

OTP Weekly Outlook



Next week's spotlight:

- FOMC minutes and PMIs from the USA
- ECB minutes, consumer confidence and PMIs from the euro area

This week:

- US inflation caused a nasty surprise as retail sales fell
- Euro area industrial production rebounded in December
- Long-term bond yields edged higher this week as higher-than-expected December US CPI and PPI and cautious comments from central bankers definitely undermined rate cuts in the near future.
- The US 10Y yields rose to 4.3% and the 10Y Bund yields increased to 2.4%.
- The US dollar is on track for slim 0.2% weekly gains after a choppy week.
- Major equity indices in Europe seem to end the week with hefty gains after some promising corporate earnings releases and upbeat industrial output data in the eurozone. In the US, vanishing rate cut hopes weigh on equities.
- Crude oil prices are set to end the week with 1-2% gains as geopolitical issues are still on the table. The TTF gas futures dropped again on easing demand and stable supply.

Next week's spotlight: FOMC minutes and PMIs from the USA; ECB minutes, consumer confidence and PMIs from the euro area

Date**	Cd.	Event/ Data	Period	Cons.	Prev.	
2024 2. 20.	16 :00	US Leading index M oM (%)	Jan	-0.3	-0.1	
	21.	16 :00	EZ Consumer confidence (point)	Feb	-15.6	-16.1
	20 :00	US FOMC minutes	Jan	-	-	
	22.	9 :15	FR HCOB Manufacturing PMI (points)	Feb	44	43.1
		9 :15	FR HCOB Service PMI (points)	Feb	45.6	45.4
		9 :30	DE HCOB Service PMI (points)	Feb	48	47.7
		9 :30	DE HCOB Manufacturing PMI (points)	Feb	46.1	45.5
		10 :00	EZ HCOB Manufacturing PMI (points)	Feb	47.1	46.6
		10 :00	EZ HCOB Service PMI (points)	Feb	48.7	48.4
		13 :30	EZ ECB minutes	Jan	-	-
		14 :30	US Initial jobless claims (000s)	weekly	217	212
		14 :30	US Continuing jobless claims (000s)	weekly		1895
		15 :45	US S&P Global Manufacturing PMI (points)	Feb	50.2	50.7
		15 :45	US S&P Global Service PMI (points)	Feb	52	52.5
		16 :00	US Existing home sales (annualized monthly, 000s)	Jan	3950	3780
	23.	8 :00	DE GDP (detailed, QoQ, %)	Q4	-0.3	-0.3
		10 :00	DE IFO Economic sentiment index (points)	Feb	85.5	85.2

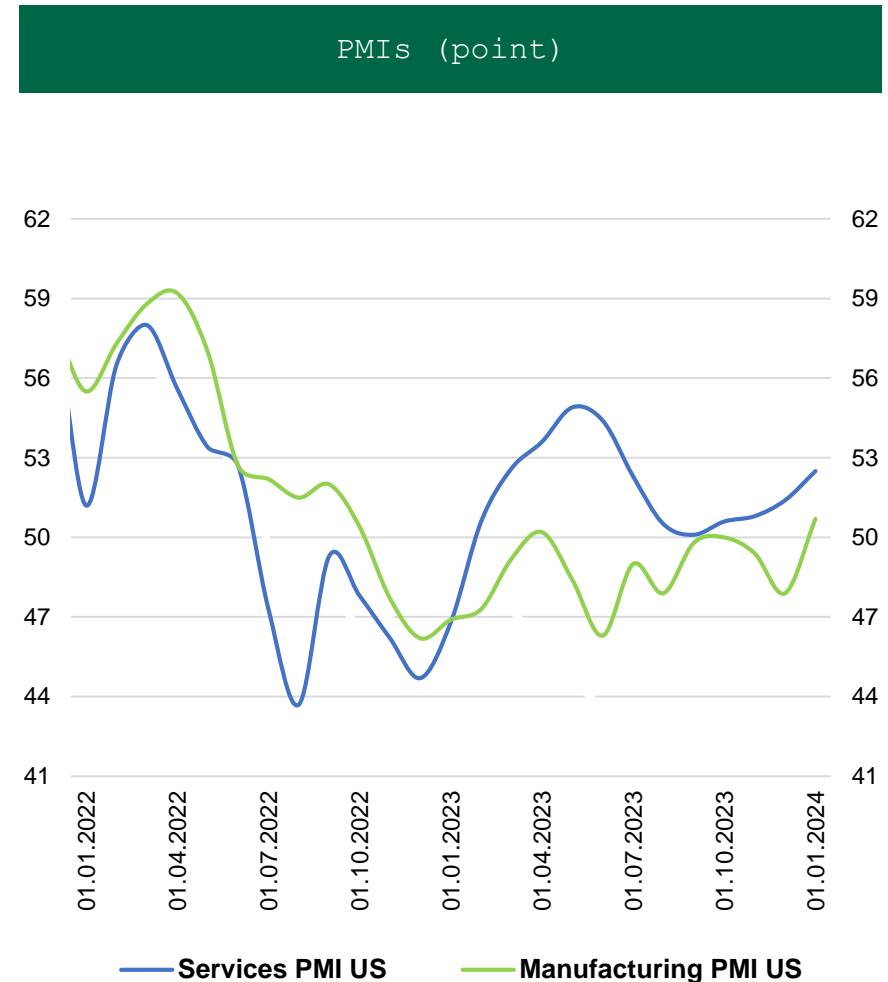
** The time, when most likely market-mover data could come out is indicated in red.

