

OTP Weekly Outlook

Next week:

- May PMI-s and FED minutes will be in the spotlight

This week:

- Mixed macro and company news moved equities up and down, leading to fall in the US and stagnation in Europe in weekly terms
- The EUR strengthened on hawkish ECB communication
- Long terms yields fell in the US, peripheral spreads widened in Europe
- Oil prices increased moderately, natural gas prices fell
- April Chinese macro data were disappointing
- April US macro data were mixed
- Q1 euro area growth was revised upwards

May PMI-s and FED minutes will be in the spotlight

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 5. 23.	10 : 00	DE	IFO Economic sentiment index (points)	May	91.4	91.8
	24.	FR	S&P Global Manufacturing PMI (points)	May	55.1	55.7
	9 : 15	FR	S&P Global Service PMI (points)	May	58.6	58.9
	9 : 15	FR	S&P Global Service PMI (points)	May	58.6	58.9
	9 : 30	DE	S&P Global Manufacturing PMI (points)	May	54.0	54.6
	9 : 30	DE	S&P Global Service PMI (points)	May	57.2	57.6
	10 : 00	EZ	S&P Global Manufacturing PMI (points)	May	54.9	55.5
	10 : 00	EZ	S&P Global Service PMI (points)	May	57.5	57.7
	15 : 45	US	S&P Global Manufacturing PMI (points)	May	58.0	59.2
	15 : 45	US	S&P Global Service PMI (points)	May	55.3	55.6
	16 : 00	US	New home sales (annualized monthly, 000s)	Apr	748.0	763
25.	8 : 00	DE	GDP (detailed, QoQ, %)	Q1	0.2	0.2
	14 : 30	US	Durable goods orders MoM, %)	Apr	0.6	1.1
	14 : 30	US	FOMC Minutes	May		
	26.	IT	Consumer confidence (point)	May	100.5	100
	13 : 00	TR	Interest rate decision (%)	May	14	14
	14 : 30	US	GDP (detailed, QoQ annualized, %)	Q1	-1.3	-1.4
	14 : 30	US	Continuing jobless claims (000s)	weekly		
	14 : 30	US	Initial jobless claims (000s)	weekly		
		US	Pending home sales MoM, %)	Apr	-1.7	-1.2
	27.	ES	Retail sales YoY, %)	Apr		-4.2
	14 : 30	US	Personal income MoM, %)	Apr	0.6	0.5
	14 : 30	US	Personal consumption (adjusted, MoM, %)	Apr	0.7	1.1
	14 : 30	US	Household core PCE index MoM, %)	Apr	0.4	0.3

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

US: S&P Global purchasing managers' indices could move markets; the Fed will publish the minutes of its May meeting

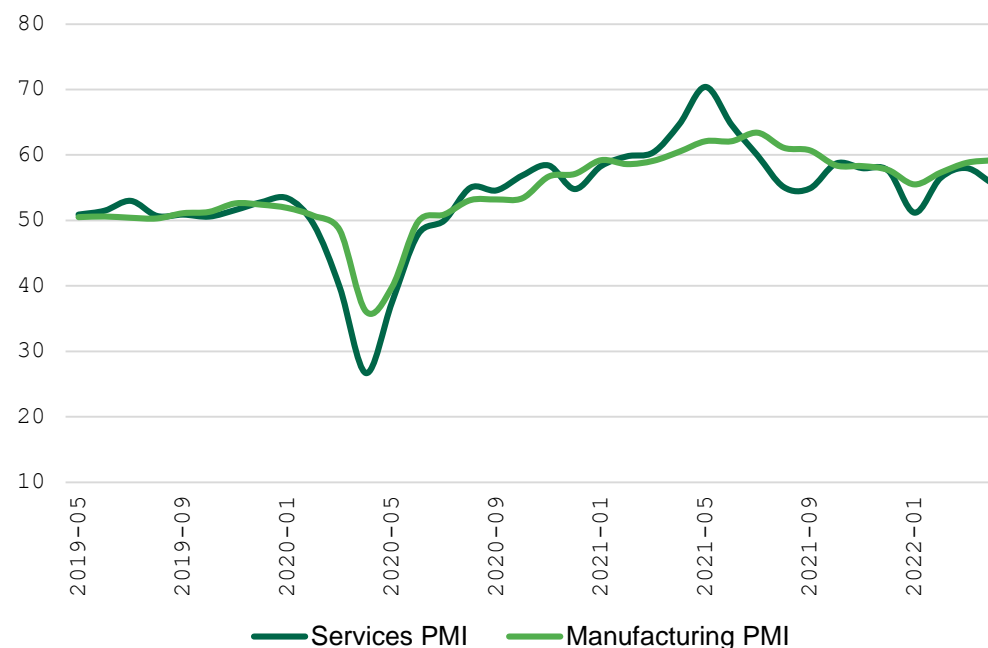
Date		Cd.	Event/ Data	Period	Cons.	Prev.
2022.05.24	3:45	US	S&P Global Manufacturing PMI (points)	May	58.0	59.2
	3:45	US	S&P Global Service PMI (points)	May	55.3	55.6
25.	2:30	US	FOMC Minutes	May	-	-
26.	2:30	US	GDP (detailed, QoQ annualized, %)	Q1	-1.3	-1.4*
27.	2:30	US	Household core PCE index (MoM, %)	Apr	0.4	0.3

