

OTP Weekly Outlook



Next week's spotlight:

- The euro area's December business confidence and October real economy data
- US November October factory orders and December consumer sentiment

This week:

- Euro area inflation fell for the first time since June 2021, producer prices also plummeted
- Chair Powell hinted a slowdown in rate hikes
- US job market remained tight in November as wage growth picked up
- Stocks have been boosted by the lower yield environment, but the robust November jobs report brought partial turnback by lowering investors' expectation of the Fed to ease its aggressive tightening policy
- Bond yields declined, the euro gained, though the EURUSD reverted from 1.05 after US payrolls data were released
- Crude oil futures jumped on hopes of China's softening Covid stance and a possible OPEC+ cut
- The TTF gas price climbed to 135 EUR/MWh after jumping over 164 EUR/MWh mid-week.

In the spotlight: the euro area's December business confidence and October real economy data; the October reading of US factory orders, and consumer sentiment in December

Date*	Cd.	Event/Data	Period	Cons.	Prev.
2022 12. 5. 2 :45	CN	Caixin Services PMI	Nov		48.4
	10 :30	Sentix Investor confidence (points)	Dec	-27.5	-30.9
	11 :00	Retail sales MoM (%)	Oct	-1.7	0.4
	16 :00	Factory orders MoM (%)	Oct	0.8	0.3
	16 :00	ISM non-Manufacturing PMI (points)	Nov	53.1	54.4
6.	8 :00	Industrial orders MoM (%)	Oct	0.3	-4.0
7.	4 :00	Export (YoY, %)	Nov	-3.6	-0.3
	8 :00	Industrial production MoM (%)	Oct	-0.5	0.6
	10 :00	Retail sales MoM, SA (%)	Oct		0.5
8.	14 :30	Initial jobless claims (000s)	weekly	230	225
	14 :30	Continuing jobless claims (000s)	weekly		160.8
9.	16 :00	Michigan Consumer confidence (preliminary, points)	Dec	56.8	56.8

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

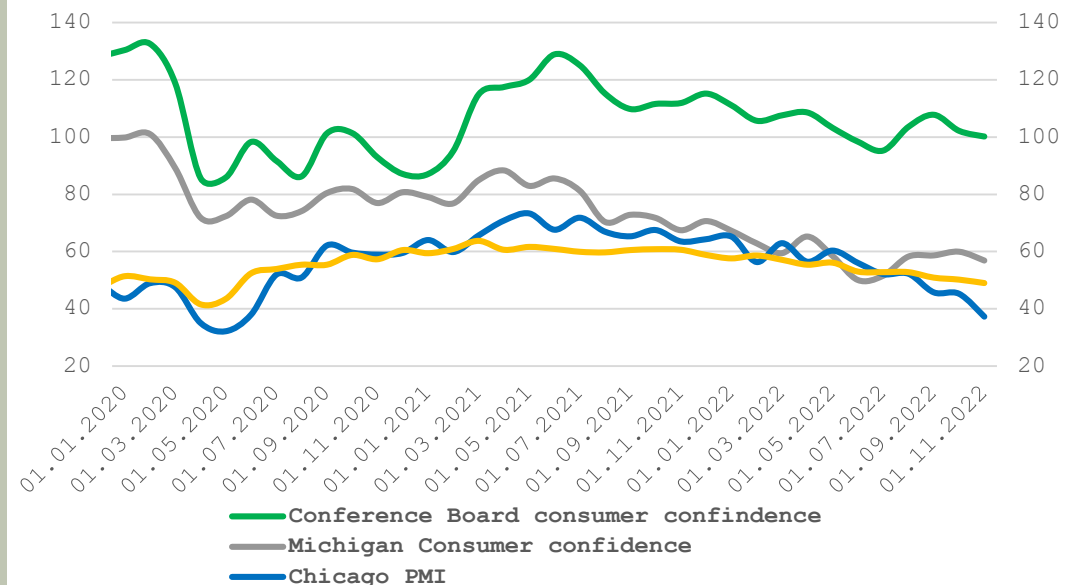
US: factory orders data will be in the spotlight; Michigan consumer confidence index is also coming

