



**Eurozone inflation and US labour market data will be in the spotlight**

*Next week will put eurozone inflation and the US job market into the spotlight. Inflation data will be in the focus of the market, as in the recent week and a half, Treasury yields stopped rising in developed economies as (i) inflation fears did not prove to be justified by the bunch of February inflation data (ii) pandemic concerns postponed the recovery, particularly in Europe. March inflation data from the eurozone will help to refine this picture, although it will not likely be a game changer, as we are still far from reopening when prices pressures could intensify. Not too reassuringly, this week's PMIs suggest a further increase in input and output price pressures in the manufacturing sector. This, together with higher oil prices, will definitely feed into consumer prices to some extent. US labour market from March could be again a market mover. This month's data will be interesting, as there are some signs that the recovery weakened in February, while the third stimulus checks already arrived in the second half of the month, which could have boosted the economy. Meanwhile, news reports suggest President Joe Biden will unveil plans for a large infrastructure package on next Wednesday. The package will probably take much longer and be harder to pass than the last USD 1.9trn stimulus, but the news still could be a market mover. Naturally, pandemic news is also worth following, particularly in continental Europe, where infection rates are rising in most countries.*

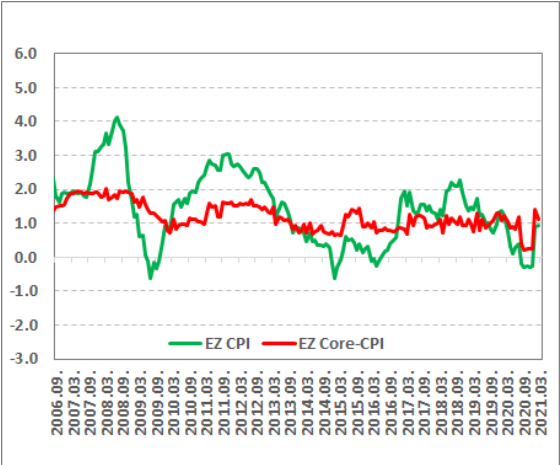
In the **Euro area**, the key day will be Wednesday, when March *inflation* data will be released. After the January surprise, February headline inflation remained flat at 0.9% YoY, while core inflation even weakened from 1.4% to 1.1%. The detailed breakdown confirmed that the drop was largely due to the reversal of temporary factors, which pushed it up in January: the contribution of clothing and footwear inflation to the headline rate fell by 0.1 ppts in February. This reversed most of the jump in clothing and footwear inflation in January, which was itself due to delays to winter sales. However, interestingly, headline inflation is to rise in the coming months, primarily due to higher energy inflation. In addition, services price inflation is likely to edge up as transport and accommodation inflation return to more normal levels when the hospitality and travel sectors eventually begin to reopen. Among these factors, March data could only contain the effect of higher energy prices (consensus CPI is 1.4% YoY), while the effect of reopening is obviously postponed, given the pandemic situation. Some other indicators could be interesting as well. First, February *retail sales* data for Germany and Spain (due on Thursday and Tuesday) help to see how domestic demand performed after the January fall. The March *Economic Sentiment Indices* (ESI, due on Tuesday) of the EU Commission, will give again a comparable picture among European countries on the last months of Q2, while Italy's *Markit PMI* helps to complete this week's *PMI* data for other countries.

As for the **USA**, most eyes will focus on Friday, when the March *labour market statistics*, in particular nonfarm-payroll (NFP) employment and the unemployment rate will be released. February data in NFP employment was stronger than expected, the 379,000 increase reflected the lifting of coronavirus containment measures and the effect of the USD 600 stimulus cheques, with the reopening of restaurants translating into a 355,000 gain in leisure & hospitality employment. The market foresees a 500,000 gain for

