

OTP Weekly Outlook

Next week's spotlight:

- October real economy data from the US and China
- GDP and industrial production from the euro area

This week:

- US CPI rose well below expectations as supply shortages eased
- The euro area's September retail sales expanded, as did Germany's industrial production
- Rate hike expectations eased, especially in the US, after US CPI and core-CPI dropped in October more than expected
- IT yields fell deep, the dollar weakened, the EUR/USD climbed to 1.03, and investors turned to riskier assets
- European and US stocks may end the week with considerable gains as growth stocks and some cyclical sectors soared
- Crude oil prices dropped, the TTF 1M future gas price is heading to 100 EUR/MWh.
- The cryptocurrency sector is reeling after crypto trading platform FTX is filing for bankruptcy

In the spotlight: October real economy data from the USA and China; GDP and industrial production from the euro area

Date*		Cd.	Event/ Data	Period	Cons.	Prev.
2022 11. 14.	11 :00	EZ	Industrial production M oM ,%)	Sept	0.3	1.5
	15.	3 :00	Infrastructural spending (YoY,%)	Oct	5.9	5.9
		3 :00	Industrial production (YoY,%)	Oct	5.2	6.3
		3 :00	Retail sales (YoY,%)	Oct	1.0	2.5
	11 :00	DE	ZEW Econom ic Sentim ent (points)	Nov	-52.5	-59.2
		11 :00	GDP (prelim inary, YoY,%)	Q3	2.1	2.1
		11 :00	GDP (prelim inary, QoQ,%)	Q3	0.2	0.2
		14 :30	New York Fed M anufacturing index (points)	Nov	-7.0	-9.1
			G20 sum m it (15-16 Nov)	-	-	-
	16.	8 :00	Inflation (YoY,%)	Oct	10.6	10.1
		14 :30	Retail sales M oM ,%)	Oct	0.9	0.0
		15 :15	Industrial production M oM ,%)	Oct	0.2	0.4
		16 :00	Business inventories M oM ,%)	Sept	0.5	0.8
	17.	14 :30	Building perm its (annualized m onthly, 000s)	Oct	1515	1564
		14 :30	Housing starts (annualized m onthly, 000s)	Oct	1410	1439
		14 :30	Initial jobless claim s (000s)	weekly	220	225.0
			Continuing jobless claim s (000s)	weekly		1493
	18.	0 :30	core-CPI (YoY,%)	Oct	3.5	3
		0 :30	CPI (YoY,%)	Oct		3.0
		16 :00	Existing hom e sales (annualized m onthly, 000s)	Oct	4400	4710
		16 :00	Leading index M oM ,%)	Oct	-0.4	-0.4

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

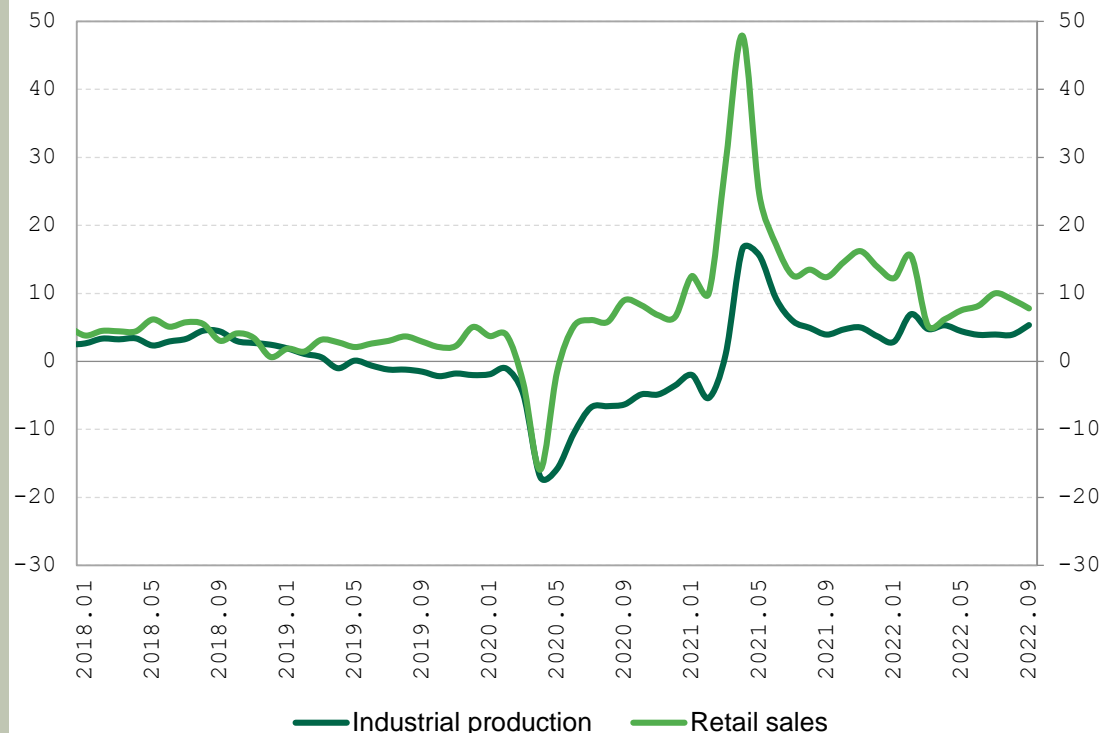
US: October real economy indicators will be in the spotlight

