

OTP Weekly Outlook

Next week's spotlight:

- September's job report from the USA
- Retail sales and industrial production from the euro area
- PMI from China

This week:

- Stock markets are heading for a third weekly and a quarterly loss. Intensifying rate hike expectations and rising yield environment weighed on equity markets.
- LT yields rose further, with UK bond yields hitting levels not seen for 14 years and the British pound hitting multi-decade lows after the new government had announced its fiscal stimulus plan.
- The EUR/USD is expected to end the week below 0.98, though the euro recovered from levels not seen for two decades.
- The TTF gas futures are around 190 EUR/MWh after a volatile week. Crude oil gained on output cut expectations.
- Euro area inflation rate reached 10% in August
- US core PCE was also above the consensus, while real economy data were mixed
- China's PMIs showed mostly weakening

In the spotlight: US job report; German industrial data and retail sales from the euro area; PMI from China

	Date*		Cd.	Event/Data	Period	Cons.	Prev.
2022 1 3.	9 :45	IT	S&P GlobalM anufacturing PM I (points)	Sept	47.5	48.0	
	16 :00	US	Constuction spending M oM ,%)	Aug	-0.3	-0.4	
4.	16 :00	US	ISM M anufacturing PM I (points)	Sept	52.3	52.8	
	16 :00	US	Factory orders M oM ,%)	Aug	0.3	-1.0	
5.	8 :00	DE	Export M oM ,SA,%)	Aug	1.0	-2.1	
	8 :45	FR	Industrialproduction M oM ,%)	Aug	-0.3	-1.6	
	9 :45	IT	S&P GbbalService PM I (points)	Sept	49.2	50.5	
	14 :15	US	ADP non-fam em ploym ent M oM , 000s)	Sept	200	132	
	16 :00	US	ISM non-M anufacturing PM I (points)	Sept	56	57	
	8 :00	DE	Industrialorders M oM ,%)	Aug	-0.7	-1.1	
6.	11 :00	EZ	Retailsales M oM ,%)	Aug	-0.4	0	
	14 :30	US	Initialjobless claim s (000s)	weekly	200.0	193.0	
	14 :30	US	Continuing jobless claim s (000s)	weekly		1347	
	8 :00	DE	Industrialproduction M oM ,%)	Aug	-0.5	-0.3	
7.	10 :00	IT	Retailsales M oM ,SA,%)	Aug		1	
	14 :30	US	Non-fam payroll M oM , 000s)	Sept	250	315	
	14 :30	US	Unem ploym ent rate (%)	Sept	3.7	3.7	
	14 :30	US	Average eam ings M oM ,%)	Sept	0.3	0.3	
	14 :30	US	Average eam ings (YoY,%)	Sept	5.1	5.2	
	3 :45	CN	Caixin Services PM I	Sept		55.0	

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

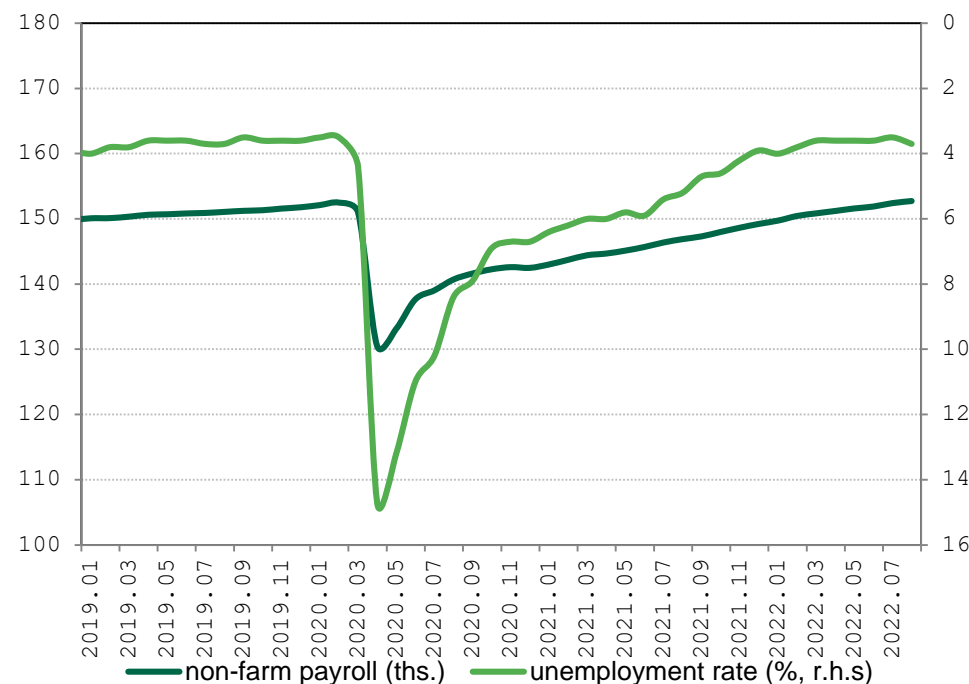
US: Labour market data will be in the spotlight; ISM PMIs are also coming

