Global Strategy 3Q 2022

Ongoing geopolitical tensions and supply-side shortages are leading to high inflation rates and a weaker economic outlook. In this tension field, central banks are tightening monetary policy. Weaker economic data could cause interest rate expectations to fall by the end of the year, and we expect government bond yields in the medium and longer maturities to decline. On the stock market, we expect a volatile sideways movement in view of the pronounced uncertainty.

Investment Strategy 3Q 2022:

Govt. bond yields		Sept. 2022
Germany (10Y)		1.30
USA (10Y)		3.00
Currencies		**Sept. 2022**
EURUSD		1.08
CHF		1.02
Equity Performances		**Sept. 2022**
Global	➔	0%
Europe	➘	-5%/ 0%
USA	➚	0%/ +5%

Source: Erste Group Research

Economy

High inflation is leading to real wage losses and rising interest rates are further dampening purchasing power. Consumer sentiment has plummeted in both the US and the euro zone, and private consumption is suffering. Companies are also less inclined to invest in this environment, which is characterized by continuing uncertainty. In addition, supply chain problems are again intensifying in Europe, dampening industrial production. While we expect very weak growth in the US economy, Europe could experience temporary growth support this year due to the regained freedom to travel and could also benefit from money from the EU recovery fund. Serious downside risks to the economy would come from significant cuts or a halt in Russian natural gas supplies. Inflation has recently remained at high levels, with broader price rises increasingly taking hold alongside energy and food prices. We expect a certain easing by the fall, but inflation should come down only slowly.

Bonds

The Fed signalled its intention to implement faster rate hikes when it tightened monetary policy in June. However, the bond markets reacted only cautiously to this, with yields on 10-year US Treasuries actually falling. The bond markets first have to digest the tension between high inflation and expected weaker economic data. Inflation rates should fall slightly in Q4 and, in conjunction with a weaker economy, we do not expect any further interest rate hikes in the USA from the end of the year for the time being. Already in the run-up, the yield curve should become inverted. The ECB will raise rates by 25 bps in July and a stronger rate hike of 50 bps could follow in September if medium-term inflation forecasts remain unchanged or worsen. In December, the ECB will focus on 2024 and 2025. Lower inflation forecasts for this period could justify a longer pause in rate hikes. Yields on medium and longer maturities should fall slightly.

Currencies

The uncertain environment allows safe haven currencies to profit for the time being. In the medium term, the relative adjustment of monetary policy will be decisive. This argues for a weaker dollar and an essentially stable Swiss franc. Real negative yields continue to support the gold price.

Equities

We expect the global equity market to trend sideways in 3Q, with high volatility. Weaker leading indicators suggest lower earnings momentum in 2Q, especially compared to the strong prior year. Excluding US energy company earnings, US earnings would fall -1.8% (y/y) in 2Q instead of rising +5.8% (y/y). In Europe, gas supply cuts and supply chain issues could weigh on the industry.

Prices as of
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Note:
Our estimates are in absolute and not in relative terms. Bond yields and equity market returns in local currencies. Past performance is not a reliable indicator of future performance.

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Investment Strategy 3Q 2022

Yields			Estimates			
		current	3Q22	4Q22	1Q23	2Q23
10y. Govt. bonds	**Germany**	1.61	**1.30**	1.20	1.20	1.30
	Austria	2.16	**1.70**	1.60	1.50	1.50
	US	3.21	**3.00**	2.70	2.60	2.50
	CEE					
	Czech Republic	5.05	**5.08**	4.83	4.52	4.25
	Hungary	8.30	**7.67**	7.53	6.86	6.66
	Poland	7.46	**6.97**	6.81	6.65	6.56
	Romania	8.80	**8.50**	8.00	7.75	7.50

Source: Erste Group Research estimates

Currencies			Estimates			
		current	3Q22	4Q22	1Q23	2Q23
Global	**EURUSD**	1.058	**1.080**	1.100	1.130	1.150
	CHF	1.010	**1.020**	1.020	1.030	1.030
	Gold (USD)	1,826	**1,880**	1,900	1,930	1,950
CEE	**CZK**	24.73	**24.58**	24.40	24.36	24.29
	HUF	400.5	**385.0**	380.0	375.0	375.0
	PLN	4.697	**4.573**	4.526	4.470	4.440
	RON	4.945	**4.970**	5.000	5.020	5.050

Source: Erste Group Research estimates

Equities		Estimate 3Q 2022	min	max	FX
Global *		➡	0%		USD
Regions	**Europe**	↘	-5%	0%	EUR
	USA	↗	0%	+5%	USD
	CEE	↗	0%	+5%	EUR
	Emerging Markets				
	Brazil	↗	0%	+5%	BRL
	India	↗	0%	+5%	INR
	China	↗	-5%	0%	CNY
Sectors	Technology	↗	0%	+5%	USD
	Health Care	↗	0%	+5%	USD
	Consumer Staples	↗	0%	+5%	USD
	Energy	↗	0%	+5%	USD
	Utility	↘	-5%	0%	USD
	Telecom	↘	-5%	0%	USD
	Basic Materials	↘	-5%	0%	USD
	Industrials	↘	-5%	0%	USD
	Consumer Discretionary	↘	-5%	0%	USD
	Financials	↘	-5%	0%	USD

Source, Erste Group Research estimates

Eurozone Economic Outlook

Record inflation and supply chain problems putting a damper on recovery

High inflation in connection with persistent problems of the global supply chain are the dominant issues of the Eurozone economy in the ongoing year. Private consumption was already severely affected by the high level of inflation in Q1 2022, as this led to drastic losses in real income for consumers. The industrial sector failed to achieve full capacity again due to supply bottlenecks. For example, the Q1 2022 automotive production in Germany fell short of the previous year's referential value by 9%.

Rising interest rates are a risk factor for the economy

In addition to high inflation, the rising interest rates also constitute a downside risk for the economy. The real estate sector, which has been an important pillar of the economy in recent years across a number of countries, will probably be affected by the quick increase in interest rates. Also, the rise in rates will likely get highly leveraged companies into difficulties if refinancing were to become unaffordable to them due to increased cost. The drastic rise in spreads may be challenging for issuers from Italy and Spain.

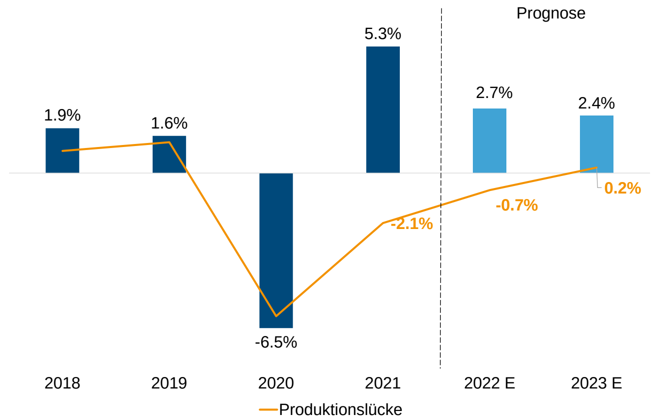
2.7% GDP growth in 2022

Despite the currently difficult environment, the freedom to travel within the EU for the first time in two years could boost growth temporarily in Q2 and Q3, especially in Southern Europe. For 2022, we expect a GDP growth rate in the Eurozone of +2.7%, followed by a further decline to +2.4% in 2023. Spain and Italy, in particular, should benefit from the EU recovery plan in 2022 and 2023.

6.9% inflation 2022

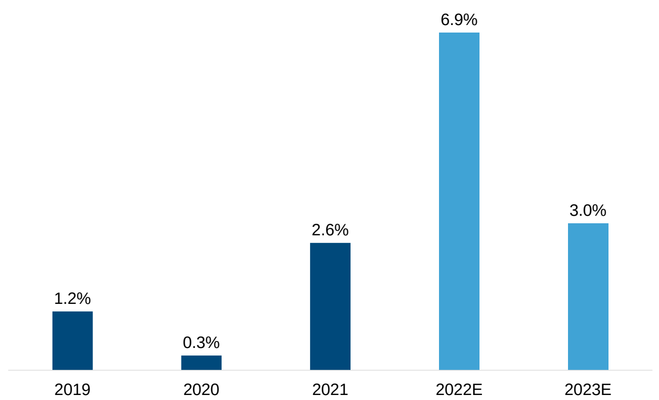
Due to the strong increase in energy and food prices, we have revised our inflation forecast for 2022 upwards to 6.9%. This revision was not the least due to the fact that we expect wage growth to gain momentum to a stronger degree than previously envisaged. In the current environment, our 2023 forecast of 3.0% is subject to upside risk.

Output gap should close in 2023
Eurozone GDP growth vs. output gap



Sources: Eurostat, Erste Group Research

Significant increase expected for 2022
Eurozone inflation 2019 – 2023e



Sources: Eurostat, Erste Group Research

US Economic Outlook

Economy comes under pressure

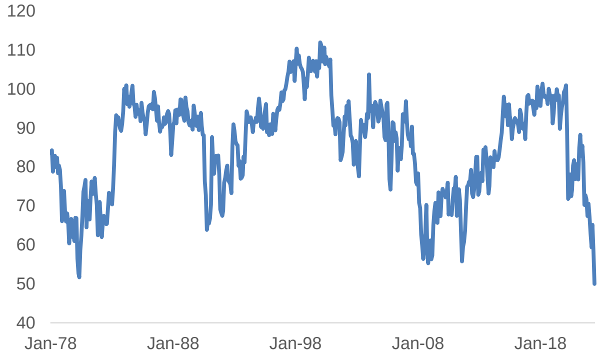
Weak economy in second half of year

After a negative first quarter, growth in the second quarter is expected to be weak. A renewed decline in economic output also cannot be ruled out, which would mean a recession. Whether this will ultimately happen is not decisive. What is important in our view is that the US economy will continue to be exposed to a negative environment, which argues for a weak development. Consumer sentiment recently reached its lowest level since the time series began in the late 1970s. No wonder: households are facing falling real incomes and a massive rise in interest rates. Residential investment is likely to have already fallen in real terms this quarter. Business investment is also likely to have already suffered from the environment. What continues to hold up well is the US labor market, where the unemployment rate is at historic lows. The number of unfilled jobs remains very high. However, the decisive factor for us is that consumer spending has nevertheless been weak recently and sentiment is at a low point. We therefore expect very weak growth in the US economy in the third quarter and also in the fourth quarter.

How long will inflation continue to rise?

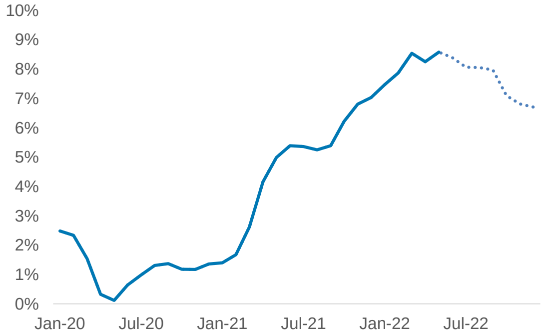
However, the markets are still focusing on the inflation trend. The May data brought a negative surprise here. The inflation rate did not fall further, but actually rose above the previous high in March. The reason for this was higher price increases for food and energy, but also a stubbornly high inflation rate for the other components overall. The inflation rate is likely to remain high for the time being, and we expect only small declines in the coming months. The contributions of energy and food should ease somewhat, but to a greater extent only from October onward. Energy prices are difficult to assess and could surprise on the upside. Among the other components, vehicle prices stand out in particular, still dominated by supply bottlenecks. We expect an easing of the situation and thus a noticeable reduction in the inflation rate. More difficult to forecast is the development of housing costs, which are currently a major inflation driver due to their high weighting. Although sharply higher interest rates suggest that the real estate market is calming down, it could take some time before this is reflected in the inflation rate.

Consumer sentiment at historic low
Univ. of Michigan Index



Source: Market data provider, Erste Group Research

Only slow decline of inflation
Inflation y/y in %



Source: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

Surprisingly strong 1Q22 figures led us to revise our full-year forecasts for 2022 upwards, despite very high external risks and rising inflation. We expect CEE economies to expand 3.8% this year and 3.1% next year. Uncertainty in industry and foreign trade remains high, due to persisting supply-side bottlenecks, surging commodity prices and worries about energy supplies. Thus, industry is likely to show mediocre growth in the next few quarters. However, the sector of services is likely to be among the main contributors to GDP growth this year, as both hard data and confidence indicators have been showing a solid performance.