Date	Time	Cd.	Event/ Data	Period	Cons.	Prev.
2022.12.05	16:00	US	Factory orders MoM (%)	Oct	0.8	0.3
	16:00	US	ISM non-M manufacturing PMI (points)	Nov	53.1	54.4
08.	14:30	US	Initial jobless claims (000s)	weekly	230	225
	14:30	US	Continuing jobless claims (000s)	weekly		1608
09.	16:00	US	Michigan Consumer confidence (preliminary, points)	Dec	56.8	56.8

Key highlights

- **U.S. factory orders data for October are coming.** There was a slight increase last month, but considering that we saw a surge in bookings for civilian aircraft, the 0.3% rise means significant declines elsewhere in manufacturing. The question is can one-off factors (such as aircraft orders) keep the momentum of manufacturing alive. This is a critical issue for the US growth outlook, due to the manufacturing accounts for 11.3% of the U.S. economy.
- **The University of Michigan consumer sentiment index** was 59.9 point in October, which is better than in September, but is just slightly above its all-time low in June 2022. Consumer confidence was undermined mainly by high inflation, the survey found.
- In his latest statement, **Jerome Powell confirmed that the pace of interest rate hikes could slow in December** even if the results of the fight against inflation are largely inadequate. All the data and statements coming next week could be important ahead of the FOMC's last meeting of the year, which ends on 14 December.

Confidence indicators & Pmi's



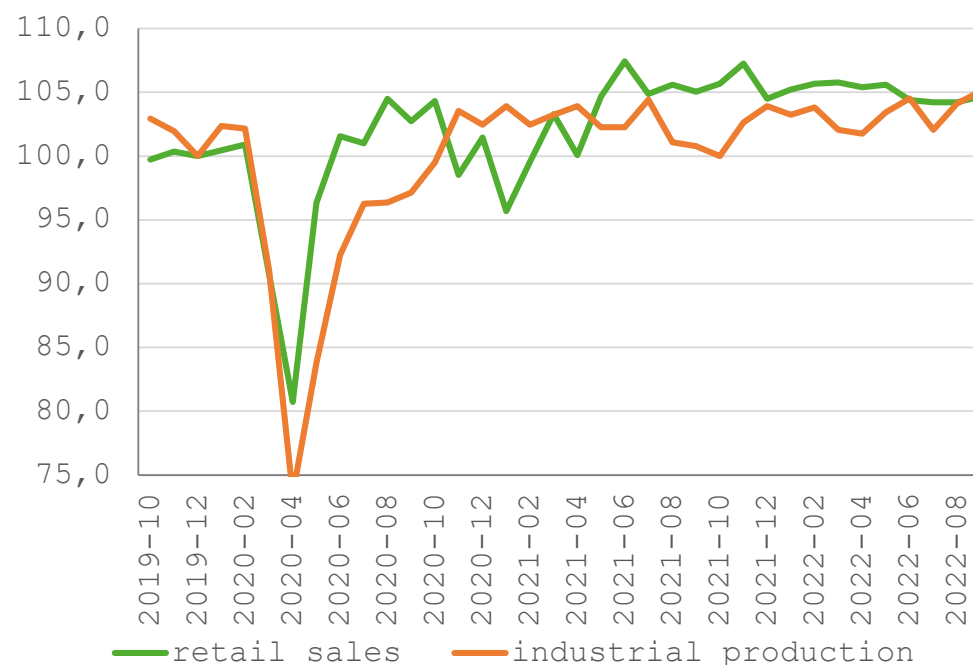
In the spotlight in the euro area: December business confidence and October real economy data

Date	Cd.	Event/ Data	Period	Cons.	Prev.
2022 12. 5. 10 :30	EZ	Sentix Investor confidence (points)	Dec	-27.5	-30.9
11 :00	EZ	Retail sales M o M ,%)	Oct	-1.7	0.4
6. 8 :00	DE	Industrial orders M o M ,%)	Oct	0.3	-4.0
7. 8 :00	DE	Industrial production M o M ,%)	Oct	-0.5	0.6
10 :00	IT	Retail sales M o M ,SA,%)	Oct		0.5

Key highlights

- Despite the historic low business and consumer confidence, and falling real wages, there was no sign of weakness in **euro area retail sales and industrial production** in September. The industry's performance could partly be explained by easing supply chain problems, and hence while energy-intensive industries struggled, others, like automotive production revved up. **German industrial production** showed a decent performance, although **orders** fell sharply. Therefore, October data for production and orders, out next week, could prove interesting. **Euro area retail sales** will probably start to fall sharply in October as predicted by the fall in German sales this week.
- Additionally, the first December business confidence index, **Sentix** will be also out. The question is whether the recovery from the sharp fall could continue in November.

