6	62.7

Source: Bloomberg

*In EUR/MWh

Key highlights: US 10Y yields fell 30bps this week near 4.5% after the Fed left interest rates steady and the recent labour market report. In the euro area, LT bond yields also declined considerably. The USD lost ground after the FOMC and Friday's job report. Positive earnings reports and declining yields gave momentum to equities. Oil prices declined amid easing concerns of the Middle East conflict and signs of weakening global demand.

- Investors focused this week on the FOMC's meeting and the latest US labour market report. International LT yields slightly dropped ahead of the FOMC's rate setting decision, but tumbled on Thursday after the markets digested the Fed Chair Jerome Powell's post-decision statement. The Fed kept rates steady and offered somewhat dovish signals on more interest rate hikes even while keeping the possibility open. On Wednesday and Thursday **US 10Y yields** fell 20bp and left behind the critical 5% level. Today's NFP report reflects less tight labour market conditions and shows that the Fed's rate hike cycle might be at the end. In a weekly horizon, US 10Y yields are on track for 30 bps decline and nearing 4.5%. The US budget concerns eased lately, and the funding dispute also got out of the limelight, but the problem is far from over as the 45-day delay for making an agreement on funding legislation is coming to the end in two weeks. **LT yields in the euro area** moved mostly lower this week after the ECB's monetary decision last week, when the ECB left rates unchanged - the first time in more than a year - but warned that borrowing costs would remain at a restrictive level for an extended period. German 10Y yields dropped 18bps below 2.7% by Friday, the lowest in two months. Italy's 10Y yields fell more steeply by 25bps this week, while investors are awaiting the Italian government's 2024 budget draft as Italy can't choose but reduce debt as it's a condition for accessing the EU pandemic-recovery funds.

- **In the currency markets**, the US dollar lost with the Dollar index falling more than 1% and the EUR/USD climbing over 1.07 on Friday. The EUR/USD showed some ups and downs during the week, the US dollar rose below 1.053 right after the Fed's interest rate decision, but the euro later gained steadily, especially after the NFP.

- It has been a busy week again in the **developed equity markets** as the Q3 corporate reporting season goes on. By the beginning of this week half of the S&P500 companies released their latest quarterly figures and 78% of them brought surprise to the upside. This week's releases were a mixed bag **in the US** with Apple, AMD and McDonald's among others delivering better-than-expected quarterly results and Pfizer disappointing investors. In Europe, Stellantis and BBVA reported better than expected figures, while BP and HSBC surprised to the downside. Besides the positive developments in the corporate world, equity markets also benefitted from easing interest rate concerns and falling bond yields. In these circumstances, major Western European indices are heading for one of the best weeks of this year with the Stoxx600, the DAX and the CAC40 gaining around 4% and the FTSE100 rising 2%. In the US, major equity indices are 5-6% higher than a week ago.

- **Crude** prices are on track for 5% weekly declines amid easing concerns of supply disruption amid the current conflict in the Middle East, while weakening global demand also weighs on prices. **TTF gas prices** fell below 48EUR/MWh after jumping to 8-month high on Monday, after Egypt announced last weekend that natural gas import fell to zero. Though flows from Egypt to Europe make up a small share, the news shed lights again on the supply risk of transports from the area.

Stock market and sector performance

Performance of US sectors

Sector	Last price	1week change (%)	YTD (%)
S&P500	4349	5.6	13.3
IT	3026	6.0	39.3
Health care	1485	3.5	-6.3
Financials	559	7.0	-1.8
Telco	226	6.1	41.8
Consumer discretionary	1267	7.1	26.0
Industrials	860	5.4	3.4
Consumer staples	731	3.8	-6.2
Utilities	317	6.3	-11.5
Energy	660	1.8	-1.8
Real estate	221	8.9	-5.0
Materials	494	4.7	0.9

Key US Tech companies

Company	Last price	1week change (%)	YTD (%)
Apple	176	4.5	35.2
Microsoft	351	6.4	46.3
Nvidia	441	8.9	201.9
Amazon	129	5.3	45.8
Alphabet	138	7.9	64.1
Tesla	222	7.2	80.4

Source: Bloomberg

Performance of Europe's sectors

Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	444	3.5	4.6
Health care	1014	2.1	1.7
Industrial goods & services	666	4.8	4.6
Banks	156	3.0	11.1
Personal & household goods	979	4.7	2.0
Insurance	330	2.0	3.4
Food and beverages	724	4.7	-2.9
Technology	671	5.4	16.1
Utilities	367	3.6	1.8
Oil & gas	358	-1.4	3.8
Chemicals	1169	3.4	2.4
Construction & materials	578	6.1	13.4
Telco	193	4.0	2.1
Retail	357	6.1	19.2
Financial services	611	3.9	8.4
Basic resources	548	2.9	-12.5
Real estate	115	12.0	-2.3
Auto & parts	587	6.5	11.3
Media	372	1.5	13.7
Travel & leisure	214	3.7	8.2