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022.10.03 16:00	US	Construction spending (M oM, %)	Aug	-0.3	-0.4
16:00	US	ISM Manufacturing PMI (points)	Sept	52.3	52.8
04. 16:00	US	Factory orders (M oM, %)	Aug	0.3	-1.0
05. 14:45	US	ADP non-farm employment (M oM, 000s)	Sept	200	132
16:00	US	ISM non-Manufacturing PMI (points)	Sept	56.0	56.9
07. 14:30	US	Non-farm payroll (M oM, 000s)	Sept	250	315
14:30	US	Unemployment rate (%)	Sept	3.7	3.7
14:30	US	Average earnings (M oM, %)	Sept	0.3	0.3
14:30	US	Average earnings (YoY, %)	Sept	5.1	5.2

Key highlights

- **September labour market data** may resolve the dilemma of whether payrolls growth is actually slowing.
- **The Fed chair and several policymakers at the Open Market Committee have confirmed that they were willing to risk a slowdown in growth, in order to push inflation towards the target as soon as possible**, so the most important of the data coming in now could be wage dynamics, which is closely linked to the Fed's goal: not to let inflation expectations become unanchored.
- The data received so far have given hope for a soft landing in the US economy, and if the incoming data are better than expected, this expectation will be boosted.

US labour market data



In the spotlight in euro area: German industrial data and euro area retail sales

Date	Cd.	Event/Data	Period	Cons.	Prev.
2022 10. 3. 9 :45	IT	S&P GlobalM anufacturing PMI (points)	Sept	47.5	48.0
5. 8 :00	DE	Export MoM ,SA,%)	Aug	1.0	-2.1
8 :45	FR	Industrialproduction MoM ,%)	Aug	-0.3	-1.6
9 :45	IT	S&P GlobalService PMI (points)	Sept	49.2	50.5
6. 8 :00	DE	Industrialorders MoM ,%)	Aug	-0.7	-1.1
11 :00	EZ	Retailsales MoM ,%)	Aug	-0.4	0.3
7. 8 :00	DE	Industrialproduction MoM ,%)	Aug	-0.5	-0.3
10 :00	IT	Retailsales MoM ,SA,%)	Aug	1.3	

Key highlights

- During the week, we will learn August data about **Germany's manufacturing**, which seems to have ceased to be the powerhouse of the euro area. After a large fall in March, German industrial production stagnated at best, and business expectations until September suggest clear fall for Q3; the consensus forecast is -0.5% MoM. Factory orders until July have been sliding for six months in a row. Once the engine of growth, German manufacturing is now struggling with sky-high energy prices and supply chain problems. The consensus for factory orders is -0.7% MoM. A weaker-than-expected print during the week for August could add to investors' growth concerns.
- The small rise in the euro area's July **retail sales** only partly reversed the previous month's big fall. With consumer confidence very weak, a decline is most likely.