Euro area real economy indicators (2019 dec.=100)



This week's data: euro area inflation fell for the first time since June 2021 and producer prices also plummeted; US job market remained tight in

Date*		Cd.	Event/Data	Period	Fact	Cons.	Prev.
2022 11. 29.	11 :00	EZ	EC Economic Sentiment Index (points)	Nov	93.7	93.5	92.7
	14 :00	DE	CPI (preliminary, YoY, %)	Nov	10.0	10.3	10.4
30.	2 :30	CN	NBS Manufacturing PMI (points)	Nov	48.0	49.0	49.2
	2 :30	CN	NBS Non-manufacturing PMI (points)	Nov	46.7		48.7
	11 :00	EZ	CPI (Flash, YoY, %)	Nov	10.0	10.4	10.6
	11 :00	EZ	Core CPI (Flash, YoY, %)	Nov	5.0	5.0	5.0
	14 :15	US	ADP non-farm employment MoM, 000s)	Nov	127.00	200	239
	16 :00	US	Pending home sales MoM, %)	Oct	-4.6	-5.0	-8.7
12. 1.	2 :45	CN	Caixin Manufacturing PMI (points)	Nov	49.4	48.9	49.2
	8 :00	DE	Retail sales MoM, %)	Oct	-2.8	-0.6	1.2
	11 :00	EZ	Unemployment rate (%)	Oct	6.5	6.6	6.6
	14 :30	US	Personal income MoM, %)	Oct	0.7	0.4	0.4
	14 :30	US	Personal consumption (adjusted, MoM, %)	Oct	0.8	0.8	0.6
	14 :30	US	Household core PCE index MoM, %)	Oct	0.2	0.3	0.5
	16 :00	US	Construction spending MoM, %)	Oct	-0.3	-0.3	0.1
	16 :00	US	ISM Manufacturing PMI (points)	Nov	49.0	49.8	50.2
2.	8 :00	DE	Export MoM, SA, %)	Oct	-0.6	-0.3	-0.7
	14 :30	US	Non-farm payroll employment MoM, 000s)	Nov	263	208	284
	14 :30	US	Unemployment rate (%)	Nov	3.7	3.7	3.7
	14 :30	US	Average earnings MoM, %)	Nov	0.6	0.3	0.5
	14 :30	US	Average earnings YoY, %)	Nov	5.1	4.6	4.9

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

Key highlights

- **Euro area inflation** slowed to 10%, posting the first decline since June 2021, well below a consensus of 10.4% as energy inflation slowed. However, core inflation stagnated at 5.0%. Producer prices fell sharply by 2.9%. The question is whether the data will be enough for the ECB's Governing Council to slow the pace of rate hikes to 50 bps in December. Meanwhile **Economic Sentiment** in December improved slightly, but October **retail sales** fell in **Germany**, and **exports** declined below the consensus.
- FOMC Chair, J. **Powell** acknowledged at his speech that a slowdown in the pace of rate hikes is quite likely, even if the committee cannot be fully reassured on the inflation front. The **job market** remained tight in November: Non-farm payroll employment expanded by 263,000, above the consensus and there were modest upward revisions to the gains of preceding two months. However, after declining in October, household employment fell by a further and only an even larger decline in the labour force prevented the unemployment rate from rising above 3.7%. This latter might partly explain the resilience of wages, with average hourly earnings increasing by a bigger 0.6% MoM, well above the consensus. Annual wages growth picked up to 5.1%.

