

OTP Weekly Outlook

 **otp** Global Markets

Next week's spotlight:

- ISM services PMI from the USA
- Retail sales, German industry data, and investor confidence from the euro area

This week:

- Powell puts the start of rate cuts most likely for May
- The January US job report highlighted extremely strong payrolls data and earnings rising faster than expected
- Euro area stagnated in Q4, defying fears of recession, while service sector inflation seems stubborn
- Bond markets are closing a very volatile week.
- The US 10Y yields plunged below 4.0% mid-week after a bunch of business cycle surveys, jobs and inflation data fueled rate cut expectations though Powell cooled the markets.
- Yields fell despite the concerns the worse-than-expected losses of New York Community Bank sparked, and that it can even lead to another financial crisis.
- Falling bond yields rebounded on Friday after the January US labour market report showed very strong job and earnings growth.
- In a weekly horizon, however, LT yields dropped with the US 10Y yields, sinking to 4.0%, and 10Y Bund yields going under 2.21%.
- The US dollar is set to end another week with gains, after hitting 1.088 mid-week but returning to 1.08 after the US job report.
- Major European equity markets are heading for some losses, while US stocks are in for some modest gains this week.
- Crude oil prices are set to end the week with 6-7% losses on easing supply side concerns.

Next week's spotlight: ISM services PMI from the USA; retail sales, German industry data and investor confidence will be in the spotlight

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2024 2. 5.	2 :45	CN	Caixin Services PM I	Jan		52.9
	8 :00	DE	Export (M oM ,SA,%)	Dec	-2.0	3.7
	10 :30	EZ	Sentix Investor confidence (points)	Feb	-15.0	-15.8
	11 :00	EZ	Producer Prices (M oM ,%)	Dec	-0.8	-0.3
	11 :00	EZ	Producer Prices (YoY,%)	Dec	-10.5	-8.8
	16 :00	US	ISM non-M manufacturing PM I (points)	Jan	52.0	50.6
6.	8 :00	DE	Industrial orders (M oM ,%)	Dec		0.3
	11 :00	EZ	Retail sales (M oM ,%)	Dec	-1.0	-0.3
7.	8 :00	DE	Industrial production (M oM ,%)	Dec	-0.2	-0.7
8.	14 :30	US	Initial jobless claims (000s)	weekly		224
	14 :30	US	Continuing jobless claims (000s)	weekly		1898

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

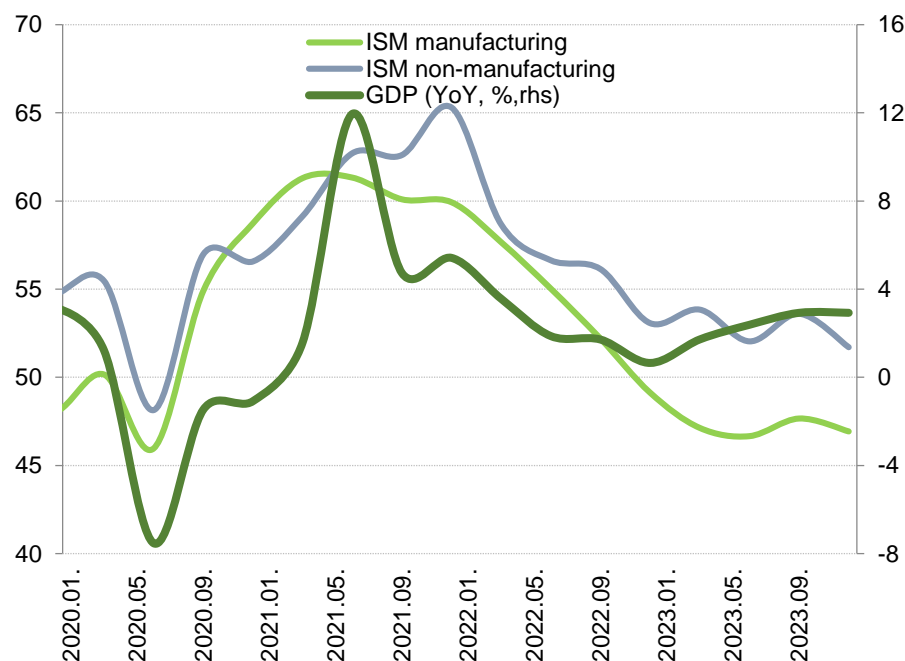
USA: ISM non-manufacturing index will be in the spotlight

