

OTP Weekly Outlook

Next week:

- US job report for June and euro area real economy data for May will be in the spotlight

This week:

- Recession fears weigh on developed stock markets, cyclical stocks led major indices down.
- June's disappointing confidence indicators in the euro area and the USA have made investors wary, and central bank chiefs' messages also suggested that CBs were determined to bring down inflation even if it costs a recession.
- At the same time, LT yields dived, with 2Y and 10Y falling similarly steeply.
- The USD benefited from its safe-heaven status, the EUR/USD dipped to 1.04.
- Commodity prices fell further on growth worries. Geopolitical tensions in Europe led natural gas steeply higher again
- Inflation in the euro area increased further

US job report for June and euro area real economy data for May will be in the spotlight

	Date*	Cd.	Event/ Data	Period	Cons.	Prev.
2022 7.	4. 8 :00	DE	Export M oM ,SA,%)	May	-0.3	4.4
	10 :30	EZ	Sentix Investor confidence (points)	Jul	-20.0	-15.8
	5. 3 :45	CN	Caixin Services PMI	Jun		41.4
	8 :45	FR	Industrial production M oM ,%)	May	0.3	-0.1
	16 :00	US	Factory orders M oM ,%)	May	0.5	0.3
6.	8 :00	DE	Industrial orders M oM ,%)	May	-0.6	-2.7
	11 :00	EZ	Retail sales M oM ,%)	May	0.4	-1.3
	16 :00	US	ISM non-manufacturing PMI (points)	Jun	54.5	55.9
	20 :00	US	FOMC Minutes	Jun		-
	23 :30	EZ	ECB non-rate setting meeting	-		-
7.	8 :00	DE	Industrial production M oM ,%)	May	0.4	0.7
	13 :30	EZ	ECB Minutes	-		-
	14 :15	US	ADP non-farm employment M oM , 000s)	Jun	200	128
	14 :30	US	Continuing jobless claims (000s)	weekly	230	1328
	14 :30	US	Initial jobless claims (000s)	weekly		231
8.	14 :30	US	Average earnings (YoY,%)	Jun	5.0	5.2
	14 :30	US	Average earnings M oM ,%)	Jun	0.3	0.3
	14 :30	US	Unemployment rate (%)	Jun	3.6	3.6
	14 :30	US	Non-farm payroll M oM , 000s)	Jun	265	390

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

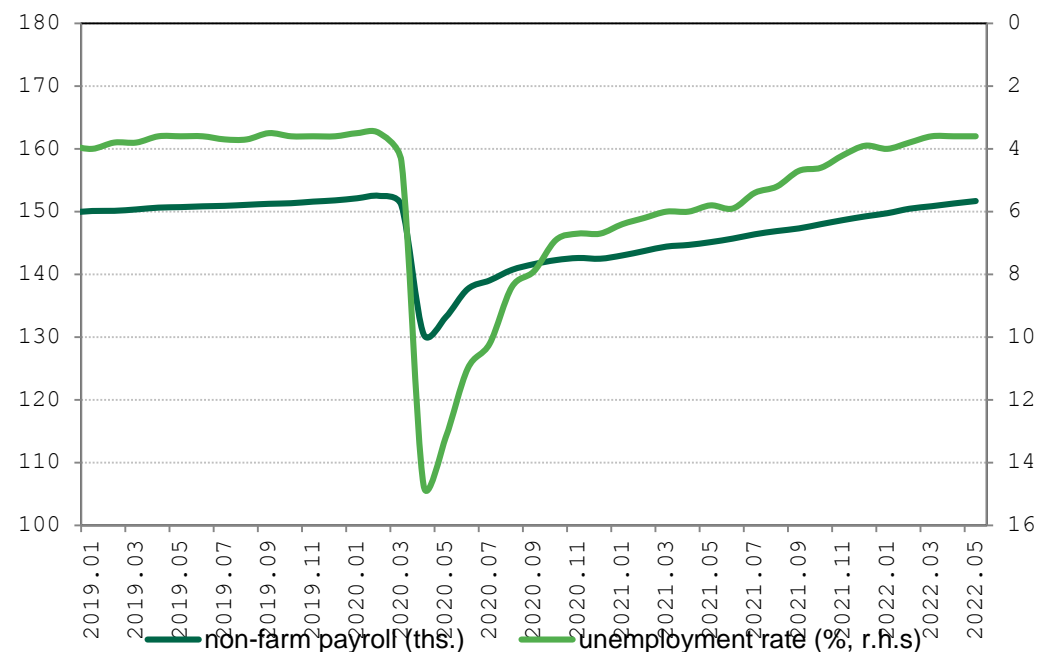
3 US: Labour market data will be in the spotlight; the Fed will publish the minutes of its June meeting

