

OTP Weekly Outlook

Next week:

- US job report, The ECB Governing Council meeting, January inflation and GDP will be in the spotlight

This week:

- Markets seem to close the week again with considerable fall in the US, more moderate losses in Europe on intensifying geopolitical worries, while mixed earnings results and the Fed's statement failed to brighten investors.
- The Fed will start rate hikes in March
- Euro area large economy GDPs were a mixed bag
- The USD strengthened; long-term yields edged higher, with the 2Y Treasury yield jumping 16bps.
- Oil prices could still grow in weekly terms; geopolitical tensions drove natural gas prices 15% higher.

Market summary table

Indices	Last price	1 week change (%)	YTD (%)	Interest rates	Last price	1 week change (bps)	YTD (bps)	FX rates	Last price	1 week change (%)	YTD (%)	Commodity	Last price	1 week change (%)	YTD (%)
S&P500	4315,6	-1,9	-9,5	US 2 year	1,16	16,3	43,2	Dollar index	97,277	1,7	1,7	Brent	91	3,4	16,9
Russel 2000	1912,1	-3,8	-14,8	US 10 year	1,79	3,3	28,1	EURUSD	1,1148	-1,7	-2,0	WTI	88	3,4	17,0
Stoxx 600	463,5	-2,3	-5,0	DE 2 year	-0,61	1,6	2,7	USDJPY	115,26	-1,4	-0,2	Natural gas	93	15,2	39,1
DAX	15240,6	-2,3	-4,1	DE 10 Year	-0,03	3,3	14,8	GBPUSD	1,341	-1,1	-0,9	Gold	1783	-2,9	-2,5
CAC40	6921,7	-2,1	-3,2	ES 10 year	0,70	6,8	14,1	AUDUSD	0,699	-2,8	-3,8	Silver	22	-8,1	-4,2
FTSE100	7451,1	-0,6	0,9	UK 10 year	1,26	8,7	28,9	USDCAD	1,278	-1,5	-1,1	Palladium	2327	10,2	22,1
FTSE MIB	26511,6	-2,0	-3,1	IT 10 year	1,31	2,0	13,7	USDCHF	0,931	-2,1	-2,0	Copper	432	-4,5	-3,2
Nikkei 225	26717,3	-2,9	-7,2	JP 10 year	0,17	3,6	10,3	NZDUSD	0,655	-2,4	-4,0	Steel	1162	-18,5	-19,0
CSI 300	4563,8	-4,5	-7,6	CH 10 year	2,71	0,0	-6,7	CNHUSD	6,368	-0,4	-0,2	Wheat	783	0,4	1,6

Source: Bloomberg

US job report, ECB Governing Council meeting, January inflation, and GDP will be in the spotlight

This week was probably the most interesting one of the month, when the year's first FOMC meeting took place. The Fed did not say anything special compared to expectations, still, markets were eager to hear some dovish comments ahead of the meeting, after substantial fall in stock markets and looming geopolitical tensions, so no particular new announcement (the Fed practically confirmed a March lift-off and a run-down of the balance sheet some time afterwards) caused negative sentiment leading to further decline on stock markets. The first week of February will continue to bring interesting news with the January US job report, the European Central Bank Governing Council's meeting, January inflation, and eurozone flash GDP. As to the first, the key questions are whether the unemployment rate drops further below 4%, and whether the wage pressure kept rising. In the euro area, not much news is expected from the ECB Governing Council's meeting, as the December one set the path for phasing out of PEPP and afterwards the APP programmes. The main issue seems to be the extent of inflation's decline from the December peak, as well as the degree of economic slowdown in Q4 2021.

In the **USA**, the most interesting day will be Friday, when the January job report will be released. A month ago, the December report pointed to a further tightening of the labour market. Although nonfarm payroll grew well below expectations (199,000 as opposed to the consensus of 400,000), unemployment rate edged down to 3.9% (consensus 4.1%), while average hourly earnings' YoY growth caused an even larger upside surprise, surpassing the consensus by a margin of 0.5 pts (4.7% vs.4.2%). The decline in unemployment came as labour supply grew by a meagre 168,000 while household employment grew by 651,000(!). This latter was in sharp contrast to the nonfarm payroll figure, suggesting increasing importance of self-employment. Despite the lower-than-expected non-farm payroll figure, the labour market seemed to tighten further, as wage growth was very strong, while unemployment was close to pre-pandemic lows. The data forced the Fed toward quick policy normalization. For