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	444	0.9	-2.9	-3.9	8.6	13.0	1.8	1.2	13.1	1.1	160.3	-0.1	0.5
Germany	DAX Index	15208	0.9	-4.3	-3.8	15.9	12.1	1.4	0.8	10.5	1.2	115.5	-7.9	0.7
France	CAC Index	7060	1.0	-2.7	-4.6	13.2	12.2	1.7	1.2	12.5	1.1	186.2	-0.1	1.9
Poland	WIG20 Index	2176	16.6	1.5	13.3	39.4	6.2	1.1	0.7	15.2		40.7	7.1	3.7
Czechia	PX Index	1381	3.1	1.6	-0.1	16.1	7.4	1.2	0.8	15.7		151.5	-0.4	1.6
Hungary	BUX Index	57142	2.1	5.8	22.8	36.8	6.7	1.1	0.6	18.2		71.8	-200.0	40.0
Romania	BET Index	14503	1.0	10.4	18.4	33.9	4.0	1.3	1.0	18.5		48.3	-111.4	-16.6
Bulgaria	SOFIX Index	740	-1.1	7.0	20.9	24.6	5.3	0.8	0.5	11.2	2.3	54.8		
Russia	MOEX Index	3205	1.9	1.8	26.5	48.6	2.7	0.4	0.6	16.1		53.4		
Ukraine	PFTS Index	507	0.0	0.0	0.0	-2.3	37.8	7.4				8.1		
Slovenia	SBITOP Index	1173	0.2	-5.8	-4.4	16.6	7.8	0.9	0.4	12.0		39.1	0.0	12.0
Croatia	CRO Index	2381	-2.0	-1.5	6.0	25.6	83.6	8.9	6.4	8.8	1.5	34.8		
Serbia	BELEX15 Index	879	-2.1	0.7	-2.9	12.7	57.1	5.8	4.4	10.2	1.9	17.1	0.0	-48.0
Montenegro	MNSE10 Index	1052	1.7	3.7	5.0	17.5	9.9	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	1.06	1.11	1.15
EURGBP	0.88	0.88	0.88	0.86	0.87	0.88	0.89
EURCHF	0.98	0.99	0.98	0.96	0.97	1.00	1.02
USDJPY	144.5	140	145	156	155	151	144

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	385	383	382	382	382
Romania	EURRON (€op)	4.95	4.95	4.96	4.97	4.98	4.99	5	5.01	5.03
Russia	USDRUB (€op)	73.0	77.7	89.5	97.6	94.71	93.27	94.4	95.98	97.53
Ukraine	USDUAH (€op)	37.0	36.7	36.7	37.0	37.4	38.8	38.8	39.2	39.1
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	-1.0	2.0	-0.6	2.7
Rom ania	4.6	1.9	2.7	2.2	3.3
Bulgaria	3.4	1.7	2.1	1.6	2.3
Russia	-2.1	2.6	1.5	1.6	1.2
Ukraine	-29.1	1.0	3.9	4.0	5.5
Slovenia	2.5	1.6	2.4	1.4	2.4
Croatia	6.3	2.2	2.1	2.6	2.5
Serbia	2.3	1.7	3.0	2.0	3.0
Montenegro	6.4	4.7	3.3	3.7	3.2
Albania	4.9	2.4	3.3	2.9	3.4
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	-6.4	-4.2	-5.0	-3.7
Rom ania	-6.2	-5.8	-5.0	-5.5	-4.5
Bulgaria	-2.8	-3.4	-3.1	-3.3	-3.0
Russia	-2.1	-2.6	-1.8	-3.0	-2.4
Ukraine	-16.3	-20.0	-16.0	-20.3	-17.1
Slovenia	-3.0	-4.7	-3.7	-3.6	-2.7
Croatia	0.1	-0.5	-1.0	-0.9	-1.4
Serbia	-3.1	-3.3	-2.7	-2.7	-2.2
Montenegro	-4.3	-1.8	-4.9	-3.8	-4.4
Albania	-3.8	-3.0	-3.0	-2.8	-2.6
Moldova	-3.3	-5.5	-4.5	-5.0	-4.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	4.8	17.9	5.2
Rom ania	13.7	10.7	7.2	10.5	5.5
Bulgaria	15.3	9.8	4.1	9.7	4.5
Russia	13.8	5.9	7.1	5.9	5.8
Ukraine	15.3	9.8	4.1	14.3	9.1
Slovenia	9.3	7.6	4.5	7.4	4.0
Croatia	10.7	8.2	4.1	8.1	3.7
Serbia	11.9	13.0	6.7	12.4	5.3
Montenegro	13.0	8.5	3.0	8.7	4.7
Albania	6.7	4.9	4.0	4.7	3.3
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
Rom ania	5.6	5.6	5.8	5.6	5.5
Bulgaria	4.2	4.2	4.1	4.5	4.5
Russia	3.9	3.2	3.4	3.4	3.4
Ukraine	21.0	20.0	17.0	20.1	15.3
Slovenia	4.8	3.6	3.3	3.8	3.8
Croatia	7.0	6.5	6.5	6.6	6.4
Serbia	9.4	10.0	9.5	9.4	9.0
Montenegro	14.9	15.0	14.5	17.7	17.9
Albania	11.3	11.0	10.7	10.7	10.5
Moldova	3.1	4.4	4.2	3.9	3.7

Source: Focus Economics, OTP Research Center

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