* preliminary data

Key highlights

- The **second estimate of Q1 GDP** will be published next week, after surprisingly weak first release.
- The **S&P Global Services Index** has eased in April after a rebound. Continued high inflation and the cost of living squeeze could further weaken activity in May.
- The momentum in **manufacturing** sustained in April, but the Russian-Ukrainian conflict and China's zero covid policy, which has stalled the improvement in global supply chains, could weigh on activity in May.
- The **Fed** will publish the **minutes** of its May meeting.
- The **core PCE price index** will be also published, which is closely watched by the Fed as it conducts monetary policy.

S&P Global PMI (point)



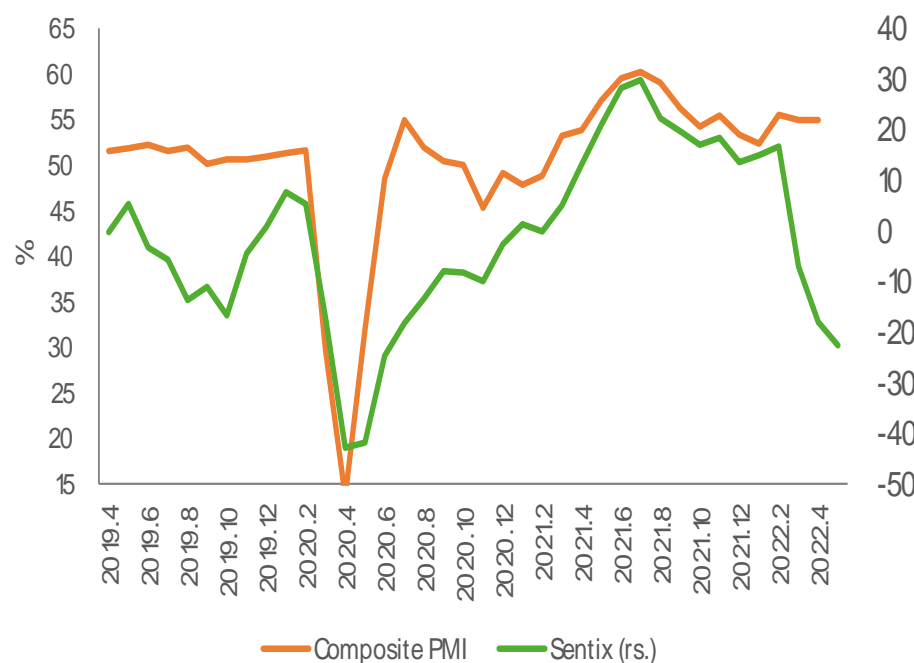
Euro area: May business confidence indices are in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 5. 23. 10 :00	DE	IFO Economic sentiment index (points)	May	91.4	91.8
24. 9 :15	FR	S&P Global Manufacturing PMI (points)	May	55.1	55.7
9 :15	FR	S&P Global Service PMI (points)	May	58.6	58.9
9 :30	DE	S&P Global Manufacturing PMI (points)	May	54.0	54.6
9 :30	DE	S&P Global Service PMI (points)	May	57.2	57.6
10 :00	EZ	S&P Global Manufacturing PMI (points)	May	54.9	55.5
10 :00	EZ	S&P Global Service PMI (points)	May	57.5	57.7
25. 8 :00	DE	GDP (detailed, QoQ, %)	Q1	0.2	0.2
26. 10 :00	IT	Consumer confidence (point)	May	100.5	100

