

April US CPI and real economy indicators will be in the spotlight next week

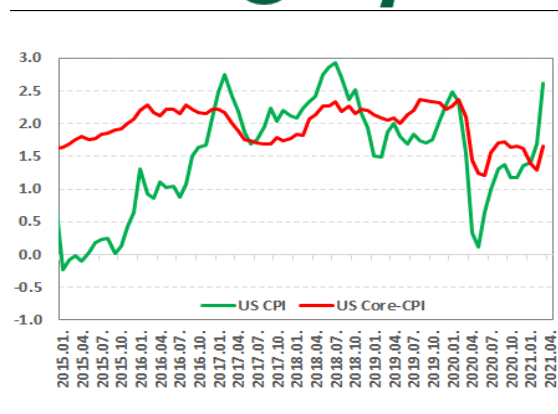
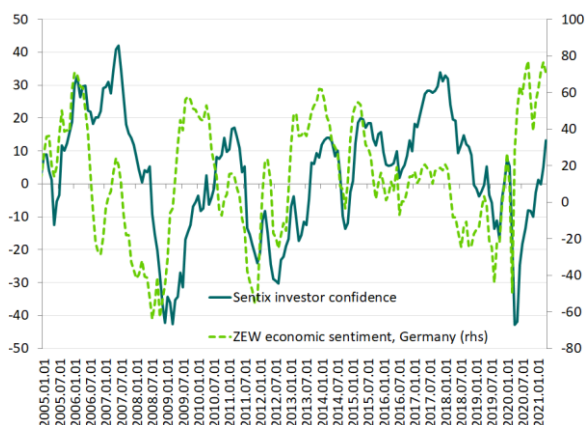
Next week, the focus will be again on the USA, where a bunch of April data will be released. The most important of them will be the CPI, where we can check whether the strong recovery and reopening has anything to do with reflation. Additionally, after the outstanding March indicators -in particular retail sales-, we can learn what remained for April in terms of the pace in economic growth. This week's data suggest clear weakening in this respect. From Europe, the first release of the UK's Q1 GDP will be published, as well as in the eurozone, the first May confidence indices and March industrial production data will arrive. This latter may be of much less interest, we have learnt the Q1 flash GDP data last week. Meanwhile, the earnings season will continue (e.g. JD.com, Tyson Food, Alstom, and many others). In terms of pandemic news, the focus is still mostly on how India could get the virus under control.

Concerning the **euro area**, after Monday's *Sentix*, the *ZEW* economic confidence index will be out on Tuesday. Both measures have been showing significant improvement since the start of the year, but hard data failed to justify the optimism. Therefore we should interpret the predictive power of incoming figures with some doubt. Nevertheless, the recently published March data, and a significant speed-up in vaccinations lay the groundwork for optimism. The euro area's *industrial production* (due on Wednesday) will likely be weak, as Germany's and France's data both fell back substantially. Unusually, the European Commission's spring forecast will be released on Friday.

The **UK** will publish Q1 *GDP* data, which likely show more than 1% recession, given that stringency was sky high mostly in Q1.

The **USA's** April *CPI* is due on Wednesday. The data could clearly be a market mover, as April was already well in the period of reopening, with restaurant dining and hotel occupancy moving up sizeably, while business sentiment indices indicated rising input and output costs. Therefore it is of utmost importance whether core inflation will start to edge up, and to what extent. This could be all the more interesting, as this week, Treasury Secretary and former Fed chair Janet Yellen said that sooner or later interest rates might be hiked. Although, later she tried to downplay this comment and said she did not want to give the Fed any advice, still her statement indicated that despite the Fed's repeated claims that there is nothing to be concerned about at this stage, the US economy could overheat sooner than anyone would imagine. Additionally, watch *retail sales* and *industrial production* data from April, to be released on Friday.

