Erste Group Research
Global Strategy | All Assets | Global
October 2021

Global Strategy 4Q 2021

After the initial recovery phase, the economic growth momentum should now slow down. The high inflation rates are regarded as transitory, but sustained supply bottlenecks could increase the risk of more substantial price increases. The central banks will gradually start to reduce ("taper") their purchase programs. We continue to prefer equity investments and broadly-based investments in high-yield corporate bonds and investment grade hybrid bonds.

Investment Strategy 4Q 2021:

Govt. bond yields		Dec. 2021
Germany (10Y)		-0.20
USA (10Y)		1.50
Currencies		**Dec. 2021**
EURUSD		1.18
CHF		1.12
Equity Performances		**Dec. 2021**
Global	↗	0%/ +5%
Europe	↗	0%/ +5%
USA	↗	0%/ +5%

Source: Erste Group Research

Prices as of
01.10.2021, 22:00

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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.

Economic Outlook

The quick economic recovery – after the pandemic-induced, drastic economic downturn – is largely due to decisive support measures by the central banks and governments. While we expect the recovery to continue, the growth momentum should now weaken. In many countries, economic output has not reached pre-crisis levels yet; this notwithstanding, inflation rates have increased substantially this year from low levels last year. This is due to special factors, base effects, and a drastic increase in energy prices. Supply chain shortages caused by the reopening of the economy also increase the pressure on prices. Although we expect these effects to be of a temporary nature, sustained supply bottlenecks would fuel the risk of more substantial price increases. The weakness on the labour market should have a dampening effect on inflation in the medium term.

Bonds

At the moment, the ECB is still far from reaching its medium-term inflation target, which is why the central bank will maintain an expansive stance in its monetary policy. The Pandemic Emergency Purchase Programme (PEPP) is likely to expire in March 2022. We expect a decision on the approach the ECB will take for December 2021. The central bank could provide the existing purchase programme APP with more flexibility in order to continue supporting the economic recovery with favourable financing costs. If the September labour market report in the US were to turn out positive, the Fed should already in November decide to reduce its monthly asset purchases. This so-called tapering could be completed around the middle of next year. We do not yet expect interest rate hikes in the US for next year though. Instead, we envisage moderate yield increases in the US and the Eurozone.

Currencies

The Fed should soon launch its tapering process, and the ECB should let the PEPP expire in March. We therefore expect EURUSD to move sideways around 1.18. The continuing economic recovery and the moderately rising German yields should lead the Swiss franc to depreciate against the euro. We expect the gold price to remain by and large unchanged.

Equities

We expect the global companies to generate profitable growth in the coming quarters. However, the positive momentum should slow down, and earnings growth should fall short of first-half 2021 levels. As a result, the speed of the gains produced by the equity market should also slow down, and we expect volatility to pick up. The global equity market index should generate a return in a range of 0% to +5% in 4Q.

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Investment Strategy 4Q 2021

Yields		current	Estimates 4Q21	1Q22	2Q22	3Q22
10y. Govt. bonds	**Germany**	-0.21	**-0.20**	-0.10	0.00	0.10
	Austria	0.01	**0.00**	0.10	0.20	0.30
	US	1.49	**1.50**	1.60	1.80	1.80
	CEE					
	Czech Republic	2.10	**2.11**	2.10	2.11	2.14
	Hungary	3.48	**3.20**	3.22	3.24	3.30
	Poland	2.24	**2.00**	2.10	2.20	2.30
	Romania	4.43	**3.90**	3.80	3.90	3.95

Source: Erste Group Research estimates

Currencies		current	Estimates 4Q21	1Q22	2Q22	3Q22
Global	**EURUSD**	1.16	**1.18**	1.18	1.18	1.18
	CHF	1.08	**1.12**	1.13	1.14	1.14
	Gold (USD)	1,755	**1,740**	1,770	1,800	1,820
CEE	**CZK**	25.3	**25.2**	25.0	24.9	24.8
	HUF	357	**355**	350	350	350
	PLN	4.57	**4.57**	4.54	4.53	4.50
	RON	4.95	**4.98**	4.99	5.03	5.05

Source: Erste Group Research estimates

Equities		Estimate 4Q 2021	min	max	FX
Global *		↗	0%	+5%	USD
	Europe	↗	0%	+5%	EUR
	USA	↗	0%	+5%	USD
Emerging Mkts.	**CEE**	↗	0%	+5%	EUR
	BRICs				
	Brazil	↘	-5%	0%	BRL
	Russia	↗	0%	+5%	RUB
	India	↗	0%	+5%	INR
	China	↘	-5%	0%	CNY
Sectors	Technology	↗	0%	+5%	USD
	Consumer Discretionary	↗	0%	+5%	USD
	Financials	↗	0%	+5%	USD
	Health Care	↗	0%	+5%	USD
	Industrials	↗	0%	+5%	USD
	Consumer Staples	↗	0%	+5%	USD
	Energy	↗	0%	+5%	USD
	Telecom	↘	-5%	0%	USD
	Utilities	↘	-5%	0%	USD
	Basic Resources	↘	-5%	0%	USD

Source Market data provider, Erste Group Research estimates

Euro Zone Economic Outlook

Initial tranches from the EU recovery plan are strengthening growth

Thanks to sustainable measures taken towards re-opening, the Eurozone economy posted Q3 growth of 2.2% q/q. As expected, at +3.7% q/q, private consumption contributed above average to overall growth. At the end of Q2, the economic output of Germany and France is only 3% below the pre-crisis level anymore. Spain, on the other hand, is still facing a gap of about 7% relative to pre-crisis levels due to its strong share of tourism in economic activity.

GDP growth 2021: +5.0%

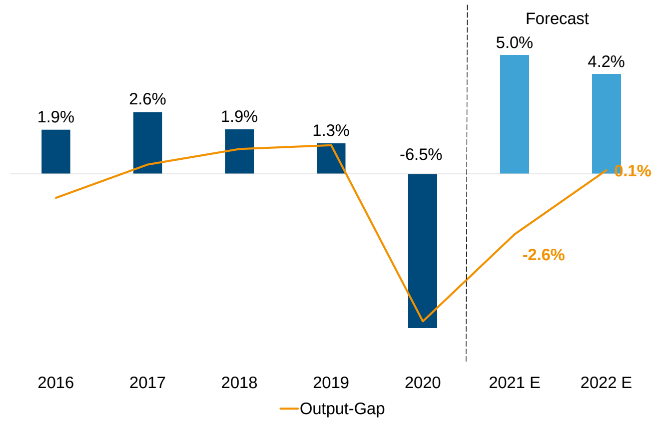
The current mobility data suggest the continuation of the economic recovery in the Eurozone in Q3. However, the growth momentum will weaken slightly relative to Q2. The EU Commission paid out the first tranches of the EU recovery plan to a number of countries. In some of them, such as Greece, Italy, Spain, and Portugal, the payments will be the main positive driver of GDP growth in terms of economic output in the coming years. But countries like Germany or Austria should also benefit from the higher growth momentum in Southern Europe via exports in the coming years.

Focus shifting to energy prices

Due to various factors (long winter of 2020/21, lower energy yield of wind power stations), European energy prices have increased to new multi-year highs in recent weeks. Triggered among other things by tighter climate targets of the EU (Green Deal), the CO_2 price has also played a part in this development. The upward pressure on the energy prices on overall inflation in the Eurozone will therefore remain in place in the coming months. For 2021, we expect an overall inflation of 2.2% and for 2022 a slight decline to 1.8%.

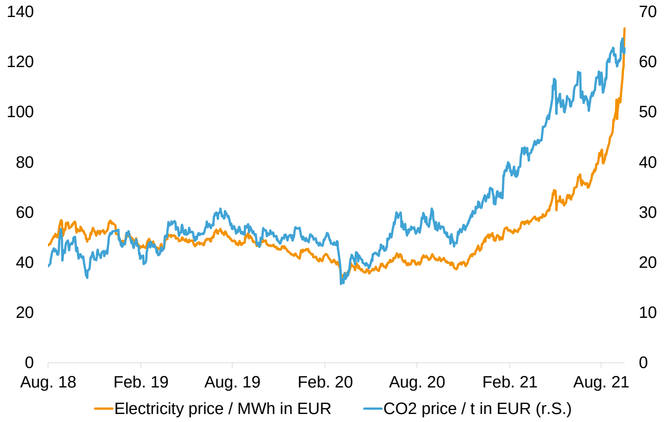
From a monetary perspective, the focus is on core inflation (i.e. inflation adjusted for energy and food prices). The 12M historical average is 0.8%, i.e. significantly below the price stability target of the ECB of 2%. We expect inflation to rise gradually in the coming months to slightly above 1%. The current under-utilisation on the labour market should have a dampening effect on core inflation until the end of 2022.

Output gap should close more quickly
Eurozone GDP growth vs. output gap



Sources: Eurostat, Erste Group Research

Multi-year highs achieved
German electricity vs. CO_2 price



Sources: market data providers, Erste Group Research

US Economic Outlook

Inflation more difficult to assess than economy

GDP growth rates declining from high levels

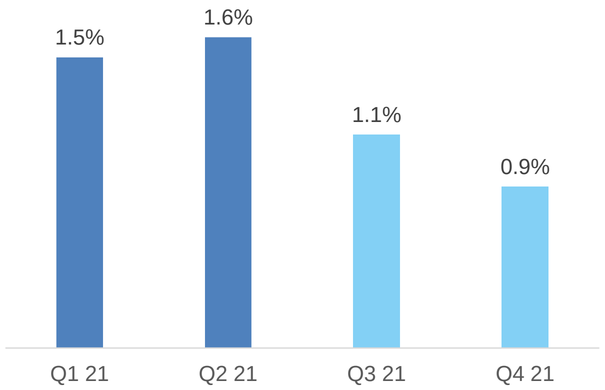
The US economy has cooled down in Q3 but has probably remained above average growth. The momentum after the re-opening of the economy in spring has subsided, as has the effect of the public stimulus programmes. This had generally been expected. The surprisingly hefty increase in new COVID-19 infections emerged as additional burden from July onwards. It was the second-highest increase in infections since the outbreak of the pandemic. In the meantime, however, infection numbers are on the decline again. For Q4, we expect a similar growth rate as we have seen in Q3. On the one hand, the momentum following the re-opening of the economy in spring will continue to decrease. On the other hand, the strain caused by COVID-19 infections should subside. The job market is very likely to continue recovering in this environment, albeit at an uncertain speed. Although in September the very substantial unemployment benefits came to an end, there does not seem to have been any strong inflow onto the labour market. Only the job market report will clarify matters. US households are still sitting on large savings that they built during the crisis and that could find their way into consumption.

After-effect of the crisis on inflation causing uncertainty

Inflation will be the biggest uncertainty factor in the coming quarters. The inflation rate jumped up earlier this spring. A temporary, strong increase in energy price inflation had been expected. What came as a surprise were the massive price hikes in some additional segments. In the meantime, the momentum of rising prices has flattened in most of these segments. As soon as these increases drop out of the calculation next spring, the inflation rate should fall significantly. The contribution from the energy segment should already recede from the beginning of 2022 onwards. Overall, this suggests continuously falling inflation rates in the first half of 2022. However, there are a number of risk factors to bear in mind. The current level of inflation could lead to higher inflation expectations taking hold. It is also not clear how long supply bottlenecks in certain areas will last and how much pressure on prices is to be expected still from that side. If the Americans return to the labour market more slowly than expected, this could result in wage, and subsequently, price pressure.

Strong economy slowing down

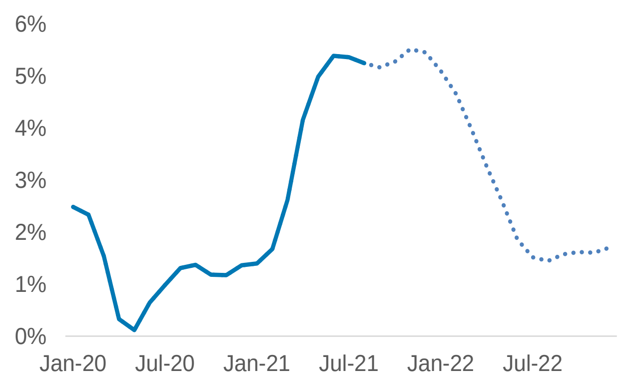
Real GDP growth, q/q in %



Sources: Bureau of Economic Analysis, Erste Group Research

Inflation should fall significantly from the beginning of 2022

Inflation y/y in %



Sources: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

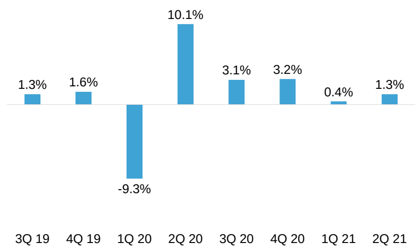
Strong economic recovery is well underway, and accompanied by higher inflation. Some statistics have been largely distorted by the base effect and temporal mismatch between demand and supply due to the catching up on one side, and shortages of some intermediate products limiting the production side. Serbia, Romania, Poland and Hungary have already reached their pre-COVID levels in real GDP and the rest of CEE should achieve that fairly soon. The 2Q21 uptick was mostly driven by rejuvenation of household consumption and investment, whereas net exports marked a more split performance due to the consumption- and investment-driven revival of imports.