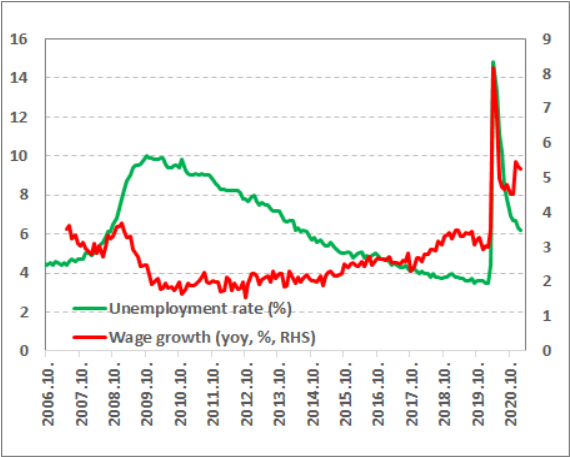
March. The unemployment rate edged down to 6.2%, from 6.3%, with a 208,000 gain in the household survey measure of employment, outstripping a 50,000 increase in the labour force. That 6.2% rate is arguably giving an overly optimistic picture of labour market conditions since 4.2 million people left the labour force over the past 12 months. Overall, employment was still 9.5 million short of the pre-pandemic level, with 3.5 million of those jobs lost in the leisure and hospitality sector. The consensus is a further minor decline in unemployment to 6.1%. Additionally, the January *Case-Shiller home price index*, March Conference Board *consumer confidence*, Chicago *PMI* from March and February *construction spending* could also attract some interest.

In **China**, *NBS and Caixin PMI-s* from March will be released (due on Wednesday and Thursday). All indices remained above the 50 mark in February, but gradually weakened from November.

**Eurozone inflation (%)**



**US labor market data (%)**



Source: Bloomberg, Refinitiv

**What to watch next week**

# WEEKLY REPORT - 29 MARCH 2021

Data		Cd.	Event/Data	Period	Cons.	Prev.
2021.	3. 30.	9 : 00 ES	Retail sales (YoY, %)	Feb		-9.5
		11 : 00 EZ	EC Economic Sentiment Index (points)	Mar	95.0	93.4
		15 : 00 DE	CPI (preliminary, YoY, %)	Mar	1.7	1.3
		15 : 00 US	Case-Shiller Home Price Index (YoY, %)	Jan	10.7	10.1
		16 : 00 US	Consumer confidence (point)	Mar	96.0	91.3
	31.	3 : 00 CN	NBS Manufacturing PMI (points)	Mar	51.0	50.6
		3 : 00 CN	NBS Non-manufacturing PMI (points)	Mar		51.4
		11 : 00 EZ	CPI (flash, YoY, %)	Mar	1.3	0.9
		11 : 00 EZ	Core CPI (flash, YoY, %)	Mar	1.2	1.1
		14 : 15 US	ADP non-farm employment (MoM, '000s)	Mar	550.0	117.0
		15 : 45 US	Chicago PMI (points)	Mar	60.1	59.5
		16 : 00 US	Pending home sales (MoM, %)	Feb	-2.6	-2.8
	4. 1.	3 : 45 CN	Caixin Manufacturing PMI (points)	Mar	51.0	50.9
		8 : 00 DE	Retail sales (MoM, %)	Feb	2.0	-4.5
		9 : 45 IT	Markit/IHS Manufacturing PMI (prelim.)	Mar	59.7	56.9
		14 : 30 US	Initial jobless claims ('000s)	weekly		684.0
		14 : 30 US	Continuing jobless claims ('000s)	weekly		3870.0
		16 : 00 US	Construction expenditure (MoM, %)	Feb	-0.9	1.7
		16 : 00 US	ISM Manufacturing PMI (points)	Mar	61.2	60.8
	2.	14 : 30 US	Non-farm payroll (MoM, '000s)	Mar	500.0	379.0
		14 : 30 US	Unemployment rate (%)	Mar	6.1	6.2
		14 : 30 US	Average earnings (MoM, %)	Mar	0.2	0.2
		14 : 30 US	Average earnings (YoY, %)	Mar	4.6	5.3

**Despite the correction in Treasury yields, stock markets stood in small pluses and minuses in a weekly comparison on account of pandemic concerns**

