

The ECB Governing Council's meeting and PMI data from both sides of the Atlantic could be in the spotlight

Next week the ECB Governing Council will be in the primary focus. We will find out how the ECB assesses macroeconomic conditions and whether they intend to respond to the deteriorating growth outlook. PMI data from both sides of the Atlantic could be market movers. They may indicate whether the ongoing recovery continues in the US and the UK, and to what extent the new restrictions related to the pandemic are affecting the real economy in the euro zone.

Concerning the **euro area**, no substantial change in monetary conditions is expected at the ECB's next meeting, but we will find out how the ECB assesses macroeconomic conditions and whether it intends to respond to the deteriorating growth outlook. Furthermore, we may find out if asset purchases will increase in the future on account of rising long yields as promised following the previous meeting.

The restrictions due to the ongoing epidemic and the worse-than-expected industrial production data suggest that the European economy may make weak start to the year. In addition, progress with vaccination continues to be slow, especially compared to the USA or the UK. The latest issues with the Johnson & Johnson and AstraZeneca vaccines cause further delays. Inflation is expected to jump and temporarily exceed the target due to base effects and other technical reasons (tax measures, changes in weights in the consumer basket) but there is a strong probability that inflation will fall to low levels from 2022, on account of subdued growth and inadequate fiscal stimulus. Therefore, while there would be room for further monetary support in the euro area based on the economic outlook, the market does not expect any policy changes at next week's meeting, due to disagreements within the ECB Governing Council.

April's PMIs in the eurozone are expected to signal a halt in the economic recovery due to covid-related restrictions. In the case of the service sector, we have been seeing below-50-point readings, which indicated declines in activity, due to closures and restrictions on operations. In contrast, in the manufacturing industry, the second wave caused significantly less disruption than last spring and the slight stagnation seen in the autumn was followed by a gradual rise in production. This trend may be broken by the April figures, due to production problems caused by the global shortage of semiconductors.

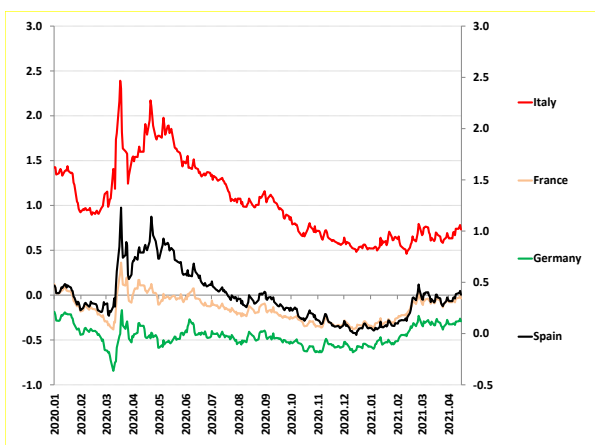
Meanwhile, restrictions in the **USA** have been partially or completely lifted in several states, thanks to the progress of the vaccination programme. While recently there has been some increase in new Covid cases, the acceleration remained subdued, therefore we expect PMIs to improve further. The situation is similar in the United Kingdom, where a gradual opening of the economy is under way. PMIs are typically good predictors of actual production, but the magnitudes are not necessarily indicative, as respondents only report a decrease, stagnation, or increase in output, rather than exact magnitudes.

March inflation indicators will arrive from **UK** on Wednesday. The UK's inflation rate fell to 0.4 % YoY in February, due to lower prices of industrial

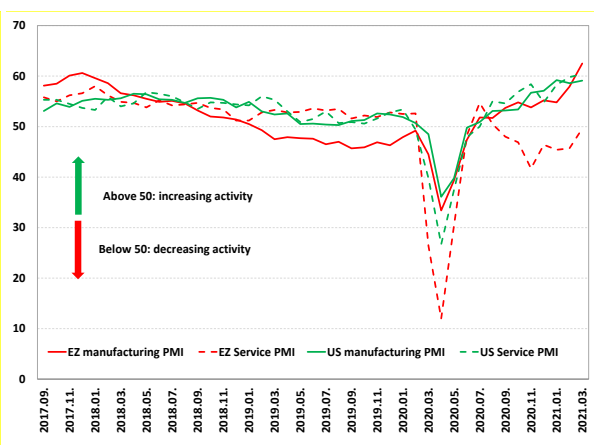
goods. In the next months, inflation is expected to increase, due to the raising the price cap for energy bills, and the pickup in oil prices. The ONS will also report unemployment and retail figures. In January unemployment fell for first time since the Covid-19 pandemic began, dropping to 5%. With the economy gradually reopening amid a successful vaccination rollout, the prospects for the economic recovery are strong.