Although nominal wage growth is expected to accelerate this year in CEE, in most cases, it is going to be inadequate to keep up with increasing inflation rates. Two countries in which real wages may increase are Hungary and Serbia, which are supposed to see high double-digit nominal wage growth, while average inflation should be contained close to 10%, largely thanks to price controls and price subsidies. The deepest dive of real wages is expected in Czechia, which faces the highest inflation in the region, having used to be the country with rather benign nominal wage growth. Rising inflation is already taking its toll on consumer sentiment, which has deteriorated, but still not to the extent of the collapses seen in April 2020 or late 2011. While consumers are more negative about rising inflation and their ability to generate savings, they are not so negative about their major purchases over the next 12 months. Together with the base effect, this indicates that the deterioration of household consumption in 2022 might be more limited compared to real wage dynamics, partially thanks to the normalization of saving rates from their high pandemic levels.

Inflation spiraled into double-digits everywhere in CEE bar Slovenia, driven mainly by food, energy and housing, as the war in Ukraine exacerbated the existing supply-side pressures. The demand-side factors are also pro-inflationary. Several national governments have introduced anti-inflation measures which are expected to last for a while. We expect inflation rates to peak in 2Q or 3Q of this year, within 11-16% y/y in most countries. Overall, this year’s inflation may average 12.3% in the CEE8 region, before easing towards 6.9% in 2023 – still above central bank targets.

Emerging Markets Economic Outlook

China

Export growth of developed economies with China vs. China credit growth (y/y)

Sources: PBoC, statistics Germany, Erste Group Research

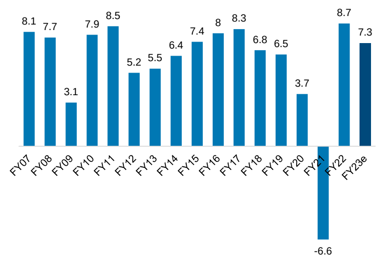
The Chinese economy has been badly hit by corona lockdowns in April and May. As a result, the sentiment indicators have weakened significantly. Due to a healthcare system that is not yet fully developed, the Chinese government has seen itself forced to impose these drastic measures so as to avoid an overload. The growth prospects of China have therefore also cooled down for the ongoing year.

Momentum of credit growth suggests bottoming out. The momentum of credit growth has been a crucial indicator of the Chinese economy in recent years, but also of the volume of exports going from Germany to China. After a long period of falling momentum in lending, we have seen the trend bottoming out since March. If this were to be followed by a prolonged phase of rising momentum in credit growth, we would regard this as positive for China's economic outlook. This should also set off a (staggered) trend reversal for German exports to China.

Chinese central bank increases monetary support for the economy. Due to the increased downside risks for the economy, the central bank started at the end of May to expand its monetary support. Among other things, it expanded the credit lines to finance SMEs. In addition, it lowered the minimum reserve requirement rates for banks. These steps will boost the likelihood of a sustainable acceleration in credit growth and thus of a rising momentum of GDP growth in China.

India

India: GDP
y/y, %



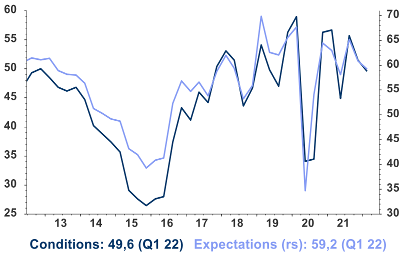
Sources: Central Statistical Org. India, RBI Estimate

The Indian GDP increased by 8.7% in fiscal 2021/22 and thus achieved the highest growth rate in 22 years. India thus continue to generate one of the highest growth rates in Asia and worldwide. For the coming fiscal year until March 2023, the Indian central bank (RBI) expects growth of 7.3% and an inflation rate of 6.7%. Due to the persistently high inflation (May: 7.0%), the RBI has recently increased the key-lending rates by 50bps to 4.9%. Since inflation is in excess of the RBI target band of 2-6%, the central bank wants to dampen inflation expectations in order to thwart second-round effects caused by the supply shock on the energy and commodity market. The market consensus therefore expects another interest rate hike by the end of the year to then 5.25%. Still, the Indian rupee has recently depreciated against the US dollar, losing 2% in Q2 to USD 78.3.

The most recent economic data confirm the positive growth prospects in India. In May, the industrial purchasing managers' index was at 54.6 points (April: 54.7). The important components of production and order intake increased slightly. The companies reported that they could still pass on the rise in costs. Sales were boosted to an 11-year high on the back of a significant increase in international orders. The purchasing managers' index also continued to increase in the service sector and is now at 58.9, which is the highest value since 2011. The data showed a remarkable acceleration of growth in new orders.

Brazil

Brazil: sentiment of industrial indices



Sources: Datastream, Erste Group Research

Brazil: industrial production and retail sales y/y

Sources: Datastream, Erste Group Research

The GDP growth expected for 2022 is currently at 1.0% y/y. Industrial production is expected to decline by 0.5% this year. Investments should be down 2.6% y/y. Private consumption, on the other hand, should increase slightly (1.2% y/y), while public consumption is expected to increase by 1.4% y/y.

The purchasing managers' indices from the industrial sector have weakened. However, the managers assess the future development far more positively than the status quo.

The unemployment rate should fall in 2022 relative to the previous year, to about 11.2%. This factor supports the slightly increasing private consumption. However, the growth potential of private consumption is limited by the high expected inflation rate of 9.5%. Inflation should decline from the second half of 2022 onwards to about 5% next year. Exports and imports should increase by 2.4% each y/y. The expected current account deficit amounts to -1.0% of GDP in 2022. At -7.5% of GDP, the fiscal deficit 2022 remains strongly negative, much like in previous years.

The key-lending rate has been raised eleven times since March 2021, to currently 13.25%. By the end of 2022, it should have increased to 13.4%. According to the consensus forecast, the Brazil real should be moving sideways against the US dollar in the second half.

Euro Zone	Yield Forecast 3Q 2022
ECB Main Refinancing Rate	0.50 %
German Bund	1.3 % (10-yr.)

Interest rate path hinges on ECB's inflation outlook

ECB provides relatively clear guidance, but uncertainty is high

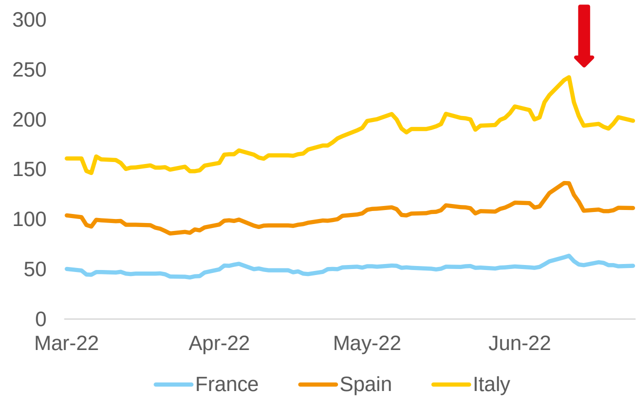
The ECB has given fairly clear guidance on the interest rate path for the third quarter. A 25bp rate hike in July seems all but fixed. "A larger increment" of 50bp will be in order in September if medium-term inflation forecasts remain unchanged or worsen. Since a lowering of inflation forecasts is already unlikely in September, we expect a 50bp increase in the deposit rate. The refinancing rate, on the other hand, should then only be raised by 25bp, as the ECB should restore the 25bp spread between the two rates. However, the outlook for the economy and the labor market should deteriorate to an extent that leads to inflation forecasts for 2024 and 2025 below the ECB's 2% target in December. This should justify a longer pause in rate hikes. Before that, we still expect a 25bp hike in policy rates in October. The interest rate path is generally very uncertain, as in a rapidly changing environment the ECB's inflation forecasts for the coming years, which are crucial for monetary policy, could also change significantly. A supply freeze or a significant reduction in the volume of Russian natural gas supplied, for example, would lead to a fundamental change in the outlook.

Yields should fall, yield spreads remain under control

With surprises in inflation and signals from the ECB that interest rates would soon be raised, there was a massive sell-off in the bond market in June. Increasing concerns about the economy recently triggered a countermovement. We expect future economic data to confirm a slowdown in the economy. This should reduce interest rate expectations and thus lower yields on medium and longer maturities. The yield curve should flatten.

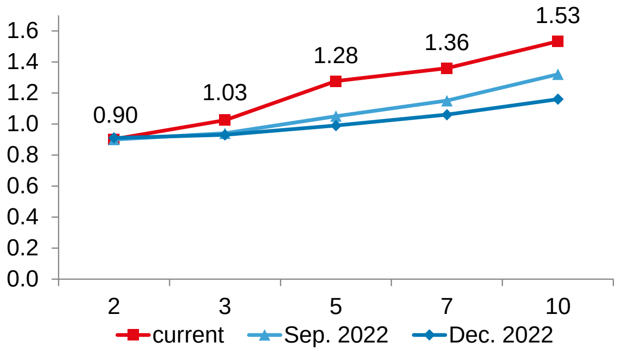
During the sell-off on the bond market in June, safety was also sought after and German government bonds therefore suffered less than other sovereign issuers. However, a special meeting of the ECB's Governing Council alone, the outcome of which was essentially only declarations of intent, was enough to significantly narrow the yield spreads again. The ECB should present a new tool relatively soon to keep yield spreads in check if necessary. We expect that it will succeed in doing so, and thus yield spreads should not reach new highs.

ECB stabilizes yield spreads
10y yield spread to Germany, in basis points



Source: ECB, Erste Group Research

Yield curve should flatten
Yields on German government bonds by maturity, in %



Source: Market data provider, Erste Group Research

US	Yield Forecast 3Q 2022
Federal Funds Rate	2.50 – 2.75 %
US Treasuries	3.0 % (10yr.)

Interest rate expectations should fall

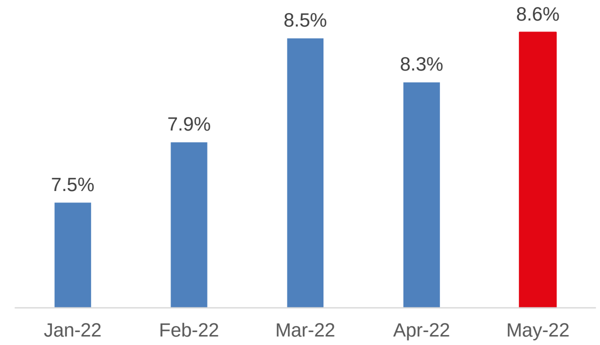
Interest rate expectations should fall

Due to higher-than-expected May inflation, the FOMC, the US Federal Reserve's monetary policy-making body, decided to increase the range for the federal funds rate, by 75bp instead of 50bp to 1.5 -1.75% in June. Another factor was the increased inflation expectations of households, also published shortly before the FOMC meeting. According to Fed Chairman Powell, the decision in July will be between a 50bp or 75bp rate hike. After that, more rate hikes should come. A survey among FOMC members shows the median expectation is for a 3.4% policy rate at year-end, which equates to additional rate hikes of 175bp. However, the pace of rate hikes will ultimately depend on incoming data. What the FOMC is waiting for is clear evidence that inflation is coming down. This evidence is unlikely during the coming months. We therefore expect rate hikes of 50bp each for the two meetings in the third quarter. 75bp at least in July is also possible, but expected weak economic data argue against it, in our view. For the fourth quarter, a decline in inflation combined with weak economic activity leads us to expect a slowdown in rate hikes to 25bp at each of the two meetings. Thereafter, in contrast to the market, we expect US policy rates to remain at a standstill.