Euro area economic confidence (points)**US CPI (YoY, %)**



Sources: Bloomberg, Refinitiv

What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.	
2021 5. 10.	10 : 30	EZ	Sentix Investor confidence (points)	May	14.0	13.1
	10 : 00	IT	Industrial production (MoM, SA, %)		0.4	0.2
11.	11 : 00	DE	ZEW Economic Sentiment (points)	May	71.0	70.7
12.	8 : 00	UK	GDP (preliminary, YoY, %)	Q1	-6.0	-7.3
	8 : 00	UK	GDP (preliminary, QoQ, %)	Q1	-1.7	1.3
	11 : 00	EZ	Industrial production (MoM, %)	Mar	0.6	-1.0
	11 : 00	EU	EC's Economic Forecast	-	-	-
	14 : 30	US	CPI (YoY, %)	Apr	3.6	2.6
	14 : 30	US	CPI (MoM, SA, %)	Apr	0.2	0.6
	14 : 30	US	core-CPI (YoY, %)	Apr	2.3	1.6
	14 : 30	US	core-CPI (MoM, SA, %)	Apr	0.3	0.3
	20 : 00	US	Federal budget balance (USDbn)	Apr		-660.0
13	14 : 30	US	Initial jobless claims ('000s)	weekly		498.0
	14 : 30	US	Continuing jobless claims ('000s)	weekly		3690.0
14	14 : 30	US	Retail sales (MoM, %)	Apr	1.0	9.8
	15 : 00	IL	CPI (YoY, %)	Apr		0.2
	15 : 15	US	Industrial production (MoM, %)	Apr	1.2	1.4
	16 : 00	US	Business inventories (MoM, %)	Mar	0.3	0.5
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	May	91.0	88.3

European indices closed the week with moderate gains by Friday afternoon

US markets closed the week with stagnation, as incoming macro data slightly disappointed, but earnings reports (e.g. Pfizer, T-Mobile, PayPal, Motorola) beat expectations. In contrast, this week brought some better macroeconomic news in the European continent (March retails sales, German industrial orders surpassed the consensus); this, together with good earnings reports (e.g. Stellantis, Legrand, Credit Agricole), a speed-up in vaccinations, and improving pandemic figures, caused modest gains, even though Germany lagged behind. With an increasing pace of vaccination, herd immunity might be within reach in the eurozone by July. Meanwhile, the UK is opening up and economic fundamentals are improving, while India is still struggling to bring the pandemic under control.

Pandemic situation: improvement in daily infections in Europe, low level in the U.S., India is still a real concern. Europe has increased the pace of vaccination.

Covid infection rates decreased in the USA at a steady pace last week. Meanwhile, Canada suffered from a worse and stagnant daily case count per capita. In Western Europe, most countries continued to show reassuring covid statistics, and many saw decreasing daily new covid cases. Sweden and the Netherlands reported the highest daily case count per capita, while the UK, Portugal and Finland showed the lowest one. Countries in the CEE region reported falling infection rates, with the exception of Slovenia and the Baltic states. The covid-related daily death count was still relatively high in the region, but dropped moderately. Turkey reported decreasing case numbers, but the covid related daily deaths stagnated at record high. The daily covid cases and deaths kept on growing alarmingly in India last week. Japan also showed increasing covid infection rates, but their per-capita covid figures are still relatively low, and there are signs to suggest that the infection wave is close to its peak.

Europe has finally caught up with vaccinations, administering weekly doses of around 0.70% of the population per week, which suggests that herd immunity could be reached by mid-summer. The top countries with the highest percentage of the population who received at least one shot are the following: Israel (62%), UAE (51%), UK (51%), USA (44%), Chile (43%), Hungary (43%), Canada (35%), Serbia (30%), Finland (32%), and Germany (30%). Countries with the highest fully vaccinated part of population are: Israel (59%), UAE (39%), Chile (36%), USA (32%), UK (24%), Serbia (24%), and Hungary (24%).

European and US indices closed the week with moderate gains by Friday afternoon

In **Europe**, the *STOXX 600* stood at 1.5% on Friday afternoon. Individual country indices grew to different degrees, *the DAX*: 1.5%, while the *CAC 40* 1.6%. The *FTSE 100* grew by 2.4% and the *FTSE MIB* by 1.8%. Out of *STOXX* components, basic resources (+7.2%) and construction materials (+3.7%) posted the biggest increase, reflecting tightening supply constraints. Travel & leisure (-1.0%) and technology (-0.7%) had the weakest performance.

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In the **USA**, the *S&P* stood at 0.9% by Friday afternoon while the small-cap index *Russell 2000* fell by 0.4%. Energy (7.3%) and materials (5.2%) were the best-performing ones, while consumer discretionary (-1.5%) and real estate (-1.4%) posted the biggest falls.