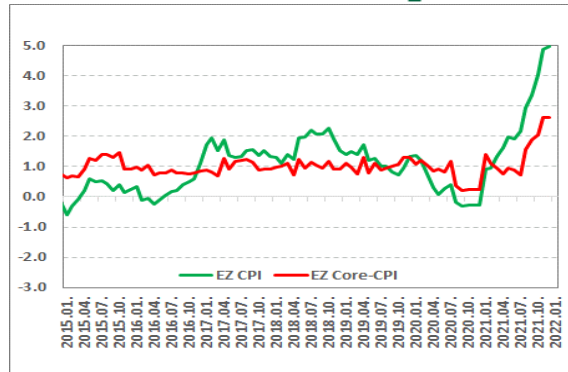
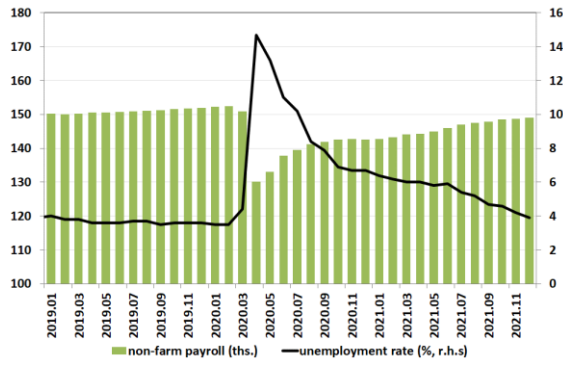
January, the consensus is a 238,000 increase, slightly better than the December figure, although downside surprise cannot be ruled out, as given the Omicron wave, temporary absence from work was widespread. The unemployment rate is expected to remain steady at 3.9%, while average hourly earnings is expected to edge up to 5.1%. From the USA, we also expect the *ISM PMIs* and *Chicago manufacturing PMIs* for January, as well as *factory orders* and *construction spending* for December.

In the **euro area**, the focus will be mostly on January *inflation*, released on Wednesday. A month ago, headline inflation increased from 4.9% in November to 5.0% for December, which was above the consensus (4.7%). Food inflation increased from 2.2% to 3.2%, energy inflation edged down, from 27.5% to 26.0%. Most importantly for the ECB, core inflation was unchanged at a record high of 2.6%, but still slightly above the consensus (2.5%). Now it is expected that the base effects related to Germany's half-year VAT cut in the second half of 2020, together with the re-weighting of items in the HICP basket, are likely to deduct 0.5 ppts from headline inflation in January this year. So it is quite certain that the headline figure already passed its peak. Nonetheless, a smaller than expected decline could be negative news in light of the still sky-high energy prices. The *ECB's Governing Council*, at its latest meeting in December announced to end the PEPP by April, and initially step up, and then gradually wind down the APP to EUR 20 bn per month by October. This means that the EUR 80 bn purchases per month at year-end 2021 will fall by 75% by October this year. Another interesting announcement of the December meeting was the new projection, which raised inflation forecast for this year to 3.2%, but kept inflation at 1.8% by 2023 to justify persistent QE. As regards the latter, recent developments in energy prices question this optimism, as it was recently stated by some members of the Council as well. The market prices ECB rate hikes from early 2023, although some analysts are already projecting the first rate hike by the end of 2022. We do not expect any major announcement compared to the December press release, still some smaller details could be interesting.

Still from the euro area, the flash Q1 *GDP* will be released, which could cause surprise, as this week's large economy releases brought mixed results.

Key indicators of the US job market

Euro area inflation indicators (YoY, %)