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022.07.05 16:00	US	Factory orders (M oM, %)	May	0.5	0.3
06 16:00	US	ISM non-Manufacturing PMI (points)	Jun	54.5	55.9
20:00	US	FOMC Minutes	Jun	-	-
07 14:15	US	ADP non-farm employment (M oM, 000s)	Jun	200	128
08 14:30	US	Average earnings (YoY, %)	Jun	5.0	5.2
14:30	US	Average earnings (M oM, %)	Jun	0.3	0.3
14:30	US	Unemployment rate (%)	Jun	3.6	3.6
14:30	US	Non-farm payroll (M oM, 000s)	Jun	265	390

Key highlights

- **Slowdown or Recession?** This has become the central challenge for the US economy.
- **Labour market data suggest there is hope of avoiding a recession.** So it will be important to keep an eye on the incoming data.
- In May, nonfarm payrolls increased by 390,000, exceeding the consensus, still it was the lowest monthly gain since April 2021. The unemployment rate stagnated at 3.6%.
- **Employment growth is likely to continue, but the pace of expansion will slow further,** and recession fears could become an obstacle to favourable developments in the future.
- **The Fed will publish the minutes of its June meeting,** when the FOMC raised the base rate by 75 bps, in its most aggressive hike since 1994.

Labour market data



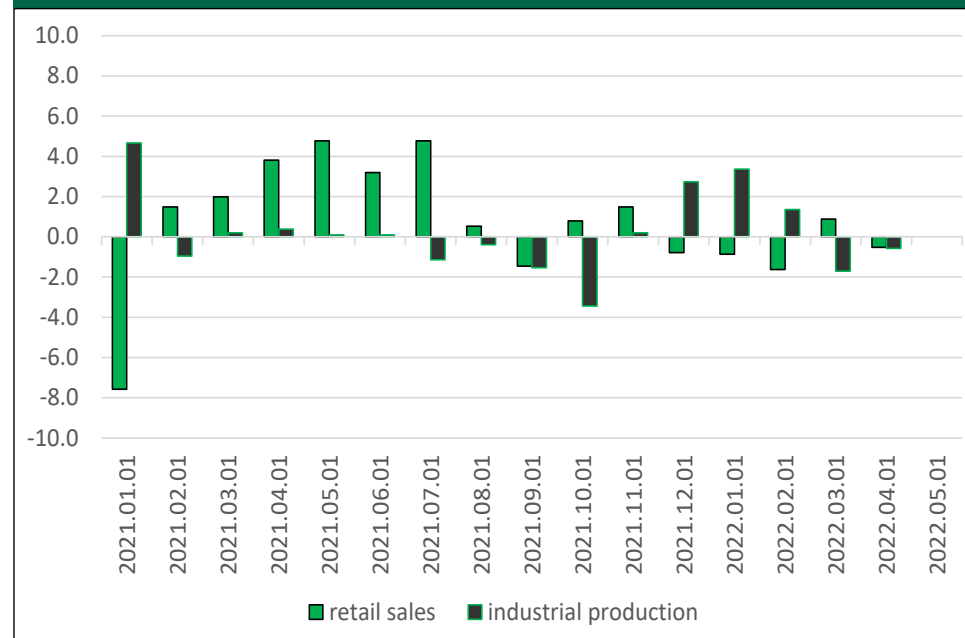
4 Euro area: May real economy indicators will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 7. 4. 8 :00	DE	Export M oM ,SA,%)	May	-0.3	4.4
10 :30	EZ	Sentix Investor confidence (points)	Jul	-20.0	-15.8
6. 8 :00	DE	Industrial orders M oM ,%)	May	-0.6	-2.7
11 :00	EZ	Retail sales M oM ,%)	May	0.4	-1.3
23 :30	EZ	ECB non rate setting meeting	-	-	-
7. 8 :00	DE	Industrial production M oM ,%)	May	0.4	0.7
13 :30	EZ	ECB Minutes	-	-	-

Key highlights

- The focus will be on **May real economy indicators**, namely euro area retail sales, and a bunch of industrial data from Germany. The most interesting could be retail sales, where eventually the effect of declining real wages might appear, although the consensus still expects a mild growth. Another interesting point could be July's first business confidence index, Sentix - it has risen slightly in June but remained at very low level.
- It is also worth following the **ECB's** non-rate-setting meeting, where surprises on the anti-fragmentation tool cannot be ruled out. Similarly, the minutes from the June meeting could convey interesting information.