*Major European and US stock markets seemed to stand in small pluses and minuses, even though US and European Treasury yields declined by 5-7 bps in weekly terms. In Europe, the primary concern was the evolution of the pandemic, as more and more countries on the continent were forced to extend lockdowns, as infection numbers were rising rather than declining. In the USA, it is hard to name a single factor. On the one hand, valuations are higher, but incoming February real economy data suggest a weakening of the recovery after January. Nevertheless, pandemic figures are more encouraging in the USA. In the generally risk-off environment, the dollar strengthened, while oil prices fell for the second week in a row.*

**Pandemic situation: improvement in the USA, deterioration in Western Europe, and continuing outbreak in most of Central and Eastern Europe**

The number of daily new cases and covid-related deaths continued to decline in the USA. The UK, Spain, Portugal, and Ireland report relatively low infection rates, while a pick-up in daily new case counts can be seen in Germany, France, and Italy. A steady rise of infection rates can be observed in the rest of Western Europe as well. Central and Eastern Europe is still suffering from a strong covid infection wave, nearly every country in the region reports an alarming rise in covid statistics. Growing daily new case counts are reported from Turkey, India, and Japan as well.

The most vaccinated country in the world is still Israel, where 60% of the population received at least one dose, and 53% is fully vaccinated. The UK administered at least one dose to 42% of its population, while the same number varies from 9% to 13% for the rest of Western Europe. In the CEE region, Serbia and Hungary take the lead, where 20% and 18% of the population received at least one dose, respectively. 14% of the Serbian population is considered fully vaccinated, while the same statistic varies from 1% to 6% for other European countries. 14% of the US population is fully vaccinated, and about twice as many received at least one dose in the country.

**Both European and US indices stood between small pluses and minuses in weekly comparison by Friday afternoon**

In **Europe**, the *STOXX600* stood at 0.8% on Friday afternoon. Individual country indices grew to different degrees: *DAX*: 1.0%, *-CAC40*: -0.2%, *FTSE100*: 0.4%, *FTSE MIB*: 0.8%. The sectoral picture was mixed, with most sectoral indices increasing: technology (3.9%), chemicals (2.3%), financial services (2.2%), while retail posted the largest decline (-1.7%), followed by oil and gas (-0.6%).

In the **USA**, the *S&P* stood at 0.5% by Friday afternoon, the small-cap index *Russell 2000* fell by 2.3%. The best performing sectors were dividend ones: real estate (2.3%), energy and consumer staples (both 2.1%). Besides, interestingly telco had the weakest performance (-1.5%) .

**Long-term Treasury yields, as well as oil prices, fell; the dollar strengthened**

Long-term *US Treasury yields* have fallen 8 bps since last Friday, to 1.65% as markets are getting fed up with one-sided bets on bond markets. Fed's chairman Jerome Powell may have had an effect, as he promised 'great transparency' on exit from easy policy stance on a public radio. The *German 10Y Bund yield* fell by 5 bps, to around -0.35%, and other European yields also sank, probably related to the ECB's increased purchases (to around USD 20bn, from around 12-15 bn in previous weeks). The *dollar* strengthened against major currencies, on account of decreasing risk appetite and better growth prospects overseas.

*Oil prices* fell by around 0.5-1% in weekly terms, but there is a chance that shipping constraints in the Suez Canal could revert this tendency, as prices have been on the rise since Thursday.

**European PMIs exceeded expectations, further signs that the recovery weakened in February in the USA**

The series of *PMIs* released for the **euro area** during this week, suggested increasing optimism for all European producers, as the eurozone composite PMI exceeded the 50 mark first in six months. The euro area's, Germany's, and France's PMIs, both for manufacturing and services exceeded expectations. This still means that services remained below the 50 mark, as the whole euro area's reading was 48.8 (as opposed to the projected 46, and up from 45.7 in February). However, this is still hard to square with the slow pace of vaccination and the mostly more stringent, rather than looser, lockdowns in March than in February, which almost surely put the area in recession in Q1. The outstanding and historic high 62.4 points for manufacturing (consensus 57.7, previous month 57.9) is less of a surprise, but it is still a bit stunning, given the supply shortages in the global semiconductor industry. Consumer confidence also improved, although remained still at a low level (-11 points vs a consensus of -14, and the February value of -14.5 points). Anyway, the data are at least encouraging and suggest some ground for optimism regarding the later recovery. Meanwhile, the March PMIs provided further evidence that price pressures are continuing to build in the manufacturing sector. The euro-zone manufacturing input price index increased to 79.5, as firms cited shortages of raw materials and 'limited transport availability'. Companies appear to be passing on higher input costs to firms, with the manufacturing output prices index also hitting its highest level in a decade. Germany's IFO index for March also added to the evidence that business confidence in Europe is improving.