Overall, robust and resilient labor markets, together with the gradual release of pent-up demand are supportive of further improvements, especially in household consumption. Even though pick-up in investment lags behind in some countries, the region is soon to benefit from large fund inflows from the EU, courtesy of standard EU funds and the Next Generation EU recovery plan. Yet, the impact of the latter is expected chiefly from 2022 onwards. Overall, we expect the CEE8 region to mark robust economic growth of 5.7% this year, followed by another strong increase of 5% in 2022. Needless to state, risks related to COVID-19 and supply chain strains remain.

In many CEE countries, inflation has topped the upper limit of the inflation target and it is expected to remain at an elevated level (or even grow further) in the last quarter of this year. Inflation should start to moderate next year, but more substantial declines can be expected only from 2Q22, thanks to the base effect. In any case, average inflation rate in CEE is to ease by only 0.5pp next year compared to this year and for many countries it is projected to stay above the target for the entire year. Strong growth and rather high inflation outlook (albeit at a lower level than now) justify the start of monetary tightening in CEE.

BRIC Economic Outlook

China: GDP growth q/q



Sources: statistics China, Erste Group Research

Germany export growth with China vs. China credit growth (y/y)

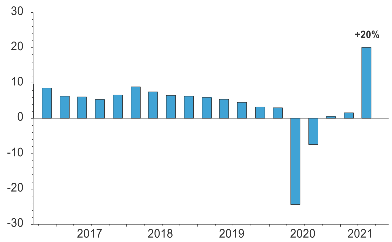
Sources: PBoC, statistics Germany, Erste Group Research

China

In 2Q, the Chinese GDP growth accelerated to +1.3% (q/q). The sentiment dipped temporarily in August, which according to sources was due to rising COVID-19 infection rates domestically and abroad. In addition, the financial difficulties of the real estate company Evergrande have caused uncertainty among companies and consumer for a few weeks now. Due to the regulatory framework that the Chinese government imposed on real estate companies last year, the aforementioned difficulties of Evergrande are not entirely unexpected. In order to stabilise the situation, the Chinese central bank has already executed several liquidity operations in recent weeks.

Chinese economy temporarily suffering from energy shortage. Like in Europe, the introduction of climate goals caused a temporary increase in energy prices in China. The plan to reduce coal in the energy mix turned out overly ambitious for the economic structures. As a result, demand for the immediately alternative energy source, natural gas, increased as well, which further exacerbated the already dire situation on the European natural gas market. The energy shortage has also affected the industrial sector. For example, aluminium production had to be curbed, which in turn has recently pushed the global aluminium price to multi-year highs. In the context of all these factors, we expect to see a lower growth momentum in the Chinese economy in the coming one to two quarters. German exports to China were already down in July. The situation should gradually relax over the coming year.

India: GDP y/y %



Sources: Datastream, Erste Group Research

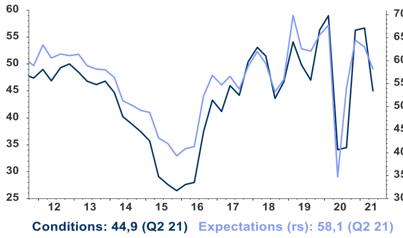
India

The Indian GDP jumped to a record high of +20.1% (y/y) in 2Q. The economic activity recovered to pre-pandemic levels. The current macro forecast puts the GDP of the Indian fiscal year of 2021/2022e at +9.2% (y/y). Also, the COVID-19 vaccination programme is making progress. 68% of the adult population have received one dose, and 25% are fully vaccinated. New infections are at their lowest level in half a year and continue to fall.

The purchasing managers' index for the industrial sector was at 52.3 points (July: 55.3) in August, suggesting a normalising growth rate. The purchasing managers' index for the service sector – a very important segment for India – rallied due to a sharp increase in new orders to the highest value since February (August: 56.7; July: 45.4).

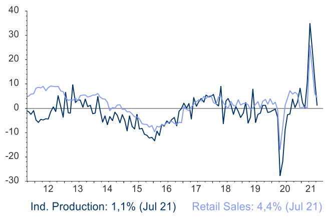
The next meeting of the Indian central bank (RBI) will be held on the 8th of October. The market consensus expects the key-lending rate to be left unchanged at its all-time low of 4%. The trend of the inflation rate supports this expectation. In August, inflation continued to fall at 5.3% relative to previous months and is now back on course for the RBI target of 2% to 6%. The market expects the first interest rate hike (of 50bps) for next year. The Indian rupee appreciated slightly against the USD to INR 74.1 in 3Q. The 10Y yield of Indian government bonds has edged marginally higher in the past three months to now 6.2%.

Brazil: sentiment of industrial indices



Sources: Datastream, Erste Group Research

Brazil: industrial production and retail sales (y/y)



Sources: Datastream, Erste Group Research

Brazil

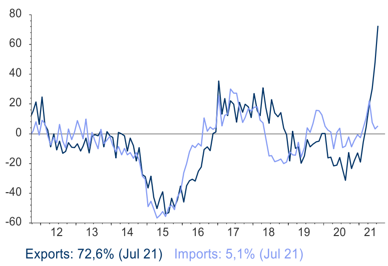
The outlook for this year's economic growth has improved in recent months. The consensus currently forecasts GDP growth of +5.2%(y/y) for 2021. Next year, the growth momentum will probably cool down, and the expected GDP growth rate for 2022 is +2.1% (y/y).

Industrial production is currently on a positive trajectory, with an increase of +5.5% (y/y) expected for 2021. However, the purchasing managers' indices have weakened in the past months. This applies both to the assessment of the current situation and to the expectation of the future development. The expected growth of industrial production is down to +1.9% for next year.

At 14.5%, the unemployment rate remains very high. This situation is improving only very gradually. Towards the end of the year, the rate should decrease to 13.7% and further to 13% next year. Due to the high unemployment rate, private consumption is growing slowly. This year, it is expected to grow by +4.3% (y/y), while in 2022 consumption growth is envisaged at only +2.2% (y/y).

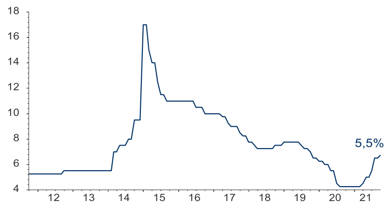
At -7% of GDP, the fiscal deficit remains strongly negative. The current account, on the other hand, should be almost balanced at -0.2% of GDP. The key-lending rate has been raised five times since March and is currently at 6.25%. The consensus expects the rate at 7.9% by year-end.

Russia: imports and exports (y/y)



Sources: Datastream, Erste Group Research

Russia: key-lending rates



Sources: Datastream, Erste Group Research

Russia

The consensus expects the economy to grow by +4.0% this year. For next year, forecasts suggest GDP growth will decline to +2.5%. Industrial production is up 4.8% (y/y) in 2021, not the least supported by the rising production and processing of crude oil.

The unemployment rate should fall to 5.1% this year and to 4.7% in 2022. Private consumption benefits from this positive development. It should increase by +8.4% (y/y) this year and by +3.4% (y/y) in 2022. Consumer prices will rise by +6.0% (y/y) this year. In 2022, the growth rate should fall back to +4.3% (y/y).

At +1% (y/y), the growth rate of public consumption should remain low in 2021. The current account benefits from the drastic increase in energy prices. The surplus expected for 2021 amounts to +4% of GDP. The budget is almost balanced this year. At -0.2% of GDP, the expected fiscal deficit is very low. The key-lending rate is currently at 5.5%. According to the consensus, it should increase to 7.05% by the end of 2021. The rouble is expected to move sideways against the US dollar until the end of the year.

Euro Zone	Yield Forecast 4Q 2021
ECB Main Refinancing Rate	0.00 %
German Bund	-0.2 % (10-yr.)

Important ECB decisions in December

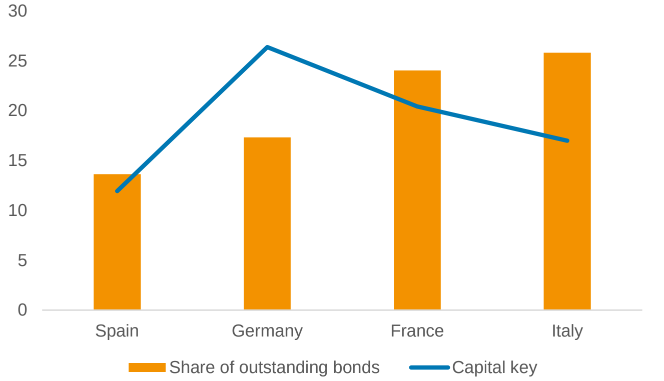
APP could be adjusted after the end of PEPP

In September, the ECB Council decided to moderately reduce the monthly bond purchases as part of the PEPP programme. The decision was based on an improved economic and thus inflation outlook and slightly lower bond yields. A more important decision is to be taken in December: that is when the bond purchases after March 2022 will be discussed, which is when the PEPP will in all likelihood expire. We expect the revamping of the second existing purchase programme, the APP. The ECB has so far given only a few hints as to how it could end up looking, but a new allocation structure for the government bond purchases seems probable. To date, the capital key, i.e. the share of the various national central banks in the capital of the ECB, has been the decisive factor. This may be changed to a structure that weights the purchases on the basis of the national shares on the government bond market. As a result, all states would receive the same support in relation to their debt, which definitely makes sense for a central bank that tries to ensure low interest rates. The weighting of supranationals within the purchase structure of government bonds could also be adjusted. This would give the ECB the chance to step up its purchases of EU bonds; in the coming years, the EU should emerge as by far the biggest issuer in the Eurozone. Another change could be to swap the largely fixed monthly purchases for flexible ones, depending on needs. The ECB would then only set the maximum amount per year. Overall, the bond purchases next year will probably fall significantly short of this year's purchase volume. But at this point the ECB does not seem to consider withdrawing altogether.

Government bonds in volatile sideways movement

If these changes were to prevail, it would mean a relative improvement for some spread markets, more specifically for French and especially for Italian government bonds. The ECB will take its decision in December. Until then, while the bond market may remain active, it could be treading water until the end of the year. From our point of view, the increase in yields in September has anticipated a lot already. That being said, cues from the USA, higher-than-expected inflation rates, and infection rates could cause spikes.

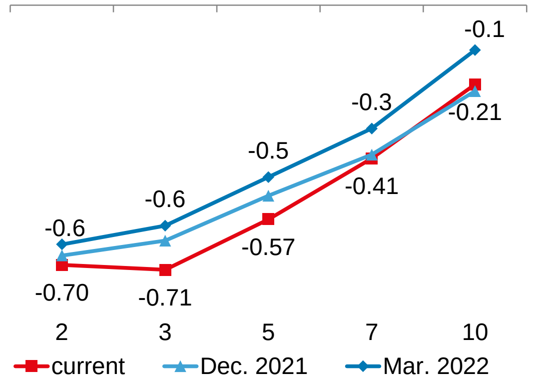
Current and possible future weighting of government bond purchases
Weighting of ECB purchases, in %



Sources: ECB, Erste Group Research

Yields increasing very slowly

German government bond yields by maturity, in %



Sources: market information systems, Erste Group Research

US	Yield Forecast 4Q 2021
Federal Funds Rate	0.0 – 0.25 %
US Treasuries	1.5 % (10yr.)