USA: February PMIs and FOMC Minutes will be in the spotlight

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2024.02.21	20:00	US	FOMC Minutes	Jan	-	-
	22 14:30	US	Initial jobless claims (000s)	weekly	217	212
	14:30	US	Continuing jobless claims (000s)	weekly		1895
	15:45	US	S&P Global Manufacturing PMI (points)	Feb	50.2	50.7
	15:45	US	S&P Global Service PMI (points)	Feb	52.0	52.5
	16:00	US	Existing home sales (annualized monthly, 000s)	Jan	3950	3780

Key highlights

- On Thursday, the **February PMIs** will be released in the US, where the market expects to see no signs of a slowdown in the economy. In January, the **manufacturing** PMI rose to a 15-month high and moved back into the expansionary range above 50 points. Companies have pointed to supply delays have intensified as a difficulty due to the drought in the Panama Canal and geopolitical tensions around the Suez Canal, so manufacturing lead times lengthened and as the latter is known to remain unresolved, this problem could repeat in February. In terms of the outlook for the **services sector**, the household wallet remains the key driver and based on January retail sales data, it seems that the wallet is getting thinner, and this is likely to leave its mark on the services sector sooner or later.
- Companies may now face uncertainty again around the inflation trajectory when considering their outlook:** while disinflation and the forthcoming interest rate cut have been highlighted as an upside in recent months, this could be a setback in the current survey.
- The strong PMIs indices would only further reinforce market expectations, which have been shifting following the publication of January's labour market and inflation data, that the Fed will not start easing before June and that only a 100 bps cut could be implemented this year.



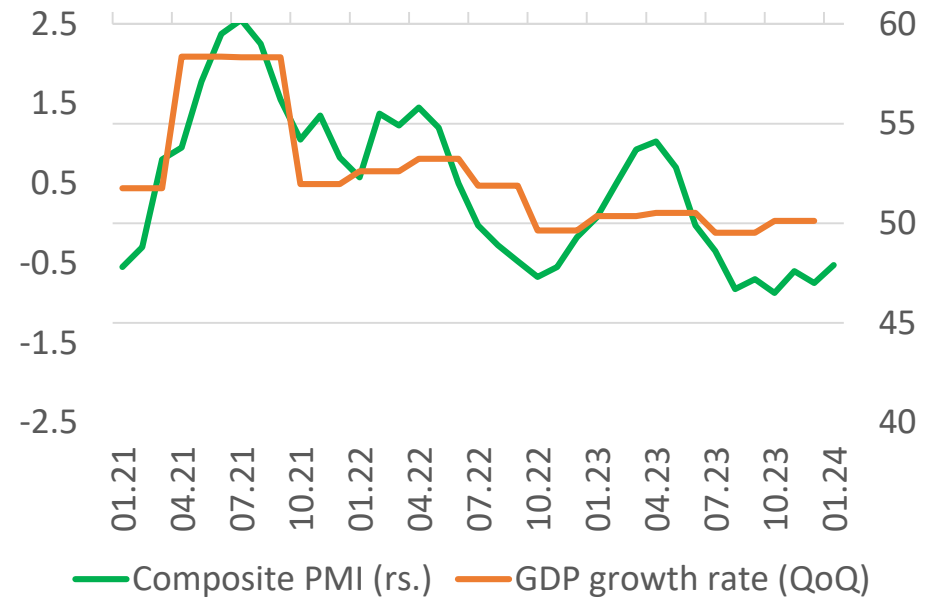
EZ: ECB minutes, consumer confidence and PMIs will be in the spotlight