Curve should become inverted

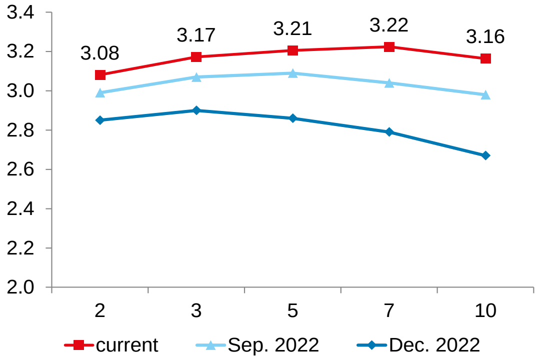
The faster rate hikes signaled by the Fed at the June meeting led to only a muted reaction in the bond markets. The yield on the 10y Treasury actually declined. Increasing concerns about the economy then caused further declines in yields. We see these moves as justified, as we expect the US economy to be weak and see a realistic possibility of a recession, given that the first quarter was already negative. Upcoming indicators should confirm concerns about the economy, leading to further declines in intermediate and longer-term yields. By contrast, since the central bank will continue to fight inflation, short maturities should not fall for the time being and should fall less later, which should lead to an inverse yield curve.

US Inflation surprised to the upside in May
Inflation, y/y in %



Source: Bureau of Labor Statistics, Erste Group Research

US yield curve to become inverse
US government bond yields by maturity, in %



Source: Market data provider, Erste Group Research

CEE Government Bonds	Yield Forecast 3Q 2022
Czech Republic	5.08% (10Y)
Hungary	7.67% (10Y)
Poland	6.97% (10Y)
Romania	8.50% (10Y)

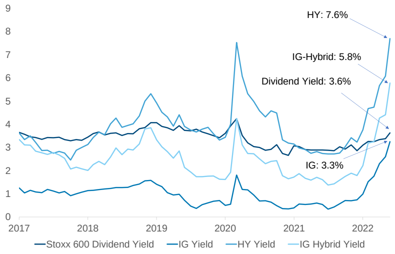
CEE central banks are trying to balance soaring inflation against an expected slowdown in economic activity in the quarters ahead. Skyrocketing inflation and worries about de-anchoring of inflation expectations have led them to continue with monetary tightening. Whereas Czechia has likely reached the peak of the rate-hiking cycle at 7% and could potentially start cutting rates in November, more hikes are in the cards for other CEE central banks. In Hungary, the merging of the one-week deposit rate (until recently the main effective rate) and the key rate was frontloaded to June, after the MNB surprised markets with a bigger-than-expected key rate hike of 185bp, and rates could peak at 8.6% by year-end. Poland could see the key interest rate at 7.5% by the end of 3Q22. In Romania, the key rate is likely to reach 5.50% by year-end, with the credit facility rate as the main operational policy instrument standing at 6.50%. The Serbian central bank will also likely bring at least another 50bp hike by year-end.

The CEE bond market had a turbulent 2Q22. Yields soared higher, but were later followed by a bounce-back on news pointing to a weakening of global growth. CEE LCY bond yields collapsed more than 60bp w/w in the second half of June. It is likely that CEE bond markets have finally bottomed out, as the markets started to scale back their rate hike expectations. For further normalization of yields in CEE, it will be very important to see any signs that inflation has peaked or commodity prices are falling. Given the very tight and expensive domestic borrowing, countries with high fiscal and/or current account deficits (i.e. Hungary and Romania) will continue in their strategy to borrow more money externally.

Excellent news came for Croatia, which received the green light to join the Euro Area next January. The three free-floating CEE currencies (CZK, PLN and HUF) have had a turbulent quarter. Although they erased most of the losses linked to the start of war in Ukraine, they were not immune to local factors, and the recent wave of volatility and global risk-off mood. The Czech central bank has been intervening since May and confirmed that it views FX interventions as a complementary tool to rate hikes. It has ample firepower for that, courtesy of the large FX reserves amassed during its former intervention-floor policy. In Hungary, the looming disciplinary procedure from the EU, which may deprive it of EU funds, has been weighing on the forint. The widening trade deficit is not helping, either. Albeit overshadowed by global market moods, the zloty has benefitted from the recent unblocking of its EU Recovery and Resilience Facility. External developments will likely dominate and weigh on local FX in the near term, but as these subside, the fundamentals point to a gradual appreciation – except the Romanian leu.

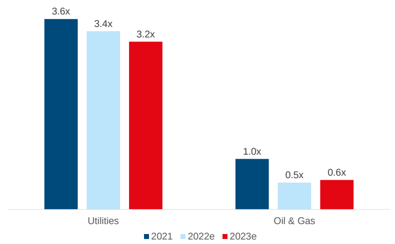
EUR-Corporate Bonds
Investment Grade
High Yield

Corporate bond yields are above average dividend yields
Yields* in %



Source: Market data providers, Erste Group Research (own calculations)
As of 23 June 2022
*Month-end data (except for June 2022)
Average tenor of bond indices: 4-6 years

Utilities, Oil & Gas: consensus still expects debt payoff period to decline in 2022
Net debt/EBITDA* in utilities and oil & gas sectors



Source: Market data providers, Erste Group Research (own calculations)
As of 23 June 2022
*for companies included in the Stoxx 600 index

Strong spread widening does not always appear justified

The Ukraine war, high inflation and monetary tightening contributed to the rise in sovereign bond yields and credit spreads. Both weighed on corporate bond performance in the year to date (High Yield (HY): -12.4%; Investment Grade (IG): -12.7%; IG Hybrid: -14.4%;).

Ongoing cost pressures in energy, logistics and inputs are increasingly impacting corporate profitability. Cost increases cannot always be passed on in full to customers. The reduction in Russian gas supplies from mid-June further increased gas prices. A gas supply freeze is a high risk for European industry. Supply bottlenecks remain a problem – see recurring lockdowns in China. By the end of the year, the consensus already expects a slight increase in the aggregate net debt / EBITDA-metric of the companies represented in the STOXX 600 index (compared to Dec. 31, 2021).

Service sector issuers (e.g., travel, leisure) are benefiting from the end of pandemic-related constraints. But in the medium term, consumer reticence triggered by high inflation rates poses a risk for both service providers and industry.

In 1Q 2022, interest coverage ratios of IG and HY issuers improved compared to the beginning of the year. On average, issuers have solid credit metrics. Rising funding costs are not yet a major concern even for weakly rated HY issuers. Their refinancing needs are low until the end of the year. This will keep the default rate low, at least for the time being. Many issuers have obtained long-term financing on favorable terms in recent years. Their interest expense will rise only slowly.

The widening of spreads so far partly anticipates the slowdown in the economy. They also reflect the tightening of ECB monetary policy and the end of ECB net purchases at the end of June. To be sure, the ECB will reinvest the maturing corporate bond volumes in its holdings. However, given the flexibility in reinvestment, reflows from the corporate bond portfolio could in part be channeled into government bonds, for example. The ECB holds one-third of the EUR IG corporate bond volume eligible for purchase.

We do not consider the strong spread widening in IG hybrid bonds since the beginning of the year to be fundamentally justified. 35% of IG hybrid issuance volume comes from utilities, 30% from oil & gas issuers. In both sectors, consensus estimates still point to declining net debt / EBITDA-ratios by year-end. High prices continue to provide strong cash flows for oil & gas issuers. In utilities, we prefer issuers with own (renewable) power generation.

HY- and IG hybrid corporate bond yields are well above equity index dividend yields. Broadly diversified, we see them as a good investment alternative for income-oriented investors. However, due to the many risk factors (especially the possible gas supply freeze and its effects), investors must expect strong fluctuations in value.

Currencies

	Forecast 3Q 2022
US-Dollar	1.08

Dollar weaker in end

The EURUSD has been hovering around 1.05 since around the beginning of May. Swings in both directions were only short-lived. This should not change for the time being, as we expect the data situation to remain volatile. The markets will probably continue to be confronted with persistently high inflation in both currency areas on the one hand and increased signs of an economic downturn on the other. This will make the monetary policy of the central banks more uncertain, which should be reflected accordingly in the exchange rate. However, we expect signs of an economic slowdown to intensify to an extent that should lead to a reduction in interest rate expectations in both economic areas. In our view, this should affect US interest rates more than euro interest rates, which, together with the current high valuation level of the dollar, argues for a weakening of the US currency.

Gas curbs pose risk to forecast

However, the recent curtailments of Russian gas exports to Europe represent an additional risk factor for the exchange rate. If the situation escalates, this would support the dollar. This is because the US would only be indirectly affected by the consequences of a gas shortage in Europe, as gas prices would continue to rise. The impact on Europe, on the other hand, would be much greater, as, in addition to higher gas prices, a reduction in production in individual sectors of the economy would also have to be expected. In addition, political tensions would increase, and in such an environment the safety of the dollar would be sought after. A firmer dollar is therefore a risk.

Weaker US dollar expected
EURUSD

Sources: Market data provider, Erste Group Research

Swiss Franc	Forecast 3Q 2022
	1.02

SNB strengthens the franc with an interest rate hike of 50bps

In June, the SNB tightened its monetary policy considerably by increasing the interest rate on sight deposits by half a percentage point to -0.25%. The idea is to push back against the increased inflationary pressure in Switzerland and to prevent inflation to get a broad hold on goods and services. Further interest rate increases in the foreseeable future cannot be ruled out in order to stabilise inflation around price stability in the medium term, as the SNB states.

SNB does not consider the franc overvalued anymore

Another significant change of course is the fact that according to the most recent assessment by the SNB, the franc is no longer overvalued. This is due to the recent depreciation of the trade-weighted franc amid significantly elevated inflation abroad. This situation notwithstanding, the SNB remains prepared to intervene on the foreign exchange market in order to achieve adequate monetary conditions. In case of an excessive appreciation of the franc, the SNB would buy foreign currencies, in the case of depreciation, it would consider selling them.

Despite the significant interest rate hike, the SNB has increased its conditional inflation forecast to 2.8% (from 2.1%) for 2022 and to 1.9% (from 0.9%) for 2023. For this forecast, the SNB expects a constant SNB key-lending rate of -0.25%.

SNB pursuing independent monetary path

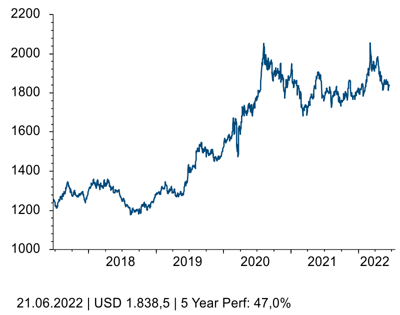
SNB Chairman Jordan has recently pointed out that the SNB is pursuing an independent monetary path that is anchored around ensuring price stability in Switzerland. The interest rate increase confirms this, with the SNB pushing ahead of the ECB with a surprisingly pronounced step. The exchange rate has already reacted, with the franc appreciating against the euro to 1.02. Given that the SNB does not regard the franc as overvalued any longer, it has created the fundamental conditions for further increases of the key-lending rate. Due to the fact that the risks of inflation pressure rising further are high, we think that the SNB may indeed implement further rate hikes. Specifically, we expect increases of 25bps each at the last two meetings this year in September and in December.

In this environment, the probability of a further weakening of the franc vis-à-vis the euro has decreased while the risk of a further appreciation of the franc has increased. We therefore expect the franc to remain stable against the euro at 1.02 for the time being. In the coming months, the exchange rate will also depend critically on the speed at which, and the extent to which, the ECB will be raising its key-lending rates.

Forecast 3Q 2022

Gold in USD 1,880

Gold in USD



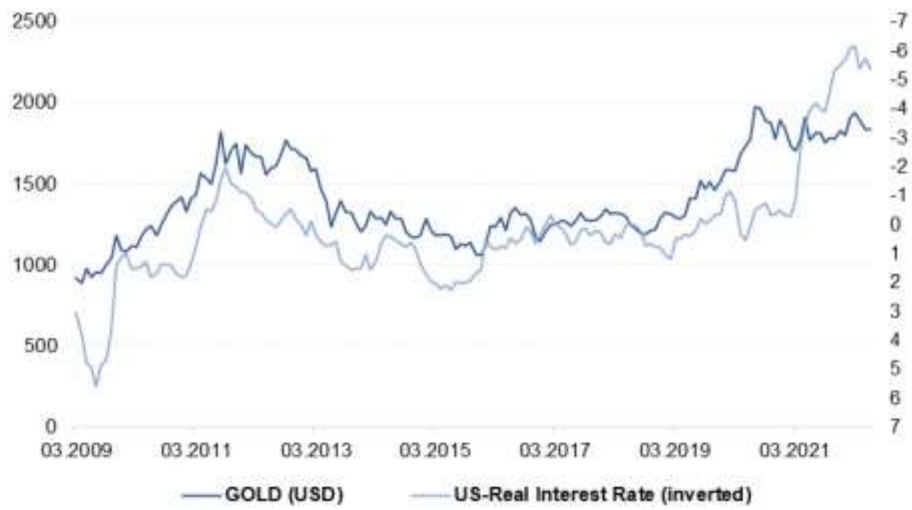
Sources: Datastream, Erste Group Research

The gold price decreased by -5.5% (in USD terms) to in Q2. Gold is thus now unchanged in the year to date in USD, whereas it has increased by +8.8% in EUR during the same period.