Business expectations and output in German manufacturing



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This week's data: euro area inflation rate reached 10% in August; US core PCE was also above the consensus, while real economy data were mixed; Chinese PMIs showed mostly weakening

Date*	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 9. 26.	10 :00	DE IFO Economic sentiment index (points)	Sept	84.3	87.0	88.5
	15 :00	EZ C.Lagarde testimony, European Parliament	-	-	-	-
27.	14 :30	US Durable goods orders MoM, %)	Aug	-0.2	-0.3	-0.1
	15 :00	US Case Shiller real estate price (YoY, %)	Jul	16.1	16.9	18.6
	16 :00	US Consumer confidence (point)	Sept	108	104.0	103.2
	16 :00	US New home sales (annualized monthly, 000s)	-	685	499	511
28.	9 :15	EZ C.Lagarde speech Frankfurt Forum on US-European	-	-	-	-
	10 :00	IT Consumer confidence (point)	Sept	95	96	98
	16 :00	US Pending home sales MoM, %)	Aug	-2.0	-	-1.0
29.	11 :00	EZ EC Economic Sentiment Index (points)	Sept	93.7	95.0	97.3
	14 :00	DE CPI (preliminary, YoY, %)	Sept	10.0	9.4	7.9
	14 :30	US Initial jobless claims (000s)	weekly	193	215.0	209.0
	14 :30	US Continuing jobless claims (000s)	weekly	1347.0	1388.0	1376.0
30.	3 :30	CN NBS Manufacturing PMI (points)	Sept	50.1	50	49.4
	3 :30	CN NBS Non-manufacturing PMI (points)	Sept	50.6	-	53
	3 :45	CN Caixin Manufacturing PMI (points)	Sept	48	-	49.5
	8 :00	DE Retail sales MoM, %)	Aug	1.9	-1.0	1.9
	9 :00	ES Retail sales (YoY, %)	Aug	0.2	-	-0.5
	11 :00	EZ CPI (Flash, YoY, %)	Sept	10.0	9.6	9.1
	11 :00	EZ Core CPI (Flash, YoY, %)	Sept	4.8	4.7	4.3
	11 :00	EZ Unemployment rate (%)	Aug	6.6	6.6	6.6
	14 :30	US Personal income MoM, %)	Aug	0.3	0.3	0.3
	14 :30	US Personal consumption (adjusted, MoM, %)	Aug	0.4	0.2	-0.2
	14 :30	US Household core PCE index MoM, %)	Aug	0.6	0.5	0.1
	15 :45	US Chicago PMI (points)	Sept	-	51.8	52.2

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

Key highlights

- September **euro area inflation** caused yet another upside surprise. The headline figure came out at 10%, up from 9.1% in August, and well above the consensus (9.6%). Core inflation also edged up to 4.8%, from 4.3% (consensus: 4.7%). Energy inflation picked up from 38.6% to 40.8%, and food, alcohol&tobacco to 11.8%, from 10.6%. While some indicators suggested that supply bottlenecks have eased, industrial goods inflation also strengthened (to 4.3% from 3.8%), just like service sector inflation (to 4.8% from 4.3%). To continue the list of bad news, the EU Commission's **economic sentiment indices** fell short of expectations, as did **Germany's IFO** index..
- US core PCE** caused a minor upside surprise by a 0.6% MoM, growth as opposed to the

Stock markets are heading again for a weekly and quarterly decline, for the third time in a row. LT bond yields hit new highs, with UK's 10Y yield rising most steeply. The euro gained in weekly terms, and the British pound fell to multi-decade low. The 1-month future price of TTF gas is at 190 EUR/MWh after a volatile week

