

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- November job report from the USA
- October retail sales, industrial production, producer prices and December investor confidence from the euro area

This week:

- Inflation slowed in the US, and in the eurozone fell much more than expected
- US consumption and spending also lost momentum in October, as did the housing market
- LT bond yields fell again as rate cut expectations strengthened after recently released inflation and growth data were better than expected. The US 10Y yields fell near 4.3% (-16bps) and 10Y Bund yields slid below 2.4% (-25bps).
- The US dollar seems to gain a little after New York Fed President Williams Thursday's comment and ahead of Fed Chair Jerome Powell's appearances today.
- Stock markets mostly climbed higher this week and closed November with an outstanding performance.
- Crude oil prices are heading to end the week with

Next week's spotlight: November job report from the USA; October retail sales, industrial production, producer prices and December investor confidence from the euro area

Date**		Cd.	Event/ Data	Period	Cons.	Prev.
2023 12. 4.	8 :00	DE	Export M oM ,SA,%)	Oct	1.0	-2.4
	10 :30	EZ	Sentix Investor confidence (points)	Dec	-17.2	-18.6
	16 :00	US	Factory orders M oM ,%)	Oct	-2.5	2.8
5.	2 :45	CN	Cixin Services PM I	Nov		50.4
	8 :45	FR	Industrial production M oM ,%)	Oct	0.2	-0.5
	11 :00	EZ	Producer Prices M oM ,%)	Oct	0.2	0.5
	11 :00	EZ	Producer Prices (YoY,%)	Oct	-9.4	-12.4
	16 :00	US	ISM non-M anufacturing PM I (points)	Nov	52.0	51.8
	14 :30	US	Job Openings (n illbn)	Oct		9.6
6.	8 :00	DE	Industrial orders M oM ,%)	Oct	0.0	0.2
	11 :00	EZ	Retail sales M oM ,%)	Oct	0.2	-0.3
	14 :15	US	ADP non-fam empl yment M oM ,000s)	Nov	120	113
7.	4 :00	CN	Export (YoY,%)	Nov		-6.4
	8 :00	DE	Industrial production M oM ,%)	Oct	0.5	-1.4
	14 :30	US	Initial jobless claims (000s)	weekly	225	218
	14 :30	US	Continuing jobless claims (000s)	weekly		1927
8.	14 :30	US	Non-fam payroll M oM ,000s)	Nov	170	150
	14 :30	US	Unemployment rate (%)	Nov	3.9	3.9
	14 :30	US	Average earnings M oM ,%)	Nov	0.3	0.2
	14 :30	US	Average earnings (YoY,%)	Nov	4.0	4.1
	16 :00	US	Michigan Consumer confidence (preliminary, points)	Dec	61.8	61.3

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

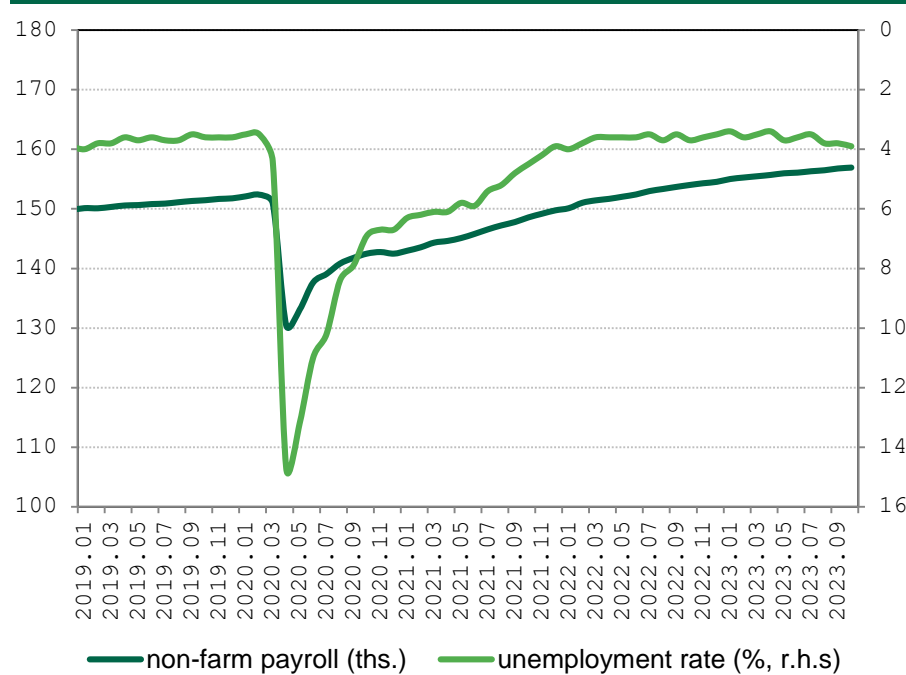
USA: November's labour market data will be in the spotlight