Euro area indicators: 3-month changes, %



5 This week's data: Euro area core inflation decline might prove temporary

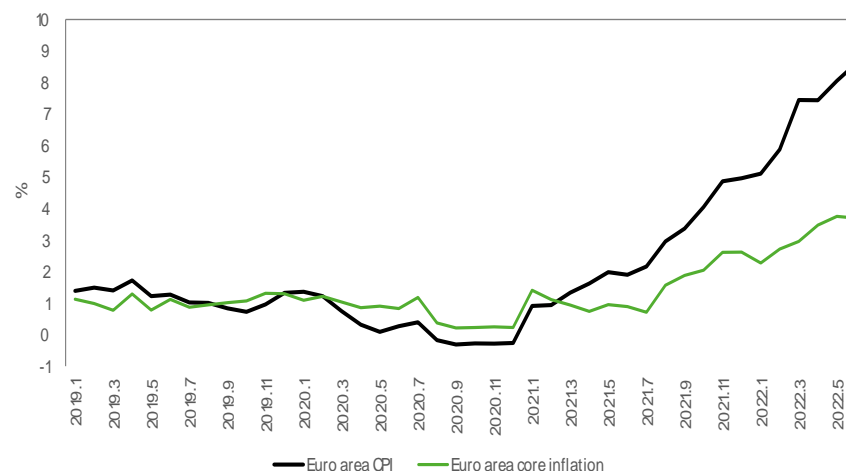
Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2022 6. 27. 14 :30	US	Durable goods orders M oM ,%)	May	0.7	0.1	0.5
16 :00	US	Pending hom e sales M oM ,%)	May	0.7		-3.9
2022 6. 28. 15 :00	US	Case-ShillerHom e Price Index (YoY,%)	Apr	212	21.0	212
16 :00	US	Consum er confidence point)	Jun	98.7	101.4	106.4
29. 11 :00	EZ	EC Econom ic Sentin ent Index (points)	Jun	104.0	103.0	105
14 :30	PT	ECB forum (J.Powell,C.Lagarde,A.Bailey,A.Carstens)	-		-	-
30. 3 :30	CN	NBS Non-m anufacturing PM I (points)	Jun	54.7		47.8
3 :30	CN	NBS M anufacturing PM I (points)	Jun	50.2		49.6
14 :30	US	Personal incom e M oM ,%)	May	0.5	0.5	0.4
14 :30	US	Personal consum ption (adjusted,M oM ,%)	May	0.2	0.4	0.9
14 :30	US	Household core PCE index M oM ,%)	May	0.3	0.4	0.3
14 :30	US	Initial jobless claim s (000s)	weekly	231.0	228.0	233.0
14 :30	US	Continuing jobless claim s (000s)	weekly	1328.0	1310.0	1331
15 :45	US	Chicago PM I (points)	Jun	56.0	58.8	60.3
1. 3 :45	CN	Caixin M anufacturing PM I (points)	Jun	51.7		48.1
11 :00	EZ	CPI (flash,YoY,%)	Jun	8.6	8.3	8.1
11 :00	EZ	Core CPI (flash,YoY,%)	Jun	3.7	3.9	3.8
16 :00	US	Construction spending M oM ,%)	May	-0.1	0.4	0.8
16 :00	US	ISM M anufacturing PM I (points)	Jun	53.0	54.9	56.1

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

Key highlights

- The **euro area's June headline CPI** surprised again to the upside (8.6% vs 8.4%), despite a downside surprise from Germany. While core inflation edged down minimally (to 3.7% from 3.8%), this was to a large extent due to lower services inflation, owing to the temporary measures in Germany (lower public transport prices and fuel duty).
- Another interesting event of the week was **the ECB forum** in Portugal, when practically all central bankers committed to fighting inflation even if there could be real economy costs.

Euro area inflation rate, %



Recession fears still weigh on European and US stock markets, with cyclical sectors suffering the biggest decline. Long-term yields dipped as rate hike expectation came down from previous highs. Commodity prices declined. TTF natural gas jumped again as geopolitical tensions in Europe failed to ease.