Date		Cd.	Event/Data	Period	Cons.	Prev.
2024.02.05	16:00	US	ISM non-Manufacturing PMI (points)	Jan	52.0	50.6
	08 14:30	US	Initial jobless claims (000s)	weekly		224
	14:30	US	Continuing jobless claims (000s)	weekly		1898

Key highlights

- After this week's data dump, next week's US data releases are unlikely to cause much excitement. The most important of the few incoming data is the **ISM non-manufacturing index**. The services sector accounts for more than two-thirds of the economy and the index just barely remained in expansionary territory in December as the buoyed demand for services, owing to the post-Covid reopening, appears to be fading and demand is turning back to goods. We do not expect January data to pick up, as new orders received by services businesses already fell in December, and services inflation remained elevated, so the question is whether the index will be able to stay in the expansionary territory, above 50 points, in January.
- The **usual weekly statistics on the number of people receiving unemployment benefits** will be released on Thursday. While the number of initial jobless claims has not jumped yet, January 2024 recorded the highest number of layoffs since early 2023, so it will be worth checking if we see a rise in the figures.

ISM indices (point) & GDP (YoY, %)



Source: Refinitiv

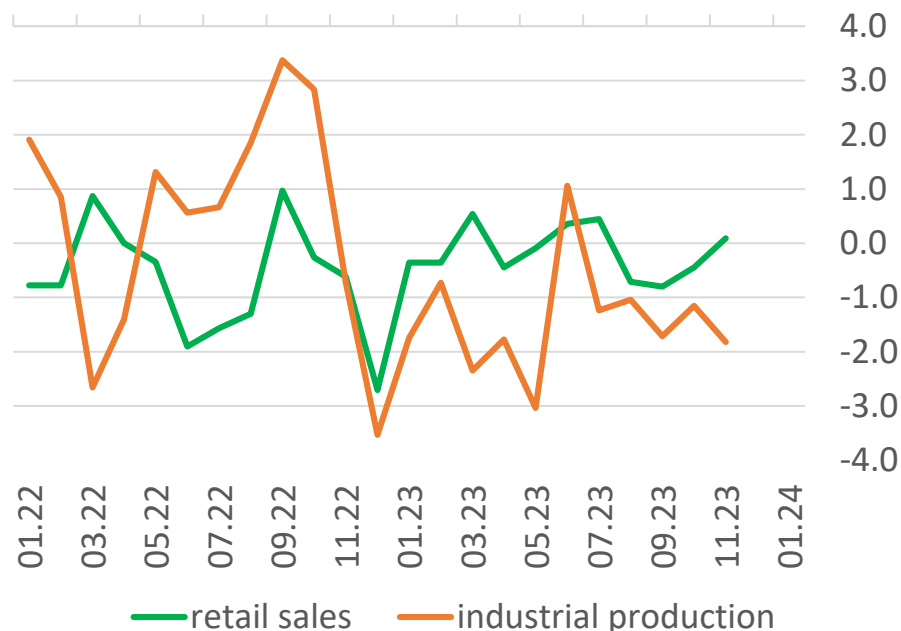
EZ: Retail sales, German industry data and investor confidence will be in the spotlight

