

OTP Weekly Outlook



Next week's spotlight:

- December inflation from the USA
- November real economy data and January investor confidence from the euro area

This week:

- Key US data during the week still suggest a relatively strong economy: although job openings fell, the December job report pointed to still visible employment growth, while wage growth edged up above 4% YoY again
- Euro area inflation increased a touch less than expected
- First week of macro data made investors more cautious on interest rate expectations
- Overall bond and stock markets sold off, partially reversing their December gains as traders tempered their interest rate cut expectations for 2024.
- Currency markets saw a risk-off sentiment as safe-heaven currencies – such as the USD and CHF – recorded broad gains against their developed market counterparts
- Oil markets remained relatively stable as increased US stockpiles offset the negative effect of regional tension in the Middle-East and North-Africa. European gas prices increased as increased demand for heating is projected

Next week's spotlight: December inflation from the USA; November real economy data and January investor confidence from the euro area

Date*		Cd.	Event/Data	Period	Cons.	Prev.
2024 1. 8.	8 :00	DE	Industrial orders M oM ,%)	Nov	0.6	-3.7
	8 :00	DE	Export M oM ,SA,%)	Nov	0.4	-0.2
	10 :30	EZ	Sentix Investor confidence (points)	Jan	-15.5	-16.8
	11 :00	EZ	Retail sales M oM ,%)	Nov	0	0.1
	11 :00	EZ	Unemployment rate (%)	Nov	6.5	6.5
	19 :30	US	R. Bostic Atlanta Fed Governor speech	-	-	-
9.	8 :00	DE	Industrial production M oM ,%)	Nov	0.2	-0.4
10.	8 :45	FR	Industrial production M oM ,%)	Nov	0.3	-0.3
	22 :15	US	J. Williams Atlanta Fed Governor speech	-	-	-
11.	14 :30	US	core-CPI M oM ,SA,%)	Dec	0.2	0.3
	14 :30	US	core-CPI YoY,%)	Dec	3.9	4.0
	14 :30	US	CPI M oM ,SA,%)	Dec	0.2	0.1
	14 :30	US	CPI YoY,%)	Dec	3.2	3.1
	14 :30	US	Initial jobless claims (000s)	weekly	215	202
	14 :30	US	Continuing jobless claims (000s)	weekly		1855
	20 :00	US	Federal budget balance (USD bn)	Dec		-314
12.	4 :00	CN	Export YoY,%)	Dec		0.5
	14 :30	US	Producer Prices YoY,%)	Dec	1.3	0.9
	14 :30	US	Producer Prices M oM ,%)	Dec	0.1	0.0

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

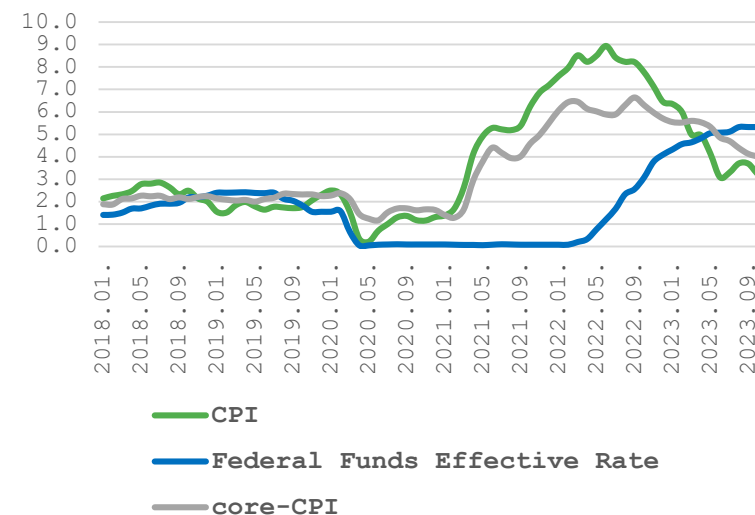
USA: December's CPI data will be in the spotlight