Indices	Last price	1week change (%)	YTD (%)	Interest rates	Last price	1week change (bps)	YTD (bps)	FX rates	Last price	1week change (%)	YTD (%)	Commodity	Last price	1week change (%)	YTD (%)
S&P500	3778	-3.4	-20.7	US 2 year	2.82	-24.3	208.9	Dollar index	105.468	1.2	10.2	Brent	111.2	-1.7	43.0
Nasdaq Comp.	11095	-4.4	-29.1	US 10 year	2.87	-26.1	135.9	EURUSD	1.0406	-1.4	-8.5	WTI	107.9	0.3	43.5
Dow Jones	30913	-1.9	-14.9	DE 2 year	0.49	-30.3	112.6	USDJPY	135.41	-0.1	-15.0	Natural Gas (TTF)*	145.0	14.0	118.0
Russel2000	1706	-3.4	-24.0	DE 10 Year	1.26	-18.2	143.7	GBPUSD	1.2013	-2.1	-11.2	Gold	1793.7	-1.8	-1.9
Stoxx 600	407	-1.4	-16.6	FR 10 year	1.82	-15.1	162.2	AUDUSD	0.6792	-2.2	-6.5	Silver	19.6	-7.5	-16.0
DAX	12791	-2.5	-19.5	SP 10 year	2.29	-25.9	172.2	USDCAD	1.2927	-0.3	-2.2	Palladium	1938.8	3.0	1.8
CAC40	5939	-2.2	-17.0	IT 10 year	3.10	-33.8	192.9	USDCHF	0.9613	-0.3	-5.0	Copper	360.0	-3.8	-19.3
FTSE100	7183	-0.4	-2.7	UK 10 year	2.13	-16.9	116.3	NZDUSD	0.6174	-2.3	-9.6	Steel	930.0	-17.5	-35.2
FTSEMIB	21361	-3.4	-21.9	CH 10 year	0.85	-38.8	100.3	CNHUSD	6.7135	-0.5	-5.3	W heat	876.3	-5.1	13.7
Nikkei225	25936	-2.1	-9.9	JP 10 year	0.22	-0.8	15.2	USDTRY	16.759	1.0	-20.6	Com	752.0	0.2	26.8
CSI300	4466.7	1.6	-9.6	CN 10 year	2.83	-2.1	5.1	USDBRL	5.3215	-1.5	4.8	Electricity*	225.8	-24.5	141.5

Source: Bloomberg

*In EUR/MWh

Key highlights

- Despite the promising start of the week in Europe, recession concerns overwhelmed **global stock markets** and led most of the indices down.
- After last week's optimism, market sentiment steadily deteriorated, with the S&P500 and the Nasdaq Composite plunging over 3 and 4%, respectively, and the Dow dropping about 2%. **In Europe**, major stock indices suffered modest losses, with the DAX and the CAC40 falling 2-2,5% w/w, the Stoxx600 losing over 1% and the FTSE100 remaining flat.
- Growth worries came to the fore more intensely, as major central banks' chiefs met to discuss the inflation challenge at the ECB Forum on Central Banking in Sintra, Portugal. Christine Lagarde played down concerns about recession in the eurozone, also saying that the ECB was ready to raise rates at a faster pace if needed. The ECB, however, markedly revised down the growth forecasts but still expected positive growth rates due to domestic buffers. Federal Reserve Chair Jerome Powell warned there was no guarantee the Fed can tame runaway inflation without hurting the job market.
- As growth fears heightened, cyclical sectors came down, with travel & leisure, real estate, and auto & parts becoming the biggest laggards in Europe along with technology. **In the USA**, consumer discretionary, telco and IT were hit the most, while investors preferred utilities and energy.
- **Covid-19 cases** are on the rise throughout Europe, with almost all countries in the region seeing higher number of cases. The WHO expects "high levels" of Covid-19 in Europe this summer as cases tripled in the past month.

