

## OTP Weekly Outlook

### Next week's spotlight:

- July CPI, Q2 labour costs and productivity in the US
- Business confidence and industrial data in the eurozone

### This week:

- The US labor market was very strong in July mitigating recession fears
- Euro area activity data suggest a weak start to Q3
- Stock markets are standing mixed in weekly term as initial gains were erased by the blowout job report
- The US and European yield curves have become more inverted as rate hike expectations intensified
- Oil prices fell on the expectation of weaker demand and the foreseen minimal increase in OPEC+ supply
- Europe's natural gas prices remained slightly below EUR 200/MWH
- The dollar strengthened on intensified rate hike expectations

**The US CPI, labour costs and productivity, euro area business confidence and industrial data will be in the spotlight**

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 8 . 8 .	10 : 30	EZ	Sentix Investor confidence (points)	Aug	-24.7	-26.4
9 .	14 : 30	US	Change in labour costs (prel.QoQ,%)	Q2	9.5	12.6
	14 : 30	US	Non-farm productivity growth (prel.QoQ,%)	Q2		-7.3
	14 : 30	US	Non-farm productivity growth (prel.YoY,%)	Q2	-4.6	8.2
10 .	14 : 30	US	CPI (YoY,%)	Jul	8.7	9.1
	14 : 30	US	CPI MoM, SA,%)	Jul	0.2	1.3
	14 : 30	US	core-CPI (YoY,%)	Jul	6.1	5.9
	14 : 30	US	core-CPI MoM, SA,%)	Jul	0.5	0.7
	20 : 00	US	Federal budget balance (USDbn)	Jul		-8.9
11 .	14 : 30	US	Continuing jobless claims (000s)	weekly		260
	14 : 30	US	Initial jobless claims (000s)	weekly		1416
12 .	8 : 00	UK	GDP (preliminary, QoQ,%)	Q2	-0.2	0.8
	8 : 00	UK	GDP (preliminary, YoY,%)	Q2	2.8	8.7
	11 : 00	EZ	Industrial production MoM,%)	Jun	0.0	0.8
	16 : 00	US	Michigan Consumer confidence (preliminary, points)	Aug	52.3	51.5