The demand for gold via ETFs was positive in the first half (+312 tonnes). The gold reserves held via ETFs currently amount to a global 3,869 tonnes, which is only 1% below the record value of November 2020. Both in Europe and in the USA, ETFs have recently recorded inflows. The demand by central banks for gold should also increase in the medium term. A recent survey among the global central banks finds that 25% of the surveyed central banks want to increase their gold reserves in the coming twelve months. This is a larger percentage than last year (2021: 21%). No central banks are planning on selling, on the other hand.

In view of the increase in uncertainty on the financial markets, the need for safe-haven assets by investors remains intact in Q3. Also, there is no end in sight for the war in Ukraine. The outlook for global economic growth has been revised downwards in the past months. The equity indices reacted with significant losses and elevated volatility. Rising energy and commodity prices have recently driven inflation in the USA and Europe to new heights, to which the US central bank, Fed, reacted by raising interest rates. Further steps are in the pipeline. That being said, the real yields remain strongly negative. This is a positive environment for the gold price, which should not change much in the medium term.

Gold price and real interest rates



Sources: Refinitiv, Erste Group Research

Outlook:
The currently uncertain economic environment and the persistently negative real yields support the gold price. The central banks regard gold as component of their reserves and remain on the buyers' side. Investor demand should remain robust due to the portfolio diversification effect of gold. We expect the gold price to rise to USD approximately USD 1,880 in Q3.

Stocks

Forecast 3Q 2022

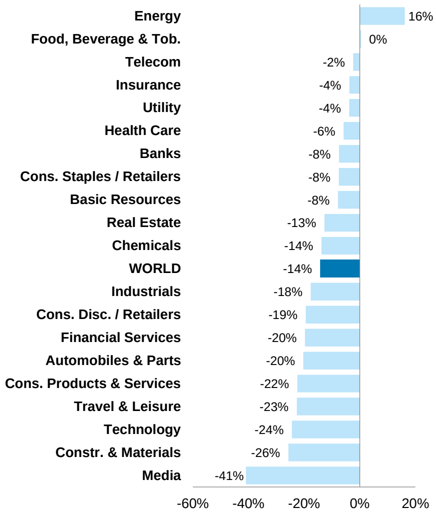
Global 0%

Earnings and sales growth (y/y, %)

	Sales		Net Profit	
USD	22e	23e	22e	23e
North America	10.1	5.0	9.4	8.2
Europe	7.8	-3.4	6.0	-3.5
Asia	0.0	-2.3	4.7	-2.0
EM Asia	8.2	7.2	4.7	10.1
EM LatAm	14.0	-0.7	8.8	-6.9
EM Europe	0.0	0.0	0.0	0.0
World	**7.8**	**2.0**	**7.4**	**4.4**

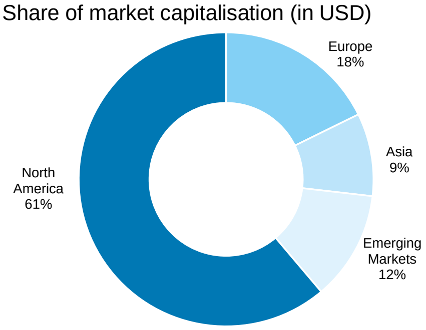
Sources: Erste Group Research index, FactSet.

Global equity sector performance Q2 2022
Erste Global 1000 index, EUR



Sources: Erste Group Research index, FactSet.

Global equity market, weights
Share of market capitalisation (in USD)



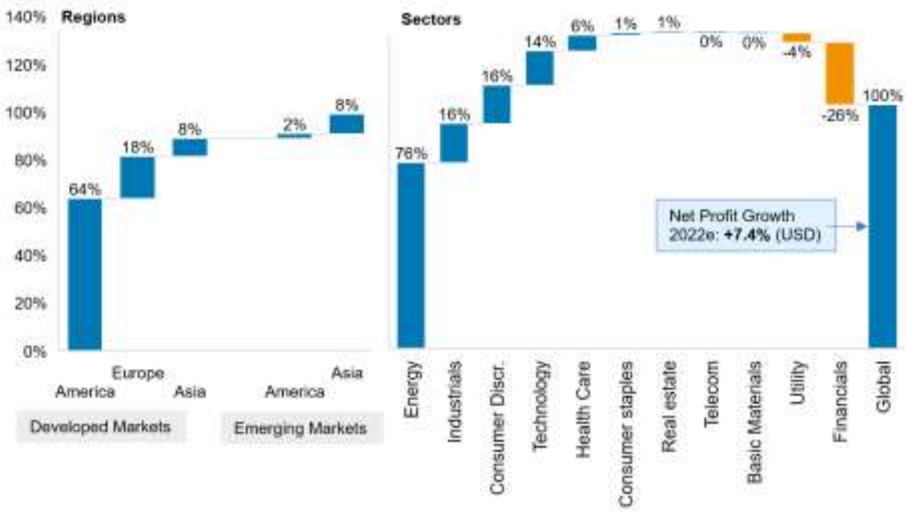
Sources: Erste Group Research index, FactSet.

The global equity index shed 11% in Q2.
The sentiment of investors was compromised strongly by the drastic increase in inflation and yields. The US central bank Fed reacted to the high inflation rates by raising interest rates twice. It also confirmed the continued rate hike cycle and the reduction of the balance sheet total. The outlook of a decline in global economic growth caused elevated volatility on the equity markets. Commodities, technology, and consumer cyclicals incurred the biggest losses. The sector indices of energy and non-cyclical consumer goods showed relative strength.

The reporting season for Q1 was still very strong both in the USA and in Europe. The majority of results came with positive earnings surprises. However, many companies did not provide any earnings outlook for the coming quarters. For those companies that did, the earnings guidances were largely negative. Utilities, telecoms, consumer cyclicals, and industrials recorded the biggest share of negative earnings guidances. Companies in the healthcare and technology sectors and in non-cyclical consumer goods had the highest number of positive earnings outlooks (i.e. growth). The speed of sales and earnings growth for global companies will decrease in the coming quarters in comparison with last year.

For the global equity index, the consensus expects sales growth of 7.8% and earnings growth of 7.4% in 2022. The operating margin is expected to reach 17.3%. We expect the consensus earnings forecasts for 2022 and 2023 to incur a decline on the back of the recent weakening of leading indicators (e.g. purchasing managers' indices in the USA and Europe).

Global earnings growth 2022e: contribution by region and sector, in % of adjusted earnings, global index



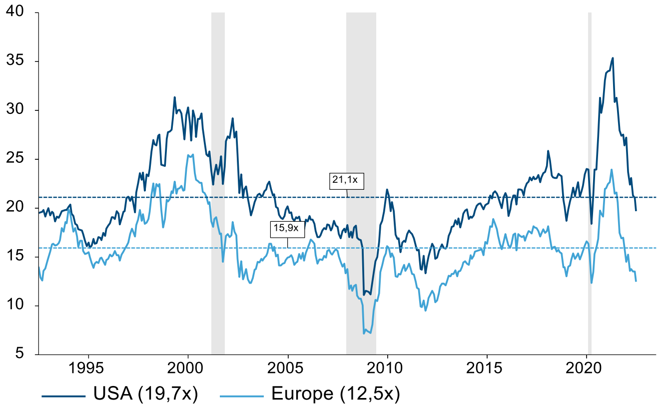
Sources: FactSet, Erste Group Research Index

The charts above show in what regions and sectors earnings growth will be generated this year. Global growth is therefore largely derived from US companies. As for the emerging markets, the main source of growth are Asian companies (India, China).

The energy and industrial sectors provide the biggest contributions to 2022 global earnings growth. Since the energy sector tends to record vastly fluctuating earnings over time, its development from here on out has a significant impact on the earnings growth of the global equity index.

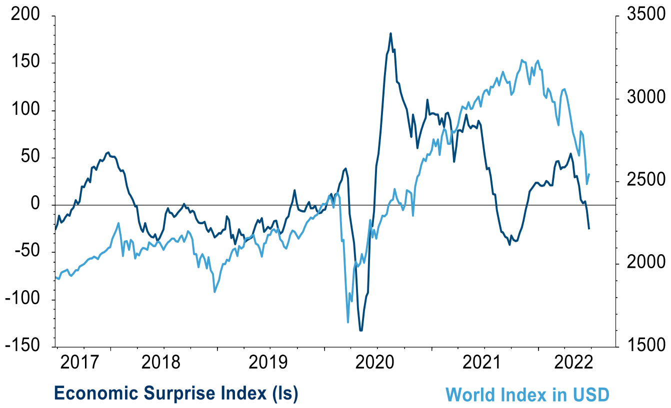
At the moment, the economic data released provide surprises that are mainly on the negative side. Earnings growth in 2023 should therefore fall short of this year's referential figure. The consensus currently expects earnings to increase by 4.4% y/y in 2023.

P/E: USA and Europe
12M forward P/E, US recessions (grey)



Sources: Refinitiv, Erste Group Research

Economic data with negative surprises
Global Economic Surprise index



Sources: Refinitiv, Erste Group Research

The valuation of the global equity index has decreased in the year to date. The 2022 forward P/E is 14.4x, while the expected divided yield amounts to 2.4%. The valuation ratio of P/E has fallen below the historic average both for the US and the European equity markets due to the low expected earnings growth next year and the share price losses.

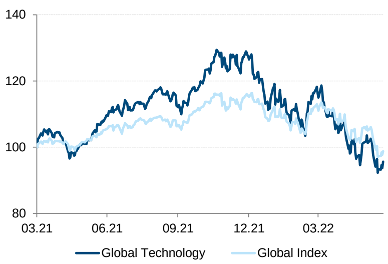
Outlook:
We expect the global equity market to go sideways in Q3.
Volatility should remain high. The continued rise in inflation is the biggest risk for the global equity market, especially in the USA, as is the further weakening of the global leading indicators. Q2 company results should fall clearly short of last year's referential numbers due to the extraordinarily high earnings in 2021 (y/y). Only energy companies should record a drastic increase in earnings (220% y/y). US earnings ex energy would fall by 1.8% y/y in Q2 instead of rising by 5.8% y/y. In Europe, the possible gas shortage from Russia will continue to burden industrial companies.

Global Sectors - Positive Outlook

Technology

Prognose 3Q	0% bis +5%
Weltindex Gewicht	24,72%
2022 Perf. EUR	-24,41%
KGV 22e	20,80x
Gewinne j/j 22e	5,90%
Top 3 Firmen (Markt. Kap.)	
Apple	
Microsoft	
Alphabet	

EGR global sector
EUR, indexed at 100 for 1Y



Sources: Erste Research index, FactSet.

The technology index lost -16.8% (in EUR) in Q2 and thus underperformed the overall market. The sector index of hardware companies lost -20.2% (in EUR), while the index of software companies shed -13%.

US technology companies reported very strong earnings for Q1 with 85% of companies exceeding expectations. In Europe, however, only 59% exceeded earnings forecasts. 39% of US companies communicated higher-than-expected earnings growth for the Q2 results. The technology sector thus recorded the second-highest share of positive guidances for Q2 behind the healthcare sector.