Long-term yields fell in the USA but were more mixed in Europe, oil prices and most commodities moved higher; the dollar weakened

Long-term *Treasury yields* fell by around 8 bps in the USA, while European yields produced mixed results: falling in Germany (-2 bps), while increasing in the periphery (Spain: 1.6 bps, Italy 6.1 bps). The dollar fell slightly against major currencies, while oil prices went up by around 1.5-2% in weekly terms. Other commodities, most notably copper (5.6%) and silver (5.9%) also extended their gains.

Mostly better-than-expected data from Europe, the recovery weakened in the USA in April

In the **euro area**, things have started to look slightly brighter. Although Q1 brought a recession for the second consecutive quarter but March *retail sales* turned out particularly strong, at 2.7% MoM growth. Online sales continue to be strong, while curbs on mobility have kept fuel sales low, at 7% MoM, bringing the data back above pre-pandemic levels. Restrictions on non-essential retail have varied by country. The re-opening of many shops in Germany and the Netherlands at the start of March gave retail sales there a boost. But the regional lockdown in parts of France in the second half of the month caused sales to fall on the month. By contrast, Spain's retail sector is still struggling, hit by high unemployment and lack of tourists. Both German *industrial orders* and *production* turned out above the consensus for March (3.0% vs. 17%; and 2.5% vs 2.3%, both MoM), and the former is particularly encouraging for the outlook, although global semiconductor shortages are still a concern. Meanwhile, France's industrial production turned out weaker than expected (0.8% vs. 2.0%).

As for the **USA**, most notably *non-farm payroll* in April grew by a meagre 226,000 as opposed to a consensus forecast of almost 1 million, and a March value of 916,000, this latter figure was revised downwards to 770,000. The loosening of restrictions is still driving job gains in the most-affected sectors, with leisure & hospitality employment rising by 331,000, while the return to in-person schooling meant local government education payrolls increased by 31,000. But those gains were smaller than anticipated, and in any case were offset by outright declines in payrolls in other sectors. As labour force growth exceeded the household measure of employment growth, the *unemployment rate* edged up slightly to 6.1%, from 6.0% in March, and above the consensus of 5.8%. Other indicators also support the view, that the recovery has lost steam, *ISM manufacturing index* from April weakened to 60.7 from 64.7 points (consensus 65), as global supply shortages took their toll on activity. March *Construction expenditure* and *factory orders* also turned out weaker than expected.

China's data were more cheering this week than the previous one. The *Caixin service PMI* for April, at 56.3, was above March (54.3), contradicting the NBS PMI last week, which weakened from 56.3 to 54.9 points. Exports growth for the same month turned out much better than expected (32.3 vs. 24.1% YoY).

The *Central Bank of Turkey* (CBRT), where the newly appointed, presumably dovish Governor had a second rate setting meeting, the MPC still kept the key rate at 19.0%, while issued a relatively hawkish statement, stressing that the decelerating impact of the monetary tightening on credit and domestic

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demand has begun to be observed, and the bank will continue to use decisively all available instruments in pursuit of the primary objective of price stability. The policy rate is promised to continue to be determined at a level above inflation to maintain a strong disinflationary effect until strong indicators point to a permanent fall in inflation and the medium-term 5 percent target is reached.

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	4216.8	0.9	12.3	Stoxx 600	SXXP Index	443.8	1.5	11.2
IT	S5INFT Index	2440.7	-0.5	6.5	Health care	SXDP Index	910.0	0.4	3.5
Health care	S5HLTH Index	1448.9	2.5	9.4	Industrial goods & services	SXNP Index	714.3	1.5	13.6
Financials	S5FINL Index	621.2	3.2	26.7	Banks	SX7P Index	135.3	1.6	25.1
Telco	S5TELS Index	257.5	0.0	16.0	Personal & households goods	SXQP Index	1018.8	2.1	9.2
Consumer discretionary	S5COND Index	1414.2	-1.5	8.6	Insurance	SXIP Index	308.5	1.4	10.5
Industrials	S5INDU Index	881.0	2.3	17.5	Food and beverages	SX3P Index	771.0	1.4	7.8
Consumer staples	S5CONS Index	725.1	1.6	4.1	Technology	SX8P Index	690.3	-0.7	14.4
Utilities	S5UTIL Index	335.9	-0.9	5.3	Utilities	SX6P Index	387.3	1.4	0.8
Energy	S5ENRS Index	398.8	7.3	39.4	Oil & gas	SXEP Index	258.7	3.0	9.4
Real estate	S5RLST Index	263.2	-1.4	15.5	Chemicals	SX4P Index	1241.7	3.0	11.4
Materials	S5MATR Index	548.2	5.2	20.3	Construction & materials	SXOP Index	587.5	3.7	19.2
Source: Bloomberg					Telco	SXKP Index	234.2	2.2	13.9
					Retail	SXRP Index	459.8	2.6	16.1
					Financial services	SXFP Index	658.4	-0.1	8.6
					Basic resources	SXPP Index	629.9	7.2	26.1
					Real estate	SX86P Index	174.0	0.1	1.9
					Auto & parts	SXAP Index	620.0	-0.2	17.6
					Media	SXMP Index	325.9	2.0	15.1
					Travel & leisure	SXTP Index	275.3	-1.0	22.7