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

**US: July's CPI data will be in the spotlight, productivity and unit labor**

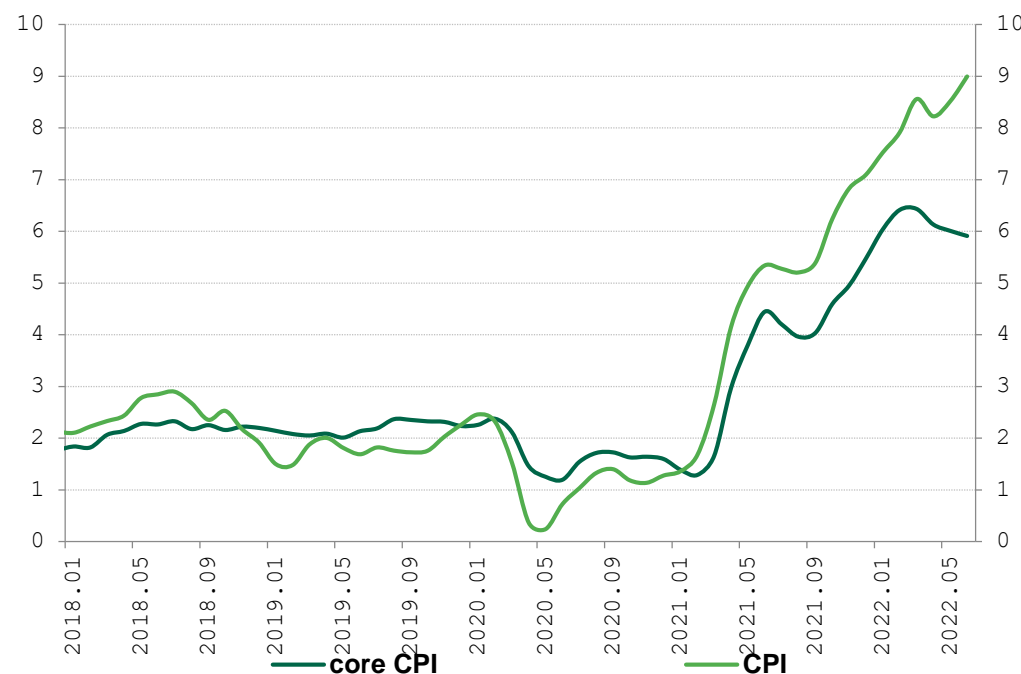
cost data also coming

Date		Cd.	Event/ Data	Period	Cons.	Prev.
2022.08.09	14:30	US	Non-farm productivity growth (preliminary, QoQ, %)	Q2	9.5	12.6
	14:30	US	Non-farm productivity growth (preliminary, YoY, %)	Q2		8.2
	14:30	US	Non-farm Unit Labor Costs (preliminary, QoQ, %)	Q2	-4.6	-7.3
10	14:30	US	CPI (YoY, %)	Jul	8.7	9.1
	14:30	US	CPI MoM, SA, %)	Jul	0.2	1.3
	14:30	US	core-CPI (YoY, %)	Jul	6.1	5.9
	14:30	US	core-CPI MoM, SA, %)	Jul	0.5	0.7

Key highlights

- **CPI** soared to 9.1% in June, which was the highest print since November 1981. The acceleration was broad-based. Meanwhile core CPI slowed down further to 5.9% from its 6.5% peak in March.
- We expect that inflation reached its peak in June and July brings a slowdown because gasoline prices have come down from their June level and supply chain problems have been easing. We expect a small uptick in core CPI, from 5.9% to 6.1%.
- The ball is in the Fed's court: we expect that interest rates will be hiked to 3.5%-3.75% by the end of this year, but yet another disappointing inflation reading could lead to more aggressive monetary tightening.
- We expect a small easing (QoQ) in both **productivity and unit labor cost** data.

US CPI data



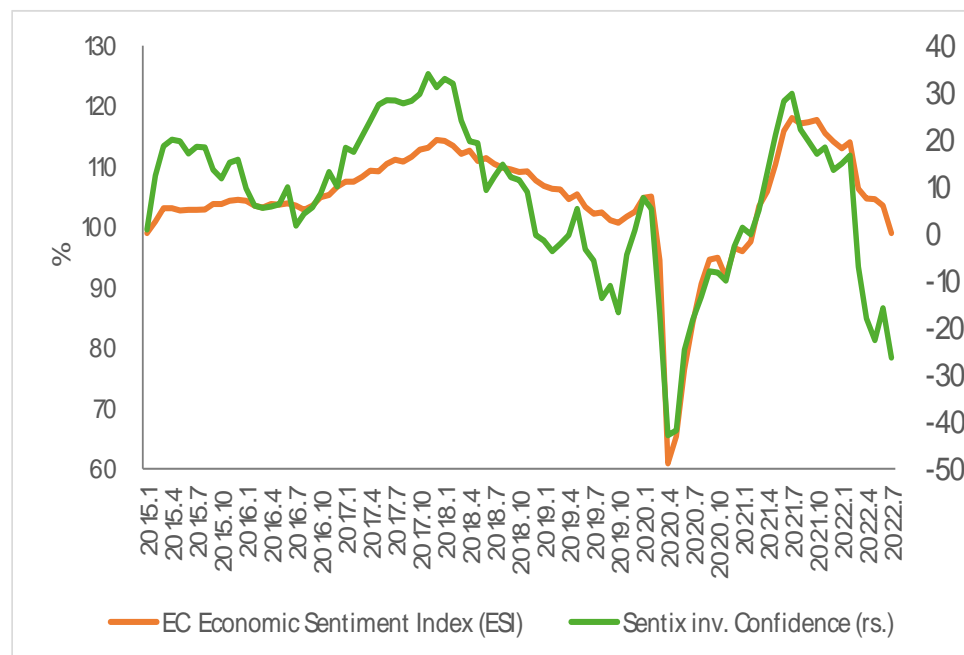
## Euro area: Business confidence and industrial production will be in the spotlight