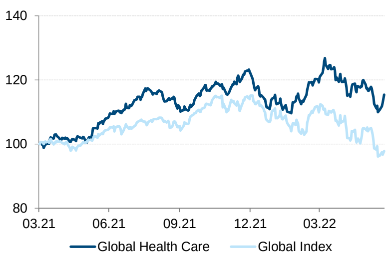
The outlook for sales and earnings growth in 2022 is slightly positive. Earnings are expected to grow by +5.9% y/y in 2022. This forecast has been slightly revised downwards in recent months, whereas the 2023 earnings forecast has been revised upwards to a strong +14.6%. The operating margin should increase from currently 21.9% to 22.5%.

The forward P/E fell to 20.8x in Q2 but remains above the global equity market P/E. In view of the good long-term growth perspective and the high profitability of technology companies, this seems fair. We expect investors to start paying more attention to the innovative prowess and the high quality of technology companies again. This sector has a higher share of positive earnings guidances for Q2 than most others. We expect the sector index to gain 0% to 5%.

Healthcare

Prognose 3Q	0% bis +5%
Weltindex Gewicht	12,0%
2022 Perf. EUR	-5,80%
KGV 22e	17,0x
Gewinne j/j 22e	4,50%
Top 3 Firmen (Markt. Kap.)	
Johnson & Johnson	
UnitedHealth Group	
Eli Lilly	

EGR global sector
EUR, indexed at 100 for 1Y



Sources: Erste Research index, FactSet.

The healthcare sector index fell by -3.2% (in EUR) in Q2. The aggregate loss in the YTD is 5.8%, which is still less significant than the YTD loss of -14.2% (in EUR) amassed by the global equity market so far. This sector is only tangentially affected by supply chain problems and the slow-down in global economic growth.

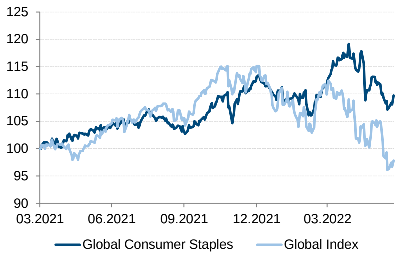
81% of US companies reported earnings surprises for the most recently reported first quarter. In Europe, this was the case for 68% of companies in this sector. Both in the USA and in Europe this sector recorded above-average levels in this context. In addition, the US healthcare sector holds the highest share of positive earnings guidances for Q2.

Companies are expected to post sales growth of +5.9% and earnings growth of +4.5% this year. In 2023, earnings growth will slow down to -1.0% due to the fact that Pfizer, this year by far the most profitable company due to the extraordinary profits derived from COVID-19 vaccinations, will incur a drastic decline in earnings in 2023. At a 2022 forward P/E of 17.0x, the valuation is fair. We expect the sector index to gain 0% to 5% in Q3.

Consumer Staples

Prognose 3Q	0% bis +5%
Weltindex Gewicht	7,30%
2022 Perf. EUR	-2,40%
KGV 22e	20,10x
Gewinne j/j 22e	1,50%
Top 3 Firmen (Markt. Kap.)	
Walmart	
Nestle	
Coca Cola	

EGR global sector
EUR, indexed at 100 for 1Y



Sources: Erste Research index, FactSet.

The sector index decreased by 0.9% (in EUR) in Q2. Despite the YTD loss of -2.4% (in EUR), the sector has shown relative strength vis-a vis the overall market.

88% of US companies exceeded their expected earnings as per the Q1 reports. This sector commanded one of the biggest shares of positive earnings surprises in Q1, alongside the industrial sector in the USA. Only 56% of European companies exceeded expectations in Q1. In 2022, Anheuser Busch Inbev, Sysco Corp., and Coca Cola should post the highest earnings. The food producer and trading group Archer-Daniels-Midland benefited significantly from the rising agricultural commodity prices. It has continuously expanded the operating margin in recent quarters.

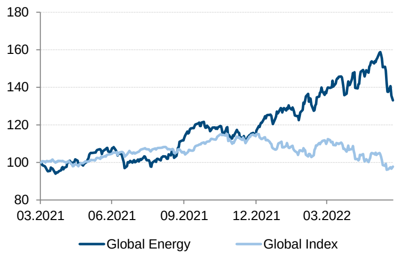
Sales estimates for 2022 are on a continuous upward trend. Sales are currently expected to grow by +5.3%, whereas net earnings should only increase by +1.4%. Earnings growth should pick up only next year (2023e: +5.7%).

Despite the low earnings growth, the P/E valuation of the consumer staples sector is not attractive. The 2022 forward P/E is 20.1x. The dividend yield expected for this year is 2.6%. In an environment of subsiding global growth, investors appreciate the non-cyclical character of this sector. We expect gains of 0% to 5% in Q3.

Energy

Prognose 3Q	0% bis +5%
Weltindex Gewicht	5,70%
2022 Perf. EUR	16,20%
KGV 22e	6,90x
Gewinne j/j 22e	81,40%
Top 3 Firmen (Markt. Kap.)	
Exxon Mobil	
Chevron	
Shell	

EGR global sector
EUR, indexed at 100 for 1Y



Sources: Erste Group Research, FactSet

The energy sector index incurred a slight loss of 2.7% in Q2.
In the year to date, it is the only positive sector though (in EUR: 16.2%). The demand for crude oil quickly recovered after the lockdowns in China. The oil supply, however, was driven up only slowly. There is a slight degree of scarcity in the oil market, which is why the USA have released a part of its strategic reserves. After the sanctions against Russia, which ban oil exports from Russia from entering the USA and reduce them for exports to Europe, India and China emerged as buyers. They were able to buy the Russian oil brand Urals at a discount of about USD 35/barrel.

The supply of finished products from refineries such as petrol, diesel, heating oil, and kerosene has turned into a global problem, as some refineries had closed down due to lockdowns. As a result, the refinery capacity has recently fallen to 17.9mn barrels/day, which is the lowest level since 2014. The price of natural gas has been on the rise in particular in Europe due to its sizeable dependence on Russia and the uncertain supply situation. In the USA, the natural gas supply is safe, and the price has even fallen most recently.

Sales and earnings forecasts in this sector are very positive this year. Sales should grow by 31.6% y/y according to the consensus, and earnings by +81.4%. The valuation of the companies in the sector is low, with a 2022 forward P/E of 6.9x and an expected divided yield of 5.2% in 2022. We expect the sector to gain 0% to 5% in Q3.

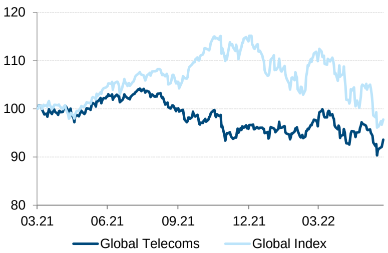
on the import of oil from Russia into the USA. This further exacerbated the already tense global supply situation. Additionally, in Europe, low inventories of natural gas and the uncertainty about the future supply from

Global Sectors - Negative Outlook

Telecoms

Estimate 3Q	↘	-5% to 0%
World Index Weight		3.7%
2022 Perf. EUR		-2.4%
P/E 22e		14.0x
Net Profit y/y 22e		-0.4%
Top 3 Companies (Market Cap.)		
Verizon		
Comcast		
T-Mobile US		

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

The sector index fell by 2.9% in Q2, turning the YTD performance negative to -2.4% in EUR. This notwithstanding, it has outperformed the overall market and is now unchanged in a 5Y perspective. 78% of the shares of this index are below the 200-day moving average.

The shares of T-Mobile US, Deutsche Telekom, and Verizon recorded gains last quarter. Their earnings prospects for 2022 and/or 2023 have improved. The technology leader T-Mobile US seems to have the best growth prospects. The group's declared goal is to provide 90% of the rural regions in the USA with a 5G mobile telephony network within the next five years. There is very little competition in those areas, indeed sometimes there is only one carrier.

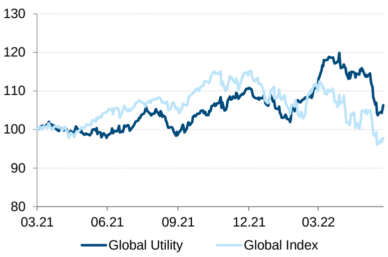
Globally speaking, the sales and earnings development of the telecoms sector is very weak. Revenues are expected to decline by 3.5% in 2022, while earnings should fall by 0.4% according to consensus estimates. The situation is only likely to improve in 2023, when revenues are expected to grow by 0.9% and earnings by 10.4%.

The 2022 forward P/E of the sector is 14.0x, that of 2023 12.5x. The P/E is below the comparable valuation metric of the global equity market (2022 forward P/E: 14.4x). The dividend yield expected for 2022 is 3.3%. We expect a negative performance within a bandwidth of -5% to 0% for Q3.

Utility

Estimate 3Q	↘	-5% to 0%
World Index Weight		3.1%
2022 Perf. EUR		-3.8%
P/E 22e		19.5x
Net Profit y/y 22e		-10.9%
Top 3 Companies (Market Cap.)		
NextEra Energy		
Adani Green Energy		
Duke Energy		

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

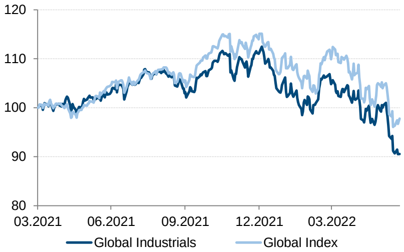
The global utilities index fell by 4.7% in EUR in Q2. The YTD performance in EUR has been -3,5%. The shares of the Spanish company Iberdrola recorded the best performance last quarter at +5.4% in EUR. 20 years ago, Iberdrola was a pioneer in onshore wind power. Meanwhile this source of energy has turned into an important growth factor for the company.

In the current situation of rising energy prices, US utilities can act more flexibly than most of its European peers. US utilities can pass on price increases to their customers without political interference. For example, there are statutory price caps for utility companies in France, Spain, and Portugal. European utilities have been additionally affected by cost increases due to the shortage of natural gas. EDF, the biggest nuclear power producer of Europe, has a different sort of problem: the required maintenance of a large number of its plants has caused its power generation to decline by 26% y/y to 20.5 TWh.

The 2022 forward P/E of the sector is 19.5x, which is above the global average despite the expected earnings growth being negative (2022e: -10.9%). The dividend yield expected for 2022 is 3.3%. We expect a slightly negative return for Q3 within a bandwidth of -5% to 0%.

Estimate 3Q	-5% to 0%
World Index Weight	9.2%
2022 Perf. EUR	-18.4%
P/E 22e	13.8x
Net Profit y/y 22e	13.2%
Top 3 Companies (Market Cap.)	
UPS	
Raytheon Technologies	
Union Pacific	

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

Industrials

The sector index of industrial goods and services lost 13.6% in Q2. This sector thus underperformed the global equity market. The sector index is caught in a pronounced downward trend. 92% of companies are below the 200-day moving average.

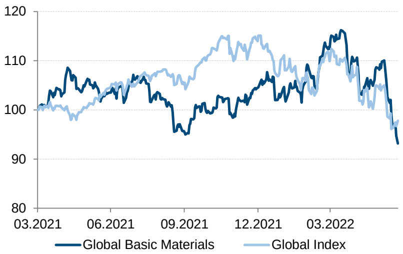
In Europe, the purchasing managers' indices have fallen continuously. The most recent data fell short of expectations. Order intake was on the decline as well. The drastic increase in input costs (especially energy costs) constitutes a risk for the profitability of industrial companies. European companies are confronted by the risk of a possible shortage of energy supplies in the second half. A drastic reduction or, even worse, a delivery stop, of natural gas would come with gravely negative effects on production: production would have to be halted across numerous energy-intensive areas.

Companies producing in the USA are not affected by the risk of an energy shortage. That being said, supply chain problems remain a globally negative factor also in the coming quarter that can be felt throughout the entire industrial sector.

Sector sales should grow by 4.3% y/y this year, while the expected earnings growth is 13.2%. The valuation based on the 2022 forward P/E is 13.8x. We expect a volatile development for the sector index and a decline of -5% to 0% in Q3.

Estimate 3Q	-5% to 0%
World Index Weight	3.2%
2022 Perf. EUR	-10.8%
P/E 22e	8.5x
Net Profit y/y 22e	-0.3%
Top 3 Companies (Market Cap.)	
BHP Group	
Linde	
Rio Tinto	

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

Commodities

The global commodity index lost 17.1% in EUR in Q2. The prices of industrial metals have corrected sharply in the past three months. The relevant industrial metal index has shed 26% since the end of March. It is now back to its level of twelve months ago. The cyclical copper price broke out of a longer sideways movement on the downside. The rising yields are burdening real estate projects and thus the perspectives of many companies with significant sales in the construction sector. The need for plastic, insulation materials, wood, cement, and construction steel will consequently drop.