Japan's inflation indicators will also be published on Friday. Consumer prices continued to fall in February but slowed their annual pace of decline, indicating that rising fuel costs and a rebound in domestic demand will help Japan avert deflation. However, analysts expect the pick-up in inflation to moderate going forward, on account of one-off factors (such as planned cuts in cell phone charges), which will weigh on prices. The Bank of **Canada** will hold an MPC meeting (due on Wednesday), but given the recent inflation numbers, policymakers are expected to hold the current level of the policy rate and to continue to provide monetary policy stimulus.

Long term yields in the EZ (% p.a.)



PMIs in EZ and US (Balance)



Sources: Bloomberg, Refinitiv

What to watch next week

WEEKLY REPORT - 19 APRIL 2021

Data	Cd.	Event/Data	Period	Cons.	Prev.
2021. 4. 20.	8 : 00 UK	Unemployment rate (%)	Feb	5.1	5.0
21.	8 : 00 UK	Inflation (YoY, %)	Mar	0.7	0.4
	16 : 00 CA	Interest rate decision (%)	Apr	0.3	0.3
22.	13 : 45 EZ	Interest rate decision (lending rate, %)	Apr	0.0	0.0
	13 : 45 EZ	Interest rate decision (deposit rate, %)	Apr	-0.5	-0.5
	14 : 30 US	Initial jobless claims ('000s)	weekly		576
	14 : 30 US	Continuing jobless claims ('000s)	Feb		3731
	16 : 00 US	Existing home sales (annualized monthly, '000s)	Feb	6210	6220
	16 : 00 US	Leading index (MoM, %)	Mar	0.6	0.2
	17 : 00 EZ	Consumer confidence (point)	Apr	-10.9	-10.8
23.	1 : 30 JP	core-CPI (YoY, %)	Mar	-0.1	-0.4
	1 : 30 JP	CPI (YoY, %)	Mar		-0.4
	8 : 00 UK	Retail sales (MoM, %)	Mar	1.2	2.1
	9 : 15 FR	Markit Manufacturing PMI (points)	Apr	59.0	59.3
	9 : 15 FR	Markit Service PMI (points)	Feb	44.0	48.2
	9 : 30 DE	Markit Manufacturing PMI (points)	Apr	65.9	66.6
	9 : 30 DE	Markit Service PMI (points)	Apr	50.8	51.5
	10 : 00 EZ	Markit Manufacturing PMI (points)	Apr	62.0	62.5
	10 : 00 EZ	Markit Service PMI (points)	Apr	49.1	49.6
	10 : 30 UK	Manufacturing PMI (points)	Apr	58.8	58.9
	10 : 30 UK	Service PMI (points)	Apr	59.0	56.3
	15 : 45 US	Markit Manufacturing PMI (points)	Apr	60.0	59.1
	15 : 45 US	Markit Service PMI (points)	Apr	61.5	60.4
	16 : 00 US	New home sales (annualized monthly, '000s)	Mar	880	775

Stock markets closed higher on account of US macro data and corporate earnings

Major European and US stock markets posted gains in a weekly comparison as the US published favourable macro data and corporate earnings exceeded expectations. Markets assessed positively the recent US macro data (labour market, retail, and New York Fed manufacturing index). Long-term yields went down in the USA, despite the strengthening of economic activity. In Europe, the macro data were more disappointing as large EZ countries continue to struggle with the pandemic.