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 8. 8. 10 :30	EZ	Sentix Investor confidence (points)	Aug	-24.7	-26.4
12. 11 :00	EZ	Industrial production MoM (%)	Jun	0.0	0.8

### Key highlights

- During the relatively data scarce week, Sentix, the first August business confidence in the euro area, and industrial production could be the most interesting ones.
- **Industrial production** likely stagnated in June, based on early indicators from Germany, France, and Italy.
- Although the **Sentix business confidence** seems to be more volatile than the more broad-based confidence indicators like PMIs or the ESI, its persistent weakness seems to finally feed into other indicators. Therefore, its August value could be very interesting for Q2 activity in the euro area.

Euro area business confidence (points)



# WEEKLY REPORT - 08 August 2022



**This week's data: very strong July labour market in the US; euro area activity data suggest a weak start for Q3**

Date*	Cd.	Event/ Data	Period	Fact.	Cons.	Prev.	
2022 8. 1. 3 :45	CN	Caixin Manufacturing PMI (points)	Jul	50.4	51.5	51.7	
	8 :00	DE	Retailsales MoM (%)	Jun	-1.6	0.2	0.6
	9 :45	IT	S&P Global Manufacturing PMI (points)	Jul	48.5	49.3	50.9
	11 :00	EZ	Unemployment rate (%)	Jun	6.6	6.6	6.6
	16 :00	US	Construction spending MoM (%)	Jun	-1.1	0.2	-0.1
	16 :00	US	ISM Manufacturing PMI (points)	Jul	52.8	52.0	53.0
3. 3 :45	CN	Caixin Services PMI	Jul	55.5		54.5	
	8 :00	DE	Export MoM (SA, %)	Jun	4.5	1.0	1.3
	9 :45	IT	S&P Global Service PMI (points)	Jul	48.4	50.1	51.6
	10 :00	IT	Retailsales MoM (SA, %)	Jun	-1.1		2
	11 :00	EZ	Retailsales MoM (%)	Jun	-1.2	0.0	0.4
	16 :00	US	Factory orders MoM (%)	Jun	2.0	1.1	1.8
	16 :00	US	ISM non-Manufacturing PMI (points)	Jul	56.7	53.5	55.3
4. 8 :00	DE	Industrial orders MoM (%)	Jun	-0.4	-0.8	-0.2	
5. 8 :00	DE	Industrial production MoM (%)	Jun	0.40	-0.3	-0.1	
	8 :45	FR	Industrial production MoM (%)	Jun	1.4	-0.3	0.0
	10 :00	IT	Industrial production MoM (SA, %)	Jun	-2.1	-0.3	-1.1
	14 :30	US	Non-farm payroll MoM (000s)	Jul	528	250	372
	14 :30	US	Unemployment rate (%)	Jul	3.5	3.6	3.6
	14 :30	US	Average earnings MoM (%)	Jul	0.5	0.3	0.4
	14 :30	US	Average earnings YoY (%)	Jul	5.2	5.0	5.2
7. 5 :00	CN	Export YoY (%)	Jul			17.9	

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

## Key highlights

- **China's manufacturing PMI** weakened, while **service sector** activity edged up.
- In June, **euro area retail sales** fell by 1.2% MoM. This, together with **July's composite PMI** below 50, and the weak **German industrial orders** for June, suggests a weak start to Q3 activity.
- In the contrast, **ISM PMIs** from the USA for July came out at 56.3 points, well above expectations. It is consistent with 2% growth rate in Q3.
- **Non-farm payrolls** grew in July by 528,000 well above expectations (250,000), mitigating recession fears. **Hourly earnings** grew by 0.5% MoM, the highest since March, while **unemployment rate** declined to 3.5%.