Date	Cd.	Event/Data	Period	Cons.	Prev.
2023.12.04 16:00	US	Factory orders (MoM, %)	Oct	-2.5	2.8
05 16:00	US	ISM non-manufacturing PMI (points)	Nov	52.0	51.8
16:00	US	Job Openings (million)	Oct		9.553
06. 14:15	US	ADP non-farm employment (MoM, 000s)	Nov	120	113
08. 14:30	US	Non-farm payroll (MoM, 000s)	Nov	170	150
14:30	US	Unemployment rate (%)	Nov	3.9	3.9
14:30	US	Average earnings (MoM, %)	Nov	0.3	0.2
14:30	US	Average earnings (YoY, %)	Nov	4	4.1
16:00	US	Michigan Consumer confidence (preliminary, points)	Dec	61.8	61.3

Key highlights

- In October we saw a sharp fall in NFP, but as United Auto Workers' strike ended on 31 October after six weeks, a correction in manufacturing employment is expected in November.
- To understand **labour market** developments, we need to rely on sectoral breakdown. In the short term, we can expect NFP growth to continue in sectors where employment is still below pre-pandemic levels, but labour demand is fading in other sectors. The unemployment rate has started to rise slowly, the number of continuing jobless claims rose steadily each week over the past two months. Wage dynamics have continued to slow.
- **Questions remain about the growth outlook and the interest rate path, and the labour market data could be important for both. The market still expects the**

Labour market data



Source: Refinitiv

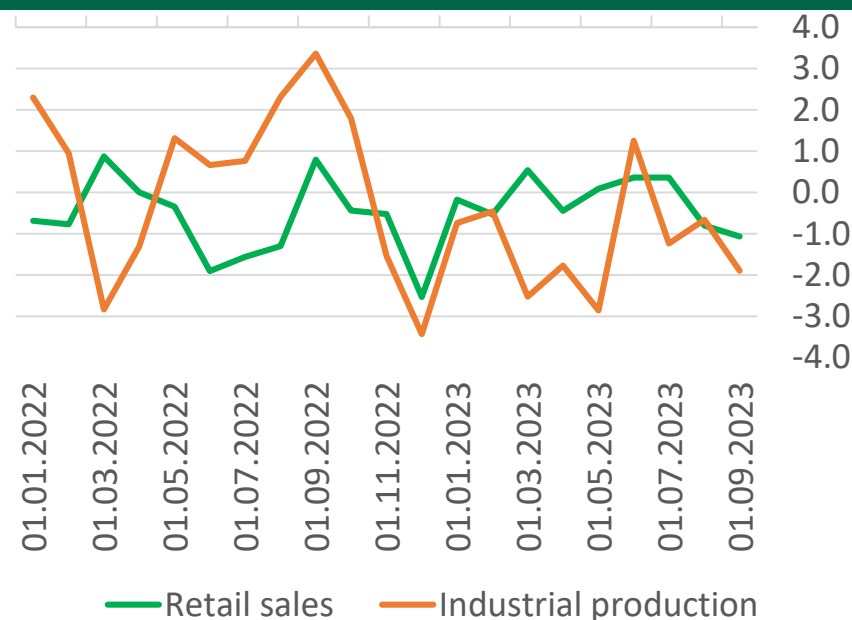
Euro area: October retail sales, industrial production, producer prices and December investor confidence

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2023 12. 4.	8 :00	DE	Export M oM ,SA,%)	Oct	1.0	-2.4
	10 :30	EZ	Sentix Investor confidence (points)	Dec	-17.2	-18.6
5.	8 :45	FR	Industrial production M oM ,%)	Oct	0.2	-0.5
	11 :00	EZ	Producer Prices M oM ,%)	Oct	0.2	0.5
	11 :00	EZ	Producer Prices YoY,%)	Oct	-9.4	-12.4
6.	8 :00	DE	Industrial orders M oM ,%)	Oct	0.0	0.2
	11 :00	EZ	Retail sales M oM ,%)	Oct	0.2	-0.3
7.	8 :00	DE	Industrial production M oM ,%)	Oct	0.5	-1.4