Fed will be slowly moving out of crisis mode

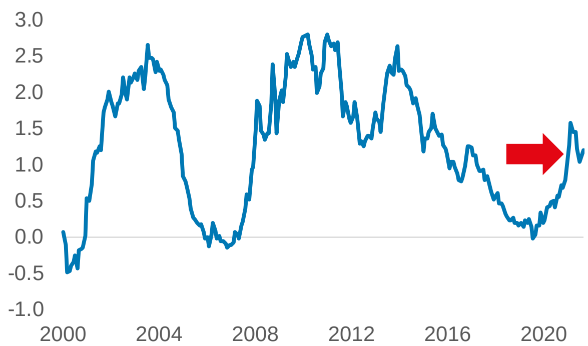
Tapering should start in November

After the recent statements from the chairman of the US central bank, Jerome Powell, the decision to reduce the monthly asset purchase volume (i.e. to start the tapering process) should be imminent. In deviation from earlier statements, at its November meeting the decision-making committee (i.e. the FOMC) should regard the criteria as fulfilled and then immediately proceed to start tapering. Previously, the markets had been promised sufficient time between the decision and the implementation. This suggests that the FOMC is slightly more eager to leave crisis mode than before, and the additional announcement by the FOMC to expect the end of the tapering process and thus of the bond purchases for the middle of 2022 confirms this impression. At the same time, this was more of a fine tuning, and the markets should not read it as significant shift, given that the start of the tapering process had been in the offing for the end of this year for a while. Only a weak labour market for September could now push back the start of the process, but we do not expect that to happen. At the same time, there are no clear signs of an imminent interest rate hike at this point. According to the latest poll among the FOMC members, half of them expect unchanged interest rates at least until the end of 2022. We also do not envisage any rate hikes for 2022. That being said, due to numerous special factors the outlook for inflation and thus the development of the interest rate next year is more uncertain than usual.

Bond market moving sideways for the time being

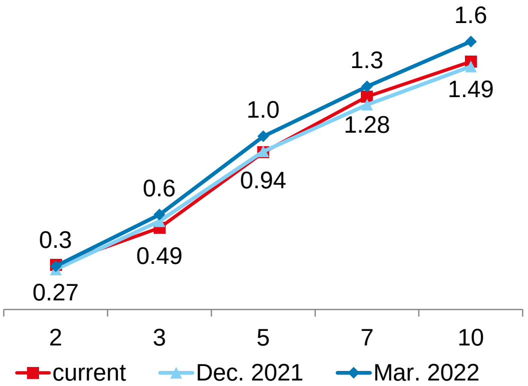
For the coming months, we expect the US bond market to move sideways. The route of the central bank at least seems clear for now. However, contradictory economic data could unsettle the market, as the recovery is unlikely to follow a straight line and should instead be guided by crisis-specific factors. This suggests volatility on the bond market. We regard in particular long maturities as commanding ambitious valuations on the bond market, given that inflation risks are not sufficiently taken into account. But since there has not been any pressure in recent months to draw down this overvaluation, we expect only gradual yield increases in the future.

US yield curve unusually flat
Yield differential 10Y – 2Y, in %



Sources: market data providers, Erste Group Research

Most likely scenario: small yield increases
US Treasury yields by maturity, in %



Sources: market data providers, Erste Group Research

CEE Government Bonds	Yield Forecast 4Q 2021
Czech Republic	2.11% (10Y)
Hungary	2.20% (10Y)
Poland	2.00% (10Y)
Romania	3.90% (10Y)

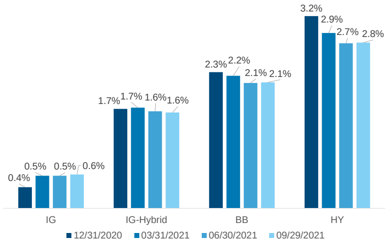
As inflation remains elevated in many CEE countries and is projected to ease only marginally next year, some of the regional central banks have already begun to tighten monetary conditions. The Hungarian central bank has raised its key rate by a total of 105bp to 1.65% since the beginning of the tightening cycle, while the Czech National Bank has hiked by a total of 100bp to 1.25% since June 2021.

We expect the Hungarian central bank to continue with monthly tightening steps until the end of the year, albeit at a slower pace of 15bp. Thus, the key rate should land at 2.1% by year-end. Following an extraordinary tightening step of 50bp delivered by the Czech National Bank in September, the rate outlook for the coming months depends heavily on the pandemic development, in our view. All in all, we stick to our 1.5% year-end forecast for the key rate in Czechia. In Poland, Governor Glapinski has been sending strong signals that the central bank is in no rush to raise its key rate, which currently stands at 0.1%. The strong resistance of Glapinski will likely postpone the start of tightening to 1Q22 at the earliest. Separately, we continue to think that the Romanian central bank will deliver its first rate hike in November this year and will continue with tightening in 2022.

For the next four quarters, we expect only a very mild increase of 10Y yields in CEE – about 10-30bp (for non-Eurozone members), while lifting of key rates will contribute to a swifter increase of the short end and thus flattening of yield curves. Increased global risk aversion coupled with local factors weighed on the Hungarian forint and Polish zloty, as both currencies lost almost 2.5% against the euro in 3Q21. On the other hand, the Czech koruna was the best performer among CEE peers and has the most promising outlook for the next couple of quarters. We expect the EURCZK to move below 25.0 in 1Q22. After reaching an all-time low at 4.95 vs. the EUR at the beginning of September, the Romanian leu could weaken further, due to large imbalances in the economy and the lack of government action in addressing the structural weaknesses of the economy.

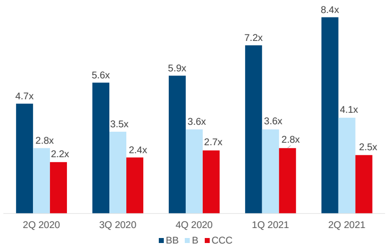
EUR-Corporate Bonds
Investment Grade
High Yield

Corporate bond yields remained stable in 3Q
Average yield in %



Sources: market data providers, Erste Group Research (own calculations)
As of 29 September 2021

High-yield: interest coverage ratios improving; exception: CCC issuers
EBITDA / interest expenditure



Sources: market data providers, Erste Group Research (own calculations)
As of 29 September 2021

High-yield should continue to outperform, but less significantly so

In 3Q 2021, high-yield corporate bonds outperformed investment grade corporate bonds for the sixth consecutive quarter (+0.8% vs. +0.1%). However, the extent of the outperformance has been declining from quarter to quarter in 2021. Economic indicators that correlate strongly with the spreads of high-yield bonds are weakening. Within the high-yield segment, the return of bonds from cyclical sectors are not outperforming those from defensive sectors as clearly as they used to be doing. Investors seem to be shifting their focus to the power to determine prices and the margin stability of companies in their selection process.

We continue to recommend broadly diversified investments in the high-yield segment. The interest coverage and debt payoff period of companies will maintain their positive development at gradually lower speed. There is currently a clear majority of rating upgrades relative to downgrades. The default rate is on the decline. Investor demand should remain high in view of the limited selection of attractive fixed income investment alternatives. This should keep high-yield spreads stable despite the declining momentum of the economic recovery. In comparison with investment grade bonds, the shorter maturities of high-yield bonds and the higher rates of return make their performance less susceptible to increases in the German government bond yields. On the basis of the spread to debt payoff period ratio we regard only high-yield bonds of the lowest rating category (CCC) as clearly overvalued. Their credit metrics deteriorated in 2Q. Since they only account for about 5% of total high-yield corporate bond volume, they are of little consequence to the performance of a broadly diversified high-yield portfolio.

The spreads of senior investment grade bonds have been moving sideways since the beginning of the year. The relatively low volume of net new issues and the ongoing net purchases by the ECB eat into the supply of senior investment grade corporate bonds and will keep the spreads stable in this segment as well. Government bond yields will continue to affect their prices even more than they would normally do. The low increase we project is enough to push the performance of investment grade corporate bonds into negative territory. From our point of view, senior investment grade bonds remain unattractive. The improvement of the credit metrics of investment grade issuers is more positively reflected in (subordinated) hybrid bonds. Just like with high-yield bonds, we expect investment grade hybrid bonds to outperform senior investment grade bonds in 4Q due to the shorter actual maturities and higher current return.

Many institutional investors are trying to increase the share of sustainable investments in their portfolios quickly and significantly. Demand is high. Therefore, investors tend to have to pay higher prices for green bonds and sustainability-linked bonds than for “conventional” bonds. The conditions are attractive for issuers, but they dampen the return prospects for investors. But in case of unexpected crises or distortions in the market, bonds with integrated ESG aspects should be subject to less significant volatility than “conventional” bonds due to higher and more robust investor demand.

Currencies

	Forecast 4Q 2021
US-Dollar	1.18

Dollar moving sideways amid upside risks

Continued sideways movement most likely scenario

The US dollar appreciated in the wake of the most recent announcement of the US central bank to launch the tapering process, i.e. the reduction of the monthly asset purchases, soon. The euro slid to USD 1.16, i.e. its lowest value in almost a year. At the same time, this was only a minor deviation from its value over previous months, when it was hovering around 1.18 US dollars. We do not regard the most recent movements of the US dollar as beginning of a new trend, but we expect a countermotion followed by the continuation of the sideways movement of recent months. This is due to the fact that the ECB will be slowly dialling down its extremely expansive monetary policy as well. While the decision is likely to be taken in December, speculation about it should affect the markets sooner than that.

US inflation as risk factor

The biggest risk to our forecast is the development of the interest rates in the USA. We envisage rate hikes only for 2023, as a result of which interest rate expectations throughout the largest part of 2022 should remain relatively unspecified and thus not have any significant effect on the exchange rate. Even once interest rates start to rise, we expect only a slow course of action by the Fed. Due to the after-effects of the pandemic, the inflation and hence interest rate outlook is particularly uncertain for the USA. Any earlier-than-expected interest rate hikes would set off an appreciation of the US dollar.

Sideways movement should continue
EURUSD

Sources: market information systems, Erste Group Research

Forecast 4Q 2021

Swiss Franc 1.12

Yield increase should strengthen the euro

In September, the Swiss National Bank (SNB) kept the interest rate on sight deposits at the central bank at - 0.75%. The central bank continues to be willing to intervene in foreign exchange markets if need be in order to counteract the upward pressure on the franc. On the basis of the assessment by the SNB, the valuation of the franc remains high. The conditional inflation forecast was raised slightly to +0.5% for 2021 and to +0.7% for 2022. However, this still puts it significantly short of our inflation forecast for the Eurozone.

Foreign exchange rate correlates with German yields

In Q3, the franc extended its correlation with the development of the German yields at the long end, depreciating from 1.07 against the euro in mid-August to 1.09 around the middle of September. The uncertainty created by the Chinese real estate developer Evergrande temporarily boosted the demand for safe-haven investments, which led to a slight appreciation of the franc against the euro. Due to the positive development of the COVID-19 infection situtaion in the Eurozone we expect the economic recovery to continue in the coming months. In this environment, we forecast a further moderate increase in German yields. This should lead to a gradual weakening of the franc against the euro in the coming months.

Global inflation worries are a risk for our forecast

The worries over persistently elevated rates of inflation across the globe constitute a risk for our forecast. Given its significantly lower inflation rates, the franc is an attractive investment target in this environment when it comes to reducing the expected purchase power losses to one’s capital. However, investors will also take into account the real yield differentials in this context. If risks were to materialise in the EU or globally like in the case of Evergrande, the franc could appreciate sharply against the euro at any time.

Forecast 4Q 2021

Gold in USD 1,740

Gold priced in USD

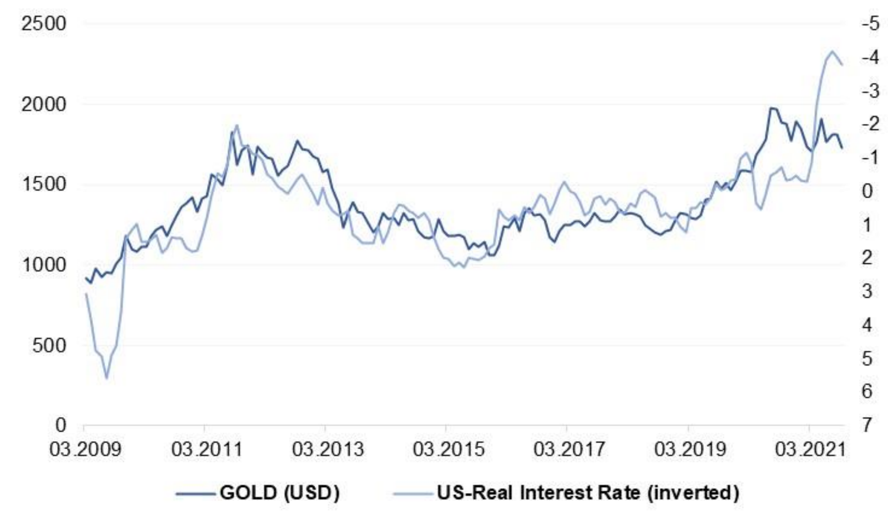
Source: Datastream, Erste Group Research

The gold price closed 3Q almost unchanged (in EUR -0.2%). In the year to date, gold has lost -4.0% in EUR and -9.1% in USD. At the end of 3Q, the rising yields of US Treasuries and the appreciating USD were a burden on the gold price.