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	3640	-1.4	-23.6	US 2 year	4.15	-4.8	342.1	Dollar index	112.248	-0.8	17.3	Brent	88.3	2.5	13.6
Nasdaq Comp.	10762	-1.0	-31.2	US 10 year	3.70	1.8	219.2	EURUSD	0.9768	0.8	-14.1	WTI	80.4	2.1	6.9
Dow Jones	29182	-1.4	-19.7	DE 2 year	1.73	-16.9	236.7	USDJPY	144.5	-0.8	-20.4	NatGas (TTF, front-month)*	190.0	-4.8	163.9
Russel2000	1684	0.3	-25.0	DE 10 Year	2.08	5.6	225.8	GBPUSD	1.1114	2.3	-17.9	Gold	1672.4	1.7	-8.6
Stoxx 600	387	-1.0	-20.8	FR 10 year	2.69	9.3	249.3	AUDUSD	0.6477	-0.8	-10.8	Silver	19.2	1.8	-17.6
DAX	12077	-1.7	-24.0	SP 10 year	3.26	8.7	269.4	USDCAD	1.3703	-0.8	-7.8	Palladium	2229.9	7.6	17.1
CAC40	5726	-1.0	-19.9	IT 10 year	4.49	15.8	332.0	USDCHF	0.979	0.3	-6.8	Copper	344.4	2.1	-22.9
FTSE100	6874	-2.1	-6.9	UK 10 year	4.09	26.5	312.2	NZDUSD	0.5687	-1.0	-16.7	Steel	783.0	-2.4	-45.4
FTSEMIB	20584	-2.3	-24.7	CH 10 year	1.18	-14.9	133.2	CNHUSD	7.1255	0.2	-10.8	W heat	898.3	2.0	16.5
Nikkei225	25937	-4.5	-9.9	JP 10 year	0.24	0.7	17.2	USDTRY	18.5099	-0.5	-28.1	Com	672.0	-0.7	13.3
CSI300	3804.9	-1.3	-23.0	CN 10 year	2.75	5.6	-4.1	USDBRL	5.4106	-2.7	3.1	Electricity (APX)*	123.6	-49.9	32.1

Source: Bloomberg

*In EUR/MWh

rose further to new highs. UK bond yields hit levels not seen since the GFC, and the British pound fell to multi-decade lows after the new government's announcement on fiscal package. The euro slightly strengthened. The TTF gas 1M future price is at 190 EUR/MWh after a volatile

- **Developed stock markets are on track for another weekly decline, the third one in a row. US and Western European stock markets** are heading for a 1-2% weekly drop. European stock indices are also in for the third consecutive quarter of losses.
- Intensifying rate hike expectations and rising yield environment weighed on equity markets as stubbornly high inflation, surging borrowing costs, and global growth concerns distress investors. Yields flied high (+20-30bps) last week after the Fed's second 75bp rate hike, while the news of fiscal loosening in the UK and comments from Fed officials at the beginning of the week led LT yields higher this week. **10Y yields** hit 10-year highs by Tuesday, with 10Y Treasury yield rising near 4.0% and 10Y Bund yield jumping to 2.25% (+26 and +22bps, respectively, in two days). But later in the week risk appetite returned and yields came down somewhat after the Bank of England announced to abandon provisionally its previous plan to reduce bond holdings, and started to purchase LT government bonds. The BoE's decision came after the sharp yield rise in the UK as a reaction to the new government's announcement on a fiscal package with massive tax cuts. Higher-than-expected German CPI also pushed yields somewhat higher, but the similarly disappointing eurozone September flash CPI statistics did not have the same effect on Friday. In weekly terms, LT yields rose definitely, though the extent widely varies, with 10Y Treasury-yield only modestly increasing (+2bps), Bund yield adding 6bps, 10-15bps rise in the eurozone's periphery and the UK bond yield jumping 27bps to 4.1% (a level not seen for almost 14 years).
- The euro remained below 0.98 vs the US dollar during the week, hitting the low of 0.955 in the middle of the week after news that the sabotage on gas pipelines Nord Stream 1 and 2 had caused serious leaking eroded the euro. Finally, after gaining soms strength, the **EUR/USD** added 0.8%. w/w. The British pound became the big loser of the currency markets this past week, with the **GBP/USD** declining to 1.04 on Monday on the news of the afore-mentioned fiscal package. Thanks to the BoE's activity on the bond market, yields recovered and the British pound strengthened to 1.11 by Friday. This reflects 2% strengthening in weekly terms.
- The energy supply fears are still in the focus in Europe with **TTF natural gas forward prices** showing volatility during the week, especially after the news of deliberate damages on major European gas pipes. Front-month forward price jumped above 210 EUR/MWh by the middle of the week, though it slowly came down to 190 EUR/MWh, falling 5% w/w. **Crude oil** gained about 2-3% this week, as weaker oil prices gave riseto speculations that the OPEC+ could announce another supply cut at its meeting on 5 October.