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
21.	16 :00	EZ	Consumer confidence (point)	Feb	-15.6	-16.1
22.	10 :00	EZ	HCOB M anufacturing PM I (points)	Feb	47.1	46.6
	10 :00	EZ	HCOB Service PM I (points)	Feb	48.7	48.4
	13 :30	EZ	ECB M inutes	Jan	-	-
23.	8 :00	DE	GDP (detailed, QoQ, %)	Q4	-0.3	-0.3
	10 :00	DE	IFO Economic sentiment index (points)	Feb	85.5	85.2

Key highlights

- Next week’s focus will be on February **PMIs**. The composite indicator seems to have bottomed out around 47-48 points, but this is still well in the contraction territory. Nevertheless, the 2023Q4 GDP surprised markets by stagnating instead of falling. Hence, the PMIs, just like other soft indicators, have been a poor guide to true activity. Still, an improvement for February would make it more likely that the euro area economy is getting out of the woods. This could primarily occur through household spending, as real wages have been growing already for months now, while exports likely still struggle, plus higher interest rates and uncertainty weigh on investment spending. To this end, the February **consumer confidence** indicator could be also interesting; it seems to have remained still at a fairly low level.
- Finally, the **Monetary Policy Account from the ECB’s** January rate setting meeting will help to shed some light on the likely start of the rate cutting cycle. Currently, the markets think that the most probable start could be in April or June.

Euro area GDP growth rate and the composite PMI



Source: Refinitiv

This week's data: US inflation caused a nasty surprise as retail sales fell; euro area industrial production rebounded in December

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10 :00	DE	IFO Economic sentiment index (points)	Feb	85.5	85.2

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Key highlights

- In the **USA**, the January **inflation** rate was a nasty surprise, both the core and headline CPI were higher than expected. The YoY inflation rate stagnated at 3.9%, instead of declining to 3.7%, as shelter costs increased substantially, by 0.6% MoM. The headline rate fell to 3.1%, but this was still above the 2.9% consensus. After the data release, market have started to price out the May rate cut. On the real economy front, both **retail sales** and **industrial production** disappointed.
- In the **euro area**, the flash Q4 **GDP** was confirmed, but otherwise incoming data, e.g. the December **industrial production**, just as the **ZEW business confidence** came out better than foreseen.

- Long-term bond yields edged higher this week as higher-than-expected December US CPI and PPI and cautious comments from central bankers definitely undermined rate cuts in the near future.
- The US 10Y yields rose to 4.3% and the 10Y Bund yields increased to 2.4%.
- The US dollar is on track for slim 0.2% weekly gains after a choppy week.
- Major equity indices in Europe seem to end the week with hefty gains after some promising corporate earnings releases and upbeat industrial output data in the eurozone. In the US, vanishing rate cut hopes weigh on equities.
- Crude oil prices are set to end the week with 1-2% gains as geopolitical issues are still on the table. The TTF gas futures dropped again on easing demand and stable supply.