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	4217	3.4	8.5	20.2	46.4	30.2	4.5	3.1	13.7	1.4	122.2	9.4	7.4
Europe	SXXP Index	444	2.2	8.4	21.1	31.3	39.1	2.1	1.6	6.6	1.1	183.4	0.9	7.8
Germany	DAX Index	15358	1.2	9.3	23.1	42.7	38.6	1.9	1.2	5.6	1.2	123.2	58.2	9.2
France	CAC Index	6367	3.9	12.5	28.3	41.4	45.6	1.9	1.5	3.9	1.1	217.6	11.2	9.8
Poland	WIG20 Index	2088	4.5	6.7	23.0	31.6	17.6	1.2	1.1	6.5	1.2	58.2	8.2	15.9
Czechia	PX Index	1109	1.9	4.3	28.2	25.8	21.6	1.3	1.7	6.1	1.1	172.5	0.8	0.6
Hungary	BUX Index	44390	0.1	0.8	25.4	28.2	22.4	1.1	1.0	5.4	1.1	55.4	37.8	5.6
Romania	BET Index	11585	3.0	9.1	31.5	41.4	11.8	1.1	1.6	10.3	1.5	36.9	-14.5	
Bulgaria	SOFIX Index	518	3.3	4.8	21.9	15.5	18.1	0.6	0.8	2.9	2.7	64.2		
Russia	IMOEX Index	3678	5.1	8.4	27.0	39.6	14.5	1.2	1.7	8.7	1.4	78.4	22.2	14.9
Ukraine	PFTS Index	527	2.0	1.3	5.4	5.4	5.3		0.5	30.1				
Slovenia	SBITOP Index	1070	6.6	13.2	29.9	34.1	9.1	1.0	0.6	10.8	1.7	26.8	-0.5	
Croatia	CRO Index	1936	2.9	8.1	22.0	26.7	37.8	1.1	1.2	3.0	1.4	53.2		
Serbia	BELEX15 Index	756	1.5	3.3	7.2	14.2	26.3	0.6	0.8	2.7	1.7	20.5		
Montenegro	MNSE10 Index	769	2.9	5.9	19.6	8.0	14.5	0.3	1.1	2.3	2.3	12.5		