Pandemic situation: covid cases went up in the USA and Western Europe. Some improvement can be seen in Central & Eastern Europe

The number of daily covid cases slowly rose in the USA, while covid-related deaths continued to decline. France reported a high rate of infections this week, while Germany and Spain showed a steady growth of daily new case counts. Other countries in Western Europe showed stagnating infection rates. Currently, Italy and France suffer the most covid-related deaths in the region, and Denmark and Portugal the least. In the CEE region, a slowing, but relatively high infection rate could be observed in most countries. An alarming jump in daily new cases could be seen in India and Turkey.

Israel is still ahead in vaccinations, 62% of the population received one dose and 57% is considered fully vaccinated. The UK managed to vaccinate 47% of its population with at least one dose, and 12% of the people is considered fully vaccinated. The USA administered at least one shot to 37%, and fully vaccinated almost 23% of its population. Most Western European countries partially vaccinated about 15%-17%, and fully vaccinated about 5%-8% of their population. Hungary administered at least one dose to one third of the population, and fully vaccinated 13%.

Both European and US indices showed gains in weekly comparison by Friday afternoon

In **Europe**, the *STOXX600* stood at 0.9% on Friday afternoon. Individual country indices grew to different degrees: *FTSE MIB*: 1.0%. *DAX*: 1.2%, *CAC40*: 1.7%, *FTSE100*: 1.5%. Basic resources (4.3%), auto & parts (2.3%), real estate (2.3%), and retail (2.2%) performed best, in weekly comparison. At the same time, defensive sectors such as insurance (-0.8%) and telco had a bad week (-0.4%).

In the **USA**, the *S&P* stood at 1.3% by Friday afternoon while the small-cap index *Russell 2000* increased by 1.2%. Materials (3.4%), utilities (3.2%) and real estate (2.7%) were booming, while telco (-0.2) and financials (0.7%) performed the weakest.

Long-term US yields fell further, oil prices jumped; the dollar weakened

Long-term *US Treasury yields* declined further, by around 7 basis points since last Friday, falling below 1.6%. In contrast, the *German 10Y Bund yield* increased by almost 3.4 bps, to -0.27%, while long-term yields in other European countries went up by 1-2 bps. The *dollar* weakened by around half percent against major currencies, on account of the decrease in the yield differential. *Oil prices* jumped 6-7% in weekly terms, due to an improving demand outlook and tensions in the Middle East.

The outlook for the eurozone weakened; robust US figures suggest a favourable picture for the real economy

The week started on a positive note for the **euro-zone**, where retail sales rose 3% in February, beating expectations (1%) despite the rise in coronavirus infections and the tightening of restrictions across the continent. However, the rest of the week was disappointing as the German ZEW institute's April economic sentiment index sank to 70.7, from 76.6 in the previous month, and missing the market forecast of 79. One important reason for less optimism is the expectation that covid-related restrictions will last longer, which will delay economic recovery. Moreover, German Chancellor Angela Merkel suggested that tighter measures may be implemented. The sentiment did not benefit from the euro area's worse-than-expected February industrial production data (-1.6% year-on-year, missing the market expectation of -0.9%), which confirmed the view that the continent's economy made a weak start to the year.

As for the **USA**, the Bureau of of Labour Statistics reported on Tuesday that inflation rose by 0.6% month/month in March, while core inflation accelerated by 0.3%. Both indicators were up compared to last month and increased slightly more than expected. The mounting price pressure is driven by the base effects from fuel prices, the Biden administration's coronavirus relief package, and the price increases related to the service sector's re-opening. In the second half of the week, favourable data were released. Initial jobless claims, at 576,000, significantly undershot expectations (700,000). In addition, retail sales in March surged by 9.8% from the previous month, beating expectations of 5.9%, as Americans received their checks under the economic stimulus programme. Finally, the New York Fed Manufacturing Index rose to 26.3 points in April, its highest since the pandemic began, from 17.4 points in the previous month.

In the first quarter of 2021, **China's** economy grew by 18.3% YoY. The figure reflected a low base as activity plunged at the beginning of 2020 due to the Covid-19 shock. QoQ expansion came in at 0.6%, falling short of market expectations of 1.5%.