Indices	Last price	1 week change (%)	YTD (%)	Interest rates			FX rates			Commodity					
				Last price	1 week change (bps)	YTD (bps)	Last price	1 week change (%)	YTD (%)	Last price	1 week change (%)	YTD (%)			
S&P500	5016	-0.2	5.2	US 2 year	4.657	17.7	40.7	Dollar index	104.518	0.4	3.1	Brent	82.69	0.6	7.3
Nasdaq Comp.	15783	-1.3	5.1	US 10 year	4.303	12.7	42.4	EURUSD	1.0758	-0.2	-2.5	WTI	78.1	1.7	9.0
Dow Jones	38660	0.0	2.6	DE 2 year	2.804	9.2	41.3	USDJPY	150.444	0.8	6.7	NatGas (TTF, front-month)	24.8	-7.1	-22.5
Russel2000	2041	1.6	0.7	DE 10 Year	2.406	2.6	38.4	GBPUSD	1.257	-0.5	-1.3	Gold	1999.5	-1.2	-3.1
Stoxx 600	491	1.3	2.5	FR 10 year	2.883	-0.9	32.5	AUDUSD	0.651	-0.2	-4.4	Silver	22.963	1.5	-3.5
DAX	17092	1.0	2.0	SP 10 year	3.306	-6.0	32.5	USDCAD	1.3494	-0.3	-1.9	Palladium	955.83	10.9	-13.1
CAC40	7769	1.6	3.0	IT 10 year	3.887	-7.7	19.6	USDCHF	0.8818	-0.8	-4.6	Copper	382.2	3.8	-1.8
FTSE100	7699	1.7	-0.4	UK 10 year	4.100	1.7	57.0	NZDUSD	0.6099	-0.8	-3.5	Steel	929	-1.7	-18.1
FTSEMIB	31760	1.9	4.6	CH 10 year	0.892	-2.9	23.8	CNHUSD	7.217	0.0	-1.3	W heat	#N/A	-5.2	-9.9
Nikkei225	38487	4.4	15.0	JP 10 year	0.730	0.9	12.1	USDTRY	30.8308	-0.5	-4.2	Com	419.5	-2.2	-11.0
CSI300	3365	4.6	-1.9	CN 10 year	2.440	0.5	-12.0	USDBRL	4.9705	-0.3	-2.3	Electricity (APX)*	71.05	-4.7	274.9

Source: Bloomberg

*In EUR/MWh

Key highlights: Long-term bond yields edged higher this week as higher-than-expected December US CPI and PPI and cautious comments from central bankers definitely undermined rate cuts in the near future. The US 10Y yields rose to 4.3% and the 10Y Bund yields increased to 2.4%. The US dollar is on track for modest weekly gains after a choppy week. Major equity indices in Europe seem to end the week with hefty gains after some promising corporate earnings releases and upbeat industrial output data in the eurozone. In the US, vanishing rate cut hopes weigh on equities. Crude oil prices are set to end the week with 1-2% gains as geopolitical issues are still on the table. The TTF gas futures dropped again on easing demand and stable supply.

- After last week's considerable yield rise in the US and the euro area, long-term bond yields moved sideways at the beginning of this week. On Tuesday however higher-than-expected January US CPI gave a final blow to any rate cut expectations coming soon and led **US 10Y bond yields** 13bps and **German 10Y yields** 3bps higher intraday. In the remaining days of the week, UK inflation and GDP data brought some correction in the developed bond markets, as the UK economy sank into recession, the US retail sales were weaker than expected and the number of long-term unemployed on benefits rose. In Europe, ECB President Christine Lagarde argued again against early interest rate cuts because of the risks of high wage growth. All in all, yields still stand higher than one week ago, especially Friday's US PPI, which also came higher than earlier forecast. The probability of an imminent rate cut reduced to a fraction by now. According to CME FedWatch Tool, the probability that the Fed would cut rates at its next meeting in March fell below 7% by now from 63% one month ago, and rates may remain unchanged even after the FOMC's May meeting. In the last couple of weeks rate cut expectations for 2024 also diminished considerably, only 100bp decrease is priced in now compared to about 175bps at the beginning of the year.

- **In the currency markets**, the 1.07 level supported the EUR/USD this week, even when higher-than-expected US inflation data weighed on rate cut expectations. In the second half of the week, the euro rose, fuelled by Lagarde's statement in the EP. In a weekly horizon, the Dollar index added 0.4%, boosted by Friday's US PPI and the EUR/USD dropped to 1.076 (-0.2% w/w).