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

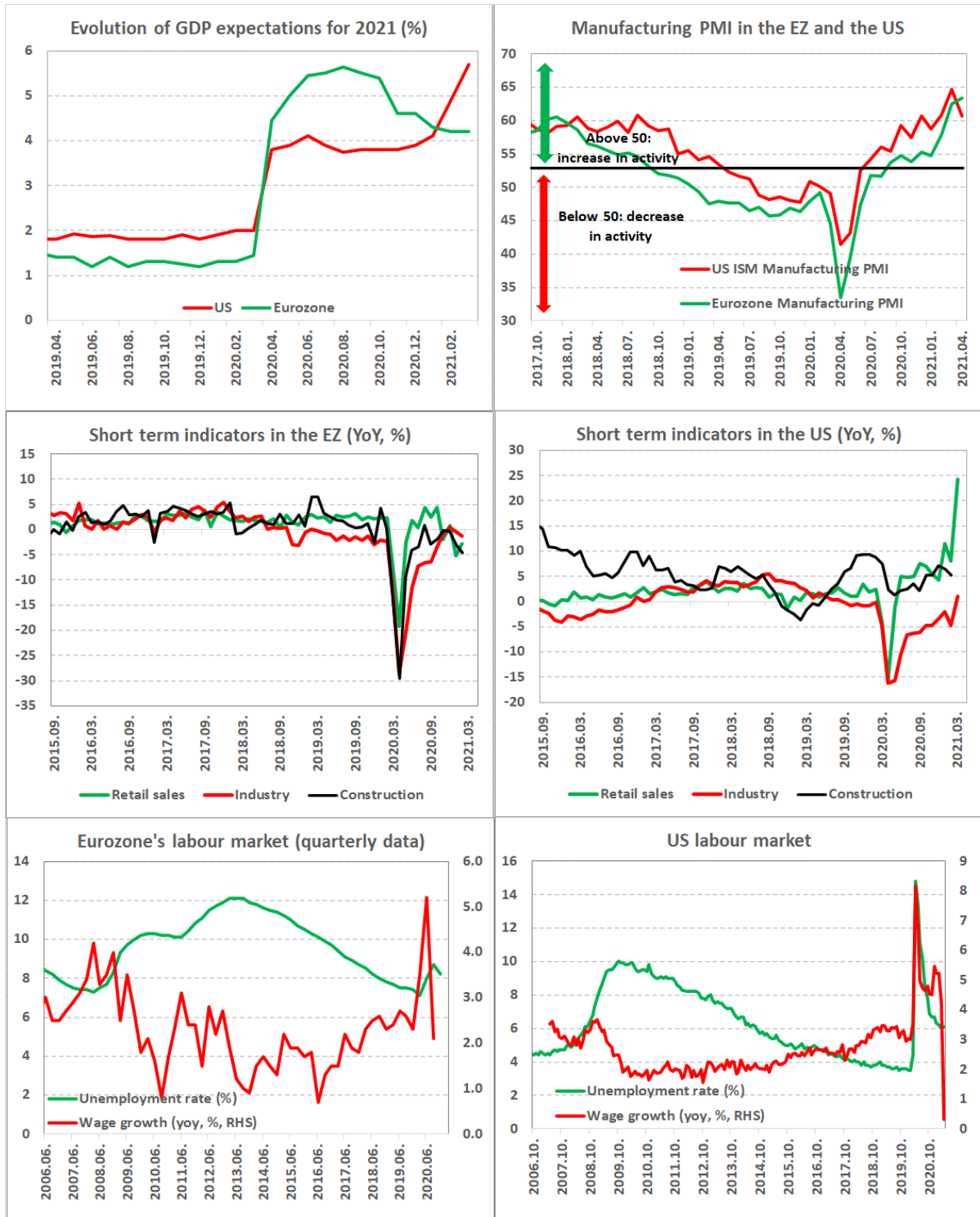
***Some of the country indices could be sector heavy (only a handful industry comprise the majority of the indices).