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	3640	-1.4	-23.6	Stoxx 600	387	-1.0	-20.8
IT	2125	-2.1	-30.5	Health care	935	1.5	-13.6
Health care	1429	-0.2	-13.1	Industrial goods & services	560	0.4	-29.7
Financials	512	-0.9	-21.2	Banks	119	-6.2	-18.3
Telco	165	-1.3	-38.3	Personal & household goods	881	-1.3	-20.1
Consumer discretionary	1139	-1.0	-29.3	Insurance	275	-4.2	-14.6
Industrials	710	-1.0	-20.6	Food and beverages	742	-0.9	-14.7
Consumer staples	706	-2.5	-12.2	Technology	516	-0.5	-36.0
Utilities	338	-7.3	-7.1	Utilities	324	-6.3	-20.0
Energy	556	2.4	31.5	Oil & gas	307	1.4	11.0
Real estate	225	-4.4	-30.8	Chemicals	1053	0.4	-23.0
Materials	432	0.2	-24.2	Construction & materials	460	-0.3	-28.8
Key US Tech companies				Telco	192	-4.0	-16.5
Company	Last price	1week change (%)	YTD (%)	Retail	246	-3.9	-44.7
Alphabet	98	-1.2	-32.7	Financial services	532	-0.3	-29.3
Amazon	114	0.5	-31.4	Basic resources	543	2.4	-9.7
Apple	142	-5.3	-19.8	Real estate	111	-1.5	-43.6
Meta	138	-2.0	-59.1	Auto & parts	472	-4.5	-28.4
Microsoft	239	0.6	-28.9	Media	300	0.9	-19.6
Tesla	271	-1.6	-23.1	Travel & leisure	170	1.3	-26.9

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	387	-6.9	-5.1	-15.2	-15.0	13.4	1.6	1.2	13.7	1.1	167.1	0.0	5.0
Germany	DAX Index	12077	-5.9	-5.5	-16.2	-20.9	11.8	1.3	0.8	12.3	1.1	111.7	8.0	-0.3
France	CAC Index	5726	-6.5	-3.3	-14.0	-12.2	12.1	1.5	1.0	15.2	1.1	195.8	4.8	10.6
Poland	WIG20 Index	1377	-9.9	-18.8	-35.4	-40.4	4.4	0.8	0.4	17.9	1.2	54.0	-13.5	-16.4
Czechia	PX Index	1124	-4.2	-10.2	-17.8	-15.1	7.4	1.1	1.0	13.4		175.8	11.1	10.1
Hungary	BUX Index	37922	-9.4	-3.4	-15.2	-28.3	4.7	0.7	0.5	16.4	1.3	59.0	789.7	40.3
Romania	BET Index	10647	-11.7	-13.4	-16.2	-15.8	6.4	1.0	0.9	21.2	1.4	75.5	50.18	39.1
Bulgaria	SOFIX Index	587	-4.1	-4.3	-6.3	0.3	4.5	0.7	0.5	14.9	2.6	61.2		
Russia	MOEX Index	1956	-18.5	-11.3	-27.6	-52.3	3.2	0.6	0.5	20.1	1.2	85.8	-20.7	5.8
Ukraine	PFTS Index	519	0.0	0.0	0.0	-1.3	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	962	-14.9	-14.0	-20.2	-17.6	5.9	0.8	0.4	14.1	1.6	29.4	9.8	10.9
Croatia	CRO Index	1905	-4.8	-5.3	-9.2	-4.7	8.4	0.9	1.0	11.9	1.5	33.6		
Serbia	BELEX15 Index	827	-2.5	-1.5	-1.6	3.1	425.0	56.4	38.7	14.2	1.8	16.3	0.9	
Montenegro	MNSE10 Index	808	0.0	0.2	3.7	1.6	23.2	0.2	0.6	0.9	1.9	9.0		