- **Developed equity markets** are heading towards the end of a very busy week, with a slew of corporate earnings releases. **Western European stock indices** got momentum after some very positive earnings releases this week. Retailer Ahold's, car manufacturer Stellantis' and Commerzbank's mostly positive earnings releases helped investors to ease worries surrounding future interest rate path. The Stoxx600 Europe is on track for 1.3% weekly gains, while the DAX seems to edge 1.0% higher this week, and the FTSE100 may rise 1.9% after much stronger-than-expected January retail trade statistics released today. **In the US**, major stock indices are on course to end the week in the red or with very slim gains. After higher-than-forecast January CPI, today's data releases with PPI rising more than expected was a final blow on rate cut hopes, while double-digit fall in housing starts and sluggish December retail sales undermined growth expectations. In terms of sector performance, materials and energy led gainers in the US, while in Europe, auto & parts is the biggest winner second time in a row.

- **Crude oil futures** are on track to advance for the second straight week, underpinned by geopolitical uncertainties in the Middle East and OPEC+ efforts to curb oil supply. Oil prices also jumped more than 1% on Thursday as weaker-than-expected US retail sales data prompted a selloff in the dollar. **TTF gas prices** dropped below 25 EUR/MWh (-7% w/w). Above-normal-temperatures, ample stock levels and stable supply support price drops.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1 week change (%)	YTD (%)
S&P500	5016	-0.2	5.2
IT	3658	-2.3	7.7
Health care	1693	0.9	6.5
Financials	660	1.7	5.4
Telco	271	-1.5	10.2
Consumer discretionary	1432	-1.3	1.0
Industrials	1003	1.3	3.9
Consumer staples	776	0.0	1.7
Utilities	309	1.1	-4.0
Energy	649	2.1	1.4
Real estate	241	-0.1	-4.2
Materials	538	2.7	-0.2

Key US Tech companies			
Company	Last price	1 week change (%)	YTD (%)
Apple	184	-2.8	-4.7
Microsoft	405	-3.8	7.6
Nvidia	735	1.8	48.3
Alphabet	142	-5.0	1.4
Amazon	168	-3.6	10.7
Tesla	200	3.4	-19.5

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	491	1.3	2.5
Health care	1104	1.1	4.1
Industrial goods & services	809	1.9	4.6
Banks	171	2.6	1.0
Personal & household goods	1083	1.7	6.7
Insurance	357	2.4	2.8
Food and beverages	729	0.5	0.8
Technology	850	-1.0	11.7
Utilities	358	0.4	-8.9
Oil & gas	345	-0.2	-3.1
Chemicals	1244	1.9	-4.0
Construction & materials	666	1.6	0.0
Telco	195	0.7	-0.9
Retail	386	2.7	-4.2
Financial services	710	1.5	-0.6
Basic resources	542	2.5	-7.4
Real estate	124	0.9	-7.3
Auto & parts	674	3.3	7.3
Media	441	0.5	8.5
Travel & leisure	262	0.0	9.0

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	491	3.8	8.8	7.8	5.5	14.1	1.8	1.3	12.2	1.1	161.1	-0.2	3.1
Germany	DAX Index	17092	3.1	8.3	8.2	10.0	14.9	1.5	0.9	9.0	1.2	112.3	-25.8	2.0
France	CAC Index	7769	5.0	8.4	7.0	5.5	14.4	1.9	1.2	12.7	1.1	210.8	-6.2	-0.3
Poland	WIG20 Index	2368	7.2	6.8	15.8	26.9	7.1	1.1	0.7	14.9		41.1	-2.4	-12.1
Czechia	PX Index	1488	2.9	7.5	9.3	6.3	8.1	1.1	0.8	12.6		122.3	-7.8	-1.5
Hungary	BUX Index	65646	3.7	14.0	18.9	42.6	7.5	1.1	0.6	15.8		66.1	46.7	3.7
Romania	BET Index	15787	0.0	7.4	21.6	27.7	6.7	1.8	1.6	18.0		46.1	5.9	7.6
Bulgaria	SOFIX Index	784	1.3	4.8	10.4	29.5	5.5	0.8	0.5	10.3	2.5			
Russia	MOEX Index	3244	2.0	1.7	6.4	50.6	3.0	0.5	0.7	15.2	1.7	56.7		
Ukraine	PFTS Index	507	0.0	0.0	0.0	0.0	26.9	6.1	4.2	22.8		11.0		
Slovenia	SBITOP Index	1380	7.4	14.9	14.3	15.8	9.1	1.0	0.5	11.6		37.9		-26.8
Croatia	CRO Index	2701	2.8	12.0	11.0	25.5	95.2	9.8	7.4	8.5	1.6	33.5		70.1
Serbia	BELEX15 Index	918	4.2	5.0	6.6	5.7	626.9	60.6	43.6	9.8	1.9	15.1	0.0	-11.6
Montenegro	MNSE10 Index	1046	0.5	-1.9	2.5	-0.3		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	0.96	0.97	0.98	1.01	0.99
USDJPY	159	157	155	154.5	152.5	150	147