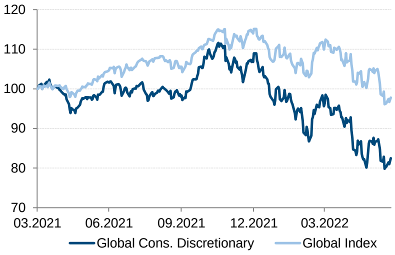
According to consensus estimates, the companies of this sector should achieve sales growth of 6.6% this year, whereas earnings should fall by 0.3% in 2022 and by 16.9% in 2023. The 2022 forward P/E has fallen substantially over the recent period and, at 8.5x, is now very low due to the negative growth perspectives. The expected dividend yield of the sector, on the other hand, is high at 5.3% for 2022e.

We expect this sector index to continue losing value in Q3 due to the slowdown of global growth and forecast a decline in a bandwidth of -5% to 0% in Q3.

Consumer Discretionary

Estimate 3Q	↘	-5% to 0%
World Index Weight		12.1%
2022 Perf. EUR		-22.8%
P/E 22e		19.4x
Net Profit y/y 22e		13.6%
Top 3 Companies (Market Cap.)		
Tesla		
Procter & Gamble		
Alibaba		

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

The sector index lost 13.7% in EUR Q2 and thus underperformed the Erste Global 1000 index (in EUR: -11.0%). The high inflation rates in the USA and Europe and the rising yields of government bonds came as a burden to consumers and thus to numerous companies in this sector. The sub-sector of media underperformed the rest yet again significantly in Q2, losing 29% in EUR. The shares of Netflix, ViacomCBS, and Walt Disney incurred the biggest losses. The index of the travel & leisure industry was equally weak (in EUR: -22%).

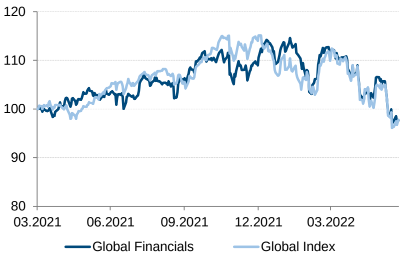
The automotive sector fell by 15.7%. The only company in this sector to post a positive performance on the stock exchange was the Chinese manufacturer BYD. Toyota and Honda incurred less pronounced losses than the index, as did the shares of the biggest European manufacturers, Volkswagen, BMW, and Mercedes Benz Group. Generally speaking, car manufacturers are affected negatively by rising yields as customer finance becomes more expensive. The shares of manufacturers with a high exposure to Asia offer a relatively better perspective in the current cycle of interest rate hikes in the USA and Europe. The supply chain issues and the computer chip shortage continue to set up a challenging scenario for companies.

The companies of this sector should boost their sales by 8.4% and earnings by 13.6% in 2022. Sales and earnings estimates are caught in a downward trend though. The 2022 forward P/E has declined after the corrections and is now at 19.4x. According to this ratio, the sector commands an expensive valuation as compared to the global equity market. We expect the sector index to incur a loss within a bandwidth of -5% to 0% in Q3.

Financials

Estimate 3Q	↘	-5% to 0%
World Index Weight		16.9%
2022 Perf. EUR		-10.4%
P/E 22e		10.1x
Net Profit y/y 22e		-0.8%
Top 3 Companies (Market Cap.)		
Berkshire Hathaway		
Visa		
JP Morgan		

EGR global sector
EUR, indexed 1Y



Sources: Erste Group Research, FactSet

The sector index of global financials shed 11.7% in Q2. The banking sector lost 11.0%, while the sub-sector of financial services underperformed at a significant rate, losing 14.6%. The shares of investment banks incurred the heaviest losses of all at 16.7%. In the USA, at 78%, the share of positive earnings surprises of financials slightly exceeded that of the overall market. In Europe, only 65% of financial companies reported positive earnings surprises, which fell short of the European market average.

The interest rate increases in the USA have a negative impact on lending. Real estate finance is on a sharp decline, because the long-term interest rates in this market segment have increased to about 6%. The weakening of the US economy in addition probably also requires higher provisions to be made for loans by banks. In Europe, we also expect the profitability of banks to be negatively affected by the forecast weakening of economic growth. The earnings of the global sector should fall by 7% in 2022 relative to the very high level we experienced last year. The consensus expects an increase of 9% for 2023. The trend of the 2023 estimate has been stable on this level for the past three months.

We expect a slight decline of the global financial sector within a bandwidth of -5% to 0% in Q3.

Forecast 3Q 2022

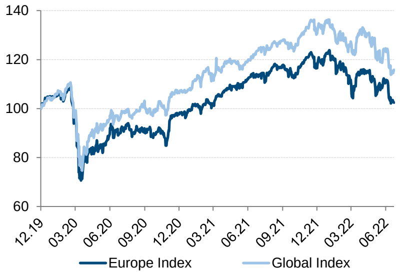
Europe -5% to 0%

Earnings and sales growth
EUR, y/y, %

	Sales		Net Profit	
EUR	22e	23e	22e	23e
France	13.8	2.0	1.3	6.8
Germany	6.9	1.3	11.4	-2.3
Switzerland	20.0	-0.6	14.7	3.4
UK	16.2	0.8	14.4	0.3
Netherlands	31.1	-0.9	29.8	0.0
Europe	**16.4**	**0.4**	**14.5**	**0.2**

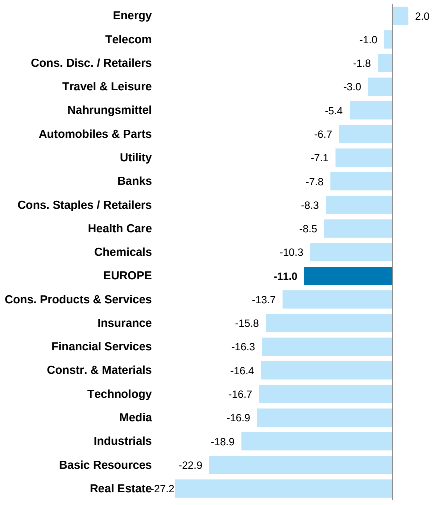
Sources: Erste Group Research Index, FactSet.

Europa index vs. global index
Indexed at 100, EUR



Source: Erste Group Research Index, FactSet.

Europe sector performance Q2 2022
Erste Europe index, EUR



Sources: Erste Group Research Index, FactSet.

At -10.4%, the European equity market recorded a strong decline in Q2. High inflation, the war in Ukraine, weak leading economic indicators in June, and persistent supply chain problems led to a pronounced risk-off mode among investors. With the exception of the energy sector (+2%), share prices fell in all other 19 sectors. The most significant losses occurred in real estate (-27%), commodities (-23%), and industrials (-19%).

The European reporting season for Q1 2022 still ended on a very positive note. Earnings increased by 42% y/y in Q1, while sales rose by 23%. 66% of companies reported results that exceeded expectations. Commodities (93%), healthcare (67%), and energy (67%) recorded the largest shares of positive earnings surprises.

The consensus expects earnings growth to have slowed down in Q2 2022 to +15% y/y. The outlook for the coming quarters suggests a further slow-down of sales and earnings growth this year. The market expects earnings to fall in the first two quarters of 2023. For the full year of 2023, the consensus expects earnings growth of now only 0.2%. Due to the weak leading indicators (e.g. new orders French industry), we expect the consensus to indicate declining earnings for 2023 in the coming weeks. In Germany, earnings growth is already expected to be negative at -2.3% y/y in 2023.

Sales and earnings estimates Europe
Consensus forecasts per quarter, y/y, Q4 2021 - Q2 2023

Sources: Refinitiv, Erste Group Research

Outlook: due to the drastic decline in earnings growth and the losses last quarter, the valuation of European equities has fallen. The growth prospects of the corporate sector are not positive anymore.

Supply chain problems caused by a new set of lockdowns in China and the risk of shortages in Russian natural gas are compromising the planning certainty of investors in Europe. We expect European equities to incur slight losses in a bandwidth of -5% to 0% in Q3.

Forecast 3Q 2022

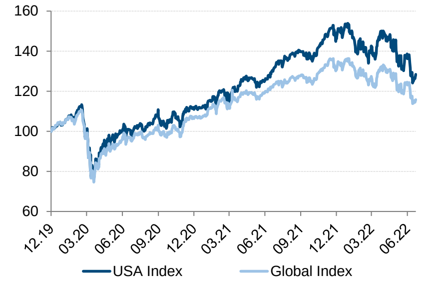
USA 0% to +5%

USA index

USD	2022e	2023e
Sales	10.4%	5.2%
EBIT	16.5%	8.2%
Net Profit adj.	8.5%	9.0%
PE	17.2x	15.8x
Div. Yield	1.6%	1.7%

Sources: Erste Group Research Index, FactSet.

USA index vs. global index
Indexed to 100, EUR



Sources: Erste Group Research Index, FactSet.

The S&P 500 index lost -11.6% (in EUR terms) in Q2. The strong increase in energy prices, the continued increase of the US inflation, and the interest rate hikes by the Fed resulted in a pronounced selling pressure across almost all sectors. The energy sector, on the other hand, recorded gains.

The growth of the US economy slowed down in Q2. Most recently, the ISM index of the manufacturing industry amounted to 56.1 points. The index of order intake increased. This suggests that this area of the US economy is expanding. The most recent value of the ISM index of the service industry was 55.9 points. It has edged lower in the past two months but continues to indicate an expanding service segment of the US economy.

US companies reported a sales increase of +13.4% y/y and earnings growth of +9.1% y/y for Q1 2022. 79% of earnings exceeded consensus expectations, most substantially so in technology, commodities, and healthcare. Telecoms, financials, and consumer cyclicals accounted for the biggest share of negative surprises.

Expected sales and earnings
Consensus forecast by quarter

	4Q21	1Q22	2Q22e	3Q22e	4Q22e	1Q23e	2Q23
Revenue	15%	14%	11%	11%	8%	7%	5%
Earnings	32%	11%	6%	11%	11%	10%	11%

Sources: Refinitiv, Erste Group Research

70% of the S&P 500 companies had to revise their earnings forecasts downwards. This was particularly the case for utilities, telecoms, and consumer cyclicals. Companies in healthcare, technology, and non-cyclical consumer goods made up the smallest share of negative earnings guidances. In 2022, sales should increase by 10.4% y/y and earnings by 8.7% y/y. The 2022 forward P/E of the equity market amounts to 17.6x and is thus slightly below the historic average. The dividend yield has increased to 1.6%.

Outlook: earnings growth in 2022e and 2023e is slowing down relative to 2021, but it remains positive. After the drastic decline in recent months, we expect the major US indices to move sideways amid sustainably high volatility. We expect an increase at the lower end of the bandwidth of 0% to 5%.

Forecast 3Q 2022

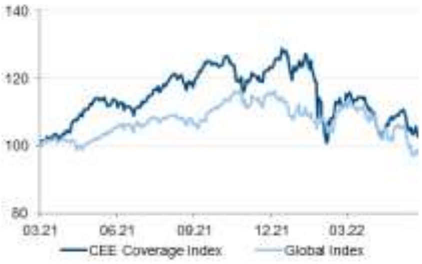
CEE
0% to +5%

CEE coverage index

EUR	2022e	2023e
Sales	10.6%	-1.5%
EBIT	23.1%	-3.6%
Net Profit adj.	27.0%	-6.0%
PE	7.5x	8.0x
Div. Yield	4.0x	4.5x

Sources: Erste Group Research Estimates.