*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	1.01	0.98	1.06	1.11
EURGBP	0.84	0.83	0.85	0.85	0.86	0.88	0.88
EURCHF	1.06	1.05	1.03	0.97	0.96	1	1.05
USDJPY	130	129.5	136	136	138	137	131.5

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	396	398	398	396	393	393	390
Romania	EURRON (€op)	4.95	4.94	4.95	4.95	4.96	4.99	5.03	5.04	4.99
Russia	USDRUB (€op)	73.7	104.1	104.1	63	66.9	70.1	74.5	75.7	76.3
Ukraine	USDUAH (€op)	27.3	29.5	29.4	35.9	36.6	36.7	36.8	36.1	36
Croatia	EURHRK (€op)	7.52	7.57	7.53	7.53	7.53	7.53	7.53	7.53	7.53
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	4.9	-0.9	4.7	1.9
Rom ania	5.9	4.7	2.5	5.0	3.1
Bulgaria	4.2	2.6	1.2	2.7	2.4
Russia	4.7	-3.8	-2.3	-7.0	-3.0
Ukraine	3.4	-36.7	6.1	-34.5	8.2
Slovenia	8.1	6.5	1.1	5.0	2.4
Croatia	10.2	6.3	2.1	4.5	2.6
Serbia	7.4	3.0	2.5	3.1	3.3
Montenegro	13.0	6.1	2.4	3.8	3.9
Albania	8.5	3.8	2.4	2.9	3.3
Moldova	13.9	-4.5	-1.8	-0.2	2.5

Countries	Fiscal balance (% of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-6.8	-6.1	-3.5	-5.4	-3.9
Rom ania	-7.1	-6.5	-5.5	-6.6	-5.1
Bulgaria	-4.1	-3.4	-3.9	-4.1	-2.8
Russia	0.4	-2.0	-2.0	-1.9	-2.2
Ukraine	-3.5	-25.0	-20.0	-21.2	-16.9
Slovenia	-5.2	-1.8	-2.8	-4.2	-3.2
Croatia	-2.9	-2.9	-4.0	-2.8	-2.5
Serbia	-4.1	-4.0	-5.0	-3.7	-2.5
Montenegro	-2.1	-3.1	-3.3	-5.1	-3.9
Albania	-4.5	-2.7	-3.0	-4.5	-3.3
Moldova	-2.6	-8.0	-6.0	-6.8	-5.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.2	15.5	12.6	10.2
Rom ania	5.0	13.2	8.0	12.8	8.1
Bulgaria	3.3	15.0	7.4	13.7	6.6
Russia	6.7	13.8	5.3	14.9	8.2
Ukraine	3.3	15.0	7.4	21.7	18.3
Slovenia	1.9	8.8	5.4	8.7	5.7
Croatia	2.6	9.8	6.5	9.6	4.8
Serbia	4.0	11.9	8.5	10.4	6.6
Montenegro	2.4	12.6	6.5	9.8	3.9
Albania	2.0	6.9	5.2	6.3	3.9
Moldova	5.3	28.0	18.0	25.4	11.0

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	3.7
Rom ania	5.6	5.6	5.8	5.5	5.3
Bulgaria	5.3	4.8	5.8	4.9	4.9
Russia	4.8	4.7	6.0	5.5	6.0
Ukraine	10.6	31.2	27.6	15.0	11.8
Slovenia	4.8	4.2	4.4	4.3	4.3
Croatia	7.6	6.5	6.5	7.2	7.2
Serbia	10.2	11.0	12.0	10.3	9.7
Montenegro	16.7	15.1	16.1	16.8	15.6
Albania	12.0	11.7	12.5	11.3	11.1
Moldova	3.9	3.5	4.4	3.7	3.9

Source: Focus Economics, OTP Research Center

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