The strong growth of company earnings this year and the record highs of the global benchmark indices curtailed the appetite of investors for safe investments. Physical demand for gold decreased globally by -10% (y/y) to 1,822 tonnes in the first half. Gold supply increased, especially due to the sharp increase in mining production, by +4% (y/y). The investment demand for gold ETFs declined significantly in 2Q by -51% (y/y). The demand for gold bullions and coins, on the other hand, increased by +56% (y/y). The demand for gold jewellery, which had slumped in 2020 due to the lockdowns, recovered considerably as well and rose by +60% in 2Q. The global central banks, especially those of Thailand, Hungary, and Brazil, ramped up their holdings by a substantial +39% (y/y) in the first half.

The development of the gold price in the coming months should be driven in particular by two important factors: the declining earnings momentum in the corporate sector and the resulting increase in volatility on the equity markets should boost investment needs. At the same time, the foreseeable increase in US yields has a negative impact on the gold price. Real yields should also rise and thus have a dampening effect on gold in 4Q. The following chart illustrates the usually opposing development of the gold price and real yields.

Gold price (USD) and US real yields



Sources: Refinitiv, Erste Group Research

Outlook

We expect the positive and negative factors with regard to the gold price performance to largely balance out in 4Q. In this environment, it seems likely to us that the gold price will be moving sideways in the last quarter.

Stocks

Forecast 4Q 2021

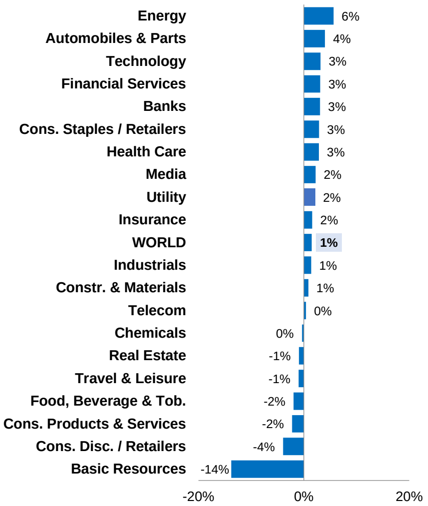
Global — 0% to +5%

Earnings and revenue growth (y/y, %)

	Sales		Net Profit	
USD	21e	22e	21e	22e
North America	14.4	6.0	43.2	7.2
Europe	19.0	2.0	69.4	1.8
Asia	7.8	2.6	34.4	4.8
EM Asia	16.4	10.0	17.8	11.4
EM LatAm	16.5	1.7	94.6	-9.6
EM Europe	40.3	5.3	148.9	1.0
World	**15.0**	**4.9**	**44.7**	**5.9**

Source: Erste Group Research Indexes, FactSet.

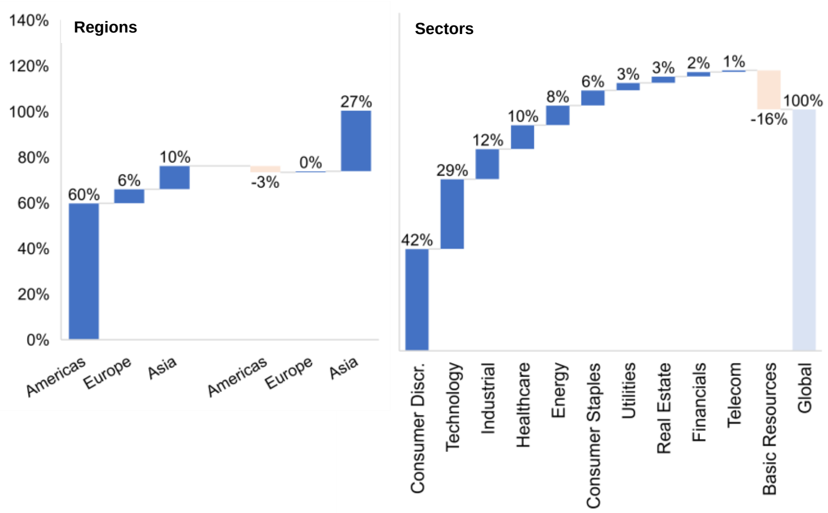
Global stock market sectors, perf. 3Q 3021
Erste Global 1000 Index, EUR



Source: Erste Group Research Indexes, FactSet.

The global equity market index increased by +1% in 3Q.
After setting several record highs until the beginning of September, the market endured profit-taking over the last weeks of 3Q, which on aggregate resulted in a marginally positive performance for 3Q. Throughout the past quarter, companies would report record increases (y/y) in sales and earnings for 2Q 2021. The growth momentum will have weakened by the time 3Q and 4Q results come out. Company sales should increase by a total of +15%. Earnings are expected to grow by +44.7% (y/y) in 2021. In 2022, the growth velocity should decline. The consensus forecasts sales growth of +4.9% and earnings growth of +5.9% for 2022. The operating margin of global companies should increase from 16.7% to 17.2%.

Global earnings growth 2022e by region and sector
USD, adjusted net earnings in terms of total, Global 1000 index



Source: FactSet, Erste Group Research Index

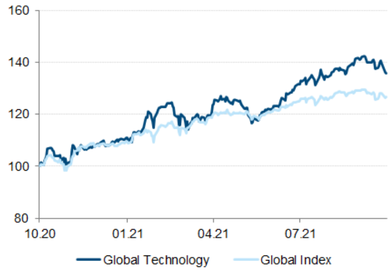
The global central banks will continue their bond purchases in 4Q, although the Fed will probably start its tapering (i.e. reduction) process in November. Despite this step, financial markets are very likely to have large volumes of liquidity readily available in the coming quarters. The valuation of the global equity market declined over 3Q because of the substantial earnings growth the companies experience. With regard to the expected positive sales and earnings growth, a forward P/E ratio of 17.4x for 2021e and 16.5x for 2022e seems fair.

Outlook: global companies will continue to achieve profitable growth in the coming quarters. Said growth, however, will fall short of first-half 2021 levels. As a result, the speed of the gains produced by the equity market will presumably also slow down. We expect volatility to pick up a bit mainly because of the falling growth momentum of earnings. The global equity market index should generate a return in a range of 0% to +5% in 4Q.

Global Sectors - Positive Outlook

Outlook 4Q	↗ 0% to +5%
World Index Weight	23.1%
YTD Perf. EUR	22.3%
P/E 22e	23.6x
Net Profit y/y 22e	10.7%
Top 3 Companies (Market Cap.)	
Apple	
Microsoft	
Alphabet	

Technology Index vs Global Index
Rebased to 100, EUR



Source: Erste Research Index, FactSet.

Technology

The technology index increased by +3.2% in 3Q. At +4.0% in EUR terms, the software sector outperformed the hardware sector (+1.8% in EUR terms). The index of semiconductor manufacturers incurred a minor loss at -0.3% in EUR terms.

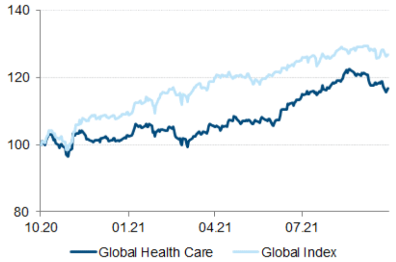
The outlook for sales and earnings growth in 2021 and 2022 is exceptionally good. The projected growth rates are significantly above the expected growth rates of the global equity market. Sales are expected to grow by +20.5% in 2021 and by +9.3% in 2022. Earnings should increase by +36.7% in 2021 and by +10.7% in 2022. The earnings estimates are stable for both 2021 and 2022, which is also positive.

The three biggest companies of the sector, Apple, Microsoft, and Alphabet, display a rising trend in sales and earnings estimates for 2021 and 2022. These companies have also bought back USD billions worth of their own shares. This also contributes to the improvement of the most important key ratios per share. The US technology spends 13.5% of sales annually on research and development (R&D). It is thus the sector with the highest R&D spending, which also ensures ongoing sales growth on the back of permanent innovation.

The sector commands a 2021 forward P/E ratio of 23.6x. The strong growth and the high profitability of the companies justify this valuation, which is above global average. We expect the sector index to generate a return ranging from 0% to 5% in 4Q.

Outlook 4Q	↗ 0% to +5%
World Index Weight	10.8%
YTD Perf. EUR	13.6%
P/E 22e	17.9x
Net Profit y/y 22e	5.8%
Top 3 Companies (Market Cap.)	
Johnson & Johnson	
UnitedHealth Group	
Roche Holding	

Health Care Index
Rebased to 100, EUR



Source: Erste Research Index, FactSet.

Health Care

The health care sector index gained +2.9% in EUR terms in 3Q, which means it outperformed the global equity market.

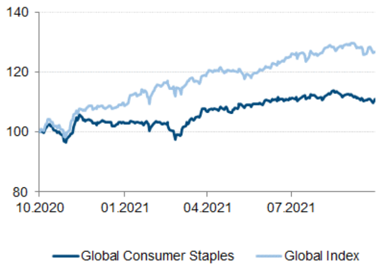
Sales in the sector should rise by +11.5% this year. For next year, we expect a significant weakening of sales growth to +4.8%. According to the consensus estimates, earnings will increase by +16.8% in 2021, while earnings growth will decline to +5.8% in 2022. The expected earnings growth rate will then be roughly in line with that of global equities. The foreseeable slow-down of sales and earnings growth should become noticeable in 3Q and 4Q, as two thirds of the companies in the sector have presented a cautious outlook for the earnings development in 3Q.

Among the big groups, AstraZenca, UnitedHealth Group, and Merck & Co should post the most significant earnings growth. Merck & Co also recently announced that the product Molnupiravir, developed for COVID-19 therapy, had led to a significant decline in hospitalisations and deaths. As a result, the shares of some vaccine manufacturers (Pfizer, BioNTech) came under pressure.

The sector is valued at a 2022 forward P/E ratio of 17.9x, which is slightly above the average of the world equity index. We expect the sector to generate a positive performance within a range of 0% to 5% in 4Q.

Outlook 4Q	↗ 0% to +5%
World Index Weight	6.5%
YTD Perf. EUR	7.3%
P/E 22e	19.3x
Net Profit y/y 22e	6.5%
Top 3 Companies (Market Cap.)	
Walmart	
Nestle	
Coca Cola	

Consumer Staples Index
Rebased to 100, EUR



Source: Erste Research Index, FactSet.

Consumer Staples

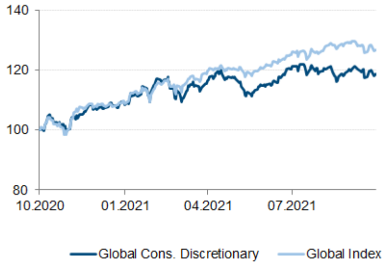
The sector index was almost unchanged in 3Q at -0.2% in EUR terms. This defensive sector has shown relative weakness against the global equity market in the year to date. The low performance results from the elevated willingness to take risks displayed by investors, which in turn has been caused by the cyclical economic upswing.

In the USA, a relatively large number of companies (i.e. 13% of the sector) reported lower earnings for 2Q than had been expected. Only in the utilities and the commodity sectors were the percentages higher. In view of the increase in commodity and energy costs, companies should experience a decline in operating margins next year. The estimates of the operating margins of the sector in 2022 have been sliding gradually for several months.

Sales are expected to grow by +7.6% in 2021, and earnings by +13.1%. Next year, sales will rise only slightly anymore (2022e: +2.7%), and earnings are projected to increase by about +6.5%. Despite the relatively low growth rates, the sector valuation is comparatively expensive on the basis of the P/E ratio. The 2022 forward P/E ratio is 19.3x. The dividend yield estimated for next year is 2.7%, which is above the global equity market. We expect the sector index to generate a return at the lower end of 0% to 5% in 4Q.

Outlook 4Q	↗	0% to +5%
World Index Weight		15.4%
YTD Perf. EUR		8.4%
P/E 22e		23.2x
Net Profit y/y 22e		25.5%
Top 3 Companies (Market Cap.)		
Amazon.Com		
Tesla Motors		
Alibaba		

Consumer Discretionary Index
Rebased to 100, EUR



Source: Erste Research Index, FactSet.

Consumer Cyclicals

The sector index fell by -1.4% in EUR terms in 3Q, having basically been moving sideways in recent months. In the year to date, this sector has underperformed the global equity market

The shares of Tesla, Netflix, and Home Depot managed to beat the index. Amazon.com, a heavyweight in the index, experienced profit-taking, as did Nike, LVMH, and L'Oreal. The shares of Alibaba lost massively due to the intervention of the Chinese government.