Sources: Refinitiv and Bloomberg

What to watch for the next week

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 1. 31.	9 : 00	AT	GDP (preliminary, QoQ, %)	Q4		3,8
	9 : 00	ES	Retail sales (YoY, %)	Dec		4,9
	10 : 00	IT	GDP (preliminary, QoQ, %)	Q4	0,5	2,6
	10 : 30	PT	GDP (preliminary, QoQ, %)	Q4		2,9
	11 : 00	EZ	GDP (preliminary, QoQ, %)	Q4	0,3	2,2
	11 : 00	EZ	GDP (preliminary, YoY, %)	Q4	4,7	3,9
	14 : 00	DE	CPI (preliminary, YoY, %)	Jan	4,3	5,3
	15 : 45	US	Chicago PMI (points)	Jan	62,5	63,1
1.	8 : 00	DE	Retail sales (MoM, %)	Dec	-1,2	0,6
	9 : 00	CZ	GDP (QoQ, %)	Q4		1,6
	9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	Jan	61,5	62,0
	11 : 00	EZ	Unemployment rate (%)	Dec	7,1	7,2
	16 : 00	US	Construction expenditure (MoM, %)	Dec	0,7	0,4
	16 : 00	US	ISM Manufacturing PMI (points)	Jan	57,5	58,7
	11 : 00	EZ	CPI (flash, YoY, %)	Jan	4,3	5,0
	11 : 00	EZ	Core CPI (flash, YoY, %)	Jan	1,9	2,6
	14 : 15	US	ADP non-farm employment (MoM, '000s)	Jan	270	807
3.	9 : 45	IT	Markit/IHS Services PMI (prelim.)	Jan	50,5	53,0
	13 : 00	UK	Interest rate decision (%)	Feb	0,5	0,3
	13 : 45	EZ	Interest rate decision (lending rate, %)	Feb	0,0	0,0
	13 : 45	EZ	Interest rate decision (deposit rate, %)	Feb	-0,5	-0,5
	14 : 30	CZ	Interest rate decision (%)		4,5	3,8
	14 : 30	US	Initial jobless claims ('000s)	weekly		260
	14 : 30	US	Continuing jobless claims ('000s)	weekly		1675
	16 : 00	US	Factory orders (MoM, %)	Dec	0,1	1,6
	16 : 00	US	ISM non-Manufacturing PMI (points)	Jan	58,7	62,0
4.	8 : 00	DE	Industrial orders (MoM, %)	Dec	0,5	3,7
	8 : 45	FR	Industrial production (MoM, %)	Dec		-0,4
	11 : 00	EZ	Retail sales (MoM, %)	Dec	-0,5	1,0
	14 : 30	US	Non-farm payroll (MoM, '000s)	Jan	200	199
	14 : 30	US	Unemployment rate (%)	Jan	3,9	3,9
	14 : 30	US	Average earnings (MoM, %)	Jan	0,5	0,6
	14 : 30	US	Average earnings (YoY, %)	Jan	5,2	4,7

* preliminary data

Markets closed again with considerable weekly loss in the USA, while in Europe, the market sentiment was less pessimistic, despite geopolitical worries and mixed earnings results

Volatility remained with us during the week, just think about the intraday turnaround in the US stock and bond markets on Monday. Most of the consecutive days were less turbulent; stock indices in Europe recovered after Monday's heavy downturn, but the US market suffered modest losses day by day. Geopolitical tensions between Russia and the USA, and the probability of a Russian invasion to Ukraine remained in the focus during the week, making investors more wary. The FOMC's two-day meeting on Tuesday and Wednesday was another topic that affected stock prices and bond yields. The FOMC's latest decision brought no surprise: the asset purchase program will not be phased out earlier, and there was no new information about the Fed's balance sheet reduction; only that it would not take place before the first rate hike, the schedule will be decided based on incoming data. As a direct result, on Wednesday, US stock exchanges saw yet another volatile trading day: the indices opened brightly, and peaked on news that the US interest rates remain unchanged. However, Jerome Powell's message soured the sentiment. Amid persistent messaging between the Russian and US leaders, and the abundant news flow on the military preparations in the area, corporate earnings reports got less the limelight, even though we are well into the Q4 2021 reporting season. Among the S&P500's mega-cap stocks, Microsoft and Apple reported better-than-expected Q4 figures. Although Tesla could also boast about record performance in the past quarter, its stock price plunged 12% on Thursday after the earnings report had been released, as concerns about raw material prices and supply chain issues deterred investors. On Friday, stock markets started the day in the red in Europe and the sentiment became even bleaker by afternoon after the market opening in the USA.

Overall, markets seem to close the week with sizable fall in the USA, and with moderate decline in Europe. Long-term-yields edged up, and the USD strengthened. Oil prices also gained, while natural gas prices booked double-digit growth in Europe.

Daily new cases keep on falling in the USA, mixed effects in Western Europe, while the CEE region faces rising infection rates. China maintains its zero Covid stance ahead of Winter Olympics

The number of daily new cases continued to fall in the USA. The covid related deaths are still at a high level, but probably close to a peak, since the ICU usage started to drop recently in the country.

China is still maintaining its zero covid stance against the new variant. Extra restrictions are applied in the capital currently, due to the approaching Winter Olympic Games.

The effect of the Omicron wave is mixed in the Western Europe, but most countries reported relatively low hospitalization rates. The Netherlands, Finland, Belgium, Denmark, France and the UK are set to lift the extra restrictions, despite the still high daily new case counts.

Most countries in the CEE region report rising infection rates. Covid death statistics also started to rise in several countries in the region.

Stock markets fell significantly in the USA, and more moderately in Europe

In **Europe**, the *STOXX600* is heading to end the week with a fall of around 2%. In terms of sector performance, technology (-8.7%) and financial services (-5.7%) performed the worst, while telecommunications (+2.9%), and oil&gas (+1.2%) performed the best among the very few sectors that were in the plus in weekly comparison by Friday afternoon. Most of the national stock markets closed the week in the red: Germany's *DAX* lost 2.3%, France's *CAC40* slid 2.1%, the UK's *FTSE100* eased 0.6%, and the *FTSEMIB* dropped 2.0%.