Key highlights

- **May business confidence** data will help to refine Q2 GDP estimates. So far various business confidence indicators depict a completely different picture. **Sentix, Zew** (which are already available for May) fell in April-May to levels not seen before the heyday of the first covid wave. On the other hand **S&P Global PMI-s** and **IFO** (both to be released next week) proved quite resilient.
- A downward surprise in indicators will dent market sentiment. Additionally, PMI indicators also contain important information on supply bottlenecks and price pressures.

Euro area business confidence



This week's data: Chinese data was disappointing; US industrial production was stronger than expected; euro area GDP was slightly revised up

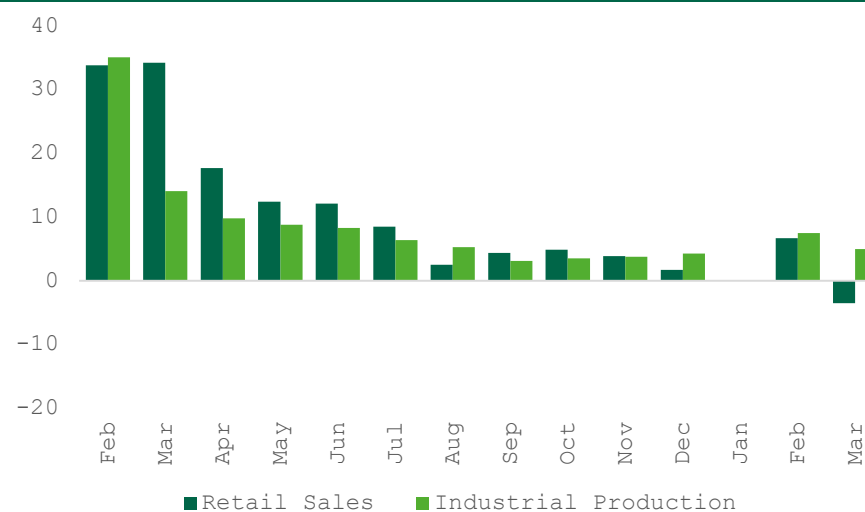
Date*		Cd.	Event/Data	Period	Fact	Cons.	Prev.
20225.16.	4:00	CN	Infrastructural spending (YoY, %)	Apr	6.8	7.0	9.3
	4:00	CN	Industrial production (YoY, %)	Apr	-2.9	0.3	5.0
	4:00	CN	Retail sales (YoY, %)	Apr	-11.1	-6.0	-3.5
17.	11:00	EZ	GDP (2nd estimate, YoY, %)	Q1	5.1	5.0	5
	11:00	EZ	GDP (2nd estimate, QoQ, %)	Q1	0.3	0.2	0.2
	14:30	US	Retail sales (MoM, %)	Apr	0.9	0.9	0.5
	15:15	US	Industrial production (MoM, %)	Apr	1.1	0.4	0.9
18.	1:50	JP	GDP (QoQ, %)	Q1	-0.2	-0.4	0.9
19.	13:30	EZ	ECB Minutes	Apr	-	-	-
	16:00	US	Existing home sales (annualized monthly, '000s)	Apr	5610.0	5650	5750
	16:00	US	Leading index (MoM, %)	Apr	-0.3	0	0.3
20.	1:30	JP	core-CPI (YoY, %)	Apr	2.1	2.1	0.8
	16:00	EZ	Consumer confidence (point)	May	-21.1	-21.5	-22.0

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

Key highlights

- In **China** both **industrial production** and **retail sales** were below expectations due to lockdowns in major cities and a weak Chinese economy.
- **US industrial production** surpassed expectations due to easing supply shortages, **retail sales** matched expectations
- According to the **ECB minutes**, most officials concluded that the criteria for starting rate hikes have been met. Since then, **several officials urged to move faster**, increasing the odds of a 50bp hike in July or even a June hike.

