

OTP Weekly Outlook

Next week's spotlight:

- August CPI and Economic Sentiment Indices (ESI) from Europe
- August job report and ISM PMIs from the USA
- August PMIs from China

This week:

- Stock markets set for a moderate weekly drop after Jerome Powell's hawkish speech
- TTF natural gas price skyrocketed above 300 EUR/MWh
- The EUR/USD fell below parity so far temporarily and yields moved up
- August PMIs suggest falling activity for Europe and USA
- The ECB minutes suggest increasingly hawkish stance
- Core PCE in the US slowed below expectations

In the spotlight: August CPI and ESI indices from the euro area, August job report and ISM PMI from the USA, August PMI-s from China

Date*	Cd.	Event/ Data	Period	Cons.	Prev.
2022 8. 30.	11 :00	EZ EC Econom ic Sentim ent Index (points)	Aug	97.7	99.0
	14 :00	DE CPI (prelim inary, YoY, %)	Aug	7.8	7.5
	15 :00	US Case-Shiller Hom e Price Index (YoY, %)	Jun		20.5
	16 :00	US Consum er confidence (point)	Aug	97.4	95.7
31.	3 :30	CN NBS M anufacturing PM I (points)	Aug		49.0
	3 :30	CN NBS Non-m anufacturing PM I (points)	Aug	49.2	53.8
	8 :45	FR GDP (detailed, QoQ, %)	Q2	0.5	0.5
	11 :00	EZ CPI (flash, YoY, %)	Aug	9.0	8.9
	11 :00	EZ Core CPI (flash, YoY, %)	Aug	4.1	4.0
	14 :15	US ADP non-fam employem ent M oM , 000s)	Aug		
	15 :45	US Chicago PM I (points)	Aug	52.0	52.1
9. 1.	3 :45	CN Cixin M anufacturing PM I (points)	Aug	50.2	50.4
	8 :00	DE Retail sales M oM , %)	Jul	-0.4	-1.6
	11 :00	EZ Unemployem ent rate (%)	Jul	6.6	6.6
	11 :00	IT GDP (detailed, QoQ, %)	Q2	1.0	1.0
	14 :30	US Initial jobless claim s (000s)	weekly	250	243
	14 :30	US Continuing jobless claim s (000s)	weekly		1415
	16 :00	US Construction spending M oM , %)	Jul	-0.1	-1.1
	16 :00	US ISM M anufacturing PM I (points)	Aug	52.0	52.8
2.	8 :00	DE Export M oM , SA, %)	Jul	-2.5	4.5
	14 :30	US Non-fam payroll M oM , 000s)	Aug	285.0	528.0
	14 :30	US Unemployem ent rate (%)	Aug	3.5	3.5
	14 :30	US Average eamings M oM , %)	Aug	0.4	0.5
	14 :30	US Average eamings (YoY, %)	Aug	5.3	5.2
	16 :00	US Factory orders M oM , %)	Jul	0.2	2.0