Incoming **US** economic data for February suggest a weakening recovery, after the outstanding January performance. This could be attributed partly to the fading away of the effect of the second stimulus package, as well as the disruption caused by the extreme winter storms. There was a 1.1% fall in *durable goods orders*, well below the expected 0.8% growth. However, the latest surveys point to a rebound in March and suggest that business equipment investment growth is set to remain unusually strong. *PMI* data, both for manufacturing and services were roughly in line with expectations (60.0 and 59.0 points), which, together with the expected third stimulus, suggest that the weakening in economic growth for February could have been temporary.

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*Household consumption* fell above 1% MoM, while *household income* by 7% in February, but March data will be already boosted by the new stimulus checks.

## Sectoral performance in the USA and Europe

Performance of US sectors					Performance of Europe's sectors				
Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)	Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)
S&P500	SPX Index	3932.0	0.5	4.7	Stoxx 600	SXXP Index	426.8	0.8	7.0
IT	S5INFT Index	2292.1	0.8	0.0	Health care	SXDP Index	879.5	0.1	0.1
Health care	S5HLTH Index	1341.8	0.3	1.3	Industrial goods & services	SXNP Index	682.3	0.6	8.5
Financials	S5FINL Index	569.8	0.6	16.2	Banks	SX7P Index	129.1	0.1	19.3
Telco	S5TELS Index	237.0	-1.5	6.8	Personal & households goods	SXQP Index	960.1	0.1	2.9
Consumer discretionary	S5COND Index	1323.3	-0.4	1.6	Insurance	SXIP Index	311.3	1.0	11.5
Industrials	S5INDU Index	825.5	1.4	10.1	Food and beverages	SX3P Index	718.9	0.1	0.6
Consumer staples	S5CONS Index	691.7	2.1	-0.7	Technology	SX8P Index	666.9	3.9	10.5
Utilities	S5UTIL Index	319.0	1.6	0.0	Utilities	SX6P Index	377.8	1.7	-1.6
Energy	S5ENRS Index	378.1	2.1	32.1	Oil & gas	SXEP Index	258.6	-0.6	9.4
Real estate	S5RLST Index	245.3	2.3	7.7	Chemicals	SX4P Index	1186.7	2.3	6.5
Materials	S5MATR Index	496.5	1.7	9.0	Construction & materials	SXOP Index	547.9	1.9	11.2
Source: Bloomberg					Telco	SXKP Index	229.1	1.5	11.4
					Retail	SXRP Index	418.7	-1.7	5.8
					Financial services	SXFP Index	657.2	2.2	8.4
					Basic resources	SXPP Index	565.3	0.7	13.2
					Real estate	SX86P Index	167.4	0.2	-2.0
					Auto & parts	SXAP Index	632.9	0.3	20.0
					Media	SXMP Index	312.5	0.9	10.4
					Travel & leisure	SXTP Index	270.4	0.7	20.5