In the **USA**, all large markets seem to close the week again with a sizeable losses, particularly the *Nasdaq Composite* (-6.3%). The *S&P* seems to fall by 1.9%, the *Dow* by 2.5%, and the small-cap *Russell1200* slumped 3.8%. All S&P components except the energy sector fell sharply, with real estate (-4.1%) and industrials (-4.0%) losing the most. The energy sector gained 3.8% w/w according to Friday afternoon data, and financials and IT are set to end the week with modest loss.

Long-term yields in the US and Europe moved considerably higher; the USD strengthened

Both US Treasury and European long-term yields moved considerably higher during the week. The US 10Y yield peaked at 1.86% after the FOMC decision on Wednesday, however it fell behind the intraday record of 1.89% the week before. The 2Y Treasury yield jumped 16bps. In the eurozone periphery, yields moved mixed: Italy's 10Y benchmark yield dropped 1bp, while Spain's 10Y yield added 7bps. The UK's 10Y bond yield jumped almost 9bps. The USD strengthened against major currencies, and seems to close the week roughly 2% stronger against the EUR than last Friday.

Oil prices could still grow in weekly terms: Brent peaked at a level not seen since 2014, natural gas prices jumped as geopolitical tensions intensify

Oil prices moved mostly upwards during the week, by Friday afternoon both Brent and WTI showed 3.4% weekly gain. Oil price exceeded 90 USD/barrel in London this week, for the first time since 2014 as supply

struggles to keep up with robust demand, and also as a side effect of the tension between Russia and the USA. *Natural gas prices* in Europe jumped by 15% in weekly comparison by Friday afternoon, recovering after double-digit decline of the week before, as tension on the Russia-Ukraine border built up. YTD price hike of natural gas approaches 40%.

The Fed set up for March lift-off, large euro area economy flash GDPs brought mixed results

In the **USA**, the conclusion of the *Fed* meeting did not bring any surprise. Although some market participants were speculating on a loosening tone given the recent substantial fall on stock markets, no news made investors rather disappointed. The FOMC's statement said that "With inflation well above 2 percent and a strong labour market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate." At the press conference, Chair Powell said that his personal view is that the US economy was already at full employment, and also said the March rate hike would be reasonable at this juncture, but this is yet to be discussed at the next meetings. As to the balance sheet run-off, the committee only announced a few principles for the future (i) balance sheet run-off could occur only once rate hikes have started (ii) interest rate policy will remain the primarily monetary policy tool, the balance sheet run-off will run "in the background" along transparent rules to be determined after rate hikes have started (iii) the run-off will be done through adjustments to reinvestments (iv) in the medium term, the Fed will primarily hold Treasury securities. At the press conference Chair Powell also made it likely that the current run-off will be quicker than in 2015, given the different state of the economy and different maturity of assets.

Otherwise, Q4 2021 *GDP* growth turned out at 6.9%, well above the consensus of 5.5%. However, a large chunk of the surprise came from surging inventories, which could easily reverse already in Q1 2022. Other items remained essentially weak. Private consumption rose to 3.3% (from 2.0%), while fixed investment increased by a meagre 1.3%, net exports even deteriorated on QoQ basis. January confidence indices turned out mixed, with Markit *PMIs* below expectations, but *consumer confidence* turned out better than foreseen. December US consumer expenditure fell by 0.6%, in line with the consensus, just like core PCE, which grew 0.5% MoM, implying 4.9% YoY growth.

In the **euro area**, large economies' Q4 2021 *GDP* releases brought mixed results. First, as for Germany, the 0.7% QoQ decrease was worse than the consensus forecast of -0.3%, and it left the German economy 1.6% smaller in Q4 last year than before the pandemic. This was a much weaker performance than that of France, which reported this morning that its economy was 0.9% above pre-Covid levels. France's 0.7% QoQ

growth rate beat the consensus of 0.5%. Spain did even better, expanding by 2.0% (vs. 1.6%). In January, Markit *PMIs* were a mixed bag, showing improvement above the consensus for manufacturing and deterioration below the consensus for services. This suggests that while supply chain problems have improved somewhat, the Omicron variant dented the services sector. The country level data suggest marked improvement in Germany for both sectors, but point to a visible deterioration for France's services sector. Germany's IFO index also improved somewhat.