Stocks have been boosted by the lower yield environment, but the robust November jobs report brought partial turnback. The euro gained, though the EURUSD reverted from 1.05 after US payrolls data were released. Crude oil futures jumped on hopes of China's softening Covid stance, the TTF gas price climbed to 135 EUR/MWh after jumping over 164 EUR/MWh mid-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	4031	0.1	-15.4	US 2 year	4.36	-9.4	362.6	Dollar index	105.139	-0.8	9.9	Brent	87.2	4.3	12.1
Nasdaq Comp.	11344	1.0	-27.5	US 10 year	3.60	-7.8	208.9	EURUSD	1.0477	0.8	-7.9	WTI	81.7	7.2	8.7
Dow Jones	34150	-0.6	-6.0	DE 2 year	2.05	-12.4	268.9	USDJPY	135.38	2.8	-15.0	NatGas (TTF, front month)*	135.9	8.7	107.4
Russel2000	1862	-0.4	-17.1	DE 10 Year	1.84	-12.7	202.6	GBPUSD	1.2221	1.1	-9.7	Gold	1787.0	1.8	-2.3
Stoxx 600	442	0.3	-9.4	FR 10 year	2.30	-13.4	210.4	AUDUSD	0.6777	0.4	-6.7	Silver	22.7	4.2	-2.8
DAX	14482	-0.4	-8.8	SP 10 year	2.85	-9.5	228.6	USDCAD	1.3457	-0.6	-6.1	Palladium	1886.2	2.1	-1.0
CAC40	6729	0.2	-5.9	IT 10 year	3.74	-9.8	257.7	USDCHF	0.9408	0.5	-3.0	Copper	376.7	3.8	-15.6
FTSE100	7546	0.8	2.2	UK 10 year	3.12	-0.4	214.5	NZDUSD	0.6368	1.9	-6.7	Steel	665.0	1.4	-53.7
FTSEMIB	24582	-0.6	-10.1	CH 10 year	1.01	-2.5	116.6	CNHUSD	7.0439	2.1	-9.8	W heat	739.3	-4.7	-4.1
Nikkei225	27778	-1.8	-3.5	JP 10 year	0.25	0.0	18.5	USDTRY	18.6351	-0.2	-28.6	Com	639.8	-4.2	7.8
CSI300	3871	2.5	-21.6	CN 10 year	2.91	6.8	12.6	USDBRL	5.1895	4.0	7.4	Electricity (APX)*	300.1	-7.4	220.9

Source: Bloomberg

*In EUR/MWh

Key highlights: Stocks have been boosted by the lower yields, but the robust November jobs report released on Friday brought partial turnback. The euro gained, though the EURUSD reverted from 1.05. Crude oil futures jumped on hopes of China's softening Covid stance, the TTF gas price climbed to 135 EUR/MWh after jumping over 164 EUR/MWh mid-week.

- *Stocks are in for mixed performance this week. Markets have been boosted by the lower yield environment, but the robust November jobs report released on Friday brought partial turnback by lowering investors' expectation of the Fed to ease its aggressive tightening policy.*
- *Stock indices started the week in the red after the quickly rising number of Covid cases and the protests against the lockdowns in China made investors wary. Bankruptcy filing of another cryptocurrency firm, BlockFi also weighed on equities. Tuesday's lower-than-expected November inflation data in Germany and Spain surprised the markets, sending equities higher and bond yields down. After the release of national price statistics, Wednesday's euro area CPI had limited effect on capital markets, though maintained the positive sentiment **in Western Europe**. Below-expectation German retail and export statistics, disappointing industrial production data in France could ravage somewhat the positive market sentiment, and major European indices are expected to end the week with mixed results. The Stoxx600 may add 0.3%, the FTSE100 is heading for an 0.8% weekly gain, while the DAX may drop 0.4%. **In the USA**, Fed Chair Jerome Powell's comment on Wednesday, signalling a slower pace of interest rate rise already in December, gave strong momentum to equity markets, sent bond yields deep down, and boosted the euro. Wednesday's stock market rally seemed to have given enough ammunition to US benchmark indices to end the week with considerable gains, but they close the week mixed after Friday's US job report weighed on the stock markets. In w/w, the Dow may lose 0.6%, while the S&P may remain flat and the Nasdaq Composite is in for about 1% plus.*
- *In terms of **sector performances**, S&P sectors were mixed in a weekly horizon with telco, consumer discretionary and health care leading the gainers, and financials and real estate losing the most. In Europe, sectors' performance was also quite mixed this week: basic resources, personal & household goods gaining the most, and chemicals and real estate posting the biggest weekly loss.*
- *In the bond markets, **US 10Y** yield fell about 8bps to 3.60% in one week, and the **German 10Y** yield declined 13bps to 1.84%. Yields in the eurozone periphery plunged 10-30bps. In the UK, 10Y yield remained flat after 7bp weekly drop registered intraday on Friday.*
- *In the **FX market**, the weakening of the US dollar went on, with the EUR/USD exceeding 1.05 (+1.4%) on Friday ahead of US jobs report, the highest in five months. However, after the release of the NFP the euro weakened the EURUSD dropped to 1.046 (+0.7% w/w). The British pound strengthened 1.0% this week against the USD; the GBP/USD is near 1.22, a level last seen in August.*
- ***Crude oil futures** are set to end the week with sharp gains (**WTI: +7%; Brent: +4%**) benefiting mainly from hopes on China's softening stance on Covid after top Chinese officials hinted at a more moderate approach to the epidemic. On the supply side, the prospects of further production cut from OPEC ahead of its meeting on 4 December, supported the price increase. Front-month **TTF gas** futures are around 136 EUR/MWh (+9% w/w) after rising to as high as 164.9 EUR/MWh at the beginning of December, which was the highest level in two months, as temperatures are set to fall as winter sets in, reducing stockpiles. Some processing issues in Norway are reducing the supply, though on the positive side Gazprom continued to send gas to Europe via Ukraine.*