Date	Time	Cd.	Event/ Data	Period	Cons.	Prev.
2024.01.08	19:30	US	Atlanta Fed President R. Bostic speech (economic)		-	-
	10 22:15	US	J.W. Williams Fed decision maker speech (economic)		-	-
	11 14:30	US	core-CPI MoM, SA, %)	Dec	0.2	0.3
	14:30	US	core-CPI YoY, %)	Dec	3.9	4.0
	14:30	US	CPI MoM, SA, %)	Dec	0.2	0.1
	14:30	US	CPI YoY, %)	Dec	3.2	3.1
	20:00	US	Federal budget balance (USD bn)	Dec		-314
12.	14:30	US	Producer Prices YoY, %)	Dec	1.3	0.9
	14:30	US	Producer Prices MoM, %)	Dec	0.1	0.0

Key highlights

- **CPI data** are due next Thursday. The market is expecting a 0.2% acceleration MoM, higher than in November, which could push the YoY index little higher than November's 3.1%. Gas prices eased in December, but oil prices did not fall further; food and shelter costs may have continued to rise, so risks are pointing upwards. Core inflation may have increased by 0.2% MoM and 3.9% YoY. The disinflation both in the core and especially in the headline CPI has clearly slowed down in the last few months and they are still far from the Fed's target of 2% on average.
- The impact of the conflict in the Middle East on energy prices remains a concern. Moreover, the events of the past few days are adding to anxiety about the efficient functioning of supply chains in general too, as attacks on ships passing the Suez Canal in the Red Sea could paralyse one of the world's most important trade routes.
- **CPI data in line with expectation would justify the Fed's caution about starting a rate-cutting cycle but would also reinforce expectations that it could start in March.** However, an upside surprise and/or an escalation in the conflict in the Middle East could override the market's expectation of a 150-bps cut, bringing it closer to the expectation of Fed policymakers for a total of 75 bps of rate cuts by 2024.

CPI data (YoY, %) & FFR (%)



Source:
Refinitiv

Euro area: November real economy data and January investor confidence will be in the spotlight

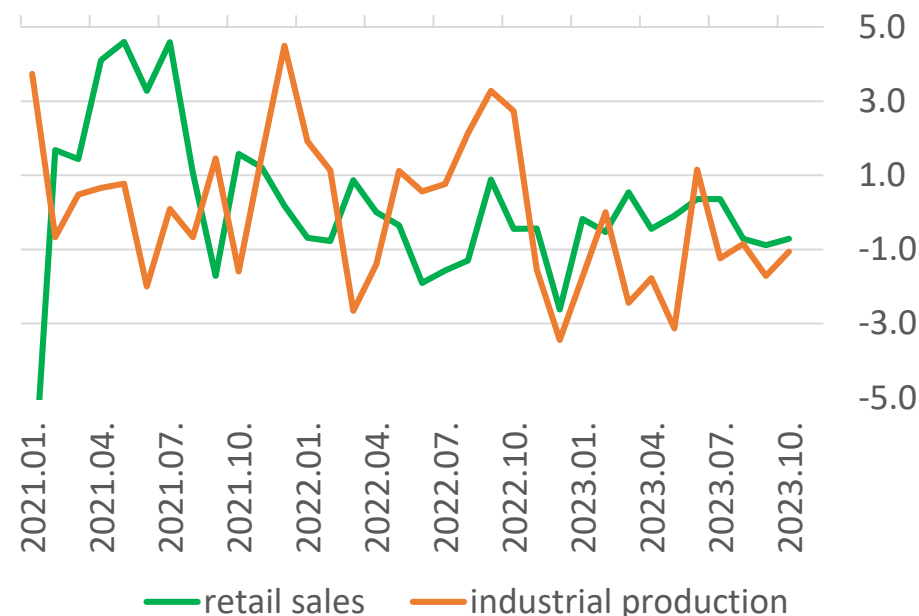
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2024 1. 8.	8 :00	DE Industrialorders M oM ,%)	Nov	0.6	-3.7
	8 :00	DE Export M oM ,SA,%)	Nov	0.4	-0.2
	10 :30	EZ Sentix Investor confidence (points)	Jan	-15.5	-16.8
	11 :00	EZ Retail sales M oM ,%)	Nov	0.0	0.1
	11 :00	EZ Unemployment rate (%)	Nov	6.5	6.5
9.	8 :00	DE Industrial production M oM ,%)	Nov	0.2	-0.4
10.	8 :45	FR Industrial production M oM ,%)	Nov	0.3	-0.3