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

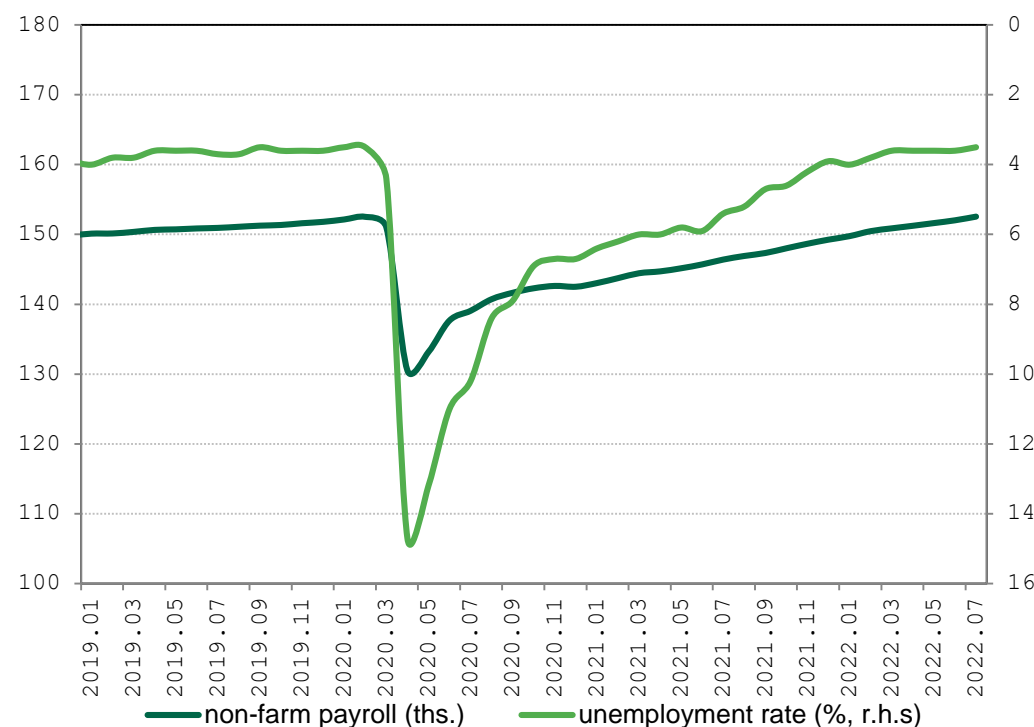
US: Labour market data will be in the spotlight; ISM Manufacturing PMI is also coming

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022.08.30 16:00	US	Consumer confidence (point)	Aug	97.4	95.7
09.01 16:00	US	ISM Manufacturing PMI (points)	Aug	52.0	52.8
09.02 14:30	US	Non-farm payroll MoM, (000s)	Aug	285	528
14:30	US	Unemployment rate (%)	Aug	3.5	3.5
14:30	US	Average earnings MoM, (%)	Aug	0.4	0.5
14:30	US	Average earnings YoY, (%)	Aug	5.3	5.2

Key highlights

- Most recent **US labour market data** were much better than expected, and we did not see any easing in the extremely tight labour market conditions.
- According to expectations, **August may have brought the turning point**, which showed only 285,000 an increase in non-farm payrolls. It is important to note that August figures are typically lower and often revised upwards subsequently. The unemployment rate is still near a 50-year low, while wage growth almost stagnated.
- The incoming data remain important for monetary policy because, amid global growth concerns, the tight labour market remains the strongest argument against US recession fears. **A stronger-than-expected data could set the stage for another 75 basis point rate hike in September.**
- **ISM manufacturing PMI** is coming: activity is expected to slow further but remain slightly above 50 points (indicating expansion).

US labour market data



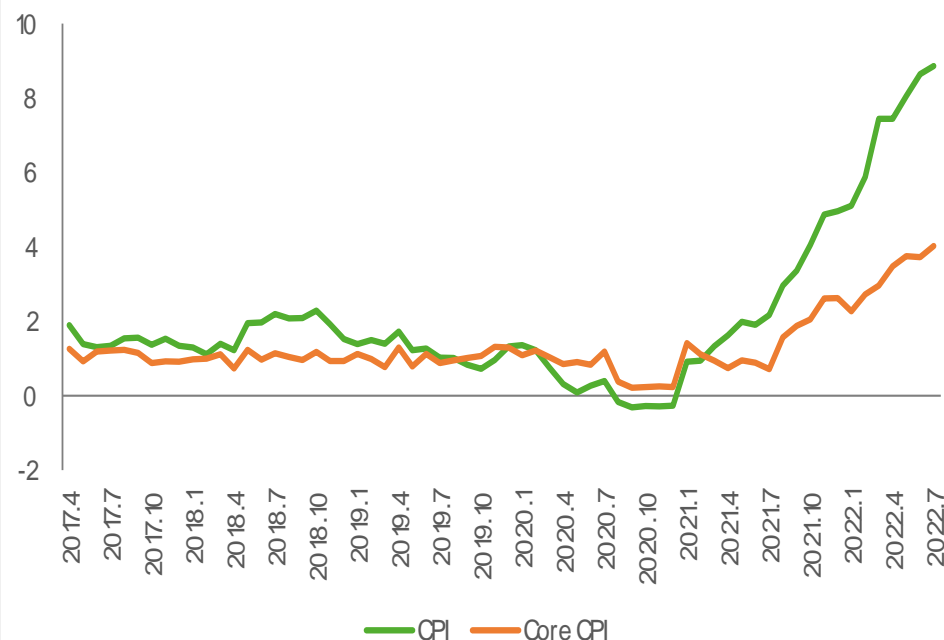
In the spotlight: the euro area's CPI and Economic Sentiment Indices for August