At +16.9% and +91.3%, respectively, the companies of this sector are expected to outgrow the companies of the global equity market in terms of sales and earnings development in 2021. So far, the shortage in microchips has had negative repercussions on the sales and earnings development of the automotive sector. The demand for cars was simply much bigger than the supply. This shortage should be resolved in the course of the next year at the earliest.

Sales and earnings growth rates will remain above average in the coming year as well. The consensus sales forecast amounts to +10.9%, the consensus forecast for earnings to +25.5%. The high valuation (2022 forward P/E ratio: 23.3x) reflects the good prospect of the companies. We expect the sector index to generate a return in a range of 0% to 5% in 4Q.

Outlook 4Q	↗	0% to +5%
World Index Weight		9.3%
YTD Perf. EUR		15.0%
P/E 22e		18.0x
Net Profit y/y 22e		8.7%
Top 3 Companies (Market Cap.)		
UPS		
Honeywell		
Keyence Corp.		

Industrials Index
Rebased to 100, EUR

Source: Erste Research Index, FactSet.

Industrial Goods and Services

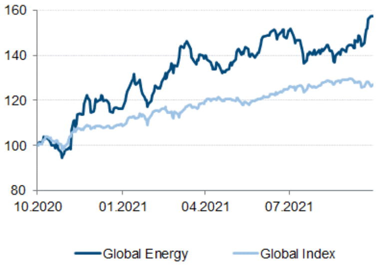
The industrial sector index gained +1.4% in EUR terms in 3Q and thus matched the return of the world equity index. The companies continue to benefit from the current recovery of the global economy. The order backlog of US companies is at historically very high levels. The US-ISM index for the industrial sector increased to 61.1 points in October. In Europe, the purchasing managers' index of the industrial sector decreased from, in some cases, all-time highs to the still high level of 58.6 points.

The sales and earnings outlook this year is excellent for the largest US industrial companies (Honeywell, Union Pacific, and UPS). The European groups Siemens, Schneider Electric, and Deutsche Post will post a significant increase in earnings this year as well. European industrials are expected to generate higher earnings growth this year (2021e: +115%) than US companies (2021e: +52%). Next year, however, the picture should reverse, with US companies posting higher earnings growth.

For the entire global sector, the consensus estimates earnings growth of +8.7% for 2022. However, the growth trend is also negative in this sector, given that only three months ago, +13% had been expected. At a 2022 forward P/E ratio of 18.0x, the valuation is slightly above global average. In view of the positive prospects, we expect the sector to maintain its upward trend. The expected return should be at the lower end of the range of 0% to 5%.

Outlook 4Q	➚	0% to +5%
World Index Weight		4.8%
YTD Perf. EUR		35.6%
P/E 22e		9.8x
Net Profit y/y 22e		5.9%
Top 3 Companies (Market Cap.)		
Exxon Mobil		
Reliance Industries		
Chevron		

Energy Index
Rebased to 100, EUR



Source: Erste Group Research, FactSet

Energy

The energy sector index gained +5.6% in 3Q and thus, just like in 2Q, this cyclical sector outperformed the world equity market index. The positive performance was due to the expectation of rising sales and strongly rising earnings this year.

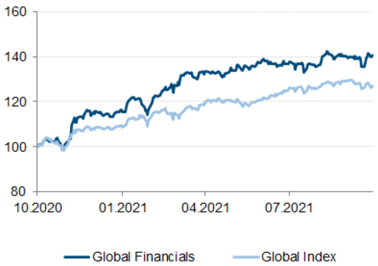
The demand for energy has increased drastically in tandem with the economic recovery. The oil price increased by +4% in USD last quarter, adding to what is now a YTD gain of 52%. Gas prices recorded a substantial increase as well, rising by +110% in the USA and by +367% in Europe in the year to date. According to forecasts by the IEA (US Energy Information Administration), the supply of liquid fuel carriers (especially mineral oil) should be matching demand again from Q1 2022. Until then, we will be faced with a demand overhang.

The consensus estimates suggest an increase in sales of +39% and earnings of +328% for the companies of this sector in 2021. On the upside, the consensus earnings forecast for 2021 continued to increase in recent months. Sales and earnings growth in 2022 will presumably fall significantly short of this year's rate. The consensus expects +3.8% for sales and +5.9% for earnings.

The companies of this sector command very low valuations. The 2022 forward P/E ratio is 9.8x and thus clearly below the global 2022e average of 16.7x. The dividend yield expected for 2022 amounts to 5.2%. We envisage a return within a range of 0% to 5% for the sector in 4Q.

Outlook 4Q	➚	0% to +5%
World Index Weight		17.9%
YTD Perf. EUR		20.8%
P/E 22e		11.6x
Net Profit y/y 22e		0.4%
Top 3 Companies (Market Cap.)		
Berkshire Hathaway		
Visa		
JP Morgan		

EGR Global Sector
EUR, indexed, 1 year



Source: Erste Group Research, FactSet

Financials

The sector index of global financials increased by +2.8% in 3Q, with European companies outperforming their US peers. Financial service providers and investment banks were particularly strong, whereas the global insurance index (+1.6% in EUR) was relatively weak in comparison with the sector index as well as the overall market.

The companies of the sector currently benefit from the ongoing global economic upswing. 92% of the S&P 500 financials reported 2Q earnings that exceeded expectations. The net margin in the USA recorded one of the biggest increases in 2Q 2021 of all the sectors (behind energy and industrials), as compared to 2Q 2020.

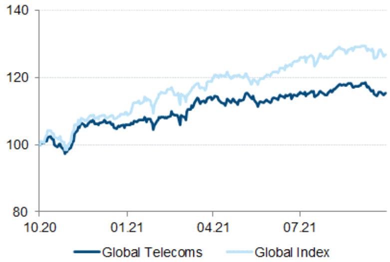
The consensus expects the global sector to post earnings growth of +33% in 2021. Next year, earnings growth is likely to decrease significantly. The growth rate in 2022 is expected to fall to +0.4%.

At a 2022 forward P/E ratio of 11.6x, the sector commands an attractive valuation by global comparison. The 2022e dividend yield is 3.1% and will thus probably be above average. We expect the sector index to generate a return in a range of 0% to 5% in 4Q.

Global Sectors - Negative Outlook

Outlook 4Q	-5% to 0%
World Index Weight	4.3%
YTD Perf. EUR	9.0%
P/E 22e	14.8x
Net Profit y/y 22e	0.8%
Top 3 Companies (Market Cap.)	
Comcast	
Cisco	
Verizon	

Telecoms Index
Rebased to 100, EUR



Source: Erste Group Research, FactSet

Telecoms

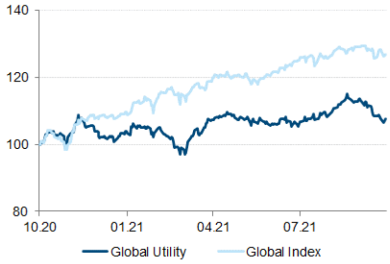
The sector index achieved a return of EUR +0.4% in 3Q, which meant it continued to underperform the market. Telecoms companies are expected to achieve sales growth of 5.9% in 2021, which puts the sector significantly below global average. Sector earnings will probably only rise by a marginal degree this year (2021e: +1.7%). At +0.8%, the 2022e estimates are even lower.

It would therefore seem that the companies hardly benefit from the current global economic recovery. The US companies T-Mobile US, Charter Communication, and Comcast should generate significantly above-average increases in earnings. This sector will continue to provide investors with below-average growth prospects next year. In the past two months, the sales forecasts for 2022 have been revised down. The high capex in 5G has not yet trickled down to the bottom line.

The fact that the companies are on average more highly leveraged than companies in other sectors is an additional burden for the telecoms industry. The financing costs are therefore on the rise amid slightly increasing yields. This puts additional stress on the earnings situation. The valuation of the sector on the basis of the 2022 forward P/E ratio is 14.5x. This is below global average due to the growth prospects, which are equally below average. We expect a negative performance in a range of -5% to 0% for 4Q.

Outlook 4Q	-5% to 0%
World Index Weight	2.7%
YTD Perf. EUR	3.4%
P/E 22e	16.7x
Net Profit y/y 22e	7.0%
Top 3 Companies (Market Cap.)	
NextEra Energy	
ENEL	
Duke Energy	

Utilities Index
EUR, 1 year, indexed



Source: Erste Group Research, FactSet

Utilities

The global utilities index increased slightly by 2.1% in EUR terms in 3Q. However, on a 12M basis, the utilities sector remains the weakest global index (global: +27%) at +9.8%. Sector sales should increase this year by +9.8% on the back of an improved industrial output. The consensus currently suggests a 2021 earnings increase of +5.5%.

The French companies Veolia Environment, Engie, and EDF will probably achieve the highest earnings increases in 2021. At +2.3%, 2022 sales growth is expected to fall short of this year's referential figure. Earnings, on the other hand, should grow above average in 2022 at +7%. However, the 2022 earnings estimates have been continuously revised down in recent months.

This sector is also faced with a leverage situation worse than other industries. Yield increases result in an increase in financing costs. The recent rise in electricity tariffs will probably have a limited effect on earnings, given that the acquisition prices of gas and coal have also increased. In addition, due to political pressure it will not be possible to pass on the price rises to the customers in Europe. Many utilities in Europe are partially owned by the state. In view of the below-average growth perspectives, we expect a negative return in a range of -5% to 0% for 4Q.

Outlook 4Q	↘ -5% to 0%
World Index Weight	2.9%
YTD Perf. EUR	4.7%
P/E 22e	10.1x
Net Profit y/y 22e	-15.8%
Top 3 Companies (Market Cap.)	
Linde	
BHP Group	
Rio Tinto	

EGR Global Sector
EUR, indexed, 1 year

Source: Erste Group Research, FactSet

Commodities

The global commodities index decreased last quarter by -7.3% in EUR terms, eating into the YTD performance which is now at +4.7%. As sector that does well in the early stages of the economic cycle, commodities benefited from the global recovery at the beginning of 2021. Commodity prices increased massively, with mining companies in the industrial metals sub-segment as main beneficiaries. But in 3Q, some basic commodities such as Chinese iron ore (-40%) corrected sharply. After hefty increases in the first half, the price of copper lost -4% in 3Q. The prices of metals used in the industrial sector such as silver (-15%), platinum (-10%), and palladium (-30%) corrected as well.

The companies of the commodities sector will achieve above average sales and earnings growth this year (+30% and +126%, respectively). However, the consensus expects sales (2022e: -3.2%) and earnings (2022e: -15.8%) to fall drastically next year. The falling trend of 2022 estimates continued in 3Q. 23 out of 54 companies in the global sector are expected to incur a decline in earnings. Less cyclical commodity shares like Linde or Air Liquide are forecast to post earnings growth of about +5%.

We envisage a negative performance of the commodities index in a range of -5% to 0% for 4Q. The recent set of weaker-than-expected economic data from the Chinese market, which is crucial for basic commodities, do not yet suggest any sustainable form of trend reversal for the prices of many basic metals.

Forecast 4Q 2021

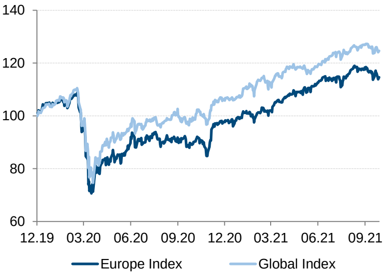
Europe 0% to +5%

Earnings and sales growth
EUR, j/j, %

EUR	Sales 21e	Sales 22e	Net Profit 21e	Net Profit 22e
France	13.8	4.6	97.6	6.3
Germany	8.8	4.2	56.0	2.9
Switzerland	14.2	5.2	18.3	6.7
UK	6.8	6.0	91.1	6.3
Netherlands	23.6	4.5	77.2	5.6
Europe	**13.5**	**5**	**61.6**	**4.8**

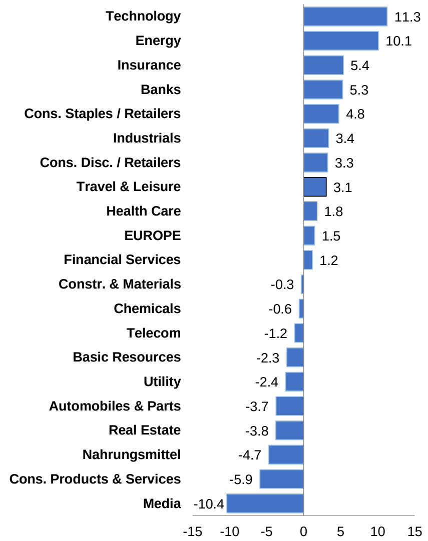
Sources: Erste Group Research Index, FactSet.