Key highlights

- With recession fears winding up, yields declined after a two-day increase at the beginning of the week. **LT yields** plunged in Europe and the USA as well, and 2Y and 10Y bonds fell similarly steeply as rate hike expectations came down. 10Y US yield dipped below 2.9% (-26bps) still the highest in the past 2.5 years, and 10Y Bund yield fell to 1.3% (-18bps).
- The US dollar benefited from investors' demand for safe-heaven assets. The **EUR/USD** fell to 1.04, and the Dollar Index gained 1.2%.
- The global commodity markets became less appealing as growth fears linger. Industrial metals dropped, with steel plunging 18%. **Oil** is on track for mixed weekly performance, with Brent dipping 2% (to 111.2 USD/bbl), while WTI adding 0.3% (107.9 USD/bbl)
- Geopolitical risks are yet to ease in the Europe's **natural gas and electricity** markets, with TTF gas price soaring to 145 EUR/MWh (+14%), and electricity price rallying 40% in one week into Thursday, to 306.5 EUR/MWh. New tensions between Russia and the West were rising after Lithuania decided to halt the transport of some goods through its territory though the EU worked hard to meet a compromise. During the week, NATO reached an agreement with Turkey to admit Sweden and Finland.

Stock market and sector performance

Performance of US sectors				Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD(%)	Sector	Last price	1week change (%)	YTD(%)
S&P500	3778	-3.4	-20.7	Stoxx 600	407	-1.4	-16.6
IT	2224	-4.7	-27.2	Health care	1010	-0.3	-6.7
Health care	1497	-0.7	-9.0	Industrial goods & services	581	-1.0	-27.0
Financials	528	-2.0	-18.8	Banks	125	-3.4	-14.1
Telco	186	-5.0	-30.3	Personal & household goods	911	-1.0	-17.3
Consumer discretionary	1095	-5.0	-32.0	Insurance	289	0.3	-10.4
Industrials	746	-0.8	-16.7	Food and beverages	765	-0.3	-12.0
Consumer staples	755	-0.5	-6.2	Technology	534	-5.1	-33.8
Utilities	360	2.5	-1.1	Utilities	360	-0.3	-11.1
Energy	551	0.7	30.4	Oil & gas	312	1.0	12.7
Real estate	258	-1.4	-20.5	Chemicals	1093	-2.6	-20.1
Materials	465	-3.4	-18.4	Construction & materials	475	-2.6	-26.4
Top US Mega-Cap Companies				Telco	231	0.1	0.4
Company	Last price	1week change (%)	YTD(%)	Retail	285	-1.0	-35.9
Alphabet	2145	-9.1	-26.0	Financial services	555	-2.7	-26.3
Amazon	106	-8.7	-36.2	Basic resources	553	-3.0	-7.9
Apple	136	-3.8	-23.3	Real estate	133	-5.7	-32.0
Meta	157	-8.0	-53.4	Auto & parts	494	-4.7	-25.2
Microsoft	255	-4.7	-24.2	Media	305	-1.5	-18.3
Tesla	678	-8.0	-35.9	Travel & leisure	173	-5.4	-25.7

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 (%)
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Europe	SXXP Index	407	-7.2	-11.2	-16.6	-10.7	14.7	1.7	1.3	13.4	1.1	174.5	0.2	4.3
Germany	DAX Index	12791	-10.8	-11.5	-19.5	-18.0	11.4	1.4	0.9	13.6	1.1	110.6	18.3	6.9
France	CAC Index	5939	-7.5	-11.2	-17.0	-9.4	13.4	1.6	1.2	14.9	1.1	220.7	2.3	9.0
Poland	WIG20 Index	1707	-6.3	-21.1	-24.7	-24.1	5.9	1.0	0.6	17.0	1.2	55.6	26.4	38.4
Czechia	PX Index	1219	-7.7	-11.3	-14.5	6.5	9.5	1.1	1.1	11.7		165.8	1.0	41.4
Hungary	BUX Index	39625	-2.2	-12.0	-21.9	-17.3	5.5	0.8	0.6	15.9	1.4	58.3	791.0	9.9
Romania	BET Index	12379	-1.0	-3.1	-5.2	3.7	1.9	0.7	0.1	37.2	0.7	119.4	218.0	3.8
Bulgaria	SOFIX Index	612	-1.7	-3.7	-3.8	10.1	5.4	0.8	0.8	13.3	2.3	60.1		
Russia	MOEX Index	2233	-6.0	-19.1	-41.0	-42.1	3.7	0.7	0.7	19.1	1.3	83.4	0.9	-3.8
Ukraine	PFTS Index	519	0.0	0.0	-0.7	-1.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1119	-3.1	-7.4	-11.1	-0.8	6.5	0.9	0.5	14.8	1.7	37.5		
Croatia	CRO Index	2011	-3.3	-3.9	-3.3	2.0	8.1	1.0	0.5	9.8	1.5	37.5		
Serbia	BELEX15 Index	838	0.6	0.2	2.0	8.5	7.7	0.6	0.6	9.1	1.6	16.3		
Montenegro	MNSEI0 Index	812	3.8	3.5	6.2	8.7	78.7	0.3	0.8	0.2	2.1	12.9		