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 8. 30. 11 :00	EZ	EC Economic Sentiment Index (points)	Aug	97.7	99.0
14 :00	DE	CPI (preliminary, YoY, %)	Aug	7.8	7.5
31. 8 :45	FR	GDP (detailed, QoQ, %)	Q2	0.5	0.5
11 :00	EZ	CPI (flash, YoY, %)	Aug	9.0	8.9
11 :00	EZ	Core CPI (flash, YoY, %)	Aug	4.1	4.0
9. 1. 8 :00	DE	Retail sales MoM, %)	Jul	-0.4	-1.6
11 :00	EZ	Unemployment rate (%)	Jul	6.6	6.6
11 :00	IT	GDP (detailed, QoQ, %)	Q2	1.0	1.0
2. 8 :00	DE	Export MoM, SA, %)	Jul	-2.5	4.5

Key highlights

- August flash **CPI** data will be the key data releases of the week. Back in July the 8.9% headline and 4.0% core inflation caused a 0.3 and 0.2 ppts upside surprise. Although survey indicators suggests a gradual easing of price pressures for August, the sky-high natural gas price will surely increase the headline index further.
- The European Commission's August **Economic Sentiment Indicators** could be also worth following. The ESI fell below 100 (the expansion territory) in July, for the first time since February 2021. High energy costs, falling consumer confidence finally seem to take their toll on activity.
- **German exports and retail sales** for July could also shed some light on Q3 activity.

Euro area inflation indicators (YoY, %)



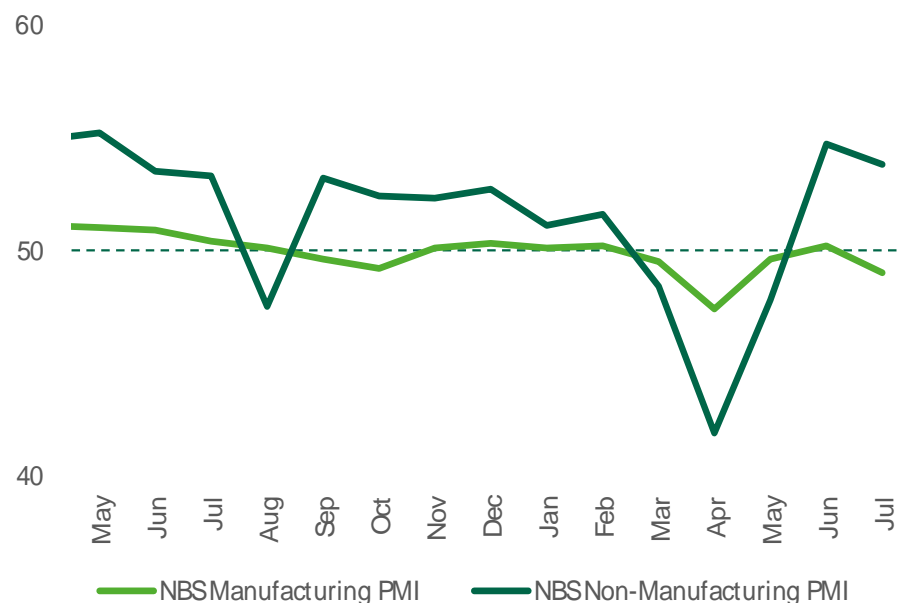
China: PMIs are expected to signal further decline as gas prices are increasing, post-lockdown recovery is losing steam