This week's data

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.	
2022 1. 24.	9 : 15	FR	Markit Manufacturing PMI (points)	Jan	55,5	55,5	55,6
	9 : 15	FR	Markit Service PMI (points)	Jan	53,1	55,3	57,0
	9 : 30	DE	Markit Manufacturing PMI (points)	Jan	60,5	57,0	57,4
	9 : 30	DE	Markit Service PMI (points)	Jan	52,2	48,0	48,7
	10 : 00	EZ	Markit Manufacturing PMI (points)	Jan	59,0	57,5	58,0
	10 : 00	EZ	Markit Service PMI (points)	Jan	51,2	52,2	53,1
	10 : 30	UK	Manufacturing PMI (points)	Jan	56,9	57,9	57,9
	10 : 30	UK	Service PMI (points)	Jan	53,3	54,8	53,6
	15 : 45	US	Markit Manufacturing PMI (points)	Jan	55,0	56,7	57,7
	15 : 45	US	Markit Service PMI (points)	Jan	50,9	55,0	57,6
25.	10 : 00	DE	IFO Economic sentiment index (points)	Jan	95,7	94,7	94,7
	15 : 00	US	Case-Shiller Home Price Index (YoY, %)	Nov	18,3	18,0	18,4
	16 : 00	US	Consumer confidence (point)	Jan	113,8	111,8	115,8
26.	16 : 00	US	New home sales (annualized monthly, '000s)	Dec	811	760	725
	16 : 00	CA	Interest rate decision (%)		0,3	0,3	0,3
	20 : 00	US	Interest rate decision (%)		0-0,25	0-0,25	0-0,25
27.	14 : 30	US	Durable goods orders (MoM, %)	Dec	-0,9	-0,5	3,2
	14 : 30	US	GDP (preliminary, annualized QoQ, %)	Q4	6,9	5,5	2,3
	14 : 30	US	Initial jobless claims ('000s)	weekly	260	260	290
	14 : 30	US	Continuing jobless claims ('000s)	weekly	1675	1650	1624
	16 : 00	US	Pending home sales (MoM, %)	Dec	-3,8	-0,2	-2,3
28.	7 : 30	FR	GDP (preliminary, QoQ, %)	Q4	0,7	0,5	3,0
	9 : 00	ES	GDP (preliminary, QoQ, %)	Q4	2,0	1,4	2,6
	10 : 00	DE	GDP (preliminary, QoQ, %)	Q4	-0,7	-0,3	1,7
	10 : 00	IT	Consumer confidence (point)	Jan	114,2	116,5	117,7
	11 : 00	EZ	EC Economic Sentiment Index (points)	Jan	112,7	114,5	113,8
	14 : 30	US	Personal income (MoM, %)	Dec	0,3	0,5	0,4
	14 : 30	US	Personal consumption (adjusted, MoM, %)	Dec	-0,6	-0,6	0,6
	14 : 30	US	Household core PCE index (MoM, %)	Dec	0,5	0,5	0,5
30.	2 : 45	CN	Caixin Manufacturing PMI (points)	Jan			50,9

Sector 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	4315,6	-1,9	-9,5	Stoxx 600	SXXP Index	463,5	-2,3	-5,0
IT	S5INFT Index	2671,1	-1,4	-12,6	Health care	SXDP Index	1002,9	-1,3	-7,3
Health care	S5HLTH Index	1486,4	-1,5	-9,6	Industrial goods & services	SXNP Index	709,2	-4,7	-11,0
Financials	S5FINL Index	627,4	-1,3	-3,5	Banks	SX7P Index	155,3	1,2	7,1
Telco	S5TELS Index	237,4	-2,4	-11,3	Personal & households goods	SXQP Index	1040,8	-1,9	-5,6
Consumer discretionary	S5COND Index	1358,9	-3,9	-15,6	Insurance	SXIP Index	337,6	0,8	4,8
Industrials	S5INDU Index	821,8	-4,0	-8,2	Food and beverages	SX3P Index	815,8	-3,2	-6,2
Consumer staples	S5CONS Index	774,6	-2,2	-3,7	Technology	SX8P Index	679,1	-8,7	-15,9
Utilities	S5UTIL Index	338,9	-3,2	-6,8	Utilities	SX6P Index	394,4	0,0	-2,6
Energy	S5ENRS Index	495,1	3,8	17,1	Oil & gas	SXEP Index	302,9	2,1	9,4
Real estate	S5RLST Index	282,0	-4,1	-13,2	Chemicals	SX4P Index	1275,2	-2,4	-6,7
Materials	S5MATR Index	511,7	-3,1	-10,2	Construction & materials	SXOP Index	583,9	-4,6	-9,6
					Telco	SXKP Index	235,3	2,9	2,3
					Retail	SXRP Index	419,6	-0,9	-5,7
					Financial services	SXFP Index	678,6	-5,7	-9,9
					Basic resources	SXPP Index	629,2	-2,7	4,7
					Real estate	SX86P Index	186,7	0,2	-4,8
					Auto & parts	SXAP Index	656,3	-4,2	-0,5
					Media	SXMP Index	347,7	-2,5	-6,7
					Travel & leisure	SXTP Index	226,1	-3,7	-2,7

Source: Bloomberg

Source: Bloomberg

Data updated at
16:00 (CEST)