Europe index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research Index, FactSet.

Europe sector performance 3Q 2021
Erste Dev. Europe index, EUR

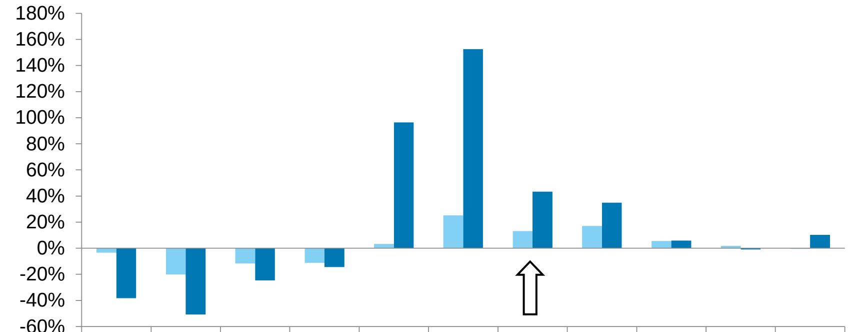


Sources: Erste Group Research Index, FactSet.

At +1.2%, the European equity market experienced a slight upward trend in 3Q. The aggregate gain in the year to date has been +16%. The biggest outperformance came from cyclical sectors such as technology, energy, and banks. The results of the 2Q 2021 reporting season were significantly better than expected. For example, 63% of companies exceeded their earnings forecasts, as opposed to the 51% that tend to do so on average. Aggregate earnings rose by +153%, with industrials, energy, and consumer cyclicals posting the highest increase. All ten sectors reported positive growth rates. Sales increased by +25% last quarter.

Significant earnings growth of +43% and +35% has been projected for 3Q and 4Q, respectively. For the whole year of 2021, earnings are currently expected to rise by +62%, while the consensus envisages an average +4.8% increase for 2022. At +9%, the 2022e median growth of the earnings generated by the 242 companies in the European index is significantly higher. This is also due to the fact that the commodities and transport sector are expected to incur a clear decline in earnings in 2022 after this year's record levels, and therefore the forecast of aggregate 2022 earnings in Europe is lower. The trend of consensus expectations for 2022 remained unchanged in the past quarter, while the expected operating margin improved slightly to 15.6%.

Sales and earnings expectations Europe
Consensus forecast



	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	-3.4%	-20.1%	-11.6%	-11.2%	3.3%	25.1%	13.2%	17.1%	5.6%	1.8%	-0.4%
Earnings	-38.2%	-50.8%	-24.7%	-14.5%	96.4%	152.5%	43.3%	34.9%	5.8%	-1.0%	10.3%

Revenue   Earnings

Sources: Refinitiv, Erste Group Research

Even prior to the COVID-19 pandemic, the valuation of the European equity market was below average due to the subdued growth dynamics. The forward P/E ratio currently stands at 15.7x for 2021 and 15.0x for 2022. After numerous dividend cuts by cyclical companies the 2021e dividend yield currently stands at 2.8%. An increase to 2.9% is forecast for the coming year.

Outlook: in view of the good growth prospects and the, by global comparison, below-average valuation, we expect European stocks to gain 0% to +5% in 4Q 2021.

Forecast 4Q 2021

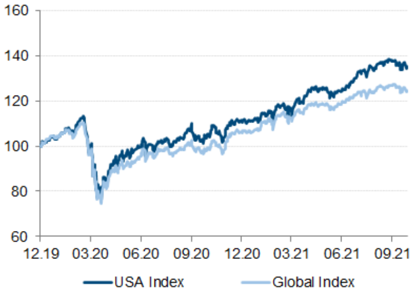
USA
0% to +5%

US Index

USD	2021e	2022e
Sales	15.0%	6.2%
EBIT	35.7%	10.8%
Net Profit adj.	42.5%	7.6%
PE	22.1x	20.5x
Div. Yield	1.4%	1.5%

Sources: Erste Group Research index, FactSet.

USA index vs. global index
Indexed at 100, EUR



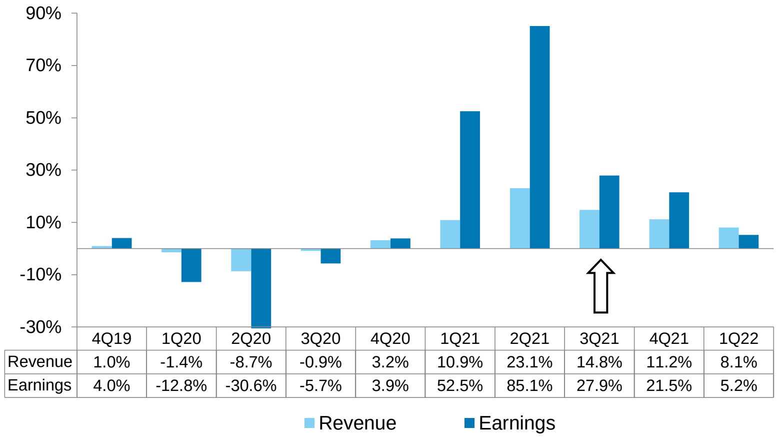
Sources: Erste Group Research index, FactSet.

The most important US benchmark indices were setting new all-time highs throughout the quarter. The S&P 500 and the Nasdaq 100 index gained +1.2% each in EUR terms.

The development of orders received in the industrial sector is significantly above average, and the sentiment of purchasing managers' indices is currently very good. As a result, the ISM Manufacturing index remains on high levels (i.e. most recently, 61.1 points). The service sector of the US economy is also making solid progress. The ISM Services index, which reflects the sentiment in this segment, is at an equally high level of 61.7 points.

Companies reported 2Q sales and earnings at record highs. 87% of the S&P 500 companies reported sales that exceeded expectations, and equally, 87% of companies also reported higher-than-expected earnings per share. On aggregate, earnings increased by +85% in 2Q. In 3Q, year-on-year earnings growth will fall significantly short of this level and is expected to come in at +27.9%. The majority of companies has issued a positive outlook for the development of earnings per share. Sales are expected to grow by +15.0% in 2021 and by +6.2% in the coming year. Adjusted earnings should increase by +42.5% in 2021; this rate of increase should slow down to +7.6% in 2022. The expected growth rates of sales and earnings in 2021 and 2022 have remained stable in recent weeks.

USA: expected sales and earnings by quarter



	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	1.0%	-1.4%	-8.7%	-0.9%	3.2%	10.9%	23.1%	14.8%	11.2%	8.1%
Earnings	4.0%	-12.8%	-30.6%	-5.7%	3.9%	52.5%	85.1%	27.9%	21.5%	5.2%

Sources: Datastream, Erste Group Research

The equity market is valued at a 2021 forward P/E ratio of 22.1x. The dividend yield expected for 2021 amounts to 1.4%. Given the high earnings growth and the negative yields of US Treasuries, equities continue to command attractive valuations.

Outlook
We expect the US benchmark indices to become slightly more volatile than in previous quarters due to the declining earnings momentum. That being said, in view of the ongoing positive earnings development, the equity market should generate a positive return in a range of 0% to +5%.

Forecast 4Q 2021

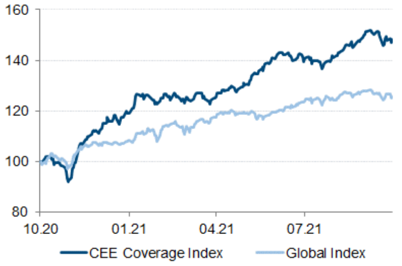
CEE 0% to +5%

CEE coverage index

EUR	2021e	2022e
Sales	10.5%	4.3%
EBIT	29.6%	4.9%
Net Profit adj.	78.6%	6.8%
PE	13.1x	12.3x
Div. Yield	2.8x	3.0x

Source: Erste Group Research Estimates

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



Sources: Erste Group Research indices, FactSet

In Central and Eastern Europe, too, we can see the tendency of equity markets reacting more sensitively and with higher volatility to the external news flow. This creates intermittent chances to buy in an environment of normalizing growth.

Both for economic data and company results we should be past the peak in terms of growth rates, with base effects no longer driving the recovery from lowest levels as before. But this should not be more than a normalization, and the low-hanging fruit is now gone. The risk of a further normalization of growth is located around possible new pandemic containment measures and supply chain issues, with the latter ones potentially exacerbated by energy shortages.

Inflation should still be more regarded as transitory, as the price we have to pay for economic growth. That being said, we may see pronounced and also more sustained spikes on the back of energy prices and the new phenomenon of greenflation.

Growth rates and valuations in the region currently still seem sufficient to offset these price increases. At this point, the comparison of yields and valuations continues to reveal a decent buffer for further yield increases. The exception may be the Czech Republic, which may find it more difficult given that the local central bank has already raised the key-lending rates significantly. Interestingly, Turkey is showing a more positive picture in the wake of its rate cuts, but we would continue to advise very limited exposure to this market in view of the weak currency outlook.

ESG has come to stay, as the rising liquidity in various financial instruments shows. The Czech Republic and Romania are currently lagging behind with their efforts in this field. High gas prices are more likely to cause a step back in terms of decarbonization at the moment; indeed, Poland, in particular, is currently back at former all-time highs in terms of coal-based electricity production. All of this should really serve as a reminder as to how much of a long-term potential ESG holds in the region.

We maintain our positive outlook on the Austrian market as well as on Hungary and the Czech Republic. Poland, too, should remain in (positive) focus. We are slightly less enthusiastic about South East Europe. Croatia, in particular, still has to prove that the recovery in tourism is strong enough and sustainable to justify current valuations. We continue to underweight Turkey for obvious reasons.

Even though the relative outperformance of cyclicals relative to defensive companies is currently on the weak side, a lot remains to be said in favour of cyclicals. Especially banks should benefit from a changing interest rate outlook. To the extent that the sector has already priced in the interest rate outlook, the focus should shift towards the insurance sector.

Forecast 4Q 2021

Real Estate Europe
↗ 0% to +5%

The third attempt of the market leader, Vonovia, to take over its competitor, Deutsche Wohnen, has finally been successful. The transaction will create Europe's biggest real estate group by far, which also only focuses on one segment, i.e. residential real estate. Both Vonovia and Deutsche Wohnen have a strong position in Berlin, where on 26 September a referendum was held about expropriating large residential real estate groups. A clear majority was in favour of socialising the apartments of groups with more than 3,000 apartments. The referendum is not legally binding, and it is also unclear whether an expropriation would be legally allowed. The result of the elections to the German Bundestag, making a left coalition practically unfeasible, lifted the spirits of the investors of German residential real estate companies.

Whereas the majority of analysts continue to regard residential real estate equities as attractive, the consensus remains sceptical about companies specialising in retail spaces (e.g. Unibail-Rodamco and Klepierre). It should be noted though that the increase in yields of this sector that had been hit hard by the pandemic have flattened or even decreased slightly in recent weeks, at least in Central Europe. Some sub-segments such as food retailers and DIY stores have been going through falling yields for months; they can be seen, much like retail parks, as the winners of the pandemic within retail.

Office real estate equities failed to extend the momentum of recent quarters and have largely edged lower in the past three months. While the yields in the primary cities of Germany remained on the decline, there are still doubts about the sustainability of the occupancy rate of office buildings due to hybrid modes of work that allow for remote access (e.g. from home). Logistics companies currently remain the most popular real estate equities even though this segment was affected by profit-taking in 3Q 2021.
The Chinese real estate giant Evergrande caused quite a bit of agitation when its share price fell though the floor the last couple of weeks. Its high debt led to defaults and the downgrade of its rating. The concerns of investors about a possible domino effect that could also affect the European real estate market seem unfounded, given that the Chinese and the European real estate markets are in no way entangled with each other.

Forecast 4Q 2021

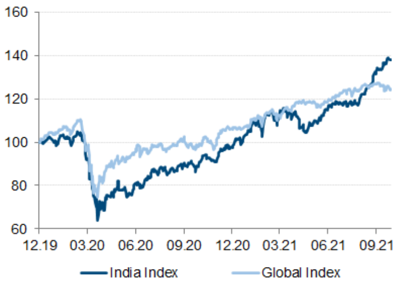
India 0% to +5%

EGR India index

USD	2021e	2022e
Sales	12.9%	13.2%
EBIT	15.2%	16.1%
Net Profit adj.	20.3%	21.5%
PE	28.2x	23.2x
Div. Yield	1.3%	1.5%

Sources: Erste Group Research Indices, FactSet.