Date		Cd.	Event/Data	Period	Cons.	Prev.
2022.08.31	3:30	CN	NBS Manufacturing PMI (points)	Aug	49.2	49.0
	3:30	CN	NBS Non-manufacturing PMI (points)	Aug		53.8
2022.09.01	3:45	CN	Cixin Manufacturing PMI (points)	Aug	50.2	50.4

Key highlights

- Industrial production and retail sales both slowed in July, suggesting that the **post-lockdown recovery is already losing steam.**
- On the top of that, **natural gas prices increased in China**, as Asia is increasingly competing with Europe for LNG, and China is coping with a heatwave, so cooling-related energy demand has risen, and hydropower supply has declined.
- The resulting **power rationing in parts of China** may have hit industrial output.
- As a result, both **Manufacturing and Non-Manufacturing PMIs** are likely to decline further in August.
- **The fundamentals of the Chinese economy also point to a slowdown**, due to the **weakening global outlook**, and the **struggling property market**

NBS Manufacturing and Non-Manufacturing PMI (balance)



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This week's data: EA manufacturing and US service sector in the recession territory for the second month, the ECB is to tighten despite weakening

Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2022 8. 23.	9 :15	FR S&P GlobalM anufacturing PM I (points)	Aug	49.0	48.9	49.5
	9 :15	FR S&P GlobalService PM I (points)	Aug	51.0	52.5	53.2
	9 :30	DE S&P GlobalM anufacturing PM I (points)	Aug	49.8	48.3	49.3
	9 :30	DE S&P GlobalService PM I (points)	Aug	48.2	49.0	49.7
	10 :00	EZ S&P GlobalM anufacturing PM I (points)	Aug	49.7	49.0	49.8
	10 :00	EZ S&P GlobalService PM I (points)	Aug	50.2	50.5	51.2
	15 :45	US S&P GlobalM anufacturing PM I (points)	Aug	51.3	51.5	52.2
	15 :45	US S&P GlobalService PM I (points)	Aug	44.1	49.0	47.3
	16 :00	EZ Consumer confidence (point)	Aug	-24.9	-28.0	-27
	16 :00	US New home sales (annualized monthly, 000s)	Jul	511	584	590
24.	14 :30	US Durable goods orders MoM (%)	Jul	0.0	0.6	2
	16 :00	US Pending home sales MoM (%)	Jul	-1.0	-5.0	-8.6
25.	8 :00	DE GDP (detailed, QoQ, %)	Q2	0.1	0.0	0.0*
	10 :00	DE IFO Economic sentiment index (points)	Aug	88.5	86.6	88.6
	14 :30	US GDP (detailed, QoQ annualized, %)	Q2	-0.6	-0.9	-0.9*
		EZ ECB minutes	Jul			-
		US Jackson Hole symposium (3 days)	-			-
26.	14 :30	US Personal income MoM (%)	Jul	0.2	0.6	0.7
	14 :30	US Personal consumption (adjusted, MoM, %)	Jul	0.1	0.3	1.0
	14 :30	US Household core PCE index MoM (%)	Jul	0.1	0.3	0.6

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

Key highlights

- According to August **PMIs**, the **euro area's** the manufacturing sector remained in the contraction territory for the second month in a row. Although services held up better, Germany's service sector fell also below the 50 mark for the second month. On a more positive note, **consumer confidence** improved, albeit remained at a historic low level and the same applies to the Ifo business climate index. The ECB Governing Council is increasing focus on inflation, the despite weakening activity, the minutes revealed.
- In the **USA**, it was the service sector **PMI** that weakened surprisingly to 44.1 points, missing expectations by a large margin. Manufacturing held up better. Both **new home sales** and **durable goods orders** disappointed in July. However **core PCE** grew by a mere 0.1% MoM, which after the CPI data was another encouraging sign from the point of view of inflation turning point.