Key highlights

• Next week the focus will be on October real economy data, which are important for the assessment of Q4 GDP. The most notable indicator to be published is the **retail sales** figure for the euro area, as consumption is around 55% of the GDP in the region. October was a contradictory month: on the one hand, this was the first month after a long period (more than two years) when real wages have started to increase visibly, as inflation fell below 3% while Q3 wages may have been above 4%. At the same time, unemployment has started to climb slowly, employment prospects deteriorated, while consumer confidence remained at a low level. We will see how these contradictory factors play out. Additionally, the **German industrial data** would show how activity evolved in the largest economy of the area. **Producer**

Key monthly indicators for the euro area (MoM, %)



WEEKLY REPORT - 04 December 2023

This week's data: Inflation slowed in the US, and in the eurozone fell much more than

Date**	Cd.	Event/ Data	Period	Fact	Cons.	Prev.	
2023 11. 27.	16 :00	US New home sales (annualized monthly, 000s)	Oct	679	723	719	
	28 .	15 :00	US Case-Shiller Home Price Index (YoY,%)	Sept	3.9	4	2.1
	16 :00	US Consumer confidence (point)	Nov	102	101	99.1	
	29.	11 :00	EZ EC Economic Sentiment Index (points)	Nov	93.8	93.7	93.5
	14 :00	DE CPI (preliminary, YoY,%)	Nov	3.2	3.5	3.8	
	30 .	2 :30	CN NBS Non-manufacturing PMI (points)	Nov	50.2		50.6
	2 :30	CN NBS Manufacturing PMI (points)	Nov	49.4	49.7	49.5	
	8 :00	DE Retail sales MoM (%)	Oct	1.1	0.4	-0.8	
	8 :45	FR GDP (detailed, QoQ,%)	Q3	-0.1	0.1	0.6	
	11 :00	EZ CPI (flash, YoY,%)	Nov	2.4	2.7	2.9	
	11 :00	EZ Core CPI (flash, YoY,%)	Nov	3.6	3.9	4.2	
	11 :00	EZ Unemployment rate (%)	Oct	6.5	6.5	6.5	
	14 :30	US Personal income MoM (%)	Oct	0.2	0.2	0.4	
	14 :30	US Personal consumption (adjusted, MoM,%)	Oct	0.2	0.2	0.7	
	14 :30	US Household core PCE index MoM (%)	Oct	0.2	0.2	0.3	
	16 :00	US Pending home sales MoM (%)	Oct	-1.5	-2.0	1.0	
	12. 1.	2 :45	CN Caixin Manufacturing PMI (points)	Nov	50.7	49.7	49.5
	10 :00	IT GDP (detailed, QoQ,%)	Q3	0.1	0.0	-0.4	
	16 :00	US Construction spending MoM (%)	Oct	0.6	0.4	0.2	
	16 :00	US ISM Manufacturing PMI (points)	Nov	46.7	47.6	46.7	

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

Key highlights

- In the **USA**, **core PCE** came out at 0.2% MoM as expected, while there was no surprise in **consumption and spending** growth data either, all of which slowed. **Housing data** continued to surprise to the downside.
- In the **euro area**, November **inflation** data caused a huge downward surprise. The headline figure came out at 2.4%, the core rate at 3.6%, both 0.3 pts below the consensus, when economists already knew Germany's and Spain's favourable CPI data. Annualized MoM core inflation fell to 1.3%, a level last seen in 2019. This occurred just two days after ECB Governor Lagarde reiterated her previous statement, that inflation will likely increase in the following months, on base effects.