Date*	Cd.	Event/ Data	Period	Cons.	Prev.
5. 8 :00	DE	Export (M oM ,SA,%)	Dec	-2.0	3.7
10 :30	EZ	Sentix Investor confidence (points)	Feb	-15.0	-15.8
11 :00	EZ	Producer Prices (M oM ,%)	Dec	-0.8	-0.3
11 :00	EZ	Producer Prices (YoY,%)	Dec	-10.5	-8.8
6. 8 :00	DE	Industrial orders (M oM ,%)	Dec		0.3
11 :00	EZ	Retail sales (M oM ,%)	Dec	-1.0	-0.3
7. 8 :00	DE	Industrial production (M oM ,%)	Dec	-0.2	-0.7

Key highlights

- Among the limited data releases, next week's focus will be on December **retail sales and Germany industry** figures and the February **Sentix index**. Although the flash Q4 GDP is already known, so in this sense the December data has less relevance, nevertheless, the data may be important from the point of view of carryover to 2024Q1, when analysts' consensus expects a gradual GDP recovery. Retail sales might finally start to grow, as real wages moved to the positive territory and consumer sentiment has improved. Nevertheless, the pace will likely remain slow as consumer's confidence is still not outstanding. Data on Germany's industry will reveal whether there is any light at the end of the tunnel for Germany.
- Finally , **Sentix** could be interesting, as it is the first February confidence index, while on past form it used to have some predictive power for PMIs.

Key monthly indicators in the euro area (3-month changes, %)



This week's data: Jerome Powell puts the start of rate cuts most likely for May; January job report was far stronger than expected Euro area stagnated in Q4, defying fears of recession, while service sector inflation seems stubborn

Date*	Time	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2024 1. 30.	10 :00	DE	GDP QoQ,SA,preliminary,%)	Q4	-0.3	-0.3	-0.1
	11 :00	EZ	GDP preliminary,QoQ,%)	Q4	0.0	-0.1	-0.1
	11 :00	EZ	GDP preliminary,YoY,%)	Q4	0.1	0.0	0.0
	15 :00	US	Case-ShillerHome Price Index (YoY,%)	Nov	5.4	5.8	4.9
	15 :00	US	Job Openings (million)	Dec	9.026	8.75	8.79
	16 :00	US	Consumerconfidence point)	Jan	114.8	115	110.7
31.	14 :00	DE	CPI preliminary,YoY,%)	Jan	3.1	3.2	3.7
	14 :15	US	ADP non-farm employment MoM,000s)	Jan	107	145	158
2. 1.	20 :00	US	Interest rate decision (%)	-	5.25-5.5	5.25-5.5	5.25-5.5
	2 :45	CN	Caixin Manufacturing PMI (points)	Jan	50.8	50.6	50.8
	11 :00	EZ	CPI (flash,YoY,%)	Jan	2.8	2.8	2.9
	11 :00	EZ	Core CPI (flash,YoY,%)	Jan	3.3	3.2	3.4
	11 :00	EZ	Unemployment rate (%)	Dec	6.4	6.4	6.4
	14 :30	US	Non-farm Unit Labor Costs (preliminary,QoQ,%)	Q4	0.5	1.6	-1.1
2.	14 :30	US	Non-farm productivity growth preliminary,QoQ,%)	Q4	3.2	2.5	4.9
	16 :00	US	ISM Manufacturing PMI (points)	Jan	49.1	47	47.1
	14 :30	US	Average earnings (YoY,%)	Jan	4.5	4.1	4.4
	14 :30	US	Average earnings MoM,%)	Jan	0.6	0.3	0.4
	14 :30	US	Unemployment rate (%)	Jan	3.7	3.8	3.7
	14 :30	US	Non-farm payroll MoM,000s)	Jan	353	178	216
	16 :00	US	Factory orders MoM,%)	Dec	0.2	0.5	2.6