Stock markets are set for a moderate weekly after Jerome Powell's hawkish speech, as TTF price sky-rocketed, the EUR/USD fell below parity temporarily and yields increased

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	4195	-0.8	-12.0	US 2 year	3.41	17.7	267.9	Dollar index	107.805	-0.3	12.7	Brent	99.1	2.4	27.4
Nasdaq Comp.	12650	-0.4	-19.1	US 10 year	3.04	6.9	153.1	EURUSD	1.0083	0.5	-11.3	WTI	92.2	1.6	22.6
Dow Jones	33323	-1.1	-8.3	DE 2 year	0.97	17.4	161.8	USDJPY	136.67	0.2	-15.8	Natural Gas (TTF)*	319.0	47.6	379.7
Russel2000	1956	-0.1	-12.9	DE 10 Year	1.39	17.6	158.5	GBPUSD	1.189	0.5	-12.1	Gold	1754.6	0.4	-4.1
Stoxx 600	431	-1.5	-11.7	FR 10 year	2.02	22.2	183.1	AUDUSD	0.7005	1.9	-3.6	Silver	19.4	1.8	-16.8
DAX	13197	-2.6	-16.9	SP 10 year	2.60	22.5	204.5	USDCAD	1.2912	0.6	-2.1	Palladium	2192.7	3.0	15.1
CAC40	6345	-2.3	-11.3	IT 10 year	3.71	22.2	254.5	USDCHF	0.959	0.0	-4.8	Copper	375.3	2.4	-15.9
FTSE100	7474	-1.0	1.2	UK 10 year	2.59	19.3	163.4	NZDUSD	0.6229	0.6	-8.7	Steel	793.0	0.8	-44.7
FTSEMIB	22187	-1.5	-18.9	CH 10 year	0.80	18.0	95.3	CNHUSD	6.86	-0.4	-7.3	Wheat	784.3	4.1	1.8
Nikkei225	28641	-1.0	-0.5	JP 10 year	0.22	2.1	15.2	USDTRY	18.1825	-0.4	-26.8	Com	667.5	6.6	12.5
CSI300	4107.6	-1.0	-16.9	CN 10 year	2.66	3.5	-10.8	USBRL	5.0637	2.1	10.1	Electricity APX)*	603.6	8.1	545.5

Source: Bloomberg

*In EUR/MWh

Key highlights: Stock markets set for a moderate weekly drop after Jerome Powell's hawkish speech as TTF price sky-rocketed, the EUR/USD fell below parity, and yields increased

- This was a volatile week, when markets moved up a down, but the key trigger was a sharp increase in TTF natural gas price from last Friday's 245 EUR/MWh, to above 270 by Monday, but exceeded 310 in the second half of the week. In Europe, this increased recession fears, while in the USA, the concern was more about how hawkish the Fed will be to tame inflation.
- Markets were expecting whole week FED Chair Powell's Jackson Hole speech, which was rather hawkish and triggered fall in markets. While Powell took responsibility firmly to bring inflation down, he also stressed that the FED wants to act now to avoid a potential Volcker type hard landing in the economy.
- **European stock indices** were on track to a weekly fall around 1-2%: STOXX 600 stood at -1.5%, the energy-heavy DAX at -2.6, the CAC40 at -2.3%, the FTSE100 -1,0 and the FTSEMIB at -1.5%. Among sectors, retail posted the biggest fall (-7.5%), but with few exceptions (oil & gas: +3.9%, miners: +3.1%), most sectors fell by 1-3% in weekly terms.
- **In the USA**, markets were heading for a weekly fall of around 1%, and Chair Powell's speech at the Jackson Hole Symposium so far does not seem to change the course substantially. Similarly to Europe, among sectors, energy (+6.1%) and materials (+1.5%) seem to be the clear winners, while all the rest of the sectors declining by 1-2%.
- The **U.S. dollar** fell below parity vs the euro for most of the week, in risk aversion and the perception that the US is less exposed to the current energy crisis. However, Friday brought some dollar weakness which again pushed the EURUSD slightly above parity (1.0083)
- **Oil prices** are on the course to rise by 1.5-2.5% in a week, on the prospect of the Organization of the Petroleum Exporting Countries (OPEC) curbing output, to offset the return of Iranian barrels to oil markets, should Tehran clinch a nuclear deal with the West.
- **Long-terms yields rose:** US10Y rose by 7 bips and stabilized above 3%, the short end of the curve increased much more, by 18 bips. Both the German 2Y and 10Y grew by 17-18 bips, while the 10Y yields at the euro southern periphery climbed even higher, by 22 bips.