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

Key highlights

- Next week's focus will be on November real economy data, in particular on **retail sales for the euro area** and **industrial production in Germany and France**. These data are crucial for the assessment of Q4 GDP. In October, euro area retail sales and industrial production both fell close to 1%, if three months' changes are observed. This suggests a weak start to the last quarter of 2023. Moreover, the composite PMI stood at 47 points in Q4, clearly in the recession territory.
- Another indicator to follow is the **Sentix investor confidence** index for January. Sentix has been hovering at a historic low level, although there has been a mild improvement in November and December.

Retail sales and industrial production (3month changes, SA,%)



This week's data: Key US data during the week still suggest a relatively strong economy: although job openings fell, the December job report points to still visible employment growth, while wage growth edged up above 4% YoY again; euro area inflation increased a touch less than expected

Date*	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2024 1. 2. 2 :45	CN	Caixin Manufacturing PMI (points)	Dec	50.8	50.4	50.7
3. 16 :00	US	ISM Manufacturing PMI (points)	Dec	47.4	47.1	46.7
16 :00	US	Job Openings (million)	Nov	8.79	8.85	8.85
4. 2 :45	CN	Caixin Services PMI	Dec	52.9	51.6	51.5
14 :00	DE	CPI preliminary, YoY, (%)	Dec	3.7	3.7	3.2
14 :15	US	ADP non-farm employment MoM, (000s)	Dec	164	115	101
5. 8 :00	DE	Retail sales MoM, (%)	Nov	-2.5	-0.1	1.1
11 :00	EZ	CPI (flash, YoY, %)	Dec	2.9	3.0	2.4
11 :00	EZ	Core CPI (flash, YoY, %)	Dec	3.4	3.4	3.6
11 :00	EZ	Producer Prices MoM, (%)	Nov	-0.3	-0.1	0.3
11 :00	EZ	Producer Prices YoY, (%)	Nov	-8.8	-8.7	-9.4
14 :30	US	Non-farm payroll MoM, (000s)	Dec	216	170	173
14 :30	US	Unemployment rate (%)	Dec	3.7	3.8	3.7
14 :30	US	Average earnings MoM, (%)	Dec	0.4	0.3	0.4
14 :30	US	Average earnings YoY, (%)	Dec	4.1	3.9	4.0
16 :00	US	Factory orders MoM, (%)	Nov	2.6	2.1	-3.4
16 :00	US	ISM non-Manufacturing PMI (points)	Dec	50.6	52.6	52.7

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

Key highlights

- **In the US, ISM manufacturing PMI** was upbeat compared to expectations, while the **FED minutes** did not contain clear clues on discussion of interest rate cuts. Although **job openings** fell short of the expectations, the increase in non-farm payroll was stronger than the consensus again, but the previous two months data was revised downwards. **Wage growth** at 0.4% MoM was strong for the second months, suggesting caution for investors for the potential March interest rate cuts.
- **Euro area inflation** increased to 2.9% from 2.4%, on base effects (consensus: 3.0%). The core rate declined to 3.4%, as expected (from 3.6%). This latter suggests that the disinflation tendency remained intact. Otherwise, German retail sales fell much stronger than expected in November (-2.5% vs. -0.1%), which is bad news for the 2023Q4 GDP figure.