Geopolitical tensions have increased in the past week. The latest news is that the US announced additional sanctions on Russia. American financial companies have been banned from trading in newly issued Russian state debt, additional individuals were sanctioned, and several Russian diplomats were expelled. The macroeconomic fallout on the Rubel and Russian yields has remained contained.

Sectoral performance in the USA and Europe

Performance of US sectors					Performance of Europe's sectors				
Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)	Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)
S&P500	SPX Index	4181.9	1.3	11.3	Stoxx 600	SXXP Index	441.2	0.9	10.6
IT	S5INFT Index	2513.5	0.9	9.7	Health care	SXDP Index	905.2	0.5	3.0
Health care	S5HLTH Index	1411.3	2.6	6.6	Industrial goods & services	SXNP Index	715.7	1.3	13.8
Financials	S5FINL Index	588.2	0.7	19.9	Banks	SX7P Index	129.5	0.3	19.7
Telco	S5TELS Index	251.5	-0.2	13.3	Personal & households goods	SXQP Index	1011.9	1.7	8.5
Consumer discretionary	S5COND Index	1431.3	1.4	9.9	Insurance	SXIP Index	311.5	-0.8	11.6
Industrials	S5INDU Index	857.4	0.9	14.4	Food and beverages	SX3P Index	753.0	0.0	5.3
Consumer staples	S5CONS Index	713.5	0.8	2.5	Technology	SX8P Index	703.9	0.7	16.6
Utilities	S5UTIL Index	340.2	3.2	6.6	Utilities	SX6P Index	390.5	0.1	1.7
Energy	S5ENRS Index	368.4	1.1	28.7	Oil & gas	SXEP Index	256.3	1.5	8.4
Real estate	S5RLST Index	258.9	2.7	13.6	Chemicals	SX4P Index	1227.9	1.2	10.2
Materials	S5MATR Index	519.5	3.4	14.0	Construction & materials	SXOP Index	569.9	0.2	15.7
Source: Bloomberg					Telco	SXKP Index	226.8	-0.4	10.3
					Retail	SXRP Index	442.1	2.2	11.7
					Financial services	SXFP Index	671.9	0.5	10.8
					Basic resources	SXPP Index	602.7	4.3	20.7
					Real estate	SX86P Index	176.4	2.3	3.2
					Auto & parts	SXAP Index	659.7	2.3	25.1
					Media	SXMP Index	324.6	2.0	14.7
					Travel & leisure	SXTP Index	273.4	1.5	21.9
					Source: Bloomberg				

Performance of the regional stock indices

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 (%)
USA	SPX Index	4182	5.5	11.0	20.0	49.4	32.8	4.6	3.1	11.0	1.4	123.8	2.8	6.5
Europe	SXXP Index	441	3.4	8.2	20.1	35.8	54.5	2.1	1.6	4.8	1.1	176.6	0.4	6.0
Germany	DAX Index	15417	5.9	11.8	19.4	49.7	50.1	2.0	1.2	4.6	1.2	131.4	9.2	5.7
France	CAC Index	6275	3.6	11.8	27.1	44.2	56.9	1.9	1.4	3.1	1.1	192.4	15.0	9.1
Poland	WIG20 Index	2004	1.1	0.9	21.0	25.4	24.1	1.2	1.0	4.4	1.1	59.1	4.9	4.6
Czechia	PX Index	1104	2.4	2.8	27.3	30.7	21.8	1.3	1.7	6.1	1.1	143.4	-0.1	2.4
Hungary	BUX Index	42936	-3.0	-2.9	29.2	33.3	20.9	1.2	1.0	5.2	1.1	55.0	8.9	7.9
Romania	BET Index	11160	2.9	9.3	25.7	40.6	12.8	1.1	1.5	9.2	1.5	33.1	-35.0	39.2
Bulgaria	SOFIX Index	514	4.6	10.4	19.7	15.0	18.3	0.6	0.8	2.8		64.6		
Russia	IMOEX Index	3581	-0.3	3.8	27.9	42.4	20.3	1.2	1.4	6.0	1.5	53.5	22.7	16.9
Ukraine	PFTS Index	527	2.0	5.7	3.5	5.2		1.7	1.0	-1.1		2.5		
Slovenia	SBITOP Index	1044	5.4	9.4	24.4	31.6	8.6	1.0	0.6	11.3	1.7	27.4		
Croatia	CRO Index	1879	0.1	2.8	17.1	20.6	55.9	1.0	1.1	2.1	1.3	53.5		
Serbia	BELEX15 Index	762	0.7	3.5	10.1	10.4	13.8	0.6	0.8	5.1	1.7	20.5		
Montenegro	MNSE10 Index	755	2.0	2.1	15.6	15.5	15.0	0.3	1.1	2.1	2.3	13.8		