Source: Bloomberg



## Performance of the regional stock indices

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 (%)
USA	SPX Index	3932	3.2	6.2	19.2	49.5	32.1	4.3	2.9	11.2	1.4	119.8	0.9	24.1
Europe	SXXP Index	427	5.4	7.8	20.1	32.8	53.2	2.1	1.5	4.6	1.1	175.0	0.3	39.5
Germany	DAX Index	14761	7.1	8.6	18.4	47.6	48.7	1.9	1.2	4.5	1.2	131.0	0.8	32.3
France	CAC Index	5987	5.0	8.4	26.6	31.8	54.3	1.8	1.4	3.1	1.1	192.5	13.6	65.9
Poland	WIG20 Index	1919	0.6	-1.9	14.6	28.6	20.4	1.1	1.0	5.0	1.1	58.4	3.0	53.6
Czechia	PX Index	1093	3.3	8.3	26.5	36.4	21.1	1.3	1.7	6.2	1.1	144.0	0.1	16.4
Hungary	BUX Index	44342	1.3	7.6	38.9	34.4	21.6	1.2	1.0	5.2	1.1	54.9	145.2	49.3
Romania	BET Index	10953	7.4	13.1	22.2	43.7	11.9	1.1	1.5	9.5	1.2	46.2	32.6	73.9
Bulgaria	SOFIX Index	499	0.7	12.2	18.1	18.0	4.4	0.5	0.7	11.8	3.2	68.5		
Russia	IMOEX Index	3498	4.5	7.8	20.8	40.5	18.0	1.2	1.4	6.8	1.5	54.9	23.8	76.0
Ukraine	PFTS Index	517	-0.8	1.5	3.4	0.7	26.4	0.8	0.9	6.3	0.8	10.4		
Slovenia	SBITOP Index	979	1.4	9.5	15.8	34.7	8.7	0.9	0.6	10.5	1.7	26.6		
Croatia	CRO Index	1847	0.9	7.1	14.1	28.5	79.2	1.0	1.1	1.5	1.3	53.7	-2.5	
Serbia	BELEX15 Index	752	0.8	3.0	8.4	17.7	16.4	0.6	0.8	4.3	1.7	20.6		
Montenegro	MNSE10 Index	754	1.3	12.0	15.0	15.4	16.1	0.3	1.0	1.9	2.3	14.7		

\*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

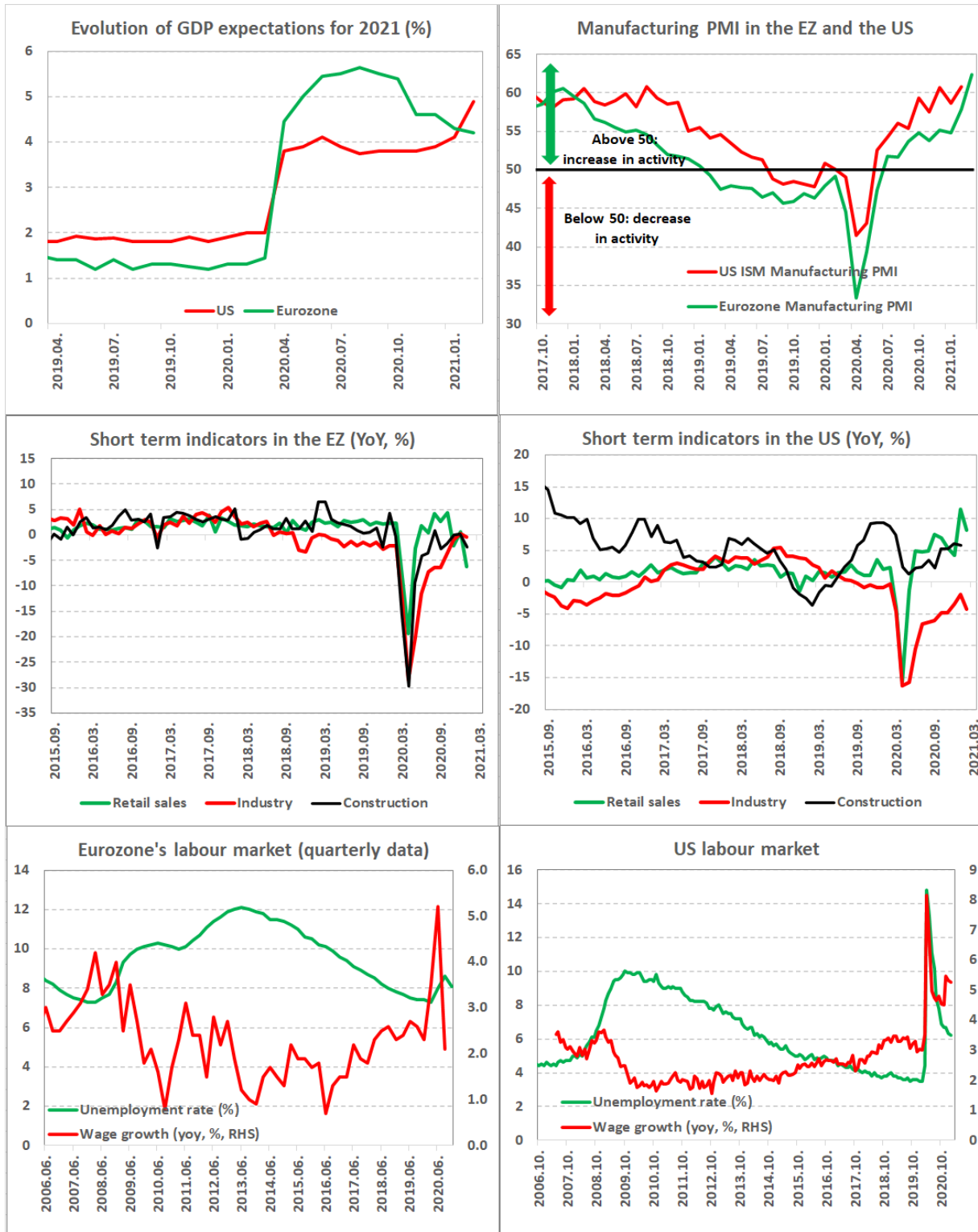
\*\*\*Some of the country indices could be sector heavy (only a handful industry comprise the majority of the indices).