Date	Co.	Event/Data	Period	Cons.	Prev.
2022.11.15 14:30	US	New York Fed Manufacturing index (points)	Nov	-7.0	-9.1
16. 14:30	US	Retail sales (MoM, %)	Oct	0.9	0
15:15	US	Industrial production (MoM, %)	Oct	0.2	0.4
16:00	US	Business inventories (MoM, %)	Sept	0.5	0.8
17. 14:30	US	Building permits (annualized monthly, 000s)	Oct	1515	1564
14:30	US	Housing starts (annualized monthly, 000s)	Oct	1410	1439
18. 16:00	US	Existing home sales (annualized monthly, 000s)	Oct	4400	4710

Key highlights

- The first business cycle indicators for Q4 are coming from **the USA**. The September data were not particularly reassuring for the growth outlook, as retail sales expanded by 8.2% YoY and if we take into account that the published data is not adjusted for inflation, it actually means a decline. The trend is less negative in the industrial sector, as August's MoM decline was followed by a small rebound in September, but the outlook for the sector is not positive in the light of the global growth prospect.
- **For October, the market is expecting a significant MoM acceleration in retail sales, still partly driven by inflation, while industrial production should expand modestly.**
- Weaker than expected data could amplify the gloomy growth outlook.
- Next week's **housing market data** could also undermine the growth outlook. The slowdown since May is likely to continue due to rising interest rates and high material prices.

US Retail sales & Industrial production data (YoY, %)



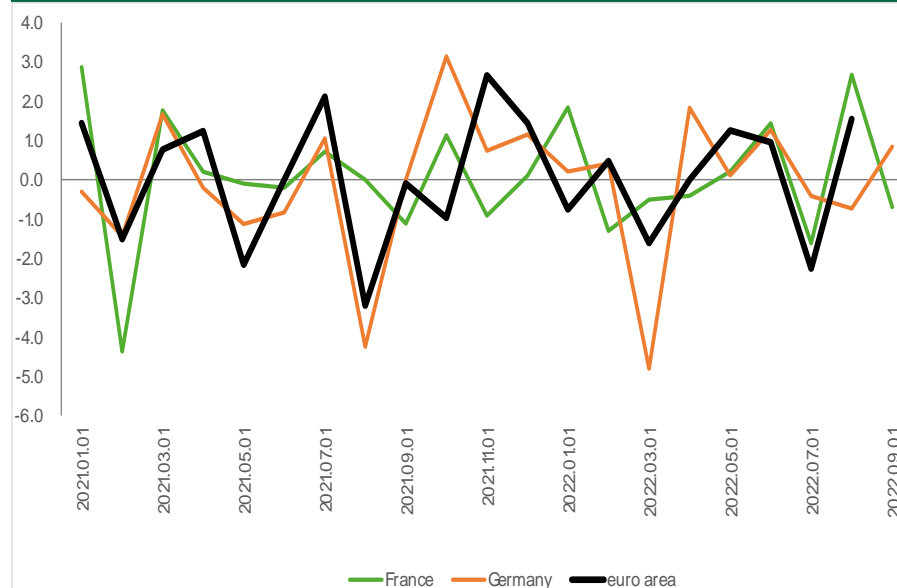
In the spotlight in the euro area: second estimate on Q3 GDP and September industrial production