Stock market and sector performance

Performance of US sectors			
Sector	Last price	1week change (%)	YTD (%)
S&P500	4031	0.1	-15.4
IT	2335	0.2	-23.6
Health care	1613	1.1	-1.9
Financials	592	-1.2	-8.9
Telco	172	2.2	-35.8
Consumer discretionary	1123	1.4	-30.3
Industrials	852	-0.3	-4.8
Consumer staples	798	0.4	-0.8
Utilities	356	-0.7	-2.1
Energy	693	-1.2	63.9
Real estate	242	-0.4	-25.5
Materials	518	0.0	-9.1
Key US Tech companies			
Company	Last price	1week change (%)	YTD (%)
Alphabet	100	2.1	-31.3
Amazon	95	1.4	-43.2
Apple	146	-1.2	-17.6
Meta	120	7.3	-64.5
Microsoft	250	1.2	-25.5
Tesla	195	6.7	-44.6

Source: Bloomberg

Performance of Europe's sectors			
Sector	Last price	1week change (%)	YTD (%)
Stoxx 600	442	0.3	-9.4
Health care	1021	1.2	-5.6
Industrial goods & services	668	-0.4	-16.1
Banks	139	-0.8	-4.4
Personal & household goods	1009	2.1	-8.4
Insurance	321	0.5	-0.2
Food and beverages	781	1.0	-10.1
Technology	635	0.6	-21.3
Utilities	371	0.1	-8.4
Oil & gas	355	0.0	28.0
Chemicals	1204	-2.6	-12.0
Construction & materials	535	-0.5	-17.1
Telco	203	-0.7	-11.7
Retail	309	1.5	-30.5
Financial services	604	-0.6	-19.9
Basic resources	645	2.5	7.4
Real estate	123	-1.1	-37.4
Auto & parts	560	1.5	-15.2
Media	344	0.2	-7.8
Travel & leisure	211	1.4	-9.0

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	442	7.0	6.3	0.2	-5.0	15.1	1.8	1.3	13.7	1.1	177.2	-0.4	-1.3
Germany	DAX Index	14482	9.2	11.0	0.0	-5.1	13.2	1.6	0.9	12.7	1.1	110.5	13.3	3.6
France	CAC Index	6729	7.2	9.1	3.5	-1.0	13.9	1.7	1.2	15.2	1.1	217.3	-7.6	-0.6
Poland	WIG20 Index	1739	10.5	15.5	-5.2	-21.0	5.4	1.0	0.5	17.6	1.4	53.0	-6.0	-6.0
Czechia	PX Index	1198	1.1	4.2	-9.7	-12.1	7.4	1.1	1.1	14.1		167.1	1.5	9.5
Hungary	BUX Index	45751	10.5	9.1	12.1	-11.0	4.9	0.8	0.6	17.9	1.4	54.3	525.2	16.5
Romania	BET Index	11923	10.4	-1.1	-4.7	-2.2	6.3	1.1	0.9	25.4		53.1	268.0	87.0
Bulgaria	SOFIX Index	602	1.9	-1.4	-2.6	-2.8	5.9	0.7	0.6	11.8	2.8	51.5		
Russia	MOEX Index	2180	0.3	-11.8	-6.9	-44.8	3.8	0.7	0.8	19.0	1.4	73.4	-0.9	4.2
Ukraine	PFTS Index	519	0.0	0.0	0.0	-0.8	5.6	1.3	0.3	25.4	0.6	3.6		
Slovenia	SBITOP Index	1071	5.7	-3.3	-7.2	-12.0	6.0	0.9	0.4	14.4	1.6	34.3		0.0
Croatia	CRO Index	1913	-0.1	-4.0	-8.4	-3.7	8.1	0.9	1.0	11.6	1.7	32.3		
Serbia	BELEX15 Index	814	3.3	-4.5	-2.6	-1.7	366.0	54.4	36.4	15.9	1.8	15.8	0.0	185.5
Montenegro	MNSEC10 Index	892	-0.4	10.4	15.5	16.8	27.3	0.3	0.6	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	1	1.07	1.1
EURGBP	0.84	0.83	0.85	0.85	0.88	0.89	0.89
EURCHF	1.06	1.05	1.03	0.97	0.98	1.02	1.05
USDJPY	130	129.5	136	136	145	141.5	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)	369	367	396	423	411	411	409	407	409
Romania	EURRON (€op)	4.95	4.94	4.95	4.95	4.96	4.97	4.99	4.99	4.99
Russia	USDRUB (€op)	75	82.4	54.8	61.1	62.3	66.1	68.9	71.5	73.9
Ukraine	USDUAH (€op)	27.3	29.5	29.4	36.9	37	38.1	39.2	40.4	41.6
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	116.9	116.8	116.8	116.8	116.7