Chinese industrial production and retail sales (YoY, %)



Growth fears in the US led stock indices lower, while European markets may fare better. Treasury yields declined, eurozone peripheral spreads widened, the EUR/USD rose close to 1.06 as euro area rate hike expectations intensified

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	3929	-2.4	-17.6	US 2 year	2.63	4.9	189.4	Dollar index	102.981	-1.5	7.6	Brent	113.0	1.3	45.3
Nasdaq Comp.	11502	-2.6	-26.5	US 10 year	2.84	-7.6	133.2	EURUSD	1.0562	1.4	-7.1	WTI	113.4	2.6	50.8
Dow Jones	31424	-2.4	-13.5	DE 2 year	0.35	24.9	98.3	USDJPY	128.07	0.9	-10.1	Natural Gas (TTF)*	87.6	-6.3	31.7
Russell2000	1792	0.0	-20.2	DE 10 Year	0.96	1.3	113.9	GBPUSD	1.2491	1.9	-7.7	Gold	1837.8	1.4	0.5
Stoxx 600	434	0.1	-11.1	FR 10 year	1.48	2.0	128.4	AUDUSD	0.7061	1.7	-2.8	Silver	21.8	3.2	-6.5
DAX	14093	0.5	-11.3	SP 10 year	2.08	8.4	152.0	USDCAD	1.2802	1.0	-1.3	Palladium	1994.5	2.5	4.7
CAC40	6339	-0.4	-11.4	IT 10 year	2.99	14.4	182.2	USDCHF	0.9742	2.8	-6.3	Copper	431.0	3.1	-3.4
FTSE100	7422	0.0	0.5	UK 10 year	1.91	17.0	94.5	NZDUSD	0.6404	2.0	-6.2	Steel	1377.0	-0.2	-4.0
FTSEMIB	24338	1.2	-11.0	CH 10 year	0.69	-4.9	84.2	CNHUSD	6.6941	1.6	-5.0	Wheat	1195.3	2.4	55.1
Nikkei225	26739	1.2	-7.1	JP 10 year	0.24	-0.4	17.2	USDTRY	15.9	-2.6	-16.3	Corn	779.3	-1.9	31.4
CSI300	4078	2.2	-17.5	CN 10 year	2.82	0.2	4.3	USDBRL	4.887	3.6	14.1	Electricity*	138.9	-33.2	48.6

*In EUR/MWh

Source: Bloomberg

Key highlights

- We are heading for the end of another bumpy week in the developed **stock markets** with major US benchmark indices falling into the negative range, while Europe's market stood close to stagnation.
- The week started with mixed performance, modest gains or limited losses after investors took some profit following last Friday's surprisingly strong gains. While April Chinese macro data disappointed, positive news emerged about lockdowns coming to an end after pandemic situation had eased in major Chinese cities. Stock markets got momentum once again and booked heavy gains on Tuesday.
- It was a turning point again when several chief central bank officers on both sides of the Atlantic expressed strong commitment to raise interest rates to tackle inflation. The ECB's recently published minutes of its rate-setting meeting in April also brought some hawkish surprise: most policy makers seemed to suggest that the criteria for the interest rate lift-off were met. Meanwhile, weak numbers arrived from the biggest US retailers reflecting weakening profitability, with Walmart and Target reporting disappointing earnings figures and the former decreasing its profit forecast for the current year. Growing fears over consumption outlook in higher inflationary environment put equities under pressure in the US and Europe as well provoking heavy losses on Thursday.
- Sentiment considerably improved by Friday after better-than-expected April retail statistics had been released in the UK while latest reading of construction output in Italy brought double-digit growth and nice surprise. However, this may fail to reverse the weekly performance in the US, while Europe could close near stangation. Consumer staples and cons. discretionary sectors (S&P500), and food & beverages and personal & household goods (STOXX600) seem to lose the most among sectors, though in Europe, basic resources and utilities contribute to the positive weekly performance.
- Similarly to the stock markets, **bond yields** changed directions almost every day in the last couple of days depending on investors' risk sentiment. By Friday, 10Y Treasury yield dropped 8bps below 2.9, while the 10Y Bund yield remained near 1.0%, but peripheral spreads widened.. The European Commission cut its growth forecast for both the EU and the euro area to 2.7% this year from 4.0% predicted in February, and raised its inflation projection to 6.1% this year and to 2.7% in 2023, well above the ECB target of 2.0%. 2Y German bond yield jumped 25bps w/w reflecting expectations of upcoming rate hike in the euro area. As eurozone rate hike expectations intensified, the EUR gained momentum and the **EUR/USD** climbed near 1.06, level not seen in more than two weeks. The **Dollar Index** dropped 1.5%.
- **Oil prices** are in small plus as the positive sentiment concerning the easing of China zero-covid policy gave momentum to crude prices at the start of the week. Growth fears might have led to fall in prices, though the planned EU embargo on Russian oil import had an opposing effect. Gas prices in Europe dropped below 90 EUR/MWh, stood around 6% fall in weekly comparison.