- **First week of macro data made investors more cautious on interest rate expectations**
- **Overall bond and stock markets sold off, partially reversing their December gains as traders tempered their interest rate cut expectations for 2024**
- **Currency markets saw a risk-off sentiment as safe-heaven currencies – such as the USD and CHF – recorded broad gains against their developed market counterparts**
- **Oil markets remained relatively stable as increased US stockpiles offset the negative effect of regional tension in the Middle-East and North-Africa. European gas prices increased as increased demand for heating is projected**

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	4689	-2.0	-1.7	US 2 year	4.425	17.5	17.5	Dollar index	102.499	1.3	1.2	Brent	78.65	0.3	2.1
Nasdaq Comp.	14540	-3.7	-3.1	US 10 year	4.046	16.7	16.7	EURUSD	1.0946	-0.8	-0.8	WTI	73.55	2.5	2.7
Dow Jones	37465	-0.7	-0.6	DE 2 year	2.607	21.5	21.5	USDJPY	145.18	2.9	2.9	NatGas (1TF, front-month)*	34.7	8.5	8.5
Russel2000	1943	-5.6	-4.1	DE 10 Year	2.183	16.1	16.1	GBPUSD	1.2695	-0.3	-0.3	Gold	2044.6	-0.9	-0.9
Stoxx 600	475	-0.9	-0.9	FR 10 year	2.721	16.4	16.4	AUDUSD	0.670	-1.7	-1.7	Silver	23.03	-3.2	-3.2
DAX	16531	-1.0	-1.3	SP 10 year	3.174	19.2	19.2	USDCAD	1.3345	-0.8	-0.8	Palladium	1033.2	-6.1	-6.1
CAC40	7392	-1.9	-2.0	IT 10 year	3.864	17.2	17.2	USDCHF	0.8501	-1.0	-1.0	Copper	384.35	-2.1	-1.2
FTSE100	7677	-0.6	-0.7	UK 10 year	3.802	27.2	27.2	NZDUSD	0.6227	-1.5	-1.5	Steel	1093	-4.9	-3.7
FTSEMIB	30330	0.0	-0.1	CH 10 year	0.858	20.4	20.4	CNHUSD	7.160	-0.5	-0.5	Wheat	620.5	-1.7	-1.2
Nikkei225	33377	0.2	-0.3	JP 10 year	0.604	-0.4	-0.4	USDTRY	29.8403	-1.0	-1.0	Com	466.25	-1.7	-1.1
CSI300	3329	-2.5	-3.0	CN 10 year	2.520	-4.4	-4.4	USDBRL	4.8794	-0.5	-0.5	Electricity (APX)*	88.64	367.8	367.8

Source: Bloomberg

*In EUR/MWh

Key highlights: First week of macro data made investors more cautious on interest rate expectations. Overall bond and stock markets sold off, partially reversing their December gains. Currency markets saw a risk-off sentiment as safe-heaven currencies recorded broad gains against their developed market counterparts. Oil markets remained relatively stable as increased US stockpiles offset the negative effect of regional tension in the Middle-East and North-Africa. European gas prices increased as increased demand for heating is projected.