India index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research Indices, FactSet

The Indian equity market gained +17% in EUR terms in 3Q. Thus, India outperformed the average of the emerging markets yet again (-5.5%). The upward trend is still broadly based. Last quarter, 34 out of 37 stocks recorded a positive performance, and 97% of shares are currently traded above their 200-day average line.

Since mid-2020, the high net inflows of foreign capital into India have also supported the upward trend. The equity market in particular has attracted a significant influx of capital, among other things due to the positive earnings development in the corporate sector.

Sales expectations for 2021 and 2022 in USD have embarked on a slight upward trend. For both years, a growth rate of about +13% is now expected. Earnings estimates for 2022 increased drastically to now +21.5%. The consensus expects above-average growth rates especially for banks and energy companies. At a P/E ratio of 23.2x for 2022e, the valuation of the equity market is considerably higher than the average of the emerging markets. This is due to the above-average expected growth rates for sales and earnings and the high profitability of companies in recent years. We expect a positive return for Indian equities of 0% to +5% in 4Q.

Forecast 4Q 2021

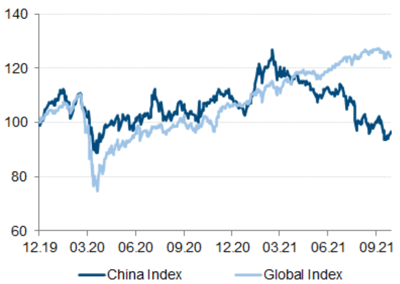
China | Hong Kong -5% to 0%

EGR China index

USD	2021e	2022e
Sales	16.9%	9.8%
EBIT	12.7%	10.3%
Net Profit adj.	16.4%	9.6%
PE	9.7x	8.8x
Div. Yield	3.4%	3.7%

Quelle: Erste Group Research Indices, FactSet

China index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research indices, FactSet

The Chinese equity market bucked the positive global trend in 4Q, losing -14%. The Chinese stock performance was affected by the turbulences in the real estate sector (i.e. Evergrande) and the ongoing governmental regulation in the technology sector. At 45%, China generally has one of the highest savings ratios in the world. The Chinese regard real estate as store of value, therefore secondary or tertiary houses or apartments account for more than 65% of the real estate sold. In order to prevent the real estate market from overheating, the government has already introduced higher interest rates on loans for secondary properties. In addition, it defined strict rules last year for real estate groups ("Three Red Lines") in order to thwart said overheating. It was for these rules, among others, that Evergrande has now run into financial difficulties.

At the same time, the alternative for the Chinese people, i.e. to invest their savings in equities, is constantly being undermined by balance sheet scandals that keep occurring. The announced state investment in highly successful technology companies should come with a negative effect on future earnings. This is one reason why by global comparison the Chinese equity market commands a very low P/E ratio of 9.7x (global: 17.6x).

The Chinese leading economic indicators (i.e. EMI) had been slightly weaker in September than recently. The consensus estimates for the earnings and sales development in 2021 and 2022 were marginally down in 3Q. Due to the uncertainties caused by Evergrande and the falling earnings estimates, we expect a negative return of -5% to 0% for Chinese equities in 4Q amid high levels of volatility.

Forecast 4Q 2021

Brazil

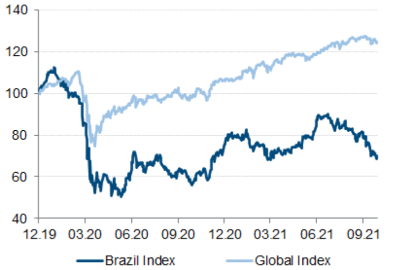
-5% to 0%

EGR Brazil Index

USD	2021e	2022e
Sales	17.1%	-2.0%
EBIT	31.7%	-9.2%
Net Profit adj.	95.8%	-15.6%
PE	7.4x	8.8x
Div. Yield	6.6%	6.0%

Quelle: FactSet, Erste Group Research

Brazil index vs. global index
Indexed at 100, EUR



Sources: Erste Group Research Indices, FactSet

The equity market incurred a loss of -19.1% in EUR in 3Q. Commodities, financials, and consumer cyclicals closed the quarter at the bottom of the list.

Company sales should rise by about +17.1% this year. The consensus forecast for the 2021 earnings has deteriorated slightly in recent weeks. For this year, the consensus envisages significant earnings growth of +95.8%. The forecast for the sales and earnings development in 2022 has decreased in the past three months. At the moment, sales are expected to decline by -2.0% and earnings by -15.6% next year. The commodities sector should incur the most significant decline in earnings, whereas the banking sector should achieve a small increase in earnings in 2022.

The valuation of the equity market is very low. The 2021 and 2022 forward P/E ratios are 7.4x and 8.8x, respectively. The dividend yield expected for 2021 is 6.6%. In view of the envisaged decline in sales and earnings, the equity market currently offers very subdued prospects for next year. We expect a slight decline in a range of -5% to 0%.

Forecast 4Q 2021

Russia

0% to +5%

EGR Russia index

USD	2021e	2022e
Sales	40.6%	5.3%
EBIT	106.9%	3.3%
Net Profit adj.	151.2%	.9%
PE	5.9x	5.9x
Div. Yield	9.5%	9.2%

Sources: FactSet, Erste Group Research

Russia index vs. global index
Indexed at 100, EUR

The Russian benchmark index rose by +10.1% in EUR terms in 3Q. The shares of oil and gas producers and Sberbank recorded substantial gains. Gazprom Group topped the performance list at +60%, benefiting from the strong increase in natural gas prices and the completion of the Nordstream 2 pipeline. The commodities sector, on the other hand, was down on the quarter: the shares in this sector incurred moderate losses.

The consensus estimates expect positive sales and earnings growth for 2021. Companies are expected to boost their sales by +40.6% in 2021, while earnings should grow by +151.2%. Next year, sales should rise by +5.3%, while earnings should edge just slightly higher by +0.9%. On the upside, the sales and earnings forecasts have increased for 2021 and have remained stable for 2022 in recent months.

At a 2021 forward P/E ratio of 5.9x, the valuation of the equity market is very low. The low valuation also reflects the lack of diversification in the sector structure of the market and an elevated political risk. The estimate for the dividend yield amounts to 9.5% for 2021e and to 9.2% for 2022e.

Due to the prospects of moderate sales and earnings growth and to the low valuation, we expect the equity market to achieve small gains within a range of 0% to +5% in 4Q.

Tables & Appendix

Economic indicators

		GDP (% yoy)		Inflation (% yoy)		Un-employ. (%)		CA Balance (% GDP)		Fiscal Balance (% GDP)		Gross Debt (% GDP)	
		21e	22e	21e	22e	21e	22e	21e	22e	21e	22e	21e	22e
Europe	**Eurozone**	**5.0**	4.2	2.2	1.8	8.7	8.5	2.8	2.7	-6.7	-3.3	98.2	96.5
Europe	**Germany**	**3.0**	3.9	2.2	1.1	4.4	3.7	7.6	7.0	-5.5	-0.4	70.3	67.3
Europe	**France**	**6.1**	4.1	1.1	1.2	9.1	9.2	-2.1	-1.8	-7.2	-4.4	115.2	114.3
Europe	**Spain**	**6.2**	5.8	1.0	1.3	16.8	15.8	1.0	1.9	-9.0	-5.8	118.4	117.3
Europe	**Italy**	**5.2**	4.6	0.8	0.9	10.3	11.6	3.5	3.4	-8.8	-5.5	157.1	155.5
Europe	**Austria**	**3.8**	4.3	2.4	1.9	6.3	5.5	2.4	2.7	-7.4	-3.0	86.7	84.9
Europe	**UK**	**7.0**	4.8	1.5	1.9	6.1	6.1	-3.9	-4.0	-11.8	-6.2	107.1	109.1
Europe	**Switzerland**	**3.5**	2.8	0.1	0.3	3.5	0.0	6.7	7.5	-3.4	-0.7	44.8	44.1
Eastern Europe	**Russia**	**4.4**	3.1	4.5	3.4	5.4	5.0	3.9	3.3	-0.8	-0.3	18.1	17.7
Eastern Europe	**Poland**	**5.3**	5.6	4.7	4.3	6.0	5.9	1.6	0.9	-1.8	-2.5	56.1	55.0
Eastern Europe	**Turkey**	**5.8**	3.3	13.6	11.8	12.4	11.0	-3.4	-2.2	-5.7	-6.1	37.1	38.8
Eastern Europe	**Czechia**	**3.3**	4.7	3.3	2.9	3.0	2.5	1.5	1.2	-7.2	-4.6	43.1	45.2
Eastern Europe	**Romania**	**7.4**	4.5	4.3	3.5	5.5	5.4	-6.5	-6.1	-7.8	-5.4	49.4	50.7
Eastern Europe	**Hungary**	**7.5**	4.9	4.7	3.5	4.2	3.8	-0.7	-0.4	-7.2	-5.8	79.6	77.8
Eastern Europe	**Slovakia**	**4.2**	4.8	2.4	2.8	7.0	6.0	-1.6	-0.9	-6.0	-4.0	63.0	62.8
Americas	**USA**	**5.9**	3.3	4.0	2.6	5.8	4.2	-3.9	-3.1	-15.0	-6.1	132.8	132.1
Americas	**Canada**	**6.3**	4.5	1.7	2.0	8.0	6.5	-0.8	-1.3	-7.8	-3.9	116.3	112.8
Americas	**Brazil**	**5.3**	1.9	4.6	4.0	14.5	13.2	-0.6	-0.8	-8.3	-7.2	98.4	98.8
Americas	**Chile**	**6.2**	3.8	3.1	3.0	9.0	8.2	0.3	-0.6	-2.3	-2.9	33.6	36.8
Americas	**Mexico**	**6.3**	4.2	3.5	3.1	3.6	3.3	1.8	1.0	-3.4	-2.6	60.5	60.5
Americas	**Colombia**	**5.2**	3.6	2.1	2.6	12.8	12.3	-3.8	-3.9	-8.3	-3.6	64.2	64.3
Asia	**China**	**8.1**	5.7	1.2	1.9	3.6	3.6	1.6	1.3	-9.6	-8.7	69.6	73.7
Asia	**Japan**	**2.8**	3.0	0.1	0.7	2.8	2.4	3.6	3.2	-9.4	-3.8	256.5	253.6
Asia	**India**	**9.5**	8.5	4.9	4.1	na	na	-1.2	-1.6	-10.0	-9.1	86.6	86.3
Asia	**Indonesia**	**3.9**	5.9	2.0	3.1	6.5	5.8	-1.3	-1.4	-6.1	-4.4	41.4	42.8
Asia	**South Korea**	**4.3**	3.4	1.4	0.9	4.6	4.1	4.2	4.0	-2.9	-2.4	53.2	57.2
Asia	**Thailand**	**2.1**	6.1	1.3	1.0	1.5	1.0	0.5	2.6	-4.9	-1.5	55.9	54.7
	Australia	**5.3**	3.0	1.7	1.6	6.0	5.5	2.4	1.0	-10.4	-6.8	72.1	77.0
	South Africa	**4.0**	2.2	4.3	4.5	29.7	30.8	-0.4	-1.5	-10.6	-8.3	80.8	84.4
	World	**6.0**	4.9										

Source: IMF, EU Commission, Erste Group Research estimates

Forecasts[1]

GDP	2019	2020	2021	2022
Eurozone	1.3	-6.5	5.0	4.2
US	2.3	-3.5	5.9	3.3

Inflation	2019	2020	2021	2022
Eurozone	1.2	0.3	2.2	1.8
US	1.8	1.2	4.2	2.6

Currency	current	Dec.21	Mar.22	Jun.22	Sep.22
EURUSD	1.16	1.18	1.18	1.18	1.18
EURCHF	1.08	1.12	1.13	1.14	1.14

Interest rates	current	Dec.21	Mar.22	Jun.22	Sep.22
ECB MRR	0.00	0.00	0.00	0.00	0.00
3M Euribor	-0.55	-0.54	-0.54	-0.54	-0.54
Germany Govt. 10Y	-0.22	-0.20	-0.10	0.00	0.10
Swap 10Y	0.15	0.10	0.20	0.30	0.40

Interest rates	current	Dec.21	Mar.22	Jun.22	Sep.22
Fed Funds Target Rate*	0.06	0.13	0.13	0.13	0.13
3M Libor	0.13	0.20	0.20	0.20	0.20
US Govt. 10Y	1.47	1.50	1.60	1.80	1.80
EURUSD	1.16	1.18	1.18	1.18	1.18

*Mid of target range

Interest rates	current	Dec.21	Mar.22	Jun.22	Sep.22
Austria 10Y	0.01	0.00	0.10	0.20	0.30
Spread AT - DE	0.23	0.20	0.20	0.20	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