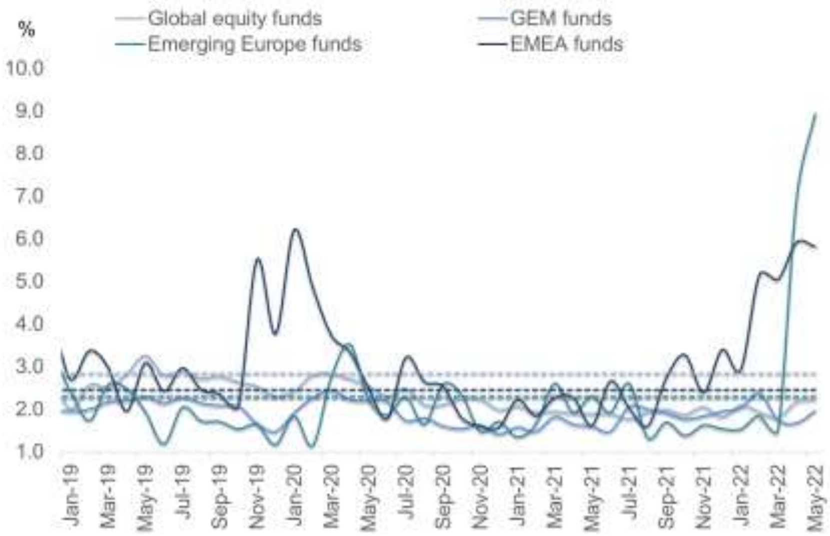
CEE coverage index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research indices, FactSet

It was to be expected that the markets in Central and Eastern Europe would be affected by the attack of Russia on Ukraine at least in terms of market sentiment due to the close proximity to the region. This expectation has materialised to a large degree. Not only have the inflows into funds investing in the region reversed into outflows, but the investments within these funds are currently made up by a never-before-seen weighting of cash and liquid funds. A risk-averse wait-and-see strategy could not be illustrated better.

Development of cash and liquid funds by fund category (equities)



Source: EPFR Global

Earnings growth in the region is currently restrained and has low momentum. However, given the constellation of parameters, the region does not differ much from other global areas. The valuation has adjusted adequately to the outlook, pricing in the rather subdued outlook quite correctly. With the exception of Croatia, all markets in the region are currently traded at a discount to the historic average. Any further deterioration of the outlook is of course a downside risk, not the least with regard to the chance to use equity investments as protection against inflation on the back of nominal growth.

With regard to sectors, utilities and energy would of course lend themselves to the occasion. However, valuations are currently ambitious across the board here, limiting the prospect. We can see a rather more positive scenario for banks. Commanding attractive valuations at the moment, financials should benefit from the outlook of further interest rate hikes, with possible irritation coming from balance sheet quality constituting a certain degree of risk down the line.

Forecast 3Q 2022

Real Estate Europe

-5% to 0%

The Stoxx 600 Real Estate index declined by more than 12% in month of June and hence recorded the second worst performance of all Stoxx sub-indices. The sector is currently facing headwinds in form of rising bond yields and a change in the interest rate environment.

As a result of the rising interest rates, the cost of debt has increased. While we see almost all industries affected, the real estate sector is probably hit the most, since financing costs have in some cases already reached or even exceeded the level of prime yields. Potential investors are expected to recalculate and reduce their willingness to pay in ongoing bidding processes. Market participants therefore expect rising initial yields in all segments and risk classes.

In Austria, Immofinanz massively lost after the end of the additional acceptance period of the CPIPG bid, pricing in all the market movements and dilution effects since the first bid at the end of the year. S Immo is one of the rare stocks showing a positive YTD performance, strongly supported by the upcoming takeover bid from CPIPG.

Forecast 3Q 2022

China

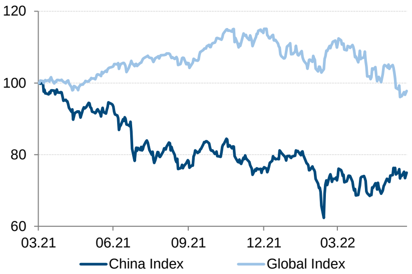
0% to +5%

EGR China Index

USD	2022e	2023e
Sales	6.6%	7.7%
EBIT	8.7%	8.9%
Net Profit adj.	1.1%	9.5%
PE	9.0x	8.2x
Div. Yield	3.9%	4.1%

Sources: Erste Group Research indices, FactSet

China index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research indices, FactSet

The Indian equity market gained 1.7% (in EUR) in 1Q. In doing so, India yet again outperformed the average of the emerging markets (-1.4%). The Indian equity market continued to benefit from its broad diversification across several sectors.

Sales expectations for 2022 and 2023 (in USD) have been in a sideways trend since the beginning of the year. Sales are now expected to grow by 14% in 2022. Earnings are projected to increase by a more substantial 22.2%. With the exception of Tata Steel (-18% y/y), all 42 shares in the Indian index should report an increase in earnings. Large caps such as Reliance Industries (+24%) and HDFC Bank (+18%), in particular, are projected to record significantly higher earnings this year.

At a forward P/E of 23.5x for 2022 and 20.5x for 2023, the valuation of the equity market is considerably higher than the average of the emerging markets. This is due to the above-average expected sales and earnings growth rates in the past years and the high level of profitability of companies. For example, the ROE is at an average of 15%, and the operating margin should reach 20.9% this year.

We expect Indian equities to post returns of 0 to 5% in 2Q.

Forecast 3Q 2022

India

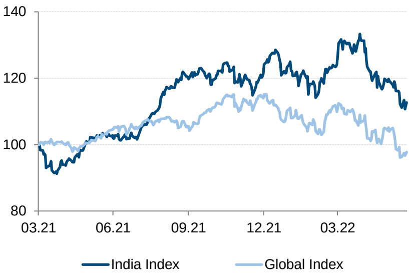
0% to +5%

EGR India index

USD	2022e	2023e
Sales	14.4%	7.1%
EBIT	17.8%	10.4%
Net Profit adj.	25.9%	12.3%
PE	20.5x	18.3x
Div. Yield	1.7%	1.9%

Sources: Erste Group Research indices, FactSet.

India index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research indices, FactSet

The Erste China index, containing 68 shares, fell in line with the globally negative development last quarter by 3.7% (in EUR). In the past twelve months, the index has thus lost 24%. The broader CSI 300 index in Shanghai shed 14% in 1Q, i.e. significantly more. The development on the Chinese equity markets was again driven by liquidity problems in the real estate sector and the increasing governmental regulation in the technology sector in 1Q. Alibaba (-6%) and Tencent (-17%) remained therefore under particularly strong pressure, resulting in significant losses.

At 48.1 points, Chinese leading indicators such as the purchasing managers' index of the industrial sector showed drastically lower growth in March than previously (February: 50.4). The important component of order intake decreased in March at a rate unseen since February 2020. The consensus estimates for sales and earnings in 2022 were overall stable in 1Q, suggesting sales growth of 11.3% and earnings growth of 7.3% this year. At a 2022 forward P/E of 8.5x, the Chinese equity market continues to command a very low valuation by international standards (global average: 17.6x).

Due to the volatility in the real estate sector and the weak leading indicators we expect a negative performance of -5 to 0% for Chinese equities in 2Q amid high volatility.

Forecast 3Q 2022

Brazil

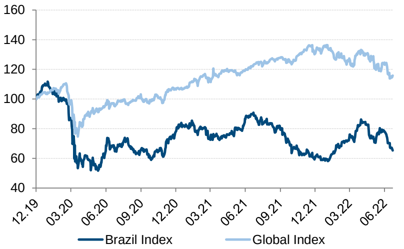
0% to +5%

EGR Brazil index

USD	2022e	2023e
Sales	15.7%	-5.2%
EBIT	11.0%	-9.3%
Net Profit adj.	7.0%	-10.7%
PE	5.3x	6x
Div. Yield	15.2%	12.4%

Sources: FactSet, Erste Group Research

Brazil index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research indices, FactSet

The Brazilian equity index lost -19.3% in EUR terms in Q2, putting the YTD performance in EUR at +11.7%. The strongly cyclical sectors of commodities, energy, and financials trailed the performance list, whereas non-cyclical consumer goods (food & beverages) showed relative strength vis-à-vis the market, losing considerably less.

The outlook for sales and earnings growth has improved in recent weeks. Sales are expected to grow by +15.7% in 2022. Adjusted net earnings should increase by +7.0% this year. According to the consensus forecast, however, sales and earnings should incur a downturn next year. Sales are expected to fall by -5.2% y/y in 2023, and earnings by -10.7% y/y.

The valuation of the equity market is very low. The 2022 forward P/E is 5.3x. The dividend yield expected for 2022 is 15.2%. The extremely low valuation reflects the expected weakening of the global economy this year and of earnings next year. We expect the equity market to post only moderate gains at the lower end of the bandwidth of 0% to 5% in Q3.

Tables & Appendix

Economic indicators

		GDP (%yoy)		Inflation (%yoy)		Un-employ. (%)		CA Balance (%GDP)		Fiscal Balance (%GDP)		Gross Debt (%GDP)	
		22e	23e	22e	23e	22e	23e	22e	23e	22e	23e	22e	23e
Europe	**Eurozone**	**2.7**	2.4	6.9	3.0	7.3	7.1	1.8	2.2	-4.3	-2.5	95.2	93.4
	Germany	**1.5**	3.1	5.5	2.9	3.2	3.2	5.9	6.9	-3.3	-0.7	70.9	67.7
	France	**2.4**	2.0	4.1	1.8	7.8	7.6	-1.8	-1.7	-5.6	-3.8	112.6	112.9
	Spain	**4.8**	3.3	5.3	1.3	13.4	13.1	0.3	0.4	-5.3	-4.3	116.4	115.9
	Italy	**2.2**	2.3	5.3	2.5	9.3	9.4	1.8	2.4	-6.0	-3.9	150.6	148.7
	Austria	**3.7**	2.4	6.4	2.6	5.0	4.8	-0.4	-0.1	-3.1	-1.5	80.0	77.1
	UK	**3.7**	1.2	7.4	5.3	4.2	4.6	-5.5	-4.8	-4.3	-2.3	87.8	82.7
	Switzerland	**2.2**	1.4	2.5	1.6	2.6	0.0	6.3	7.0	-0.9	-0.3	41.5	40.6
Eastern Europe	**Poland**	**4.2**	3.1	13.1	8.1	5.3	5.2	-1.3	-0.3	-3.9	-3.5	55.0	52.0
	Turkey	**2.7**	3.0	60.5	37.2	11.3	10.6	-5.7	-2.0	-6.9	-7.5	43.7	45.0
	Czechia	**1.6**	2.4	14.3	4.4	2.7	3.5	-1.2	0.5	-4.4	-3.1	43.4	44.3
	Romania	**5.1**	4.0	12.4	8.3	5.6	5.5	-8.0	-7.9	-6.7	-5.7	49.8	49.9
	Hungary	**5.5**	2.8	10.6	6.8	3.6	3.5	-5.9	-4.9	-4.9	-3.5	71.6	69.3
	Slovakia	**2.0**	3.0	11.4	7.8	6.6	6.2	-1.7	-1.3	-6.0	-4.0	63.6	62.3
Americas	**USA**	**2.1**	1.7	7.8	2.9	3.5	3.5	-3.5	-3.2	-4.8	-4.0	125.6	123.7
	Canada	**3.9**	2.8	5.6	2.4	5.9	5.0	1.1	-0.1	-2.2	-0.8	101.8	98.5
	Brazil	**0.8**	1.4	8.2	5.1	13.7	12.9	-1.5	-1.6	-7.6	-7.4	91.9	92.8
	Chile	**1.5**	0.5	7.5	4.5	7.0	6.9	-4.5	-3.4	-1.5	-0.6	38.3	38.4
	Mexico	**2.0**	2.5	6.8	3.9	4.1	3.9	-0.6	-0.7	-3.2	-3.2	58.4	58.9
	Colombia	**5.8**	3.6	7.7	4.2	11.9	10.6	-3.3	-3.4	-4.6	-2.2	60.6	59.2
Asia	**China**	**4.4**	5.1	2.1	1.8	3.7	3.6	1.1	1.0	-7.7	-7.1	77.8	81.8
	Japan	**2.4**	2.3	1.0	0.8	2.6	2.4	2.4	2.7	-7.8	-3.5	262.5	258.3
	India	**8.2**	6.9	6.1	4.8	na	na	-3.1	-2.7	-9.9	-9.1	86.9	86.6
	Indonesia	**5.4**	6.0	3.3	3.3	6.0	5.6	4.5	0.5	-4.0	-2.9	42.7	42.7
	South Korea	**2.5**	2.9	4.0	2.4	3.6	3.5	2.2	3.2	-1.6	-1.1	52.0	53.3
	Thailand	**3.3**	4.3	3.5	2.8	1.0	1.0	-0.1	2.0	-6.1	-3.0	62.7	61.4
	Australia	**4.2**	2.5	3.9	2.7	4.0	4.3	3.0	0.5	-5.2	-3.4	60.1	62.6
	South Africa	**1.9**	1.4	5.7	4.6	35.2	37.0	1.3	-1.0	-5.8	-6.1	70.2	73.4
	World	**3.6**	3.6										