\*\*\*therefore direct comparison of valuation metrics alone could be misleading.

## This week's data

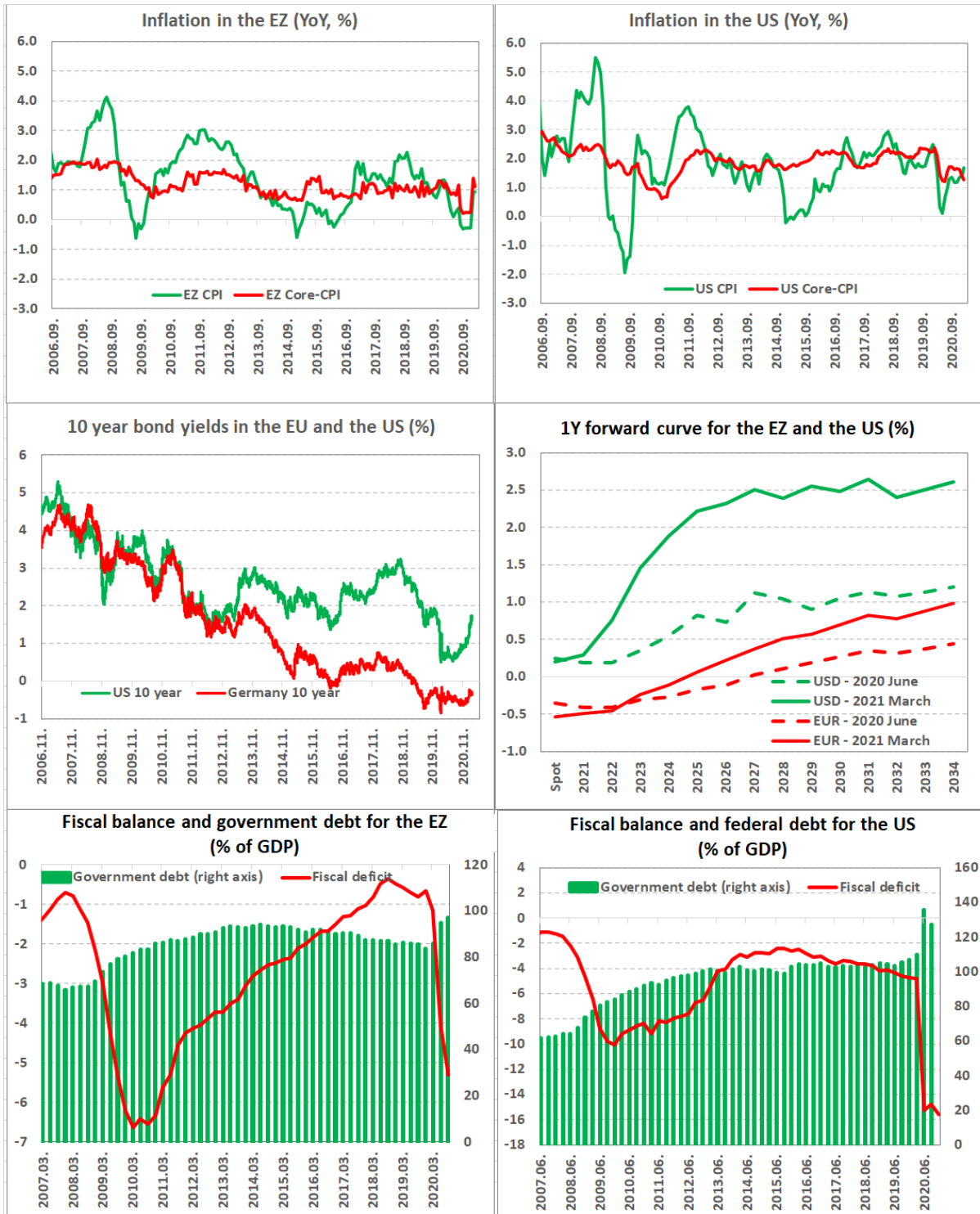
Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2021 3. 22. 15 : 00	US	Existing home sales (annualized monthly, '000s)	Feb	6220	6500	6690
23. 8 : 00	UK	Unemployment rate (%)	Jan	5.0	5.2	5.1
15 : 00	US	New home sales (annualized monthly, '000s)	Feb	775	875	923
24. 8 : 00	UK	Inflation (YoY, %)	Feb	0.4	0.8	0.7
9 : 15	FR	Markit Manufacturing PMI (points)	Mar	58.8	56.5	56.1
9 : 15	FR	Markit Service PMI (points)	Mar	47.8	45.5	45.6
9 : 30	DE	Markit Manufacturing PMI (points)	Feb	66.6	60.8	60.7
9 : 30	DE	Markit Service PMI (points)	Mar	50.8	46.2	45.7
10 : 00	EZ	Markit Manufacturing PMI (points)	Feb	62.4	57.7	57.9
10 : 00	EZ	Markit Service PMI (points)	Mar	48.8	46.0	45.7
10 : 30	UK	Manufacturing PMI (points)	Mar	57.9	55.0	55.1
10 : 30	UK	Service PMI (points)	Mar	56.8	51.0	49.5
13 : 30	US	Durable goods orders (MoM, %)	Feb	-1.1	0.8	3.4