*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	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.14	1.12	1.06	1.06	1.07	1.12	1.15
EURGBP	0.84	0.83	0.85	0.86	0.86	0.87	0.87
EURCHF	1.06	1.05	1.03	1.02	1.03	1.05	1.07
USDJPY	130	129.5	136	140	139	138	138

Source: Bloomberg

Country	FX pair	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4	2023.Q1	2023.Q2	2023.Q3	2023.Q4
Hungary	EURHUF (€op)	369	367	379	379	379	374	373	374	369
Romania	EURRON (€op)	4.95	4.94	4.94	4.97	5	5.04	5.06	5.08	5.08
Russia	USDRUB (€op)	74.3	84.1	71.4	76.9	79.6	86	90.6	92.5	94.7
Ukraine	USDUAH (€op)	27.3	29.5	31.3	32.1	32.7	32	32	32.3	32.4
Croatia	EURHRK (€op)	7.52	7.57	7.54	7.54	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (€op)	117.6	117.7	117.9	117.8	117.8	117.7	-	-	-

*No forecast available for Moldova and Albania

Source: Focus Economics

Macro outlook in the region

Countries	GDP (yoy, %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	7.1	5.0	2.0	3.8	3.3
Romania	5.9	4.3	2.4	3.5	3.7
Bulgaria	4.2	2.5	2.7	2.6	3.2
Russia	4.7	-5.5	0.8	-9.8	-1.4
Ukraine	3.4	-36.0	18.1	-36.8	12.5
Slovenia	8.1	5.6	2.5	4.3	2.9
Croatia	10.2	4.2	3.0	3.3	3.6
Serbia	7.4	3.2	3.4	3.5	3.8
Montenegro	12.4	4.2	3.3	3.9	3.9
Albania	8.5	3.2	3.0	3.0	3.3
Moldova	13.9	-6.2	-0.8	-0.3	2.9

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.3	-4.9	-3.5	-5.7	-4.1
Romania	-7.1	-7.0	-6.0	-6.7	-5.5
Bulgaria	-4.1	-3.6	-2.6	-3.9	-2.8
Russia	0.4	-2.1	-1.6	-2.0	-1.6
Ukraine	-3.5	-15.0	-10.0	-17.1	-12.4
Slovenia	-5.2	-2.9	-2.8	-4.4	-3.0
Croatia	-2.9	-2.5	-2.0	-3.0	-2.3
Serbia	-4.1	-4.0	-2.0	-3.7	-2.3
Montenegro	-2.1	-4.6	-3.5	-5.2	-3.8
Albania	-4.5	-5.5	-4.0	-4.8	-3.3
Moldova	-3.3	-8.0	-6.0	-5.9	-4.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	10.4	7.4	9.4	5.5
Romania	5.0	12.2	8.8	10.5	6.2
Bulgaria	3.3	13.8	4.5	12.0	4.9
Russia	6.7	14.6	6.2	19.8	11.5
Ukraine	3.3	13.8	4.5	22.5	14.4
Slovenia	1.9	9.0	6.2	7.0	4.3
Croatia	2.6	10.2	6.7	7.5	3.5
Serbia	4.0	10.0	6.5	8.5	4.8
Montenegro	2.4	10.2	3.1	8.1	3.6
Albania	2.0	6.4	5.0	5.9	3.6
Moldova	5.3	28.0	18.0	21.4	8.6

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.7	3.9	3.8	3.7
Romania	5.6	5.4	5.0	5.6	5.3
Bulgaria	5.3	4.9	4.8	5.2	4.8
Russia	4.8	5.0	5.5	7.4	7.0
Ukraine	10.6	15.4	11.0	23.5	14.0
Slovenia	4.8	4.1	4.2	4.5	4.4
Croatia	7.6	6.8	6.0	7.4	7.1
Serbia	10.2	10.5	10.0	10.1	9.4
Montenegro	16.7	15.8	15.3	16.9	15.8
Albania	11.3	11.5	11.9	11.2	11.0
Moldova	3.9	6.3	7.3	3.8	3.7

Source: Focus Economics, OTP Research Center

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