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 11. 14. 11 :00	EZ	Industrial production (MoM, %)	Sept	0.3	1.5
15. 11 :00	DE	ZEW Economic Sentiment (points)	Nov	-52.5	-59.2
11 :00	EZ	GDP (preliminary, YoY, %)	Q3	2.1	2.1
11 :00	EZ	GDP (preliminary, QoQ, %)	Q3	0.2	0.2

Key highlights

- **The euro area's industrial production** may have expanded slightly, as Germany released surprisingly strong data this week. However, industrial orders and business surveys point to weakness afterwards.
- The **second release of Q3 GDP** may be of interest, as the flash release turned out well above initial expectations, given the surprising strength in Germany and Italy.
- The **ZEW index** improved trivially in October, yet it stood below the March 2020 level. The only available business sentiment index, Sentix, improved slightly for November, which might imply minor improvement the in ZEW for this month.

Euro area industrial production (MoM, %)



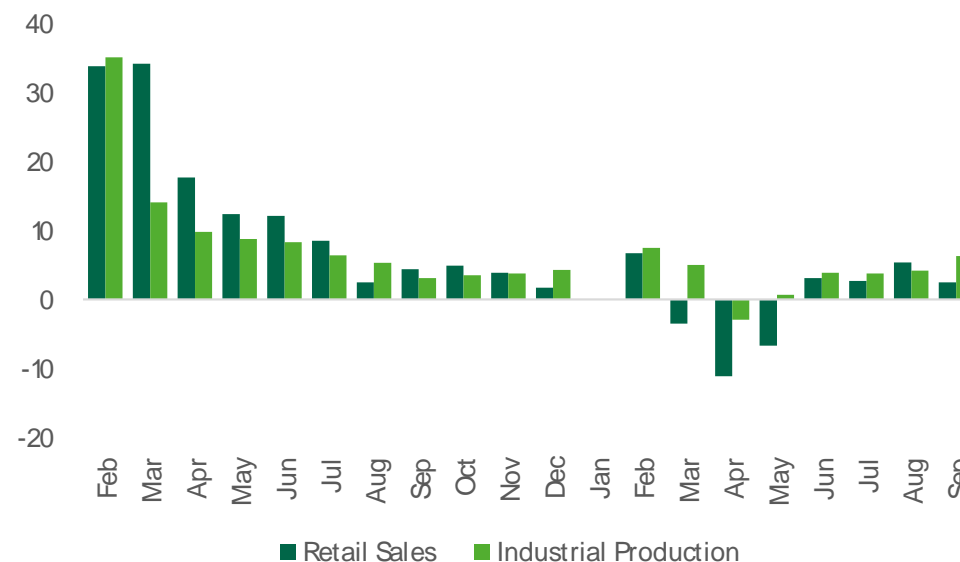
China: Zero-Covid is here to stay for a while, hurting China's economy on top of other negative factors

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022.11.15	3:00	CN Infrastructural spending (YoY,%)	Oct	59	59
	3:00	CN Industrial production (YoY,%)	Oct	52	63
	3:00	CN Retail sales (YoY,%)	Oct	10	25

Key highlights

- **President Xi was re-elected for a third five-year term in October** and strengthened his power in the Chinese Communist Party (CCP)
- On Friday, **zero-Covid policy was eased** to some extent and a plan was promised to accelerate vaccinations
- A **reopening before vaccination rate goes higher** could hurt the economy even more than the current policy
- Weakening external demand and the struggling property market also weaken economic growth
- The **stimulus measures** introduced in August **had limited effect**, given the strong headwinds to the economy.
- According to expectations, **industrial output may slow down** following the surprisingly strong September data
- **Retail sales growth is expected to be dampened further** by Covid restrictions and depressed consumer confidence