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

Key highlights

- In the **USA**, the **FOMC** kept the target for the Fed Funds Rate unchanged as expected. The committee dropped its tightening bias, and in the new policy statement it warned that the FOMC 'does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%'. At the press conference, chair Powell repeated several times that core PCE is 2.9% YoY, and given the need for greater confidence, a March rate cut is not the most likely outcome. The US economy added **353,000 jobs in January**, far more than expected, earnings also increased faster than thought.
- The **euro area's** economy stagnated in Q4, based on the flash estimate, as Italy's and Spain's **GDP** surprised to the upside, while France's and Germany's economies grew as expected, although in the latter case this meant 0.3% recession. The consensus for the euro area GDP was a 0.1% decline. The flash January headline **inflation** rate came in at 2.8%, in line with the consensus, and slightly below the previous month's reading. However, core inflation declined less than expected to 3.3% (from 3.4%, consensus: 3.2%). What seems to be the most negative news is that the YoY rate of services inflation has been stubbornly at 4% for three months now, well above the pre-covid trend. As services makes up nearly 45% of the consumer basket, their high rate is a problem for achieving price stability. However, high wage growth keeps the sector's price growth elevated.

- Bond markets are closing a very volatile week. The US 10Y yields plunged below 4.0% mid-week after a bunch of business cycle surveys, jobs and inflation data fueled rate cut expectations though Powell cooled the markets.
- Yields fell despite the concerns the worse-than-expected losses of New York Community Bank sparked, and that it can even lead to another financial crisis.
- Falling bond yields rebounded on Friday after the January US labour market report showed very strong job and earnings growth. In a weekly horizon, however, LT yields dropped with the US 10Y yields, sinking to 4.0%, and 10Y Bund yields going under 2.21%.
- The US dollar is set to end another week with gains, after hitting 1.088 mid-week but returning to 1.08 after the NFP data.
- Major European equity markets are heading for some losses, while US stocks are in for some modest gains this week.
- Crude oil prices are set to end the week with 6-7% losses on easing supply side concerns.

Indices	Last price	1week change (%)	YTD (%)	Interest rates			FX rates			Commodity					
				Last price	1week change (bps)	YTD (bps)	Last price	1week change (%)	YTD (%)	Last price	1week change (%)	YTD (%)			
S&P500	4922	0.6	3.2	US 2 year	4.374	2.5	12.4	Dollar index	103.887	0.4	2.5	Brent	77.24	-7.6	0.3
Nasdaq Comp.	15490	0.2	3.2	US 10 year	4.009	-12.9	12.9	EURUSD	1.0793	-0.6	-2.2	WTI	72.2	-7.5	0.8
Dow Jones	38400	0.8	1.9	DE 2 year	2.553	-7.4	16.2	USDJPY	148.148	0.0	5.0	NatGas (TTF, front month)*	29.4	5.8	-8.0
Russel2000	1949	-1.5	-3.8	DE 10 Year	2.220	-7.7	19.9	GBPUSD	1.2643	-0.5	-0.7	Gold	2030.6	0.6	-1.6
Stoxx 600	485	0.1	1.2	FR 10 year	2.725	-6.1	16.8	AUDUSD	0.651	-0.9	-4.4	Silver	22.542	-1.1	-5.3
DAX	16922	-0.2	1.0	SP 10 year	3.146	-5.1	16.6	USDCAD	1.3471	-0.1	-1.7	Palladium	939.63	-2.2	-14.6
CAC40	7596	-0.5	0.7	IT 10 year	3.787	-3.1	9.8	USDCHF	0.8651	-0.1	-2.7	Copper	382.1	-0.8	-1.8
FTSE100	7622	-0.2	-1.4	UK 10 year	3.881	-8.0	35.2	NZDUSD	0.6075	-0.2	-3.9	Steel	967	-10.2	-14.8
FTSEMIB	30751	1.2	1.3	CH 10 year	0.800	-6.6	14.6	CNHUSD	7.215	-0.4	-1.2	W heat	608.75	1.4	-3.1
Nikkei225	36158	1.1	8.0	JP 10 year	0.667	-4.2	5.9	USDTRY	30.4646	-0.6	-3.1	Com	447.25	0.2	-5.1
CSI300	3180	-4.6	-7.3	CN 10 year	2.434	-7.2	-13.0	USDBRL	4.9615	-1.0	-2.1	Electricity APX)*	49.52	-38.3	161.3