*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.

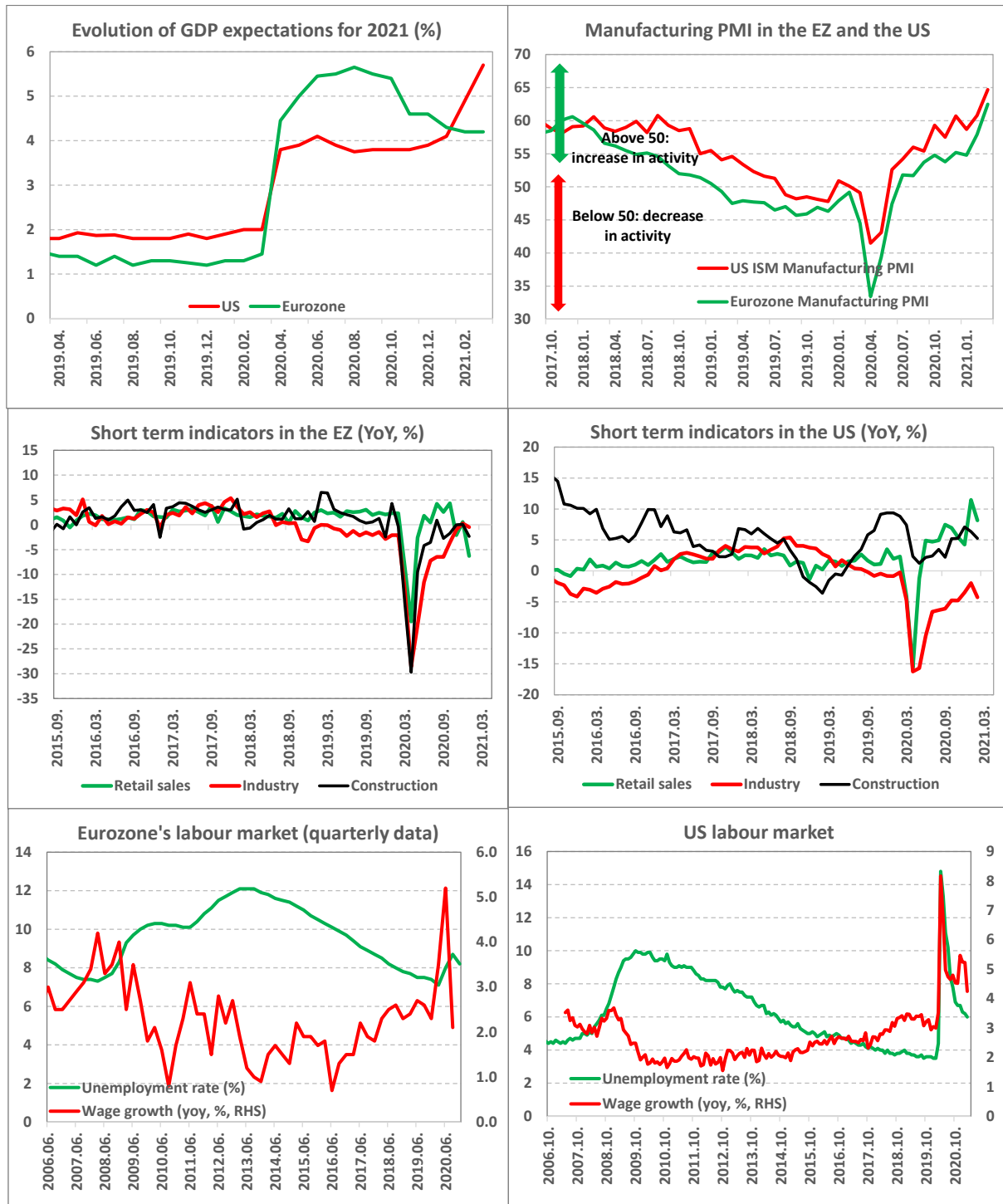
This week's data

Data	Cd	Event/Data	Period	Fact	Cons	Prev.
2021 4. 12. 11 : 00	EZ	Retail sales (MoM, %)	Feb	3.0	1.5	-5.9
20 : 00	US	Federal budget balance (USDbn)	Mar	-660.0	-658.0	-311.0
13. 3 : 00	CN	Export (YoY, %)	Mar	31	36	61
11 : 00	DE	Industrial production (MoM, SA, %)	Feb	70.7	79.0	76.6
11 : 00	DE	ZEW Economic Sentiment (points)	Apr	70.7	79.0	76.6
14 : 30	US	core-CPI (MoM, SA, %)	Mar	0.3	0.2	0.1
14 : 30	US	core-CPI (YoY, %)	Mar	1.6	1.5	1.3
14 : 30	US	CPI (MoM, SA, %)	Mar	0.6	0.5	0.4
14 : 30	US	CPI (YoY, %)	Mar	2.6	2.5	1.7
14 11 : 00	EZ	Industrial production (MoM, %)	Feb	-1.0	1	0.8
13 : 00	IL	CPI (YoY, %)	Mar	0.2		0.0
20 : 00	US	Beige Book	-	-	-	-
15 13 : 00	TR	Interest rate decision (%)	Apr	19.0	19.0	19.0
14 : 30	US	New York Fed Manufacturing index (points)	Apr	26	19.5	17.4