Chinese industrial production and retail sales (YoY, %)



This week's data: US CPI well below expectations as supply shortages eased; the euro area's September retail sales expanded, as did Germany's industrial

Date*	Cd.	Event/ Data	Period	Fact	Cons.	Prev.
2022 11. 7. 4 :00	CN	Export (YoY,%)	Oct	-0,3	4,30	5,70
8 :00	DE	Industrial production MoM (%)	Sept	0,6	0,20	-1,20
10 :30	EZ	Sentix Investor confidence (points)	Nov	-30,9	-35,0	-38,3
15 :00	EZ	Eurogroup meeting	-	-	-	-
8. 11 :00	EZ	Retail sales MoM (%)	Sept	0,4	0,4	-0,3
23 :00	US	Midterm elections	-	-	-	-
10. 10 :00	IT	Industrial production MoM (SA,%)	Sept	-1,8	-1,5	2,3
14 :30	US	CPI (YoY,%)	Oct	7,7	8,0	8,2
14 :30	US	CPI MoM (SA,%)	Oct	0,4	0,6	0,4
14 :30	US	core-CPI (YoY,%)	Oct	6,3	6,5	6,6
14 :30	US	core-CPI MoM (SA,%)	Oct	0,3	0,5	0,6
14 :30	US	Continuing jobless claims (000s)	weekly	1493	1475	1487
14 :30	US	Initial jobless claims (000s)	weekly	225	220	218
11. 8 :00	UK	GDP preliminary (YoY,%)	Q3	2,4	2,1	4,4
8 :00	UK	GDP preliminary (QoQ,%)	Q3	-0,2	-0,5	0,2
16 :00	US	Michigan Consumer confidence (preliminary, points)	Nov	54,7	59,5	59,9

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

Key highlights

- October **US CPI** came out at 7.7%, undershooting the consensus of 8.0% and 8.2% in September. More importantly, core inflation slowed to 6.3% from 6.6% (consensus: 6.5%). The slowdown has been driven by lower energy prices as fuel and gas prices declined, and also by a MoM fall in core goods prices as supply shortages have been gradually eased. Core service prices also slowed, but the 0.5% MoM is still elevated in historical perspective.
- In the **euro area**, retail sales expanded by 0.4% in September, which was not a surprise after the release of large economies' data, but the result did not square with the record low consumer confidence and falling real wages. Germany's industrial production surprisingly rebounded, disproving weak survey results. The first business sentiment index for November, Sentix, improved more than had been thought, albeit remained at a very low level.

Rate hike expectations eased after US CPI dropped in October more than expected. LT yields fell deep and investors turned to riskier assets. European and US stocks may end the week with considerable gains as growth stocks and some cyclical sectors soared. The dollar weakened, the EUR/USD climbed to 1.03. Crude oil prices dropped, the TTF gas 1M future price is heading to 100 EUR/MWh.