Source: Bloomberg

*In EUR/MWh

Key highlights: Falling bond yields rebounded on Friday after the January US labour market report showed very strong job growth. In a weekly horizon, however, LT yields dropped, with the US 10Y yields sinking to 4.0% and 10Y Bund yields going under 2.21%. The US dollar is set to end another week with gains, after hitting 1.088 mid-week, but returning to 1.08 after the NFP data. Major European equity markets are heading for some losses, while US stocks are in for some modest gains this week, despite some upbeat earnings results. Crude oil prices are set to end the week with 6-7% losses, on easing supply side concerns.

- Long-term bond yields are heading for a considerable weekly decline, with the US 10Y yields sinking 13bps to 4.0% and German 10Y yields dropping 8bps below 2.3% on Friday afternoon. Bond yields steadily decreased during the week until Friday, as a large amount of economic data were published on both sides of the Atlantic. Job openings and weekly jobless claims showed that the labour market was slowing down in the US, fuelling rate cut hopes. Post-FOMC statement of Jerome Powell on Thursday that a March rate cut was unlikely could not bother investors expecting imminent rate cuts either. Bond yields, however, raced higher after the release of the closely watched nonfarm payrolls report on Friday: it showed nearly double the job growth in January than investors anticipated. US 10Y yields surged 14bps from 3.88% before the release and 10Y Bund yields also rose. Interest rate cut expectations, however, did not fade away totally on a weekly horizon. Futures markets are now pricing in just a 21% chance of a rate cut after the Fed's March meeting, down from a nearly 80% chance seen a month ago, according to CME's FedWatch Tool. In 2024, key rates are expected to be cut by 125bps in total, down from 150bps estimated before.

- **In the currency markets**, the US dollar weakened during the week, with the EUR/USD climbing to 1.088 after the steady appreciation of the US dollar in the past few weeks of this year. Friday's job report, however, boosted the US dollar, the EUR/USD dropped to 1.08 (-0.6% w/w).

- **Developed equity markets** are on course to end the week with mixed results, even if some upbeat corporate earnings reports and declining bond yields supported positive sentiment. **In the US**, major indices are set to end the week with modest gains. The Dow may add 0.8% as the blue-chip index rose again to all-time high on Thursday, after healing the weariness the Fed Chief caused with his statement about unlikely rate cut in March. The S&P500 is on track for only slim gains this week, provided by upbeat earnings reports from mega-caps like Alphabet, Amazon, Apple and Meta. New York Community Bank reported worse-than-expected losses on Wednesday, sparking concerns in the market. Analysts are worried that tough conditions in the commercial real estate market could even lead to another financial crisis. **In Western Europe**, major stock indices lost momentum after last week's gains, with the Stoxx600 adding only 0.1%, the FTSE and the DAX losing 0.2%. European earnings releases were a mixed bag, with Ryanair, Philips, H&M and Novartis delivering disappointing quarterly results and BBVA, Santander, and Novo Nordisk surprising investors to the upside. In terms of sector performances, consumer staples, health care, and utilities led gainers in the US, while telco and IT lost the most. In Europe, auto & parts performed by far the best among Stoxx600 sectors, while telco and basic resources were the main laggards.