Performance of selected and 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	4316	-9,8	-6,1	-1,9	13,9	23,1	4,4	2,9	19,2	1,3	110,9	10,9	6,8
Europe	SXXP Index	464	-5,1	-2,4	0,4	14,9	18,9	2,1	1,6	11,9	1,1	185,0	1,9	9,2
Germany	DAX Index	15241	-4,5	-2,9	-2,1	11,5	14,8	1,8	1,2	12,9	1,1	113,5	39,1	8,3
France	CAC Index	6922	-3,6	1,7	4,7	25,6	21,0	2,0	1,4	9,8	1,1	238,2	49,8	15,1
Poland	WIG20 Index	2178	-3,3	-9,0	-3,0	9,6	10,9	1,2	0,9	11,3	1,2	53,4	-35,3	-8,2
Czechia	PX Index	1411	-0,7	5,4	17,5	37,2	19,7	1,6	2,0	8,5		168,5	14,4	20,1
Hungary	BUX Index	52488	5,6	-2,4	10,4	20,5	8,3	1,3	0,9	15,1	1,2	57,5	-750,2	6,1
Romania	BET Index	13112	0,7	2,5	11,0	27,2	0,5	1,2	0,2	11,1		34,9	244,0	
Bulgaria	SOFIX Index	614	-3,0	6,4	7,4	23,2	20,9	0,8	0,9	3,8	3,2	44,4		
Russia	IMOEX Index	3493	-7,5	-16,6	-7,6	4,5	6,6	1,0	1,0	16,2	1,4	71,7	61,2	19,3
Ukraine	PFTS Index	522	-0,3	-0,8	-0,6	1,6	3,7	1,5	0,4	41,3	0,5	3,4		
Slovenia	SBITOP Index	1272	0,3	7,1	10,4	34,9	7,7	1,1	0,7	14,2	1,8	32,5		
Croatia	CRO Index	2126	3,2	3,3	9,9	18,8	16,7	1,1	1,2	6,9	1,7	39,4		
Serbia	BELEX15 Index	856	3,6	7,6	10,4	17,2	12,9	0,7	0,7	5,7	1,6	19,3		
Montenegro	MNSE10 Index	776	1,5	-0,1	4,3	7,4	64,3	0,3	0,9	0,8	2,0	13,4		

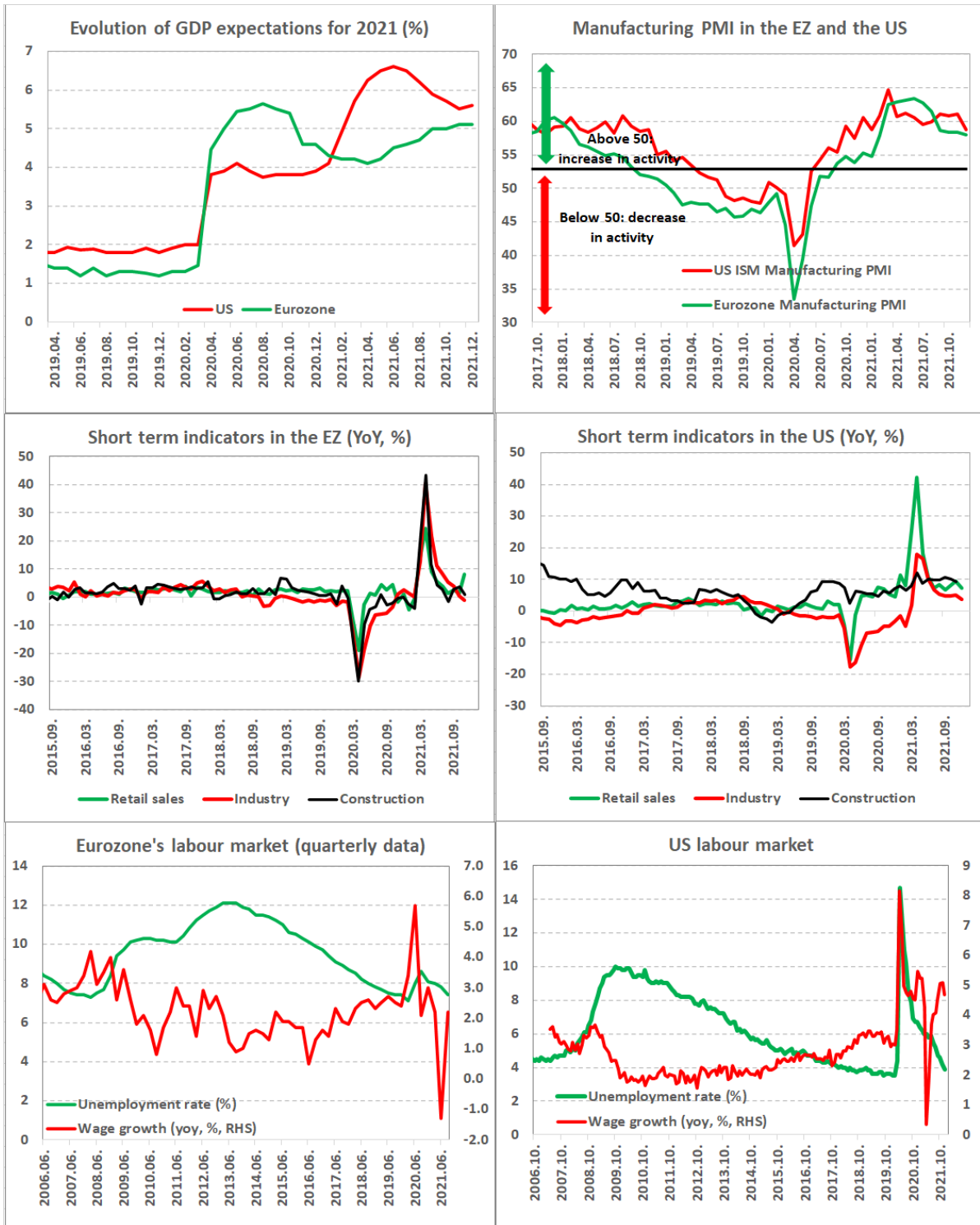
*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