14 : 30	US	Initial jobless claims ('000s)	weekly	576.0	700.0	769.0
14 : 30	US	Continuing jobless claims ('000s)	weekly	3731.0	3700	3727
14 : 30	US	Retail sales (MoM, %)	Mar	9.8	5.9	-2.7
15 : 15	US	Industrial production (MoM, %)	Mar	1.4	2.8	-2.6
16 : 00	US	Business inventories (MoM, %)	Feb	0.5	0.5	0.4
	EZ	Eurogroup meeting	-	-	-	-
16. 4 : 00	CN	GDP (QoQ, %)	Q1	0.6	1.5	2.6
4 : 00	CN	GDP (YoY, %)	Q1	18.3	18.9	6.5
4 : 00	CN	Infrastructural spending (YoY, %)	Mar	29.7	25.3	35.0
4 : 00	CN	Industrial production (YoY, %)	Mar	14.1	17.2	35.1
4 : 00	CN	Retail sales (YoY, %)	Mar	34.2	28.0	33.8
14 : 30	US	Building permits (annualized monthly, '000s)	Mar	1766.0	1750	1720
14 : 30	US	Housing starts (annualized monthly, '000s)	Mar	1739.0	1613	1457
15 : 00	EU	ECOFIN Meeting	-	-	-	-
16 : 00	US	Michigan Consumer confidence (preliminary, points)	Apr	86.5	89.6	84.9

*Fact' refers to the accepted volume, 'Prev.' refers to the deals due on the current week