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1 week change (%)	YTD (%)
S&P 500	3929	-2.4	-17.6
IT	2312	-2.7	-24.3
Health care	1512	1.0	-8.0
Financials	550	-1.1	-15.4
Telco	197	-1.6	-26.5
Consumer discretionary	1113	-6.3	-30.9
Industrials	762	-3.1	-14.9
Consumer staples	732	-8.8	-9.1
Utilities	364	0.6	0.0
Energy	628	2.5	48.5
Real estate	264	-2.2	-18.8
Materials	521	0.6	-8.6

Top US Mega-Cap Companies			
Company	Last price	1 week change (%)	YTD (%)
Alphabet	2229	-4.0	-23.1
Amazon	2172	-4.0	-34.9
Apple	138	-5.9	-22.1
Meta	195	-1.9	-42.1
Microsoft	256	-1.8	-23.8
Tesla	711	-7.6	-32.7

Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	434	0.1	-11.1
Health care	1031	1.6	-4.7
Industrial goods & services	636	0.1	-20.1
Banks	132	1.5	-8.9
Personal & household goods	894	-3.5	-18.9
Insurance	303	-0.4	-6.0
Food and beverages	770	-4.5	-11.4
Technology	590	-1.2	-26.9
Utilities	404	4.5	-0.3
Oil & gas	338	2.6	22.2
Chemicals	1232	0.0	-9.8
Construction & materials	536	-0.6	-17.0
Telco	233	0.0	1.2
Retail	302	-1.3	-32.1
Financial services	613	-0.1	-18.7
Basic resources	663	5.6	10.3
Real estate	161	2.1	-17.8
Auto & parts	558	0.2	-15.4
Media	332	0.1	-11.1
Travel & leisure	201	0.5	-13.6

Source: Bloomberg

Summary of regional stock market 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	434	-5.7	-5.9	-10.8	-1.8	15.6	1.8	1.4	13.5	1.1	174.1	0.8	7.1
Germany	DAX Index	14093	-1.9	-6.3	-12.8	-8.3	12.7	1.6	1.0	13.6	1.1	110.2	54.2	6.6
France	CAC Index	6339	-4.3	-8.5	-10.9	-0.1	14.3	1.7	1.2	14.9	1.1	220.7	24.5	11.1
Poland	WIG20 Index	1797	-12.2	-16.1	-20.1	-15.7	6.2	1.0	0.7	17.0	1.2	54.6	6.2	28.8
Czechia	PX Index	1351	-1.4	-5.8	-0.9	17.5	10.5	1.2	1.2	11.7		166.0	3.3	26.0
Hungary	BUX Index	41922	-3.0	-16.6	-18.6	-9.4	5.9	0.9	0.7	16.2	1.4	62.4	74.6	5.7
Romania	BET Index	12050	-7.3	-8.6	-4.1	3.7	2.3	1.1	0.1	20.3	1.2	52.9	-112.4	4.8
Bulgaria	SOFIX Index	618	-3.0	-1.0	1.0	17.8	6.7	0.8	0.6	11.8	2.9	66.1		
Russia	MOEX Index	2376	2.0	-30.0	-40.8	-34.6	4.0	0.8	0.8	18.6	1.3	80.6	-6.1	12.2
Ukraine	PFIS Index	519	0.0	0.1	-0.8	-1.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1148	-1.6	-9.5	-7.3	4.0	6.7	1.0	0.5	14.9	1.7	38.2		
Croatia	CRO Index	2083	-2.4	-1.8	4.5	6.6	11.6	1.0	1.1	9.7	1.5	38.1		
Serbia	BELEX15 Index	822	-1.0	-4.9	1.6	5.8	8.8	0.7	0.8	8.1	1.6	17.8		
Montenegro	MNSE10 Index	800	1.8	1.8	4.2	1.4	90.3	0.3	0.8	0.1	2.0	14.0		