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&P 500	4195	-0.8	-12.0	Stoxx 600	431	-1.5	-11.7
IT	2555	-1.3	-16.4	Health care	1018	-0.2	-5.9
Health care	1519	-1.8	-7.6	Industrial goods & services	633	-3.0	-20.6
Financials	577	-0.6	-11.3	Banks	126	-2.1	-13.1
Telco	194	-1.4	-27.4	Personal & household goods	990	-2.0	-10.2
Consumer discretionary	1309	-0.6	-18.7	Insurance	296	-1.2	-8.2
Industrials	833	-0.2	-6.9	Food and beverages	809	-2.5	-7.0
Consumer staples	791	-0.9	-1.7	Technology	601	-2.1	-25.5
Utilities	389	-1.1	6.9	Utilities	380	-1.5	-6.2
Energy	641	6.1	51.6	Oil & gas	351	3.9	26.6
Real estate	274	-1.8	-15.5	Chemicals	1142	-2.9	-16.4
Materials	505	1.5	-11.3	Construction & materials	512	-3.0	-20.7
Key US Tech companies				Telco	223	-2.4	-3.1
Company	Last price	1 week change (%)	YTD (%)	Retail	285	-7.5	-36.0
Alphabet	115	-2.2	-20.9	Financial services	599	-1.8	-20.5
Amazon	137	-0.9	-17.8	Basic resources	610	3.1	1.5
Apple	170	-0.8	-4.1	Real estate	139	-3.5	-29.2
Meta	169	0.5	-49.8	Auto & parts	527	-2.8	-20.1
Microsoft	279	-2.4	-17.0	Media	323	-3.5	-13.2
Tesla	297	0.1	-15.7	Travel & leisure	192	-2.1	-17.5

Source: Bloomberg

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	431	1.1	-1.6	-5.0	-8.4	15.1	1.8	1.3	13.7	1.1	168.6	0.9	5.9
Germany	DAX Index	13197	0.8	-7.3	-9.4	-16.4	12.7	1.5	0.9	12.6	1.1	112.3	1.7	0.9
France	CAC Index	6345	2.2	-1.0	-6.0	-4.8	13.3	1.6	1.2	15.3	1.1	194.7	18.0	9.6
Poland	WIG20 Index	1614	-2.5	-11.7	-18.1	-30.1	5.3	0.9	0.5	17.6	1.2	55.0	-20.5	6.5
Czechia	PX Index	1187	-4.7	-9.4	-14.1	-7.3	7.2	1.2	1.0	13.4		161.3	3.5	4.3
Hungary	BUX Index	43317	5.2	10.4	-5.4	-14.5	5.4	0.8	0.6	17.0	1.3	56.2	2014.4	22.2
Romania	BET Index	12357	0.9	0.3	-4.1	0.3	7.6	1.1	1.0	21.2		42.9	70.6	17.3
Bulgaria	SOFIX Index	608	0.3	-0.4	0.1	6.3	5.3	0.7	0.8	13.3	2.5	57.2		
Russia	MOEX Index	2262	3.2	-6.2	-8.4	-41.3	3.6	0.7	0.6	20.5	1.2	81.6	43.5	6.5
Ukraine	PFTS Index	519	0.0	0.0	0.0	-1.4	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBTOP Index	1145	1.7	1.6	-1.3	-4.0	7.2	1.0	0.4	13.8	1.7	29.2	-6.7	
Croatia	CRO Index	2012	2.2	-3.6	-1.5	2.5	11.2	1.3	1.3	12.3	1.5	34.9		
Serbia	BELEX15 Index	851	1.8	4.2	1.2	6.4	455.2	48.7	40.9	14.4	1.7	15.6		
Montenegro	MNSE10 Index	803	-1.0	-0.4	4.9	4.3	43.5	0.2	0.7	0.5	1.9	9.2		