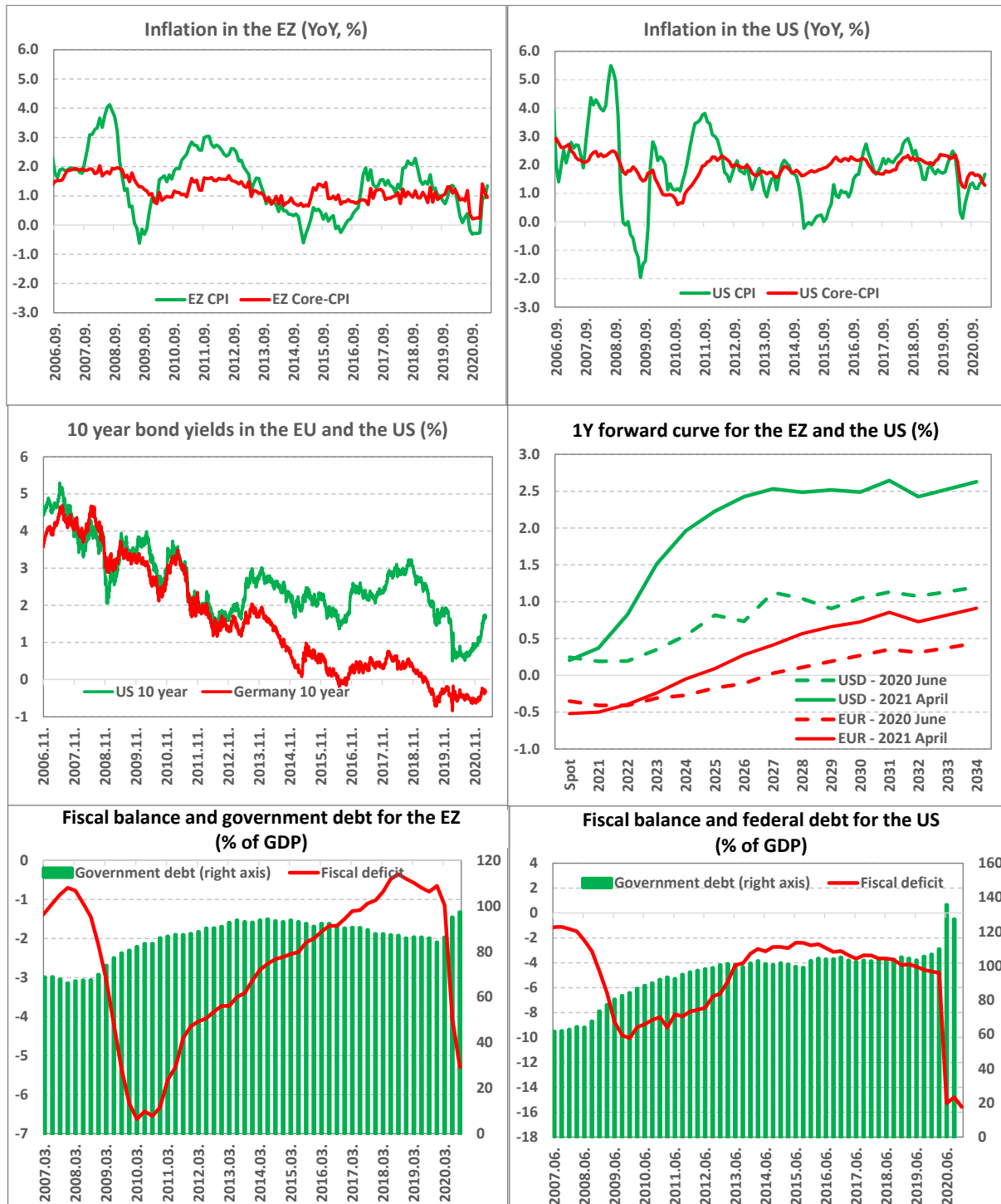
** preliminary data

Eurozone and US chart set



Source: Refinitiv

Eurozone and US chart set



Source: Refinitiv

FX forecast for the majors

FX pair	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.09	1.18	1.19	1.21	1.19	1.21	1.22	1.22	1.20	1.22
EURGBP	0.89	0.91	0.90	0.88	0.85	0.85	0.85	0.85	0.83	0.84
EURCHF	1.06	1.08	1.08	1.08	1.10	1.11	1.12	1.14	1.15	1.16
USDJPY	107.0	106.0	104.0	104.0	108.0	108.0	108.0	108.0	110.5	107.0