- **Crude oil futures** are set to end the week with about 5-6% weekly losses, after 4% gains last week as signs of easing geopolitical tensions appeared. Reports emerged that a ceasefire agreement between Israel and Hamas is in the works. A truce in Gaza is expected to stop Houthi attacks on Red Sea shipping as well. **TTF gas prices** are on track for about 3% gains this week, to 30 EUR/MWh. EU gas storage levels are comfortably above 70%, and Europe is expected to enter the spring season with over 50% of its gas storage capacity available, well above the 10-year average of 35%. Some concerns, however, surrounds the supplies.

Stock market and sector performance

Performance of US sectors				
Sector	Last price	1week change (%)	YTD (%)	
S&P500	4922	0.6	3.2	
IT	3595	-0.1	5.8	
Health care	1653	1.9	3.9	
Financials	644	0.2	2.8	
Telco	269	0.5	9.5	
Consumer discretionary	1413	2.6	-0.3	
Industrials	968	0.8	0.4	
Consumer staples	784	1.8	2.8	
Utilities	311	0.0	-3.3	
Energy	636	-1.3	-0.7	
Real estate	237	-2.0	-5.8	
Materials	520	-0.1	-3.7	
Key US Tech companies				
Company	Last price	1week change (%)	YTD (%)	
Apple	183	-5.0	-5.1	
Microsoft	408	1.1	8.6	
Nvidia	653	7.0	31.9	
Alphabet	138	-9.2	-1.0	
Amazon	171	7.4	12.5	
Tesla	184	0.6	-25.8	

Source: Bloomberg

Performance of Europe's sectors				
Sector	Last price	1week change (%)	YTD (%)	
Stoxx 600	485	0.1	1.2	
Health care	1089	-0.2	2.6	
Industrial goods & services	785	0.8	1.4	
Banks	169	-0.2	0.1	
Personal & household goods	1043	0.6	2.8	
Insurance	352	-0.9	1.4	
Food and beverages	734	0.8	1.5	
Technology	823	0.4	8.3	
Utilities	373	-0.2	-5.1	
Oil & gas	347	0.0	-2.6	
Chemicals	1239	-1.0	-4.4	
Construction & materials	655	0.1	-1.6	
Telco	200	-2.5	1.8	
Retail	383	-1.9	-5.1	
Financial services	709	-0.2	-0.7	
Basic resources	545	-2.3	-6.9	
Real estate	127	-0.4	-4.7	
Auto & parts	640	5.3	1.9	
Media	433	0.5	6.4	
Travel & leisure	258	1.3	7.2	

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 (%)
Europe	SXXP Index	485	1.3	9.3	5.1	5.5	13.9	1.8	1.3	12.2	1.1	161.1	-0.2	2.2
Germany	DAX Index	16919	0.9	11.7	5.6	9.1	14.9	1.5	0.9	9.0	1.2	112.3	-24.9	1.9
France	CAC Index	7597	0.9	7.6	3.9	6.0	13.2	1.8	1.3	12.1	1.1	213.9	-9.7	-0.1
Poland	WIG20 Index	2344	1.8	8.6	9.4	23.1	7.0	1.1	0.7	14.9		41.1	1.6	-9.5
Czechia	PX Index	1458	2.5	5.3	7.2	7.9	8.0	1.0	0.8	12.6		122.3	-0.5	3.2
Hungary	BUX Index	65185	7.3	15.3	21.4	42.8	7.4	1.0	0.6	15.8		66.1	56.2	5.2
Romania	BET Index	15718	2.3	9.8	17.9	28.2	6.7	1.8	1.6	18.0		46.1	14.1	7.8
Bulgaria	SOFIX Index	780	1.4	4.4	13.3	27.3	5.5	0.8	0.5	10.3	2.5	54.9		
Russia	MOEX Index	3228	4.1	1.0	3.9	43.9	2.9	0.4	0.7	14.3	1.7	61.1		
Ukraine	PFTS Index	507	0.0	0.0	0.0	0.0	26.9	6.1	4.2	22.8		11.0		
Slovenia	SBI10P Index	1332	6.3	14.7	7.2	15.0	8.8	1.0	0.5	11.6		37.9	0.0	-25.2
Croatia	CRO Index	2672	6.1	12.6	10.6	26.3	94.2	9.7	7.3	8.5	1.6	33.5	0.0	
Serbia	BELEX15 Index	884	1.0	0.7	1.0	2.6	602.8	58.3	42.0	9.8	1.9	15.1	0.0	116.4
Montenegro	MNSE10 Index	1036	-2.5	-1.5	3.2	0.2		0.3			2.1	7.7		