***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.

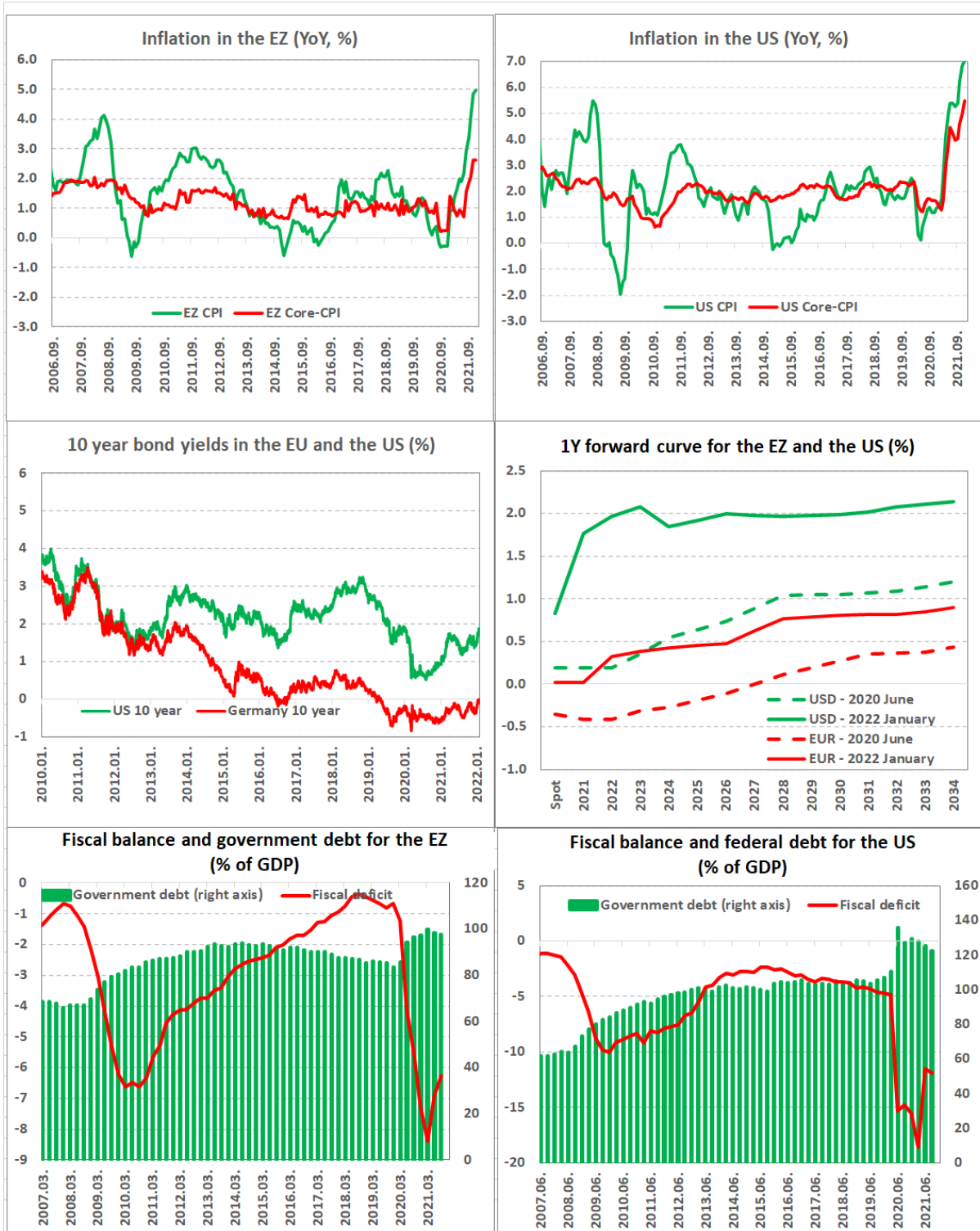
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Eurozone and US chart set