Source: Bloomberg

Regional macro forecast

Countries	GDP (yoy, %)					Countries	Fiscal balance (% of GDP)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	-5.0	4.9	6.1	4.5	4.8	Hungary	-8.8	-6.4	-3.8	-6.0	-4.2
Romania	-3.9	5.5	4.7	4.9	4.6	Romania	-9.6	-8.2	-6.5	-7.5	-5.7
Bulgaria	-4.2	3.4	4.6	3.4	3.9	Bulgaria	-3.2	-3.1	-1.5	-3.4	-2.0
Russia	-3.1	4.0	3.5	3.1	2.6	Russia	-3.8	-2.6	-1.2	-1.5	-0.5
Ukraine	-4.0	4.5	4.7	4.3	3.8	Ukraine	-5.3	-6.0	-4.0	-4.9	-3.1
Slovenia	-5.5	4.8	5.1	4.5	4.1	Slovenia	-8.1	-3.6	-2.8	-5.2	-3.4
Croatia	-8.4	5.5	6.1	4.8	4.6	Croatia	-7.7	-5.5	-3.0	-4.1	-3.0
Serbia	-1.0	4.2	5.9	4.7	4.3	Serbia	-8.1	-3.0	-1.5	-3.6	-1.9
Montenegro	-15.2	4.4	7.8	6.4	4.9	Montenegro	-10.0	-6.2	-2.5	-5.6	-3.2
Albania	-3.3	4.0	5.8	5.1	4.7	Albania	-6.9	-7.0	-3.0	-5.8	-3.9
Moldova	-7.0	4.9	7.5	4.5	4.9	Moldova	-5.3	-5.0	-4.0	-4.9	-3.5

Countries	Inflation (average (yoy), %)					Countries	Unemployment (%)				
	2020	OTP		Focus Economics			2020	OTP		Focus Economics	
		2021	2022	2021	2022			2021	2022	2021	2022
Hungary	3.3	3.4	3.4	3.5	3.2	Hungary	4.1	4.0	3.7	4.4	4.0
Romania	2.6	3.4	3.0	3.1	2.7	Romania	5.0	4.7	4.0	5.4	5.1
Bulgaria	1.7	1.8	2.1	1.8	2.2	Bulgaria	5.1	5.0	4.5	5.4	5.0
Russia	3.4	5.5	4.3	4.7	3.8	Russia	5.8	5.0	4.0	5.5	5.0
Ukraine	2.7	6.4	5.7	7.0	5.8	Ukraine	9.5	9.2	8.3	9.2	8.5
Slovenia	-0.3	1.0	1.7	1.0	1.5	Slovenia	4.9	4.7	4.5	5.2	4.8
Croatia	0.1	1.1	1.3	1.0	1.5	Croatia	7.5	7.0	6.0	8.8	7.9
Serbia	1.6	1.9	2.2	1.9	2.3	Serbia	9.0	9.7	9.0	9.7	9.3
Montenegro	-0.3	0.8	1.2	1.0	1.4	Montenegro	17.0	17.5	16.5	16.2	15.5
Albania	1.6	1.8	2.0	2.1	2.6	Albania	11.7	11.8	10.1	12.3	11.4
Moldova	3.8	3.2	3.5	3.2	4.5	Moldova	3.8	5.3	5.8	4.6	4.0

Source: Focus Economics, OTP Research Center

FX forecast for the OTP countries

Country	FX pair	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q1	2022.Q2	2022.Q3	2022.Q4
Hungary	EURHUF (eop)	363.0	362.0	361.0	361.0	361.0	361.0	361.0	361.0	361.0
Romania	EURRON (eop)	4.87	4.93	4.91	4.91	4.93	4.96	4.97	4.97	4.98
Russia	USDRUB (eop)	73.9	75.7	73.0	72.4	71.2	71.5	71.4	71.5	71.8
Ukraine	USDUAH (eop)	28.34	27.85	27.80	28.16	28.60	28.73	28.76	28.94	29.23
Croatia	EURHRK (eop)	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5	7.5
Serbia	EURRSD (eop)	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0	118.0
Montenegro	EURUSD (eop)	1.22	1.18	1.20	1.21	1.22	1.22	1.23	1.23	1.23

*Slovenia and Montenegro uses EUR as a base currency.

**No forecast available for Moldova and Albania

Source: Focus Economics

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