- **LT bond yields fell again as rate cut expectations strengthened after recently released inflation and growth data were better than expected. The US 10Y yields fell near 4.3% (-16bps) and 10Y Bund yields slid below 2.4% (-25 bps).**
- **The US dollar seems to gain a little after New York Fed President Williams Thursday’s comment and ahead of Fed Chair Jerome Powell’s appearances today.**
- **Stock markets mostly climbed higher this week and closed November with an outstanding performance.**
- **Crude oil prices are heading to end the week with modest gains after OPEC+ agreement on additional output cut. TTF gas prices declined.**

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	4565	0.1	18.9	US 2 year	4.648	-30.0	22.2	Dollar index	103.689	0.3	0.2	Brent	80.93	0.4	-5.8
Nasdaq Comp.	14182	-0.5	35.5	US 10 year	4.307	-16.0	43.2	EURUSD	1.0855	-0.8	1.4	WTI	76.15	0.8	-5.1
Dow Jones	36004	1.7	8.6	DE 2 year	2.699	-36.9	-3.8	USDJPY	147.776	-1.1	12.7	NatGas (TTF, front-month)	43.8	-5.0	-40.9
Russel2000	1809	0.1	2.7	DE 10 Year	2.396	-24.7	-17.0	GBPUSD	1.2633	0.2	4.6	Gold	2043.3	2.1	12.0
Stoxx 600	464	0.9	9.2	FR 10 year	2.956	-24.3	-15.0	AUDUSD	0.663	0.6	-2.7	Silver	25.323	4.1	5.7
DAX	16327	1.9	17.3	SP 10 year	3.389	-24.5	-26.2	USDCAD	1.3505	1.0	0.4	Palladium	1009.3	-5.9	-43.7
CAC40	7331	0.5	13.2	IT 10 year	4.124	-26.9	-57.5	USDCHF	0.8754	0.9	5.6	Copper	386.5	2.0	1.4
FTSE100	7510	0.3	0.8	UK 10 year	4.161	-11.9	49.6	NZDUSD	0.6169	1.6	-2.9	Steel	1044	16.3	40.3
FTSE MIB	29895	1.6	26.1	CH 10 year	0.770	-22.4	-8.1	CNHUSD	7.149	0.0	-3.2	W heat	569.25	3.7	-28.1
Nikkei225	33432	-0.6	28.1	JP 10 year	0.691	-8.0	27.8	USDTRY	28.9199	-0.2	-35.3	Com	460.5	-0.6	-32.1
CSI300	3483	-1.6	-10.0	CN 10 year	2.676	-2.4	-15.5	USDBRL	4.9198	-0.4	7.3	Electricity (APX)*	116.26	0.9	540.9

Source: Bloomberg

*In EUR/MWh

WEEKLY REPORT - 04 December 2023

key highlights: US bond yields fell again as rate cut expectations strengthened after recently released inflation and growth data were better than expected. The US dollar seems to gain after New York Fed President Williams' comment and ahead of Fed Chair Jerome Powell's appearances today. Stock markets mostly climbed higher and closed November with an outstanding performance. Crude oil prices are heading to end the week with modest gains after OPEC+ agreement on additional output cut.

- **Long-term yields dropped further**, with 10Y US yields falling near 4.3% (-16bps) and 10Y Bund yields sliding below 2.4% (-25bps) as expectations for interest rate cutting cycle to start next year strengthened. Investors focused heavily on this week's data flow, including sentiment indices, GDP, and inflation statistics on both sides of the Atlantic, while US consumer spending data and German retail statistics shed light on the recent development of consumption. Euro area inflation was much lower than the consensus and most of the US data also suggested slowing inflation and activity. In this environment, financial markets price in over 90% probability that Fed target rates remain on hold at the FOMC's next two meetings, while the probability of a 25bp cut in March nears 50%. US yields dropped almost every weekdays except Thursday, when New York Fed President John Williams reiterated the central bank's determination to remain data dependent; he would not rule out the possibility of further rate hikes if inflation fails to continue to moderate. Fed Chair Jerome Powell's today comments are expected to warn to be cautious.

- **In the currency markets**, the USD retreated in the first half of the week, with the EUR/USD climbing above 1.10 (+0.7%) -to level not seen since July - amid expectations that interest rates are likely to remain on hold. The USD recovered on Thursday as the cautious messages of some Fed officials filtered through, the EUR/USD dipped below 1.09, and fluctuates in the range of 1.089-1.091 on Friday, as market participants wait for monetary policy clues from J. Powell.