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	3958	5.0	-17.0	US 2 year	4.33	-32.6	360.0	Dollar index	107.039	-3.5	11.9	Brent	96.4	-2.2	23.9
Nasdaq Comp.	11152	6.5	-28.7	US 10 year	3.81	-34.6	230.2	EURUSD	1.0286	3.3	-9.5	WTI	89.4	-3.4	18.9
Dow Jones	33616	3.7	-7.5	DE 2 year	2.15	3.6	279.2	USDJPY	139.36	5.2	-17.4	NatGas (TTF, front-month)	101.5	-11.7	55.0
Russel2000	1880	4.4	-16.3	DE 10 Year	2.12	-16.1	231.2	GBPUSD	1.1743	3.2	-13.2	Gold	1759.8	4.6	-3.8
Stoxx 600	432	3.6	-11.4	FR 10 year	2.63	-18.8	244.5	AUDUSD	0.6677	3.2	-8.1	Silver	21.4	2.8	-8.0
DAX	14207	5.5	-10.6	SP 10 year	3.16	-17.5	260.7	USDCAD	1.3281	1.5	-4.8	Palladium	2004.2	6.8	5.2
CAC40	6583	2.6	-8.0	IT 10 year	4.16	-29.0	299.8	USDCHF	0.9504	4.7	-3.9	Copper	386.2	4.8	-13.5
FTSE100	7337	0.0	-0.6	UK 10 year	3.33	-20.0	236.4	NZDUSD	0.6082	2.5	-10.9	Steel	660.0	-2.7	-54.0
FTSEMIB	24425	4.9	-10.7	CH 10 year	1.04	-12.5	119.5	CNHUSD	7.087	1.4	-10.3	Wheat	803.8	-5.2	4.3
Nikkei225	28264	3.9	-1.8	JP 10 year	0.24	-1.6	17.0	USDTRY	18.5435	0.1	-28.3	Com	655.3	-3.8	10.5
CSI300	3788.4	0.6	-23.3	CN 10 year	2.70	3.8	-3.2	USDBRL	5.3113	-4.7	5.0	Electricity (APX)*	162.0	72.6	73.2

Source: Bloomberg

*In EUR/MWh

Key highlights: Rate hike expectations eased after US CPI dropped in October more than expected. LT yields fell deep and investors turned to riskier assets. European and US stocks may end the week with considerable gains as growth stocks and some cyclical sectors soared. The USD weakened, the EURUSD climbed to 1.03. Crude oil prices dropped, the TTF gas 1M future price fell to near 100 EUR/MWh.

- In the government bonds' market, investors were cautious ahead of this week's two main events. LT yields crept higher on Monday but later fell, particularly on Thursday. The 2Y and 10Y Treasury yields declined 25 and 28bps, respectively on lower-than-expected CPI on Thursday, as rate hike expectations at the FOMC's next meeting in December eased to 50bps. During the week, German 10Y yield fell to 2.1% from near 2.4% on Monday, while US 10Y yield dropped to 3.8% from near 4.4% on Monday. In a weekly horizon, 10Y yields in the eurozone, the UK and the US are 20-30bps lower. However, Friday may bring some corrections. The US dollar lost momentum this week, the euro climbed above the parity, the EUR/USD rose near 1.03, about 3% plus in one week. The British pound is also set to end the week with a 3% increase.

- European stock indices are on track of another weekly gains and US equity indices are also expected to end the week above last Friday's levels. Mid-term elections in the US and October CPI data were mainly in the focus, but news about keeping/relaxing China's zero covid policy, and some corporate earnings reports could also move investors.

- **European equities** edged modestly higher in the first half of the week, though negative sentiment after US mid-term elections and negative corporate earnings from Adidas and Commerzbank also led stock indices down on Wednesday. Better-than-expected US CPI cheered investors on Thursday and Western European bourses hit 11-week highs with this sole daily performance considerably contributing to the European stock indices' weekly performance in a positive way. With most stock indices edging higher in Western Europe on Friday, the pan-European Stoxx600 may end the week with 4% gain, along with the DAX and the FTSE MIB gaining around 5%, the CAC40 climbing about 3%, and the FTSE100 remaining flat w/w. **In the USA**, equity indices followed the same route this week as their European counterparts: the Republican break-away holding off in US mid-term elections weighed on US stocks on Wednesday, but equities quickly recovered on Thursday after better-than-expected US inflation data decreased rate expectations. Today is national holiday in the USA, major US indices end the week with 4-7% gains.

- In terms of **sector performances**, investors' appetite turned to riskier assets. IT, materials, real estate, and telco led the gains in the USA (+8%), and technology, real estate, retail and financial services gained the most (+9-14%) in Europe, **in the Stoxx600-universe..** Most of the mega-cap stocks ailing this year recovered somewhat and climbed considerable higher, though Tesla fell 11% this week as CEO Elon Musk's rocky start to his Twitter regime appeared to spook investors.