Stock markets seem to close the week mixed; oil prices fell and yield curves become more inverted as yields increased and the USD strengthened

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	4127	-0.1	-13.4	US 2 year	3.21	32.3	247.5	Dollar index	106.758	0.8	11.6	Brent	94.7	-13.9	21.7
Nasdaq Comp.	12604	1.7	-19.4	US 10 year	2.82	17.4	131.3	EURUSD	1.0174	-0.5	-10.5	WTI	89.1	-9.6	18.5
Dow Jones	32642	-0.6	-10.2	DE 2 year	0.46	19.0	108.9	USDJPY	134.91	-1.2	-14.7	Natural Gas (TTF)*	193.8	1.2	191.4
Russel2000	1894	0.5	-15.6	DE 10 Year	0.93	11.0	110.6	GBPUSD	1.2048	-1.0	-11.0	Gold	1774.7	0.5	-3.0
Stoxx 600	436	-0.4	-10.5	FR 10 year	1.46	8.5	126.5	AUDUSD	0.6894	-1.3	-5.1	Silver	19.8	-2.6	-14.9
DAX	13617	1.0	-14.3	SP 10 year	2.00	9.3	144.1	USDCAD	1.2944	-1.2	-2.4	Palladium	2119.6	-0.5	11.3
CAC40	6477	0.4	-9.4	IT 10 year	3.00	-1.2	182.9	USDCHF	0.9619	-1.0	-5.1	Copper	353.0	-1.2	-20.9
FTSE100	7450	0.4	0.9	UK 10 year	2.02	16.1	105.4	NZDUSD	0.6234	-0.7	-8.7	Steel	812.0	-5.0	-43.4
FTSEMIB	22599	0.9	-17.4	CH 10 year	0.49	9.1	64.6	CNHUSD	6.7615	-0.2	-6.0	Wheat	777.8	-3.7	0.9
Nikkei225	28176	1.3	-2.1	JP 10 year	0.16	-1.7	9.6	USDTRY	17.968	-0.3	-26.0	Com	602.0	-2.3	1.5
CSI300	4156.9	-0.3	-15.9	CN 10 year	2.74	-3.0	-3.9	USDBRL	5.2234	-1.0	6.7	Electricity (APX)*	269.4	-33.4	188.1

Source: Bloomberg

\*In EUR/MWh

Key highlights: Stock markets seem to close the week mixed; oil prices fell and yield curves become more inverted as yields increased and the dollar strengthened

- The week was given a pale start as recession fears weighed on sentiment after two weeks of upward trend on major stock markets. However, on Wednesday, the mood changed on upbeat earning reports and US macro data. Finally, Friday brought a renewed decline, as the very strong job report from the US made rate hike expectations to intensify again, while tensions at the Taiwan strait did not help either.

- In the USA, the Nasdaq Composite (+1.7%) seems to be the clear winner of the week, posting gain for the third week in a row. The S&P500 almost stagnated but Dow is on track to drop by 0.6%. After a weak start, markets have been reassured by a stronger-than-expected ISM index, and also by relatively upbeat earnings reports from AMD, PayPal, and others. However Friday's blowout job report, quickly dented sentiment as the peak of rate hike expectations intensified by 25 bps. Among the S&P's sectors, consumer discretionary (+1.6%), IT (1.4%) and telco (0.9%) seem to perform the best, while energy (-6.5%) seems to be a clear loser, dragged down by the fall in oil prices.

- In Europe, the weekly picture seems also mixed,: the STOXX fell by 0.4%, but Dax is up by 1,0%. CAC40 and FTSE100 by 0.4%, whil FTSEMIB by 0.9%. Incoming macro data for Europe were more pessimistic for the week (in particular, June's fall in retail sales and German industrial orders disappointed), but earnings reports from the banking sector (Axa, Credit Agricole, Societe General) were all positive. Earnings have been surprisingly resilient, with 62% of the Stoxx 600 firms that have reported results so far beating estimates. Among the Stoxx600 components, technology (2.9%), banks (1.7%) and auto&parts (1.7%) were the biggest winners, while oil& gas lost 2.2%,.

- Oil prices fell by 10-14%, as OPEC+ pledged to increase supply trivially, while recession fears weighed on commodities. At the same time, TTF natural gas price in Europe remained at elevated level (slightly below 200 EUR/MWH), when Russia and Germany cannot agree on how to make the Siemens turbine functional again in gas pipes. Despite good earnings, and decent macro data from the US, recession fears grew first than rate hike expectations intensified, as a further inversion of the **yield curve** occured: while the US 2Y jumped by 32.2 bps, the US 10Y upped 17.4 bps. German yields printed a similar pattern. The dollar has strengthened after the job report, the **EUR/USD** stood at 1.0174,.