*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	0.4
Rom ania	5.9	4.7	2.5	5.0	2.2
Bulgaria	7.6	3.0	1.3	3.0	1.5
Russia	4.7	-2.7	-1.1	-4.2	-3.1
Ukraine	3.4	-36.7	6.1	-33.4	5.1
Slovenia	8.2	6.5	1.5	5.6	1.3
Croatia	13.1	6.3	0.5	5.9	1.5
Serbia	7.4	2.1	2.1	3.0	2.0
Montenegro	13.0	6.1	2.4	5.6	3.0
Albania	8.5	3.0	2.7	3.3	2.3
Moldova	13.9	-3.8	-1.8	-1.0	1.7

Countries	Fiscal balance (%of GDP)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	-7.1	-5.5	-3.5	-5.7	-4.5
Rom ania	-7.1	-6.5	-5.5	-6.3	-5.1
Bulgaria	-4.1	-3.4	-3.9	-3.9	-3.6
Russia	0.4	-2.0	-2.0	-1.7	-2.5
Ukraine	-3.5	-25.0	-20.0	-22.7	-21.5
Slovenia	-4.7	-3.3	-4.8	-4.0	-3.9
Croatia	-2.6	-2.0	-3.0	-2.3	-2.7
Serbia	-4.1	-4.0	-5.0	-3.3	-2.8
Montenegro	-2.1	-3.1	-3.3	-5.5	-4.8
Albania	-4.5	-2.7	-3.0	-3.5	-3.4
Moldova	-2.6	-8.0	-6.0	-5.8	-5.0

Countries	Inflation (average (yoy), %)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	5.1	14.0	16.5	14.2	14.3
Rom ania	5.0	13.6	9.9	13.5	10.2
Bulgaria	3.3	15.3	9.6	14.9	8.6
Russia	6.7	13.7	5.1	13.9	6.8
Ukraine	3.3	15.3	9.6	20.9	21.1
Slovenia	1.9	8.6	5.1	9.1	6.2
Croatia	2.6	10.8	7.5	10.6	6.3
Serbia	4.0	12.5	10.5	11.6	9.1
Montenegro	2.4	12.6	6.5	12.3	6.6
Albania	2.0	7.0	7.0	6.7	4.7
Moldova	5.3	28.0	15.0	29.0	11.5

Countries	Unemployment (%)				
	OTP			Focus Economics	
	2021	2022	2023	2022	2023
Hungary	4.1	3.4	4.1	3.6	4.1
Rom ania	5.6	5.6	5.8	5.4	5.4
Bulgaria	5.3	4.7	5.6	4.7	4.9
Russia	4.8	4.7	6.0	4.2	5.1
Ukraine	10.6	31.2	27.6	22.2	15.7
Slovenia	4.8	4.2	4.4	4.3	4.3
Croatia	7.6	6.5	6.5	#HIV!	#HIV!
Serbia	10.2	11.0	12.0	9.9	9.8
Montenegro	16.7	15.1	16.1	17.1	15.9
Albania	12.0	12.2	12.8	11.2	11.1
Moldova	3.9	3.5	4.4	3.1	3.6

Source: Focus Economics, OTP Research Center

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