Source: IMF, EU Commission, Erste Group Research estimates

Forecasts[1]

GDP	2020	2021	2022	2023
Eurozone	-6.5	5.3	2.7	2.4
US	-3.5	5.7	2.1	1.7

Inflation	2020	2021	2022	2023
Eurozone	0.3	2.6	6.9	3.0
US	1.2	4.7	7.7	2.9

Currency	current	Sep.22	Dec.22	Mar.23	Jun.23
EURUSD	1.06	1.08	1.10	1.13	1.15
EURCHF	1.01	1.02	1.02	1.03	1.03

Interest rates	current	Sep.22	Dec.22	Mar.23	Jun.23
ECB MRR	0.00	0.50	0.75	0.75	1.00
ECB Deposit Rate	-0.50	0.25	0.50	0.50	0.75
3M Euribor	-0.21	0.48	0.48	0.56	0.73
Germany Govt. 10Y	1.66	1.30	1.20	1.20	1.30
Swap 10Y	2.44	2.00	1.80	1.70	1.80

Interest rates	current	Sep.22	Dec.22	Mar.23	Jun.23
Fed Funds Target Rate*	1.58	2.63	3.13	3.13	3.13
3M Libor	2.23	2.79	3.21	3.21	3.21
US Govt. 10Y	3.24	3.00	2.70	2.60	2.50
EURUSD	1.06	1.08	1.10	1.13	1.15

*Mid of target range

Interest rates	current	Sep.22	Dec.22	Mar.23	Jun.23
Austria 10Y	2.21	1.70	1.60	1.50	1.50
Spread AT - DE	0.56	0.40	0.40	0.30	0.20

Source: Market data provider, Erste Group Research

[1] By regulations we are obliged to issue the following statement: Forecasts are no reliable indicators for future performance

Equities - Erste Global 1000 Index

					Weight	Performance (%)				Growth (%, y/y)							
			No. of	Mkt. Cap.	(%)	EUR				Sales		Net Profit Adj.		P/E		DY
	Erste Global 1000 Index		Comp.	EUR bn	World	1M	3M	12M	YTD	22e	23e	22e	23e	22e	23e	22e
	World	**USD**	**1,100**	**56,230**	**100**	**-2.4**	**-11.5**	**-5.8**	**-14.2**	**7.8**	**2.0**	**7.4**	**4.4**	**14.2**	**13.6**	**2.4**
	Developed Markets	USD	941	49,462	88.0	-3.0	-12.5	-4.8	-15.4	7.6	1.4	7.8	3.8	14.7	14.2	2.2
	Emerging Markets	USD	159	6,768	12.0	1.9	-3.6	-12.0	-4.2	8.7	6.2	5.2	7.8	11.2	10.4	3.7
Developed Markets	**North America**	**USD**	**527**	**34,384**	**61.1**	**-1.6**	**-13.0**	**-1.7**	**-15.0**	**10.1**	**5.0**	**9.4**	**8.2**	**16.8**	**15.6**	**1.7**
	Canada	USD	40	1,513	2.7	-6.9	-12.9	2.7	-5.7	4.2	2.9	23.3	-2.4	11.3	11.5	3.1
	USA	USD	487	32,871	58.4	-1.4	-13.0	-1.9	-15.4	10.4	5.2	8.5	9.0	17.2	15.8	1.6
	Europe	**EUR**	**260**	**9,948**	**17.7**	**-5.5**	**-9.8**	**-10.0**	**-16.3**	**16.4**	**0.4**	**14.5**	**0.2**	**12.0**	**12.0**	**3.4**
	Denmark	EUR	10	455	0.8	-2.7	-5.5	4.7	-12.4	22.1	-6.6	35.2	-33.4	11.8	17.8	3.5
	France	EUR	39	1,900	3.4	-4.4	-11.0	-12.7	-19.8	13.8	2.0	1.3	6.8	12.3	11.6	2.9
	Germany	EUR	40	1,449	2.6	-8.5	-11.7	-18.9	-21.9	6.9	1.3	11.4	-2.3	9.9	10.1	3.9
	Italy	EUR	15	336	0.6	-8.0	-7.9	-12.6	-17.3	11.2	0.5	17.2	-0.2	10.3	10.4	5.0
	Netherlands	EUR	20	1,017	1.8	-2.1	-8.1	-13.4	-17.8	31.1	-0.9	29.8	0.0	13.2	13.2	2.5
	Spain	EUR	14	418	0.7	-5.1	-1.4	-13.7	-8.9	13.6	-0.1	13.7	5.9	12.8	12.0	3.8
	Sweden	EUR	19	418	0.7	-9.1	-17.6	-27.0	-30.0	8.6	3.4	-22.2	15.8	15.0	13.0	3.7
	Switzerland	EUR	27	1,507	2.7	-6.7	-12.9	-5.4	-16.6	20.0	-0.6	14.7	3.4	15.3	14.8	3.3
	United Kingdom	EUR	43	1,569	2.8	-4.7	-7.5	1.4	-5.0	16.2	0.8	14.4	0.3	10.9	10.9	3.6
	Asia/Pacific	**USD**	**154**	**5,130**	**9.1**	**-6.7**	**-13.9**	**-13.4**	**-16.4**	**0.0**	**-2.3**	**4.7**	**-2.0**	**11.1**	**11.3**	**3.4**
	Japan	USD	88	2,632	4.7	-5.9	-12.2	-11.2	-16.1	-3.9	-3.3	2.1	1.9	12.6	12.3	2.4
	Australia	USD	23	929	1.7	-8.1	-15.1	-7.0	-9.6	1.0	-4.5	0.3	-12.0	11.3	12.8	5.9
	South Korea	USD	21	647	1.2	-11.2	-18.0	-34.4	-27.5	8.8	0.0	9.8	0.9	7.9	7.8	2.1
	Taiwan	USD	17	759	1.3	-4.2	-15.1	-8.4	-17.6	6.7	-0.8	11.3	-8.2	10.4	11.3	4.4
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**125**	**5,475**	**9.7**	**4.1**	**-1.8**	**-12.5**	**-2.7**	**8.2**	**7.2**	**4.7**	**10.1**	**11.1**	**10.0**	**3.3**
	China (incl. HK)	USD	68	3,601	6.4	8.5	1.7	-19.6	-1.4	6.6	7.7	1.1	9.5	9.0	8.2	3.9
	India	USD	42	1,517	2.7	-3.8	-8.4	9.1	-7.1	14.4	7.1	25.9	12.3	20.5	18.3	1.7
	Indonesia	USD	6	177	0.3	1.2	-6.0	27.4	6.3	8.9	4.0	21.6	11.2	16.2	14.6	3.3
	Thailand	USD	4	90	0.2	-5.3	-3.9	9.8	3.6	23.6	-2.0	14.9	24.6	20.4	16.4	2.9
	Emerging Americas	**USD**	**15**	**523**	**0.9**	**-12.2**	**-18.4**	**-20.5**	**-1.2**	**14.0**	**-0.7**	**8.8**	**-6.9**	**7.3**	**7.9**	**10.3**
	Brazil	USD	9	324	0.6	-15.7	-19.5	-28.1	9.4	15.7	-5.2	7.0	-10.7	5.3	6.0	15.2
	Mexico	USD	5	166	0.3	-7.1	-9.2	17.2	-4.6	7.5	8.7	17.8	13.4	16.0	14.1	3.0
	Emerging Afrika & ME	**USD**	**19**	**770**	**1.4**	**-1.9**	**-4.0**	**17.3**	**8.7**	**8.2**	**2.2**	**4.9**	**6.3**	**19.2**	**18.1**	**2.3**
Erste Sectors	**Basic Materials**	USD	57	1,791	3.2	-11.2	-17.5	-9.7	-10.8	6.6	-6.2	-0.3	-16.9	8.5	10.2	5.1
	Consumer Discretionary	USD	152	6,772	12.0	2.9	-13.9	-17.9	-22.7	8.4	6.1	13.6	15.5	18.9	16.4	1.5
	Consumer Staples	USD	78	4,105	7.3	-0.9	-0.4	6.0	-2.4	5.3	2.7	1.4	5.7	19.8	18.7	2.6
	Energy	USD	57	3,205	5.7	-10.0	-3.2	23.7	16.2	31.6	-6.4	81.4	-16.4	6.9	8.2	5.2
	Financials	USD	197	9,515	16.9	-4.6	-12.7	-5.5	-10.4	-1.2	5.0	-6.9	9.2	10.0	9.1	3.4
	Health Care	USD	109	6,731	12.0	-1.9	-3.1	7.8	-5.8	5.9	2.1	4.5	1.0	17.0	16.8	1.8
	Industrials	USD	164	5,154	9.2	-6.2	-14.8	-12.1	-18.4	4.3	0.8	13.2	-2.4	13.5	13.8	2.6
	Real Estate	USD	47	1,250	2.2	-2.7	-7.5	-5.6	-12.7	6.0	5.9	2.7	6.7	21.4	20.0	3.3
	Technology	USD	143	13,901	24.7	1.1	-17.8	-11.5	-24.4	10.7	9.2	5.9	14.6	19.9	17.4	0.9
	Telecom	USD	41	2,084	3.7	-1.7	-3.6	-7.9	-2.4	-3.5	0.9	-0.4	10.4	13.7	12.4	3.3
	Utility	USD	55	1,723	3.1	-6.9	-2.2	8.2	-3.8	-2.0	-4.3	-10.9	18.5	19.2	16.2	3.2

Source: Erste Group Research, FactSet. Closing Prices as of: 23.6.2022.

CEE Indices

Erste CEE Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) CEE	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 22e	Sales 23e	Net Profit Adj. 22e	Net Profit Adj. 23e	P/E 22e	P/E 23e	DY 22e
CEE Coverage	**EUR**	**157**	**323**	**100**	**-4.8**	**-8.2**	**-9.8**	**-16.6**	**10.6**	**-1.5**	**27.0**	**-6.0**	**7.5**	**8.0**	**4.0**
CEE Austria	EUR	36	115	35.5	-4.3	-4.7	-10.1	-18.0	7.9	-0.7	11.5	2.2	8.1	7.9	4.0
CEE Czech Republic	EUR	8	45	13.9	3.2	8.9	38.9	10.1	14.5	4.7	63.7	4.2	13.7	13.1	4.5
CEE Croatia	EUR	11	6	1.8	-4.2	-4.3	-4.3	-6.2	6.3	7.6	10.0	9.0	19.2	17.6	3.1
CEE Hungary	EUR	4	16	5.0	-13.0	-18.7	-34.5	-32.5	29.7	1.0	-12.7	8.4	5.5	5.1	3.1
CEE Poland	EUR	78	109	33.7	-8.6	-17.1	-19.2	-23.6	12.7	-3.5	58.3	-18.6	6.2	7.6	3.0
CEE Romania	EUR	9	19	5.8	2.3	1.3	5.9	-3.1	16.3	0.5	18.3	0.4	9.0	8.9	7.8
CEE Serbia	EUR	2	1	0.5	4.0	6.7	6.8	0.0	15.1	7.5	69.4	2.3	4.2	4.1	6.7
CEE Slovenia	EUR	2	3	1.0	6.0	1.9	-8.8	-19.7	4.2	4.5	0.8	5.9	10.0	9.4	5.8
CEE Turkey	EUR	6	9	2.8	-2.2	-6.2	-8.5	1.4	-13.5	-2.2	-12.1	-1.4	5.6	5.7	8.2

Source: Erste Group Research, FactSet. Closing Prices as of: 23.6.2022.

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