### Stock market and sector performance

Performance of US sectors				Performance of Europe's sectors			
Sector	Last price	1 week change (%)	YTD (%)	Sector	Last price	1 week change (%)	YTD (%)
S&P500	4127	-0.1	-13.4	Stoxx 600	436	-0.4	-10.5
IT	2557	1.4	-16.3	Health care	1035	-2.0	-4.3
Health care	1524	-1.1	-7.3	Industrial goods & services	657	-0.7	-17.5
Financials	558	-0.3	-14.1	Banks	131	2.9	-9.9
Telco	194	0.9	-27.4	Personal & household goods	1002	-0.1	-9.0
Consumer discretionary	1302	1.6	-19.2	Insurance	294	0.9	-8.8
Industrials	809	0.1	-9.6	Food and beverages	815	-1.3	-6.2
Consumer staples	769	-0.6	-4.5	Technology	628	1.7	-22.2
Utilities	377	0.4	3.7	Utilities	376	-0.1	-7.0
Energy	560	-6.5	32.4	Oil & gas	319	-2.2	15.3
Real estate	271	-2.4	-16.6	Chemicals	1165	-0.4	-14.8
Materials	484	-1.4	-15.0	Construction & materials	526	-0.7	-18.6
Top US Mega-Cap Companies				Telco	228	-0.2	-1.0
Company	Last price	1 week change (%)	YTD (%)	Retail	316	0.1	-28.9
Alphabet	117	0.5	-19.3	Financial services	616	-1.4	-18.2
Amazon	141	4.3	-15.5	Basic resources	580	-1.6	-3.4
Apple	165	1.3	-7.3	Real estate	146	-3.7	-25.4
Meta	169	6.4	-49.7	Auto & parts	553	1.7	-16.2
Microsoft	280	-0.1	-16.6	Media	337	-1.2	-9.5
Tesla	903	1.3	-14.5	Travel & leisure	192	2.9	-17.4

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 (%)
Europe	SXXP Index	436	8.9	-0.4	-5.6	-7.2	14.7	1.8	1.3	13.5	1.1	168.1	0.6	5.3
Germany	DAX Index	13617	9.8	-2.1	-9.8	-13.5	12.3	1.5	0.9	13.0	1.1	109.3	-2.9	2.2
France	CAC Index	6477	11.8	1.7	-6.8	-4.5	13.4	1.7	1.2	15.3	1.1	196.4	21.5	10.6
Poland	WIG20 Index	1651	0.4	-6.5	-24.1	-27.3	5.9	1.0	0.6	17.0	1.2	56.7	-24.3	12.3
Czechia	PX Index	1231	1.5	-6.6	-14.7	-0.1	7.9	1.1	1.1	12.6		151.4	1.6	7.5
Hungary	BUX Index	43257	10.2	1.7	-16.5	-13.2	5.6	0.9	0.6	16.8	1.4	57.0	125.4	-3.0
Romania	BET Index	12591	3.1	1.1	-5.9	7.0	7.9	1.1	1.1	21.4	1.0	43.2	13.7	8.1
Bulgaria	SOFIX Index	608	-0.3	0.5	-2.9	5.2	5.3	0.7	0.8	13.3	2.5	57.5		
Russia	MOEX Index	2069	-7.1	-14.0	-40.4	-46.0	3.4	0.7	0.6	20.3	1.3	82.0	58.8	6.7
Ukraine	PFTS Index	519	0.0	0.0	-0.5	-1.1	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1161	4.3	-0.1	-9.2	-1.0	6.5	1.0	0.5	15.1	1.7	36.6	38.1	
Croatia	CRO Index	1961	-1.9	-7.9	-8.0	0.2	10.9	1.3	1.3	12.3	1.5	34.7		
Serbia	BELEX15 Index	843	0.0	2.9	-2.0	8.6	5.8	0.6	0.5	12.1	1.6	16.4		
Montenegro	MNSE10 Index	816	0.3	2.4	5.6	7.3	44.5	0.3	0.7	0.6	2.2	12.6		