*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	1.08	1.11	1.15	1.18
EURGBP	0.84	0.83	0.84	0.85	0.85	0.86	0.86
EURCHF	1.06	1.05	1.03	1.03	1.05	1.11	1.07
USDJPY	130	129.5	136	137	138	139	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)	36.9	36.7	37.6	37.3	37.2	36.9	36.7	36.6	36.3
Romania	EURRON (€op)	4.95	4.94	4.96	4.98	5	5.03	5.02	5.03	5.02
Russia	USDRUB (€op)	74.3	84.1	91.9	94.2	95.9	95	97.1	94.4	97.4
Ukraine	USDUAH (€op)	27.3	29.5	32.1	33.2	33.6	33.5	31.9	32.3	32.3
Croatia	EURHRK (€op)	7.52	7.57	7.54	7.53	7.54	7.55	7.54	7.54	7.54
Serbia	EURRSD (€op)	117.6	117.7	117.9	117.8	117.8	117.8	-	-	-

*No forecast available for Moldova and Albania

Source: Focus Economics

Macro outlook in the region

Countries	GDP (yoy, %)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	7.1	5.0	2.0	3.7	3.3
Romania	5.9	3.3	2.8	2.8	4
Bulgaria	4.2	2.2	2.7	2.7	3.4
Russia	4.7	-9.1	-0.8	-10.2	-1.1
Ukraine	3.4	-36.0	18.1	-36.5	12.9
Slovenia	8.1	4.9	2.6	4.2	2.9
Croatia	10.2	3.3	2.5	3.3	3.7
Serbia	7.4	3.2	3.7	3.7	3.7
Montenegro	12.4	3.7	3.3	3.9	3.8
Albania	8.5	3.8	3.2	3.1	3.4
Moldova	13.9	-6.2	-0.8	-0.2	3.1

Countries	Fiscal balance (% of GDP)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	-7.3	-4.9	-3.5	-5.8	-4.3
Romania	-7.1	-7.5	-6.0	-6.5	-5.3
Bulgaria	-4.1	-4.1	-2.6	-3.9	-2.7
Russia	0.4	-2.1	-1.8	-1.8	-1.2
Ukraine	-3.5	-15.0	-9.0	-15.1	-10.7
Slovenia	-5.7	-4.2	-3.1	-4.7	-3.2
Croatia	-2.9	-2.5	-2.0	-3.1	-2.4
Serbia	-4.1	-4.0	-2.0	-3.5	-2.1
Montenegro	-2.1	-5.1	-3.5	-5.2	-3.9
Albania	-4.5	-5.5	-4.0	-4.6	-3.2
Moldova	-3.3	-8.0	-6.0	-5.9	-4

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	5.1	9.4	6.4	9.1	5.2
Romania	5.0	12.3	8.7	9.3	5.3
Bulgaria	3.3	11.0	3.0	10.9	4.7
Russia	6.7	16.6	8.0	20.8	11.8
Ukraine	3.3	11.0	3.0	22.5	14.4
Slovenia	1.9	7.3	4.9	6.6	3.6
Croatia	2.6	8.9	5.6	6.8	3.2
Serbia	4.0	6.3	3.5	8.1	4.5
Montenegro	2.4	9.2	2.6	7.3	3.3
Albania	2.0	8.8	5.0	5.7	3.3
Moldova	5.3	22.0	7.9	19.8	7.3

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2020	2021	2022	2021	2022
Hungary	4.1	3.8	3.8	3.8	3.7
Romania	5.6	5.4	5.0	5.5	5.2
Bulgaria	5.3	4.8	4.6	5.2	4.8
Russia	4.8	7.5	7.0	7.3	7.1
Ukraine	10.6	15.4	11.0	22.5	13.6
Slovenia	4.8	4.5	4.2	4.6	4.4
Croatia	7.6	6.8	6.0	7.3	6.9
Serbia	10.2	10.2	9.5	10.2	9.5
Montenegro	16.7	16.0	15.5	16.8	15.4
Albania	11.3	11.1	11.3	11.1	10.9
Moldova	3.9	6.3	7.3	3.6	3.4

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