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	377	375	378
Rom ania	EURRON (€op)	4.95	4.95	4.96	4.97	4.97	5.03	5.04	5.05	5.08
Russia	USDRUB (€op)	73.0	77.7	89.5	97.6	89.4	91.49	93.65	94.72	96.13
Ukraine	USDUAH (€op)	37.0	36.7	36.7	37.0	38.0	38.1	38.4	39.1	39.7
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	2.6
Rom ania	4.1	2.0	3.2	2.0	3.1
Bulgaria	3.4	1.7	2.1	1.8	2.2
Russia	-1.2	3.6	2.9	2.7	1.6
Ukraine	-29.1	3.0	3.9	4.9	4.1
Slovenia	2.5	1.4	2.3	1.3	2.1
Croatia	6.3	2.4	2.8	2.5	2.5
Serbia	2.5	2.5	3.5	2.3	3.0
Montenegro	6.4	4.8	3.8	4.2	3.4
Albania	4.9	3.4	4.1	3.2	3.3
Moldova	-5.9	0.4	3.5	1.5	4.0

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	-6.2	-6.4	-4.2	-5.7	-4.2
Rom ania	-6.3	-5.8	-6.0	-5.9	-5.3
Bulgaria	-2.8	-3.4	-3.1	-3.0	-3.0
Russia	-2.1	-2.1	-1.0	-2.2	-2.0
Ukraine	-16.3	-20.0	-16.0	-20.0	-18.3
Slovenia	-3.0	-4.7	-3.7	-3.8	-3.1
Croatia	0.1	-0.5	-1.0	-0.4	-1.6
Serbia	-3.1	-3.3	-2.7	-2.7	-2.2
Montenegro	-4.3	-1.8	-4.9	-2.7	-4.0
Albania	-3.8	-2.4	-3.0	-2.2	-2.3
Moldova	-3.3	-5.5	-4.5	-5.3	-4.5

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	14.5	17.9	4.8	17.1	4.6
Rom ania	13.7	10.5	6.5	10.5	5.6
Bulgaria	15.3	9.8	4.1	9.5	4.0
Russia	13.8	6.0	6.7	5.9	6.5
Ukraine	15.3	9.8	4.1	13.4	7.3
Slovenia	9.3	7.2	2.8	7.2	3.8
Croatia	10.7	8.1	3.0	7.9	3.2
Serbia	11.9	12.1	5.5	12.4	5.1
Montenegro	13.0	8.5	3.0	8.6	4.6
Albania	6.7	4.8	3.8	4.8	3.4
Moldova	28.8	14.1	5.5	13.4	5.7

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2022	2023	2024	2023	2024
Hungary	3.6	4.1	4.2	4.1	4.0
Rom ania	5.6	5.5	5.5	5.5	5.5
Bulgaria	4.2	4.2	4.1	4.3	4.5
Russia	4.0	3.3	3.4	3.2	3.2
Ukraine	21.0	20.0	17.0	19.3	15.9
Slovenia	4.8	3.8	4.0	3.8	3.6
Croatia	7.0	6.5	6.5	6.4	6.3
Serbia	9.4	9.5	9.0	9.3	8.9
Montenegro	14.6	14.9	14.3	14.4	17.9
Albania	11.3	10.3	10.0	10.7	10.3
Moldova	3.1	4.4	4.4	3.6	3.5

Source: Focus Economics, OTP Research Center

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