*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	2023.Q4	2024.Q1	2024.Q2	2024.Q3	2024.Q4	2025.Q4	2026.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	0.87
EURCHF	0.96	0.95	0.97	0.97	0.98	1.02	1.01
USDJPY	159	156.5	156	154.5	152	150	146

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	382	382	383	385
Romania	EURRON (€op)	4.95	4.95	4.96	4.97	4.97	5.01	5.04	5.04	5.05
Russia	USDRUB (€op)	73.0	77.7	89.5	97.6	89.4	92.05	93.92	95.04	96.48
Ukraine	USDUAH (€op)	37.0	36.7	36.7	37.0	38.0	37.4	37.8	38.2	38.5
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	1.5	2.8	2.0	3.2
Bulgaria	3.9	1.7	2.1	1.8	2.3
Russia	-1.2	3.3	2.2	2.4	1.4
Ukraine	-29.1	3.0	3.9	5.1	5.2
Slovenia	2.5	1.4	2.0	1.3	2.2
Croatia	6.3	2.6	2.8	2.5	2.5
Serbia	2.5	2.5	3.5	2.2	3.0
Montenegro	6.4	4.8	3.8	3.9	3.3
Albania	4.9	3.4	4.1	3.2	3.3
Moldova	-5.9	0.4	3.5	1.6	4.1

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.2	-6.4	-4.2	-5.4	-3.9
Rom ania	-6.3	-5.8	-6.0	-5.8	-5.1
Bulgaria	-2.8	-3.4	-3.1	-3.1	-3.0
Russia	-2.1	-2.1	-1.0	-2.6	-2.2
Ukraine	-16.3	-20.0	-16.0	-20.2	-17.5
Slovenia	-3.0	-4.7	-3.7	-3.7	-2.9
Croatia	0.1	-0.5	-1.0	-0.7	-1.5
Serbia	-3.1	-3.3	-2.7	-2.7	-2.2
Montenegro	-4.3	-1.8	-4.9	-3.1	-4.3
Albania	-3.8	-2.4	-3.0	-2.3	-2.3
Moldova	-3.3	-5.5	-4.5	-5.3	-4.3

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	4.8	17.6	4.9
Rom ania	13.7	10.5	6.5	10.5	5.7
Bulgaria	15.3	9.8	4.1	9.7	4.2
Russia	13.8	6.0	6.8	6.0	6.3
Ukraine	15.3	9.8	4.1	13.1	7.5
Slovenia	9.3	7.1	3.0	7.2	3.8
Croatia	10.7	8.1	3.0	8.0	3.5
Serbia	11.9	12.1	6.7	12.4	5.3
Montenegro	13.0	8.5	3.0	8.6	4.6
Albania	6.7	4.8	3.8	4.8	3.5
Moldova	28.8	14.1	5.5	13.9	5.7

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	4.4	4.5
Russia	4.0	3.2	3.4	3.3	3.3
Ukraine	21.0	20.0	17.0	19.9	15.3
Slovenia	4.8	3.6	3.3	3.7	3.7
Croatia	7.0	6.5	6.5	6.4	6.3
Serbia	9.4	10.0	9.5	9.4	9.0
Montenegro	14.6	14.9	14.3	17.7	17.9
Albania	11.3	10.3	10.0	10.7	10.5
Moldova	3.1	4.4	4.4	3.9	3.7

Source: Focus Economics, OTP Research Center

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