- **Crude oil** prices slid steadily in several days on global growth concerns, but later, when some signs arrived that China relaxes its zero covid policies, commodities recovered. The correction, however, failed to save the week, WTI and Brent are both to decline 2-3%. Front-month **TTF gas** futures fell near 100 EUR/MWh or -12%, as unexpectedly warm weather in November reduced rationing concerns. On the other hand, uncertainties regarding gas supply from various sources still linger as constraints persist on how much more LNG Europe can import.

- The **cryptocurrency sector** is reeling after crypto trading platform FTX is filing for bankruptcy.

Stock market and sector performance

Performance of US sectors

Sector	Last price	1 week change (%)	YTD (%)
S&P500	3958	5.0	-17.0
IT	2289	8.2	-25.1
Health care	1549	1.7	-5.8
Financials	594	5.5	-8.6
Telco	164	7.5	-38.8
Consumer discretionary	1110	4.1	-31.1
Industrials	841	4.6	-6.0
Consumer staples	762	1.9	-5.3
Utilities	347	2.0	-4.5
Energy	710	1.1	67.9
Real estate	244	7.7	-24.8
Materials	513	8.1	-10.0

Key US Tech companies

Company	Last price	1 week change (%)	YTD (%)
Alphabet	95	10.0	-34.3
Amazon	99	9.1	-40.5
Apple	146	5.5	-17.8
Meta	112	23.3	-66.7
Microsoft	244	10.2	-27.5
Tesla	185	-10.7	-47.4

Source: Bloomberg

Performance of Europe's sectors

Sector	Last price	1 week change (%)	YTD (%)
Stoxx 600	432	3.6	-11.4
Health care	991	0.7	-8.4
Industrial goods & services	659	5.4	-17.3
Banks	134	0.3	-7.6
Personal & households goods	967	3.9	-12.2
Insurance	311	3.9	-3.3
Food and beverages	754	1.7	-13.3
Technology	621	13.6	-23.1
Utilities	356	3.7	-12.1
Oil & gas	346	-2.7	25.0
Chemicals	1222	5.7	-10.6
Construction & materials	540	7.3	-16.4
Telco	202	0.9	-12.3
Retail	301	9.0	-32.2
Financial services	612	8.8	-18.8
Basic resources	621	3.9	3.4
Real estate	128	9.6	-35.0
Auto & parts	557	6.1	-15.6
Media	326	2.4	-12.5
Travel & leisure	205	2.9	-12.0

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	432	11.4	-1.8	1.0	-11.0	14.7	1.8	1.3	14.0	1.1	173.5	-0.2	0.7
Germany	DAX Index	14207	16.3	3.7	2.7	-11.7	13.5	1.5	0.9	12.4	1.1	111.1	2.2	2.6
France	CAC Index	6583	12.9	0.6	5.0	-6.8	13.6	1.7	1.2	15.3	1.1	217.6	-6.5	3.4
Poland	WIG20 Index	1690	22.3	-2.0	-1.6	-28.6	6.2	1.0	0.6	16.5	1.2	55.8	-25.8	-10.4
Czechia	PX Index	1259	11.0	0.5	-3.0	-8.4	7.7	1.1	1.1	14.0		166.9	2.7	9.9
Hungary	BUX Index	43536	12.4	-1.4	6.4	-18.0	4.6	0.8	0.5	18.0	1.4	54.4	539.3	14.7
Romania	BET Index	11539	8.2	-8.2	-5.7	-9.7	5.7	1.0	0.9	24.2	1.5	73.1	-47.0	37.6
Bulgaria	SOFIX Index	598	2.5	-2.8	-1.7	-0.9	5.8	0.7	0.6	12.0	2.7	53.8		
Russia	MOEX Index	2216	13.7	3.9	-7.2	-47.1	3.8	0.7	0.7	19.2	1.3	78.7	-6.6	5.5
Ukraine	PFTS Index	519	0.0	0.0	0.0	-0.8	5.4	1.4	0.3	28.1	0.6	7.8		
Slovenia	SBITOP Index	1043	7.3	-11.1	-6.3	-14.3	6.1	0.9	0.4	13.7	1.5	30.1		
Croatia	CRO Index	1913	-0.3	-4.3	-9.1	-4.8	8.0	0.9	1.0	12.1	1.7	32.2		
Serbia	BELEX15 Index	780	-6.2	-7.9	-4.9	-3.3	342.6	53.7	35.0	16.7	1.7	16.6	0.0	
Montenegro	MNSE10 Index	899	6.6	9.5	15.1	17.1	26.9	0.3	0.7	0.9	2.1	10.5		