	Erste Global 1000 Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) World	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 21e	Sales 22e	Net Profit Adj. 21e	Net Profit Adj. 22e	P/E 21e	P/E 22e	DY 21e
	World	**USD**	**1,054**	**56,892**	**100**	**-1.7**	**1.5**	**26.7**	**15.7**	**15.0**	**4.9**	**44.7**	**5.9**	**17.4**	**16.5**	**2.1**
	Developed Markets	USD	874	50,148	88.1	-2.0	2.5	28.9	17.8	14.4	4.2	47.4	5.5	18.9	17.9	1.8
	Emerging Markets	USD	180	6,744	11.9	0.3	-5.5	12.4	2.3	18.8	8.7	34.2	7.5	11.1	10.3	3.5
Developed Markets	**North America**	**USD**	**464**	**34,254**	**60.2**	**-2.2**	**3.3**	**29.6**	**20.3**	**14.4**	**6.0**	**43.2**	**7.2**	**21.6**	**20.1**	**1.4**
	Canada	USD	37	1,356	2.4	-1.3	-0.6	33.3	22.7	4.9	3.0	53.9	1.6	14.0	13.8	3.0
	USA	USD	427	32,898	57.8	-2.2	3.4	29.4	20.2	15.0	6.2	42.5	7.6	22.1	20.5	1.4
	Europe	**EUR**	**242**	**10,140**	**17.8**	**-2.8**	**1.2**	**28.7**	**15.9**	**13.5**	**5.0**	**61.6**	**4.8**	**15.7**	**15.0**	**2.8**
	Austria	EUR	3	63	0.1	4.3	15.0	104.0	40.5	51.1	3.2	125.4	3.0	14.4	13.9	2.6
	Denmark	EUR	10	445	0.8	-5.8	6.7	30.8	20.4	25.1	2.3	84.5	-17.9	16.0	19.5	2.6
	France	EUR	45	2,139	3.8	-3.3	-0.8	37.2	17.2	13.8	4.6	97.6	6.3	17.3	16.3	2.4
	Germany	EUR	36	1,654	2.9	-3.6	-0.8	20.2	12.5	8.8	4.2	56.0	2.8	13.3	13.0	2.9
	Italy	EUR	12	335	0.6	-0.4	1.2	28.5	9.8	30.7	5.3	95.7	9.5	10.9	9.9	4.9
	Netherlands	EUR	16	974	1.7	-2.0	7.0	44.9	26.8	23.6	4.5	77.2	5.6	18.6	17.6	2.2
	Spain	EUR	15	458	0.8	1.3	0.6	27.7	9.5	3.2	5.3	12.6	19.3	17.2	14.5	3.6
	Sweden	EUR	14	369	0.6	-2.6	-0.6	24.6	16.7	9.7	6.7	24.0	-4.2	13.7	14.3	3.5
	Switzerland	EUR	26	1,479	2.6	-6.4	-0.4	16.7	12.6	14.2	5.2	18.3	6.7	18.5	17.3	2.7
	United Kingdom	EUR	42	1,537	2.7	0.0	2.7	31.0	17.5	6.8	6.0	91.1	6.3	14.3	13.5	2.9
	Asia/Pacific	**USD**	**168**	**5,754**	**10.1**	**0.7**	**0.3**	**25.0**	**7.5**	**7.8**	**2.6**	**34.4**	**4.8**	**14.2**	**13.5**	**2.7**
	Japan	USD	101	3,142	5.5	4.4	5.9	21.2	9.0	2.2	2.6	15.6	6.5	15.9	14.9	1.9
	Australia	USD	23	857	1.5	-6.5	-5.9	25.5	6.3	17.9	-3.4	55.2	-5.7	11.4	12.1	5.8
	South Korea	USD	23	804	1.4	-2.6	-11.4	25.1	-5.6	21.6	3.4	78.8	10.9	10.8	9.8	1.8
	Taiwan	USD	15	788	1.4	-1.5	-0.3	39.7	18.0	19.2	5.7	45.3	4.3	17.3	16.6	3.1
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**136**	**5,465**	**9.6**	**0.8**	**-6.4**	**7.4**	**0.0**	**16.4**	**10.0**	**17.8**	**11.4**	**12.2**	**11.0**	**2.8**
	China (incl. HK)	USD	73	3,594	6.3	-1.3	-14.3	-5.5	-9.1	16.9	9.8	16.4	9.6	9.7	8.8	3.4
	India	USD	37	1,464	2.6	6.0	17.1	55.4	32.8	12.9	13.2	20.3	21.5	28.2	23.2	1.3
	Indonesia	USD	7	143	0.3	2.2	5.8	15.4	-6.7	11.6	8.3	24.0	22.9	17.3	14.1	3.2
	Emerging Europe	**USD**	**13**	**543**	**1.0**	**8.0**	**10.0**	**62.3**	**39.2**	**40.3**	**5.3**	**148.9**	**0.9**	**6.0**	**5.9**	**9.2**
	Russia	USD	12	530	0.9	8.3	10.1	61.6	39.4	40.6	5.3	151.1	0.9	5.9	5.9	9.4
	Emerging Americas	**USD**	**25**	**598**	**1.1**	**-9.2**	**-8.6**	**30.7**	**-1.2**	**16.5**	**1.7**	**94.6**	**-9.6**	**10.5**	**11.6**	**4.2**
	Brazil	USD	14	315	0.6	-13.3	-19.1	22.5	-11.6	17.1	-2.0	95.8	-15.6	7.4	8.8	6.6
	Emerging Africa (S.A.)	**USD**	**6**	**138**	**0.2**	**0.6**	**-8.8**	**19.6**	**1.5**	**27.4**	**1.8**	**64.2**	**-4.1**	**10.4**	**10.8**	**4.3**
	Global Sectors															
Erste Sectors	**Basic Materials**	**USD**	**54**	**1,664**	**2.9**	**-7.9**	**-7.3**	**18.2**	**4.7**	**30.3**	**-3.2**	**126.2**	**-15.8**	**8.5**	**10.1**	**5.7**
	Basic Resources	USD	28	805	1.4	-12.9	-13.8	19.1	0.2	35.3	-6.0	158.3	-20.0	5.8	7.2	8.9
	Chemicals	USD	26	859	1.5	-2.7	-0.4	17.5	9.3	24.6	0.1	73.8	-5.5	15.0	15.9	2.6
	Consumer Discretionary	**USD**	**145**	**8,750**	**15.4**	**-0.3**	**-1.4**	**18.6**	**8.4**	**16.2**	**10.9**	**91.3**	**25.5**	**27.6**	**22.0**	**0.9**
	Automobiles & Parts	USD	31	1,587	2.8	4.5	4.0	57.1	17.1	14.3	6.9	120.6	12.1	13.6	12.1	1.4
	Consumer Discretionary Retailers	USD	32	3,369	5.9	-0.2	-4.0	1.2	4.3	18.8	12.1	51.3	11.9	31.0	27.7	0.6
	Consumer Products & Services	USD	42	2,422	4.3	-3.5	-2.2	24.2	11.0	13.5	7.0	31.8	9.6	27.1	24.7	1.2
	Media	USD	11	705	1.2	-2.0	2.2	26.6	4.5	11.4	12.4	47.7	31.0	39.9	30.4	0.5
	Travel & Leisure	USD	29	667	1.2	2.4	-1.0	25.4	6.1	29.2	52.4	nan	nan	0.0	28.1	0.3
	Consumer Staples	**USD**	**84**	**3,708**	**6.5**	**-1.2**	**-0.2**	**11.2**	**7.3**	**7.6**	**2.7**	**13.1**	**6.5**	**20.3**	**19.0**	**2.6**
	Food, Beverage & Tobacco	USD	55	2,342	4.1	-1.2	-1.9	11.9	6.4	9.7	2.4	13.7	7.0	19.4	18.2	3.0
	Consumer Staples Retailers	USD	29	1,365	2.4	-1.1	2.9	10.1	8.9	6.3	2.9	11.9	5.7	21.9	20.8	2.0
	Energy	**USD**	**65**	**2,709**	**4.8**	**10.3**	**5.6**	**55.5**	**35.6**	**39.1**	**3.8**	**327.7**	**5.9**	**10.3**	**9.7**	**5.1**
	Financials	**USD**	**203**	**10,193**	**17.9**	**0.3**	**2.8**	**41.6**	**20.8**	**6.0**	**2.5**	**33.0**	**0.4**	**11.6**	**11.6**	**2.9**
	Banks	USD	97	4,915	8.6	2.4	3.1	52.5	22.9	5.5	3.1	37.6	0.1	8.8	8.8	3.9
	Financial Services	USD	50	3,012	5.3	-2.0	3.1	38.7	24.0	4.9	5.8	27.7	0.1	22.2	22.2	1.3
	Insurance	USD	56	2,266	4.0	-1.0	1.6	25.8	12.8	6.6	1.3	24.6	1.7	12.2	12.0	2.8
	Health Care	**USD**	**98**	**6,170**	**10.8**	**-3.4**	**2.9**	**15.8**	**13.6**	**11.5**	**4.6**	**16.8**	**5.8**	**18.9**	**17.9**	**1.7**
	Industrials	**USD**	**142**	**5,286**	**9.3**	**-2.9**	**1.4**	**27.7**	**15.0**	**12.4**	**4.2**	**67.5**	**8.7**	**19.3**	**17.8**	**1.8**
	Construction & Materials	USD	18	426	0.8	-5.2	0.9	22.4	9.7	15.0	3.4	42.2	12.3	19.1	17.0	2.1
	Industrial Goods & Services	USD	124	4,860	8.5	-2.7	1.4	28.2	15.5	12.1	4.3	70.2	8.4	19.4	17.9	1.7
	Real Estate	**USD**	**54**	**1,258**	**2.2**	**-3.5**	**-0.9**	**16.1**	**15.2**	**10.4**	**9.1**	**7.4**	**8.5**	**21.2**	**19.5**	**2.9**
	Technology	**USD**	**105**	**13,195**	**23.2**	**-3.9**	**3.2**	**34.6**	**22.4**	**20.5**	**9.3**	**36.7**	**10.7**	**25.5**	**23.1**	**0.8**
	Telecom	**USD**	**45**	**2,431**	**4.3**	**-1.6**	**0.4**	**15.2**	**9.0**	**5.9**	**0.4**	**1.7**	**0.7**	**14.6**	**14.5**	**3.0**
	Utility	**USD**	**59**	**1,527**	**2.7**	**-4.5**	**2.1**	**9.8**	**3.4**	**8.7**	**2.2**	**6.2**	**7.0**	**17.9**	**16.7**	**3.6**

Source: Erste Group Research, FactSet. Closing Prices as of: 29.9.2021.

CEE Indices

Erste CEE Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) CEE	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 21e	Sales 22e	Net Profit Adj. 21e	Net Profit Adj. 22e	P/E 21e	P/E 22e	DY 21e
CEE Coverage	**EUR**	**157**	**372**	**100**	**-0.8**	**6.2**	**48.8**	**24.3**	**10.5**	**4.3**	**78.6**	**6.8**	**13.1**	**12.3**	**2.8**
CEE Austria	EUR	36	133	35.7	0.7	7.6	68.9	29.3	13.9	4.7	94.9	11.5	13.2	11.8	3.0
CEE Czech Republic	EUR	8	36	9.6	1.9	11.6	51.5	28.4	1.7	0.7	6.7	8.5	17.5	16.1	5.4
CEE Croatia	EUR	11	6	1.6	0.2	0.2	19.2	11.3	9.3	6.4	90.9	23.8	28.8	23.3	2.1
CEE Hungary	EUR	4	25	6.8	-3.0	6.3	63.3	25.6	10.1	1.0	47.4	-3.2	10.1	10.4	2.4
CEE Poland	EUR	78	136	36.6	-2.3	4.0	39.5	24.1	9.8	5.2	110.1	3.3	13.4	13.0	1.6
CEE Romania	EUR	9	20	5.4	-0.8	3.9	29.3	19.7	6.2	3.1	19.8	13.8	15.3	13.4	4.0
CEE Serbia	EUR	2	1	0.4	0.4	1.0	17.9	5.1	33.6	-0.9	nan	21.5	8.9	7.4	2.0
CEE Slovenia	EUR	2	4	1.0	-0.4	10.1	39.0	24.7	1.0	4.5	9.2	2.6	11.8	11.5	4.6
CEE Turkey	EUR	6	10	2.8	-3.2	7.5	4.1	-13.2	2.0	0.8	111.4	2.8	6.4	6.3	6.6

Source: Erste Group Research, FactSet. Closing Prices as of: 29.9.2021.

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