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

This week's data

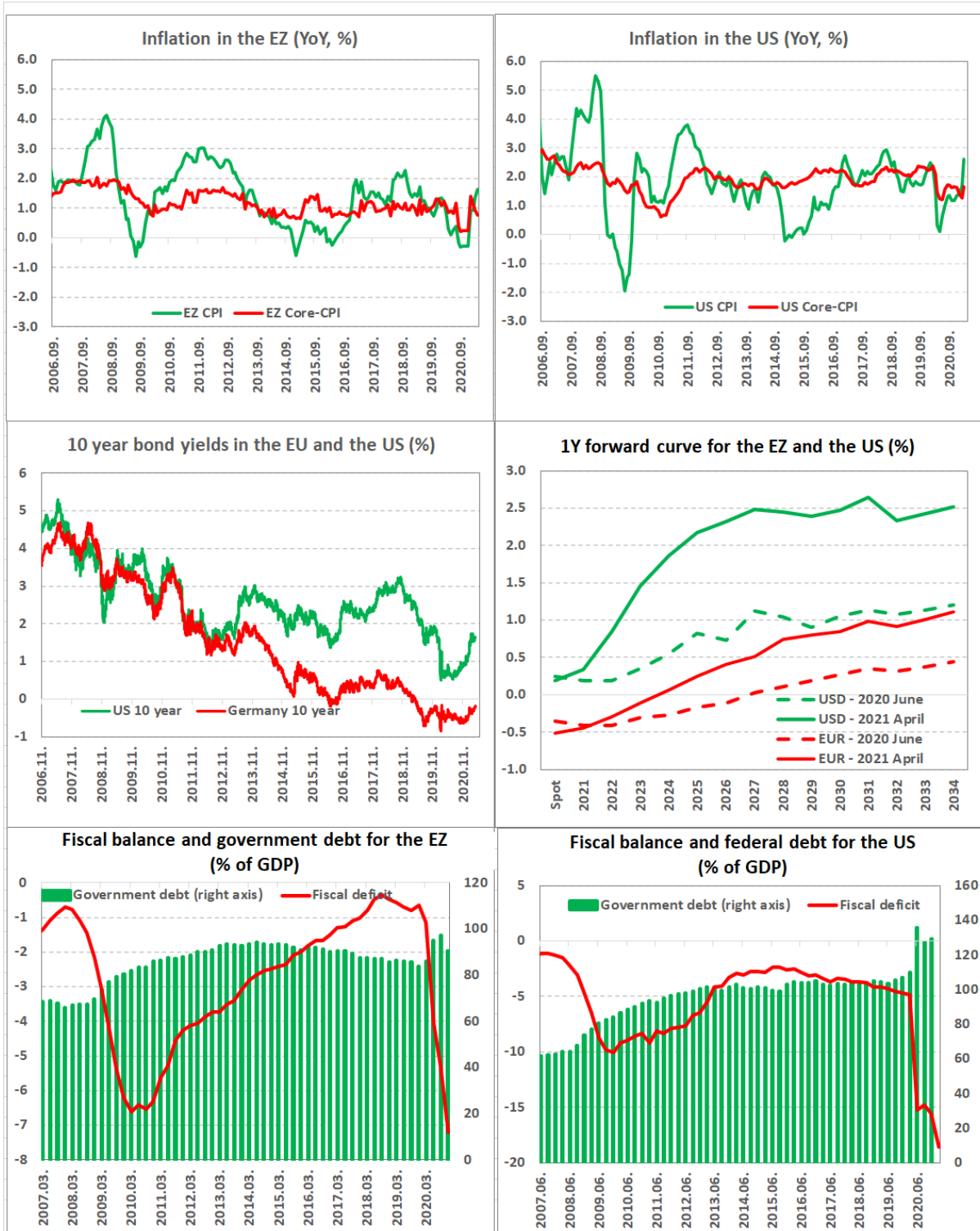
Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2021 5. 3. 8 : 00	DE	Retail sales (MoM, %)	Mar	96.8	3.0	1.2
9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	Apr	60.7	61.0	59.8
16 : 00	US	Construction expenditure (MoM, %)	Mar	0.2	1.9	-0.8
16 : 00	US	ISM Manufacturing PMI (points)	Apr	60.7	65.0	64.7
4. 16 : 00	US	Factory orders (MoM, %)	Mar	1.1	1.3	-0.5
5. 9 : 45	IT	Markit/IHS Services PMI (prelim.)	Apr	47.3	49.8	48.6
14 : 15	US	ADP non-farm employment (MoM, '000s)	Apr	742	810.0	517.0
16 : 00	US	ISM non-Manufacturing PMI (points)	Apr	63	64.3	63.7
6. 8 : 00	DE	Industrial orders (MoM, %)	Mar	3.0	1.7	1.2
11 : 00	EZ	Retail sales (MoM, %)	Mar	3	1.5	3.0
13 : 00	TR	Interest rate decision (%)	May	19.0	19.0	19.0
13 : 00	UK	Interest rate decision (%)	May	0	0.1	0.1
14 : 30	US	Initial jobless claims ('000s)	weekly	498	540.0	553.0
14 : 30	US	Continuing jobless claims ('000s)	weekly	3690.0	3620.0	3660.0
23 : 00	UK	Scottish parliamentary election	-	-	-	-
23 : 00	UK	Scottish local election	-	-	-	-
7. 3 : 45	CN	Caixin Services PMI	Apr	56.3		54.3
5 : 00	CN	Export (YoY, %)	Apr	32	24.1	30.6
8 : 00	DE	Industrial production (MoM, %)	Mar	2.5	2.3	-1.9
8 : 00	DE	Export (MoM, SA, %)	Mar	1	0.5	1.0
8 : 45	FR	Industrial production (MoM, %)	Mar	0.8	2.0	-4.8
10 : 00	IT	Retail sales (MoM, SA, %)	Mar	-0.1		5.9
14 : 30	US	Christine Lagarde's State of the Union speech	Apr		-	-
14 : 30	US	Non-farm payroll (MoM, '000s)	Apr	266.0	980.0	916.0
14 : 30	US	Unemployment rate (%)	Apr	6	5.8	6.0
14 : 30	US	Average earnings (MoM, %)	Apr	0.7	0.0	-0.1
14 : 30	US	Average earnings (YoY, %)	Apr	0	-0.4	4.2