14 : 45	US	Markit Manufacturing PMI (points)	Mar	59.0	59.3	58.6
14 : 45	US	Markit Service PMI (points)	Feb	60.0	60.0	59.8
16 : 00	EZ	Consumer confidence (point)	Mar	-11.0	-14.5	-14.8
25. 13 : 30	US	Initial jobless claims ('000s)	weekly	684.0	730	781
13 : 30	US	Continuing jobless claims ('000s)	weekly	3870.0	4043	4134
26. 8 : 00	UK	Retail sales (MoM, %)	Feb	2.1	2.1	-8.2
10 : 00	DE	IFO Economic sentiment index (points)	Mar	96.6	93.2	92.7
10 : 00	IT	Consumer confidence (point)	Mar	100.9	100.7	101.4
14 : 30	US	Personal income (MoM, %)	Feb	-7.1	-7.3	10.0
14 : 30	US	Personal consumption (adjusted, MoM, %)	Feb	-1.2	-0.7	2.4

Eurozone and US chart set



Source: Refinitiv

**Eurozone and US chart set**



Source: Refinitiv

## FX forecast for the majors

FX pair	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.09	1.18	1.19	1.21	1.21	1.22	1.23	1.24	1.22	1.20
EURGBP	0.89	0.91	0.90	0.88	0.87	0.87	0.86	0.85	0.84	0.85
EURCHF	1.06	1.08	1.08	1.08	1.10	1.11	1.12	1.14	1.15	1.15
USDJPY	107.0	106.0	104.0	104.0	106.0	105.5	105.0	107.5	112.0	112.0