*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	1.02	1.02	1.1	1.12
EURGBP	0.84	0.83	0.85	0.85	0.85	0.87	0.87
EURCHF	1.06	1.05	1.03	0.98	0.98	1.04	1.08
USDJPY	130	129.5	136	137	137	137	137

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	397	396	395	393	392	387	390
Rom ania	EURRON (€op)	4.95	4.94	4.95	4.99	5.01	5.03	5.07	5.07	5.08
Russia	USDRUB (€op)	74.3	84.1	51.2	66.2	70	73.2	76.5	78.1	79.1
Ukraine	USDUAH (€op)	27.3	29.5	29.4	35.4	36.1	36.2	36.4	35.4	35.4
Croatia	EURHRK (€op)	7.52	7.57	7.53	7.53	7.53	7.53	7.53	7.53	7.52
Serbia	EURRSD (€op)	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	2.2	4.2	3.2
Bulgaria	4.2	3.0	2.0	2.6	2.6
Russia	4.7	-5.3	-1.8	-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	5.2	2.5	4.0	2.8
Serbia	7.4	3.0	2.7	3.1	3.3
Montenegro	12.4	4.9	3.4	3.7	3.9
Albania	8.5	3.2	3.0	2.9	3.3
Moldova	13.9	-4.5	-1.3	-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	-2.5	-2.7	-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	-3.5	-3.0	-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	12.9	8.4	12.1	7.4
Bulgaria	3.3	14.1	4.8	13.6	6.1
Russia	6.7	13.8	5.3	16.0	9.0
Ukraine	3.3	14.1	4.8	21.4	14.4
Slovenia	1.9	8.8	4.5	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	11.6	4.3	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	4.5	5.0	5.0	4.9
Russia	4.8	4.7	5.5	6.2	6.3
Ukraine	10.6	25.0	15.0	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	15.5	15.0	16.9	15.7
Albania	11.3	11.5	11.9	11.3	11.1
Moldova	3.9	5.9	7.1	3.7	3.9

Source: Focus Economics, OTP Research Center

Gergely Tardos

Chief Economist
tardosg@otpbank.hu

Mihály András Kovács

Analyst
Mihaly.Andras.Kovacs@otpbank.hu

Gergely Rezessy

Analyst
Gergely.Gabor.Rezessy@otpbank.hu

Orsolya Rátkay

Analyst
Orsolya.Ratkay@otpbank.hu

Beáta Váradi

Analyst
Beata.Varadi@otpbank.hu

OTP Bank Romania Global Markets Sales Team

Robert Kovacs

Head of Sales
+40 372 318 588
robert.kovacs@otpbank.ro

Anca Butuc

Desk Dealer
+40 372 318 587
anca.butuc@otpbank.ro

Anamaria Toma

Desk Dealer
+40 372 318 585
anamaria.toma@otpbank.ro

Corina Bejan

Desk Dealer
+40 372 318 583
corina.bejan@otpbank.ro

Teodor Tibuleac

Desk Dealer
+40 372 318 586
corina.bejan@otpbank.ro

Szilamer Kozma

Regional Dealer
+40 372 504 520
szilamer.kozma@otpbank.ro

Andrei Sala

Regional Dealer
+40 755 000 015
andrei.sala@otpbank.ro

Dan Giurea

Regional Dealer
+40 372 318 584
dan.giurea@otpbank.ro

Alexandru Sabin

Regional Dealer
+40 755 000 255
alexandru.sabin@otpbank.ro

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