*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	1.05	1.08
EURGBP	0.84	0.83	0.85	0.85	0.88	0.88	0.89
EURCHF	1.06	1.05	1.03	0.97	0.97	1.00	1.05
USDJPY	130	129.5	136	136	143	140	132

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	423	416	412	411	409	406
Romania	EURRON (€op)	4.95	4.94	4.95	4.95	4.98	4.98	5.04	5.04	5.03
Russia	USDRUB (€op)	75	82.4	54.8	61.1	63.9	67.2	70.8	74.4	75.8
Ukraine	USDUAH (€op)	27.3	29.5	29.4	36.9	37.3	38.6	39.4	39.6	40.5
Croatia	EURHRK (€op)	7.52	7.57	7.53	7.52	7.53	7.53	7.53	7.53	7.53
Serbia	EURRSD (€op)	117.6	117.7	117.3	117.3	117.5	117.5	117.5	117.5	117.5

*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	5.0	0.5
Romania	5.1	4.7	2.5	5.5	2.3
Bulgaria	7.6	2.9	1.2	2.9	1.8
Russia	4.7	-3.8	-2.3	-4.8	-3.5
Ukraine	3.4	-36.7	6.1	-33.4	6.8
Slovenia	8.2	6.5	1.5	5.4	1.8
Croatia	13.1	6.5	2.1	5.4	1.7
Serbia	7.4	2.5	2.0	3.1	2.4
Montenegro	13.0	6.1	2.4	5.1	3.1
Albania	8.5	3.0	2.7	3.2	2.7
Moldova	13.9	-4.5	-1.8	-0.5	2.0

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.1	-5.5	-4.8	-5.6	-4.5
Romania	-7.1	-6.5	-5.5	-6.2	-5.1
Bulgaria	-4.1	-3.4	-3.9	-3.6	-3.4
Russia	0.4	-2.0	-2.0	-2.2	-2.8
Ukraine	-3.5	-25.0	-20.0	-22.5	-19.2
Slovenia	-4.7	-3.3	-4.8	-4.3	-3.8
Croatia	-2.6	-2.0	-3.0	-2.5	-2.6
Serbia	-4.1	-4.0	-5.0	-3.3	-2.7
Montenegro	-2.1	-3.1	-3.3	-5.3	-4.7
Albania	-4.5	-2.7	-3.0	-3.4	-3.2
Moldova	-2.6	-8.0	-6.0	-6.3	-4.9

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.0	16.5	13.8	13.3
Romania	5.0	13.6	8.5	13.5	9.5
Bulgaria	3.3	15.2	8.2	14.9	8.5
Russia	6.7	13.8	5.3	13.9	7.7
Ukraine	3.3	15.2	8.2	20.8	19.7
Slovenia	1.9	8.6	5.1	9.2	6.7
Croatia	2.6	10.2	7.0	10.5	6.3
Serbia	4.0	11.9	8.5	11.4	7.8
Montenegro	2.4	12.6	6.5	12.0	6.7
Albania	2.0	7.0	7.0	6.7	4.7
Moldova	5.3	28.0	18.0	28.4	11.8

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	4.0
Romania	5.6	5.6	5.8	5.4	5.4
Bulgaria	5.3	4.7	5.7	4.8	4.8
Russia	4.8	4.7	6.0	5.1	5.5
Ukraine	10.6	31.2	27.6	22.2	15.7
Slovenia	4.8	4.2	4.4	4.4	4.3
Croatia	7.6	6.5	6.5	7.0	7.5
Serbia	10.2	11.0	12.0	10.0	9.7
Montenegro	16.7	15.1	16.1	16.6	15.9
Albania	12.0	12.2	12.8	11.4	11.2
Moldova	3.9	3.5	4.4	3.1	3.6

Source: Focus Economics, OTP Research Center

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