Source: Bloomberg

## Regional macro forecast

Countries	GDP (yoy, %)					Countries	Fiscal balance (% of GDP)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	-5.0	4.6	6.0	4.5	4.7	Hungary	-8.5	-6.4	-3.8	-6.1	-4.0
Romania	-3.8	5.5	4.7	4.7	4.7	Romania	-9.7	-8.2	-6.5	-7.2	-5.4
Bulgaria	-3.8	3.4	4.6	3.4	4.0	Bulgaria	-3.6	-3.1	-1.5	-3.5	-1.9
Russia	-3.1	4.0	3.5	2.9	2.6	Russia	-3.8	-2.6	-1.2	-2.0	-0.7
Ukraine	-4.4	4.5	6.9	4.2	3.9	Ukraine	-6.0	-6.0	-4.0	-4.9	-3.2
Slovenia	-5.5	5.9	4.5	4.7	4.0	Slovenia	-8.3	-2.9	-2.0	-4.9	-3.1
Croatia	-8.4	5.5	6.1	4.5	4.9	Croatia	-8.0	-5.5	-3.0	-4.4	-2.9
Serbia	-1.0	4.2	5.9	4.7	4.3	Serbia	-8.1	-3.0	-1.5	-3.3	-1.7
Montenegro	-14.0	3.3	9.4	5.7	5.1	Montenegro	-9.9	-6.2	-2.5	-4.7	-3.4
Albania	-5.2	4.0	5.8	5.1	5.0	Albania	-7.3	-4.7	-3.0	-5.9	-4.0
Moldova	-7.7	4.9	7.5	4.5	4.9	Moldova	-6.7	-5.0	-4.0	-4.3	-3.4

Countries	Inflation (average (yoy), %)					Countries	Unemployment (%)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	3.3	3.2	3.4	3.2	3.1	Hungary	4.1	4.0	3.7	4.5	4.2
Romania	2.6	3.0	3.0	2.8	2.7	Romania	5.0	4.7	4.0	5.3	5.0
Bulgaria	1.7	1.7	2.1	1.9	2.2	Bulgaria	5.1	4.8	4.5	5.3	4.9
Russia	3.4	5.5	4.3	4.2	3.6	Russia	5.8	5.0	4.0	5.6	5.0
Ukraine	2.7	6.4	5.7	6.6	5.6	Ukraine	10.0	9.2	8.3	9.2	8.5
Slovenia	-0.3	1.3	1.7	1.0	1.5	Slovenia	4.9	4.5	4.4	5.6	5.1
Croatia	0.1	0.7	1.2	0.9	1.6	Croatia	7.0	7.0	6.0	9.0	8.1
Serbia	1.6	1.9	2.2	1.9	2.3	Serbia	9.0	9.7	9.0	9.7	9.2
Montenegro	-0.3	0.7	1.2	1.1	1.4	Montenegro	17.0	17.5	16.5	16.4	15.5
Albania	1.6	1.8	2.0	2.0	2.6	Albania	12.4	11.8	10.1	12.1	11.1
Moldova	3.8	3.2	3.5	3.3	4.5	Moldova	4.8	5.3	5.8	4.8	4.5

Source: Focus Economics, OTP Research Center

## FX forecast for the OTP countries

Country	FX pair	2019.Q4	2020.Q1	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4
Hungary	EURHUF (eop)	331.0	361.0	354.0	364.0	363.0	361.0	360.0	359.0	357.0
Romania	EURRON (eop)	4.78	4.83	4.84	4.87	4.87	4.89	4.91	4.92	4.94
Russia	USDRUB (eop)	61.9	77.7	70.0	79.7	73.9	73.1	72.0	71.6	70.9
Ukraine	USDUAH (eop)	23.70	27.62	26.70	28.30	28.34	28.06	28.11	28.38	28.83
Croatia	EURHRK (eop)	7.4	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5
Serbia	EURRSD (eop)	118.0	117.0	118.0	118.0	118.0	117.0	117.0	117.0	118.0
Montenegro	EURUSD (eop)	1.12	1.10	1.12	1.17	1.22	1.22	1.22	1.23	1.23

\*Slovenia and Montenegro uses EUR as a base currency.

\*\*No forecast available for Moldova and Albania

Source: Focus Economics

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