- **First week of macro data** made investors more cautious on interest rate expectations. In the first part of the week, US Manufacturing held up better based on ISM, compared to the consensus. The FED minutes seemed hawkish to investors, without clear clues on discussion of interest rate cuts. Although eurozone inflation was a touch weaker than expected, the US job market growth beat expectations yet again, despite declining job openings, while wage growth remained solid (increased above 4% YoY again).
- Overall, bond markets sold-off during the week as traders tempered their interest rate cut expectations. The **US 10Y yields** rose by ~17 bps, back above the 4.0% psychological limit, whilst **German 10Y yields** also increased ~16bps over the week's course, as they bounced back from their 2.0% levels.
- **In the currency markets**, December end trades partially reversed and major crosses showed a general risk-off sentiment as the dollar recorded broad gains against developed market currencies, except the Swiss franc and Canadian dollar. The EURUSD cross fell to 1.095 or about 0.8% over the course of the week.
- **Developed stock markets** followed their fixed income counterparts lower, partially reversing the rally seen in December. **US stock indices** are on track to end the week lower, with the tech-heavy Nasdaq falling 3.7%, the broad S&P500 index tumbling 2.0%, and the Dow Jones Industrial Average being down by 0.7% over the week. **European stock markets** recorded a losing week as well, with the French CAC40 leading the indices lower by its 1.9% decrease, the German DAX falling 1.0%, while the UK FTSE100 lost 0.6%.
- **Brent crude futures** steadied around \$79 per barrel on Friday as investors weighed signs of weakening US demand against supply disruptions in Libya and regional tensions in the Middle-East. On Thursday, oil prices tumbled as official data showed that US gasoline inventories jumped by 10.9 million barrels last week, the largest week-on-week increase in more than three decades. Distillate stockpiles also rose by 10.1 million barrels, crushing estimates for a 400,000 barrel build. Meanwhile, traders continued to monitor developments in Libya where protests halted production from the Sharara and El-Feel fields, which jointly contribute around 365,000 barrels per day, and also watched the developments on the Red Sea and in Iran as they try to assess the impact of the regional conflict sparked in early October. **TTF natural gas futures** climbed above EUR 34 per megawatt-hour, up over 8% this week due to an impending cold weather. Demand for heating is expected to rise as sub-zero temperatures are expected to persist from Paris to Berlin until mid-January. However, gas balances remained stable and as adequate supplies are being delivered through pipelines and tankers.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	4689	-2.0	-1.7
IT	3268	-4.1	-3.8
Health care	1620	1.9	1.9
Financials	627	-0.2	0.1
Telco	244	-1.4	-0.9
Consumer discretionary	1370	-4.0	-3.4
Industrials	943	-2.4	-2.2
Consumer staples	764	0.3	0.2
Utilities	326	1.3	1.4
Energy	650	1.3	1.6
Realestate	247	-3.1	-2.0
Materials	531	-2.1	-1.7
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Apple	182	-6.0	-5.5
Microsoft	369	-1.7	-1.9
Nvidia	484	-2.2	-2.2
Alphabet	137	-2.5	-2.2
Amazon	145	-5.7	-4.8
Tesla	236	-6.8	-5.0

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	475	-0.9	-0.9
Health care	1086	2.3	2.3
Industrial goods & services	752	-2.8	-2.8
Banks	172	1.8	1.8
Personal & household goods	985	-3.0	-3.0
Insurance	347	0.1	0.1
Food and beverages	716	-1.0	-1.0
Technology	725	-4.7	-4.7
Utilities	394	0.3	0.3
Oil & gas	362	1.5	1.5
Chemicals	1248	-3.7	-3.7
Construction & materials	645	-3.1	-3.1
Telco	201	2.1	2.1
Retail	382	-5.3	-5.3
Financial services	693	-3.0	-3.0
Basic resources	574	-2.1	-2.1
Realestate	129	-3.5	-3.5
Auto & parts	618	-1.6	-1.6
Media	405	-0.5	-0.5
Travel & leisure	234	-2.9	-2.8

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 (%)
Europe	SXXP Index	475	1.5	7.5	3.6	8.0	13.6	1.8	1.3	12.2	1.1	161.0	1.2	3.0
Germany	DAX Index	16531	0.0	9.7	3.7	14.5	14.4	1.4	0.9	9.0	1.2	112.3	57.4	3.0
France	CAC Index	7392	0.1	5.6	1.1	9.3	12.9	1.8	1.2	12.1	1.1	213.9	11.1	1.4
Poland	WIG20 Index	2266	-1.4	21.5	12.4	22.1	6.7	1.0	0.6	14.9		41.1	-48.0	-7.8
Czechia	PX Index	1439	2.8	8.5	11.9	15.8	7.8	1.0	0.8	12.6		122.3	4.0	3.0
Hungary	BUX Index	61035	4.5	10.0	21.9	34.9	6.9	1.0	0.6	15.8		66.1	-157.3	1.7
Romania	BET Index	15320	3.3	9.1	19.4	25.9	6.6	1.7	1.6	18.0		46.1	89.5	-2.3
Bulgaria	SOFIX Index	768	2.4	1.9	14.0	26.9	5.4	0.8	0.5	10.3	2.5	54.9		
Russia	MOEX Index	3135	0.2	0.1	11.8	45.4	2.9	0.4	0.6	14.1		62.3		
Ukraine	PFTS Index	507	0.0	0.0	0.0	-2.3								
Slovenia	SBITOP Index	1262	2.8	8.4	2.0	18.8	8.3	1.0	0.5	11.6		37.9	-54.7	-25.8
Croatia	CRO Index	2550	3.3	5.6	8.6	27.0	89.6	9.2	7.0	8.5	1.6	33.5	41.6	
Serbia	BELEX15 Index	878	-0.3	-1.4	1.2	6.5	598.3	55.0	42.8	9.3	2.0	16.8	-0.1	111.4
Montenegro	MNSE10 Index	1063	0.3	2.8	6.1	5.4		0.3			2.1	7.8		