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	1.20	1.21	1.22	1.22	1.21	1.22
EURGBP	0.89	0.91	0.90	0.88	0.86	0.86	0.85	0.85	0.83	0.84
EURCHF	1.06	1.08	1.08	1.08	1.10	1.11	1.12	1.14	1.15	1.16
USDJPY	107.0	106.0	104.0	104.0	108.0	107.8	107.5	108.0	111.0	107.0

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	4.9	6.1	4.5	4.8	Hungary	-8.8	-6.4	-3.8	-6.0	-4.2
Romania	-3.9	5.5	4.7	4.9	4.6	Romania	-9.6	-8.2	-6.5	-7.5	-5.7
Bulgaria	-4.2	3.4	4.3	3.4	3.9	Bulgaria	-3.2	-3.1	-1.5	-3.4	-2.0
Russia	-3.1	4.0	3.5	3.1	2.6	Russia	-3.8	-2.6	-1.2	-1.5	-0.5
Ukraine	-4.0	4.2	4.5	4.3	3.8	Ukraine	-5.3	-6.0	-4.0	-4.9	-3.1
Slovenia	-5.5	4.8	5.1	4.5	4.1	Slovenia	-8.1	-3.6	-2.8	-5.2	-3.4
Croatia	-8.4	5.5	6.1	4.8	4.6	Croatia	-7.7	-5.5	-3.0	-4.1	-3.0
Serbia	-1.0	5.0	4.4	4.7	4.3	Serbia	-8.1	-7.0	-1.5	-3.6	-1.9
Montenegro	-15.2	4.4	7.8	6.4	4.9	Montenegro	-10.0	-6.2	-2.5	-5.6	-3.2
Albania	-3.3	5.0	4.0	5.1	4.7	Albania	-6.9	-6.0	-4.0	-5.8	-3.9
Moldova	-7.0	4.9	7.5	4.5	4.9	Moldova	-5.3	-5.0	-4.0	-4.9	-3.5

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	3.4	3.4	3.5	3.2	Hungary	4.1	4.0	3.7	4.4	4.0
Romania	2.6	3.4	3.0	3.1	2.7	Romania	5.0	4.7	4.0	5.4	5.1
Bulgaria	1.7	1.8	2.1	1.8	2.2	Bulgaria	5.1	5.0	4.7	5.4	5.0
Russia	3.4	5.6	4.4	4.7	3.8	Russia	5.8	5.0	4.0	5.5	5.0
Ukraine	2.7	6.4	5.7	7.0	5.8	Ukraine	9.5	9.2	8.3	9.2	8.5
Slovenia	-0.3	1.0	1.7	1.0	1.5	Slovenia	4.9	4.7	4.5	5.2	4.8
Croatia	0.1	1.6	1.4	1.0	1.5	Croatia	7.5	7.0	6.0	8.8	7.9
Serbia	1.6	1.9	2.2	1.9	2.3	Serbia	9.0	9.7	9.0	9.7	9.3
Montenegro	-0.3	0.9	1.3	1.0	1.4	Montenegro	17.0	17.5	16.5	16.2	15.5
Albania	1.6	1.8	2.0	2.1	2.6	Albania	11.7	11.1	10.5	12.3	11.4
Moldova	3.8	3.2	3.5	3.2	4.5	Moldova	3.8	5.3	5.8	4.6	4.0

Source: Focus Economics, OTP Research Center

FX forecast for the OTP countries

Country	FX pair	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4
Hungary	EURHUF (eop)	363.0	362.0	361.0	361.0	361.0	361.0	361.0	361.0	361.0
Romania	EURRON (eop)	4.87	4.93	4.91	4.91	4.93	4.96	4.97	4.97	4.98
Russia	USDRUB (eop)	73.9	75.7	73.0	72.4	71.2	71.5	71.4	71.5	71.8
Ukraine	USDUAH (eop)	28.34	27.85	27.80	28.16	28.60	28.73	28.76	28.94	29.23
Croatia	EURHRK (eop)	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5	7.5
Serbia	EURRSD (eop)	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0
Montenegro	EURUSD (eop)	1.22	1.18	1.20	1.21	1.22	1.22	1.23	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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