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	1,18	1,14	1,15	1,16	1,20
EURGBP	0,89	0,91	0,90	0,88	0,86	0,85	0,84	0,84	0,84	0,82
EURCHF	1,06	1,08	1,08	1,08	1,10	1,08	1,06	1,08	1,10	1,08
USDJPY	107,0	106,0	104,0	104,0	109,0	111,5	114,0	115,5	115,5	109,0

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	-4.7	6.5	5.1	6.6	4.8	Hungary	-8.0	-7.3	-4.9	-7.0	-5.2
Romania	-3.7	6.7	3.8	6.6	4.5	Romania	-9.4	-7.1	-6.3	-7.3	-6.1
Bulgaria	-4.4	3.8	3.5	3.8	3.8	Bulgaria	-4.0	-2.7	-2.0	-3.5	-2.5
Russia	-3.0	4.5	2.6	4.2	2.6	Russia	-3.8	0.9	0.8	0.0	0.7
Ukraine	-4.0	3.1	3.3	3.0	3.7	Ukraine	-5.3	-5.0	-3.0	-3.8	-3.2
Slovenia	-4.2	6.2	4.5	6.3	4.0	Slovenia	-7.7	-7.1	-4.9	-6.7	-4.5
Croatia	-8.1	10.2	4.0	8.9	4.4	Croatia	-7.4	-4.0	-2.9	-4.3	-3.0
Serbia	-0.9	7.5	4.6	7.5	4.5	Serbia	-8.0	-2.7	-3.0	-4.3	-2.2
Montenegro	-15.3	11.0	5.4	9.5	5.6	Montenegro	-10.1	-2.9	-2.6	-4.9	-2.8
Albania	-4.0	8.0	4.2	7.7	4.0	Albania	-6.8	-6.0	-4.0	-5.9	-4.1
Moldova	-7.0	7.0	3.6	8.8	4.5	Moldova	-5.1	-6.0	-5.0	-5.0	-4.5

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	4.9	5.2	5.2	4.9	Hungary	4.1	3.9	3.3	4.0	3.7
Romania	2.6	5.1	6.2	4.9	5.7	Romania	5.0	5.5	4.5	5.3	4.9
Bulgaria	1.7	3.3	5.6	3.1	3.6	Bulgaria	5.2	5.4	5.0	5.5	5.0
Russia	3.4	6.7	7.2	6.7	6.2	Russia	5.8	4.9	4.0	4.9	4.6
Ukraine	2.7	9.3	8.0	9.4	7.6	Ukraine	9.5	9.4	8.5	9.4	8.7
Slovenia	-0.3	1.3	1.7	1.9	2.4	Slovenia	5.0	4.9	4.8	4.7	4.5
Croatia	0.1	2.6	4.1	2.4	2.5	Croatia	7.5	7.9	6.8	8.1	7.6
Serbia	1.6	4.0	4.7	3.9	4.5	Serbia	9.0	11.0	10.2	10.5	9.9
Montenegro	-0.3	2.4	2.6	2.0	1.8	Montenegro	17.9	17.8	17.4	19.1	17.7
Albania	1.6	2.0	2.3	2.0	2.6	Albania	11.7	11.3	10.9	11.7	11.3
Moldova	3.8	5.3	14.0	4.5	7.7	Moldova	3.8	13.5	11.7	4.4	3.4

Source: Focus Economics, OTP Research Center

FX forecast for 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	351.0	360.0	369.0	360.0	358.0	358.0	357.0
Romania	EURRON (eop)	4.87	4.93	4.93	4.95	4.95	4.96	4.98	4.99	4.99
Russia	USDRUB (eop)	73.9	75.7	72.4	72.8	73.7	71.8	71.2	71.6	71.7
Ukraine	USDUAH (eop)	28.30	27.80	27.30	26.60	27.30	27.20	27.20	27.50	27.80
Croatia	EURHRK (eop)	7.6	7.6	7.5	7.5	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	1.19	1.16	1.14	1.14	1.14	1.14	1.14

*Slovenia and Montenegro uses EUR as a base currency.

**No forecast available for Moldova and Albania

Source: Focus Economics

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