\*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	1.03	1.05	1.1	1.15
EURGBP	0.84	0.83	0.85	0.85	0.86	0.87	0.87
EURCHF	1.06	1.05	1.03	0.98	0.99	1.05	1.08
USDJPY	130	129.5	136	137	138.5	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 (eop)	369	367	397	396	395	393	392	387	390
Romania	EURRON (eop)	4.95	4.94	4.95	4.99	5.01	5.03	5.07	5.07	5.08
Russia	USDRUB (eop)	74.3	84.1	51.2	66.2	70	73.2	76.5	78.1	79.1
Ukraine	USDUAH (eop)	27.3	29.5	29.4	35.4	36.1	36.2	36.4	35.4	35.4
Croatia	EURHRK (eop)	7.52	7.57	7.53	7.53	7.53	7.53	7.53	7.53	7.52
Serbia	EURRSD (eop)	117.6	117.7	117.3	117.5	117.6	117.6	-	-	-

\*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	4.7	0.0	4.5	2.4
Romania	5.9	4.5	2.5	4.2	3.2
Bulgaria	4.2	2.7	2.0	2.6	2.6
Russia	4.7	-5.5	-0.6	-8.1	-2.5
Ukraine	3.4	-36.0	18.1	-34.6	8.7
Slovenia	8.1	6.0	1.9	4.6	2.6
Croatia	10.2	5.0	2.4	4.0	2.8
Serbia	7.4	3.0	2.7	3.1	3.3
Montenegro	12.4	4.2	3.3	3.7	3.9
Albania	8.5	3.2	3.0	2.9	3.3
Moldova	13.9	-3.2	-0.4	-0.4	2.6

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-6.8	-4.9	-3.5	-5.5	-3.9
Romania	-7.1	-6.5	-5.5	-6.6	-5.2
Bulgaria	-4.1	-3.6	-2.6	-4.0	-2.8
Russia	0.4	-2.1	-1.6	-1.8	-2.2
Ukraine	-3.5	-15.0	-10.0	-21.1	-16.5
Slovenia	-5.2	-2.9	-2.8	-4.1	-2.7
Croatia	-2.9	-2.5	-2.0	-2.9	-2.4
Serbia	-4.1	-4.0	-2.0	-3.8	-2.4
Montenegro	-2.1	-4.6	-3.5	-5.3	-4.0
Albania	-4.5	-5.5	-4.0	-4.7	-3.3
Moldova	-3.3	-8.0	-6.0	-6.8	-5.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	13.2	12.4	11.2	8.0
Romania	5.0	12.4	9.3	12.1	7.4
Bulgaria	3.3	14.1	4.8	13.6	6.1
Russia	6.7	14.1	5.7	16.0	9.0
Ukraine	3.3	14.1	4.8	21.4	14.4
Slovenia	1.9	9.4	6.5	7.9	5.3
Croatia	2.6	10.6	7.3	9.2	4.5
Serbia	4.0	10.0	6.5	9.7	5.8
Montenegro	2.4	10.2	3.1	9.5	3.6
Albania	2.0	6.4	5.0	6.1	3.3
Moldova	5.3	28.0	18.0	23.1	9.9

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.5	3.9	3.7	3.7
Romania	5.6	5.4	5.0	5.5	5.3
Bulgaria	5.3	4.7	5.2	5.0	4.9
Russia	4.8	4.7	5.5	6.2	6.3
Ukraine	10.6	15.4	11.0	20.0	12.6
Slovenia	4.8	4.0	4.3	4.4	4.3
Croatia	7.6	6.5	6.0	7.2	7.0
Serbia	10.2	10.5	10.0	10.3	9.6
Montenegro	16.7	15.8	15.3	16.9	15.7
Albania	11.3	11.5	11.9	11.3	11.1
Moldova	3.9	5.6	6.5	3.7	3.9

Source: Focus Economics, OTP Research Center

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