*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	1.14
EURGBP	0.88	0.88	0.88	0.86	0.87	0.88	0.88
EURCHF	0.98	0.99	0.98	0.96	0.96	0.99	1.00
USDJPY	144.5	140	145	156	159	153.5	148

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	384	381	381	381	381
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	93.15	92.15	93.58	95.04	96.94
Ukraine	USDUAH (€op)	37.0	36.7	36.7	37.0	37.2	37.5	37.9	38.3	38.3
Serbia	EURRSD (€op)	117.0	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	-1.0	2.0	-0.6	2.7
Rom ania	4.7	1.4	2.8	2.1	3.2
Bulgaria	3.9	1.7	2.1	1.8	2.3
Russia	-1.2	3.3	2.2	1.9	1.3
Ukraine	-29.1	3.0	3.9	4.3	5.3
Slovenia	2.5	1.4	1.7	1.4	2.3
Croatia	6.3	2.6	2.8	2.5	2.5
Serbia	2.5	2.2	3.1	2.1	3
M ontenegro	6.4	4.8	3.8	3.9	3.2
Albania	4.9	2.4	3.3	3.1	3.3
M oldova	-5.9	2.8	4.4	1.6	4.2

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	4.8	17.7	5.1
Rom ania	13.7	10.5	6.6	10.5	5.6
Bulgaria	15.3	9.8	4.1	9.6	4.6
Russia	13.8	6.0	7.5	5.9	6.1
Ukraine	15.3	9.8	4.1	13.9	8.5
Slovenia	9.3	7.1	3.0	7.5	4.1
Croatia	10.7	8.1	3.0	8.1	3.6
Serbia	11.9	12.5	6.7	12.4	5.3
M ontenegro	13.0	8.5	3.0	8.6	4.500
Albania	6.7	4.9	4.0	4.8	3.5
M oldova	28.8	13.0	5.5	13.9	5.7

Source: Focus Economics, OTP Research Center

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.2	-6.4	-4.2	-5.2	-3.8
Rom ania	-6.3	-5.8	-6.0	-5.6	-4.8
Bulgaria	-2.8	-3.4	-3.1	-3.2	-3.1
Russia	-2.1	-2.6	-1.8	-2.7	-2.3
Ukraine	-16.3	-20.0	-16.0	-20.8	-17.6
Slovenia	-3.0	-4.7	-3.7	-3.8	-2.8
Croatia	0.1	-0.5	-1.0	-0.8	-1.4
Serbia	-3.1	-3.3	-2.7	-2.70	-2.2
M ontenegro	-4.3	-1.8	-4.9	-3.6	-4.4
Albania	-3.8	-3.0	-3.0	-2.3	-2.3
M oldova	-3.3	-5.5	-4.5	-5.4	-4.3

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.2	4	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	4.0	3.2	3.4	3.3	3.4
Ukraine	21.0	20.0	17.0	19.7	15.1
Slovenia	4.8	3.6	3.3	3.7	3.7
Croatia	7.0	6.5	6.5	6.6	6.4
Serbia	9.4	10.0	9.5	9.4	9.0
M ontenegro	14.6	14.9	14.3	17.7	17.9
Albania	11.3	11.0	10.7	10.8	10.6
M oldova	3.1	4.4	4.2	3.9	3.7

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