- **Developed equity markets** are on course to end the week with mixed performance, with the Dow and the S&P500 **in the USA**, and major Western European indices edging higher but the Nasdaq Composite slightly dropping. **In Europe**, the Stoxx600, the FTSE100 and the DAX seem to end the week with smaller gains (+0.3-1%), while national bourses in the periphery are on course to gain 2-3% or in Portugal even above 3%. Equity markets

closed a profitable month in November, benefiting from better-than-expected quarterly earnings and declining

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1 week change (%)	YTD (%)
S&P 500	4565	0.1	18.9
IT	3262	-0.2	50.2
Health care	1528	0.2	-3.6
Financials	595	1.3	4.4
Telco	233	-3.0	46.3
Consumer discretionary	1337	0.2	33.0
Industrials	908	1.1	9.2
Consumer staples	744	0.2	-4.5
Utilities	316	0.0	-11.7
Energy	646	0.2	-3.9
Real estate	234	2.8	0.6
Materials	519	1.9	6.1
Key US Tech companies			
Company	Last price	1 week change (%)	YTD (%)
Apple	190	0.0	46.2
Microsoft	377	-0.2	57.0
Nvidia	470	-1.7	221.4
Amazon	131	-4.0	48.7
Alphabet	147	0.0	74.7
Tesla	235	-0.4	90.5

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	464	0.9	9.2
Health care	1033	-0.6	3.6
Industrial goods & services	728	2.1	14.3
Banks	164	1.1	16.8
Personal & household goods	996	-0.3	3.8
Insurance	343	0.9	7.7
Food and beverages	710	-0.8	-4.8
Technology	740	2.0	28.1
Utilities	385	2.0	6.9
Oil & gas	359	0.3	4.1
Chemicals	1215	-0.3	6.5
Construction & materials	620	2.3	21.7
Telco	198	1.0	4.8
Retail	391	2.4	30.5
Financial services	671	3.2	19.0
Basic resources	576	2.7	-8.0
Real estate	122	2.8	3.9
Auto & parts	610	1.6	15.7
Media	393	1.1	20.2
Travel & leisure	219	0.2	10.9

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 (%)
													1.264075	
Europe	SXXP Index	464	6.3	1.3	1.9	4.5	13.2	1.7	1.3	12.2	1.1	161.3	-0.2	-0.3
Germany	DAX Index	16327	9.4	3.1	3.0	12.7	13.7	1.4	0.9	9.0	1.2	112.4	-5.4	2.0
France	CAC Index	7331	5.7	0.5	2.7	8.5	12.7	1.7	1.2	12.1	1.1	213.9	-2.6	0.4
Poland	WIG20 Index	2279	6.0	11.1	17.1	29.0	6.7	1.1	0.6	15.0		41.0	1.0	5.4
Czechia	PX Index	1389	1.3	3.6	7.4	14.4	7.4	1.2	0.8	15.7		151.5	1.2	-0.3
Hungary	BUX Index	57839	3.2	4.2	23.5	24.7	6.5	0.9	0.6	16.3		66.0	575.5	34.3
Romania	BET Index	14712	3.5	11.0	20.3	25.4	4.1	1.3	1.1	18.5		48.2	-18.3	-19.7
Bulgaria	SOFIX Index	745	-0.2	-1.7	10.9	23.8	5.3	0.8	0.5	11.2	2.3	54.8		
Russia	MOEX Index	3141	-2.0	-2.8	15.4	43.6	2.6	0.4	0.6	15.9		53.4		
Ukraine	PFTS Index	507	0.0	0.0	0.0	-2.3	37.8	7.4				8.1		
Slovenia	SBITOP Index	1215	4.3	5.4	-0.9	13.3	7.3	0.9	0.4	12.8		38.0	4.8	3.8
Croatia	CRO Index	2436	3.0	-0.6	7.4	27.6	85.8	8.9	6.7	8.5	1.6	33.5		
Serbia	BELEX15 Index	892	1.8	0.6	-1.9	9.7	576.3	58.4	44.2	10.2	1.9	17.1	0.0	-100.0
Montenegro	MNSE10 Index	1060	-0.8	4.0	2.4	18.8	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	1.07	1.12	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	0.96	1.00	1.01
USDJPY	144.5	140	145	156	159	155	145

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	380	373	388	385	383	382	382	382
Romania	EURRON (eop)	4.95	4.95	4.96	4.97	4.98	4.99	5	5.01	5.03
Russia	USDRUB (eop)	73.0	77.7	89.5	97.6	94.71	93.27	94.4	95.98	97.53
Ukraine	USDUAH (eop)	37.0	36.7	36.7	37.0	37.4	38.8	38.8	39.2	39.1
Serbia	EURRSD (eop)	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	3.9	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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