Global Strategy 4Q 2023

Global economic growth is weakening and the cycle of interest rate hikes is at or about to peak in the Eurozone and the USA. We consider US government bonds to be attractively valued. In global equity markets, we expect only slight growth with increased volatility. We prefer quality stocks from the healthcare, technology and energy sectors. The level of yields, on the other hand, makes bond investments attractive. In corporate bonds, we are now somewhat more cautious and prefer bonds from the BBB rating segment.

Investment Strategy 4Q 2023:

Govt. bond yields	Dec. 2023
Germany (10Y)	2.40
USA (10J)	4.00

Currencies	Dec. 2023
EURUSD	1.12
EURCHF	0.97

Equity Performances		Dec 2023
Global	↗	0%/ +5%
Europa	→	0%
USA	↗	0%/ +5%

Source: Erste Group Research

Prices as of
22.09.2023, 22:00

Report Created
26.09.2023, 12:00

Report published
26.09.2023, 12:30

Editor
Friedrich Mostböck, CEFA®, CESGA®
Head of Group Research

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.

Economy

The US economy is on track to grow in 2023 at roughly the same rate as in 2022. However, in our view a number of factors, such as a cooling labor market, falling corporate profits and rising real interest rates, point to a slowdown in the US economy. Household consumption spending will be important. Encouraging signals have come from US inflation in recent months. In the eurozone, economic stagnation continued in 2Q at +0.1% Q/Q. At country level, growth varied widely. While France and Spain posted solid growth in 2Q, Germany stagnated and Italy's GDP contracted by 0.4% quarter-on-quarter. In industry, sentiment is showing signs of bottoming out, while service providers showed signs of weakening. Thus, the outlook remains subdued for the time being. Following the current stabilization, core inflation in the euro zone should establish a slight downward trend in the coming months.

Bonds

In September, following the interest rate hike in July, the U.S. Federal Reserve decided to leave interest rates unchanged. More data is to be awaited. We expect a further cooling of the labor market and easing price pressures, and thus no further rate hike. A sell-off in the U.S. bond market since around the end of July is likely to be due to continued strong economic data. In view of the expected economic slowdown, we consider U.S. Treasuries to be attractive. At its last meeting, the ECB Governing Council signaled that the interest rate peak has been reached - assuming further progress in reducing inflation. Thus, the current interest rate level, if maintained long enough, should make a significant contribution to achieving the inflation target. Yields on German Bunds have risen - despite much weaker economic data - due to the guidance from the USA. We expect yields on short maturities to remain stable and yields on long maturities to fall.

Currencies

An anticipated slowdown of the U.S. economy as well as the expected moderate recovery of the Eurozone economy should strengthen the Euro against the currently highly valued U.S. Dollar and the Swiss Franc. In view of positive real US yields, we expect "only" a sideways movement of the gold price in 4Q 2023.

Equities

Volatility should increase on the stock market in view of higher yields and weakening global economic growth. Overall, we expect only moderate growth in the global equity index at the lower end of the range between 0% and +5%. We prefer quality stocks from the healthcare, technology and energy sectors.

Contents

Global Strategy Team

Investment Strategie	Friedrich Mostböck, Gudrun Egger
Konjunktur	
USA	Rainer Singer
Eurozone	Gerald Walek
CEE	Juraj Kotian
Emerging Markets	Hans Engel, Stephan Lingnau, Gerald Walek
Währungen	
US-Dollar	Rainer Singer
Gold	Hans Engel
Schweizer Franken	Gerald Walek
Anleihen	
US-Staatsanleihen	Rainer Singer
DE-Staatsanleihen	Rainer Singer
CEE-Staatsanleihen	Juraj Kotian
EUR-Corporate Bonds	Peter Kaufmann, Elena Statelov
Aktien	
Global	Hans Engel, Stephan Lingnau
Europa	Stephan Lingnau
USA	Hans Engel
CEE	Henning Esskuchen
Immobilien	Christoph Schultes
Emerging Markets	Hans Engel, Stephan Lingnau

Email Adressen: vorname.nachname@erstegroup.com
Telefonnummern der Analysten finden Sie bitte auf der letzten Seite unter Kontakte.

Investment Strategy 4Q 2023

Yields			Estimates			
		current	4Q23	1Q24	2Q24	3Q24
10y. Govt. bonds	**Germany**	2.78	**2.40**	2.40	2.40	2.40
	Austria	3.37	**2.90**	2.85	2.80	2.80
	US	4.48	**4.00**	3.70	3.50	3.50
	CEE					
	Czech Republic	4.57	**3.99**	3.74	3.49	3.31
	Hungary	7.04	**7.15**	6.73	6.31	6.15
	Poland	5.78	**5.40**	5.30	5.10	5.10
	Romania	6.88	**7.30**	7.10	7.00	6.80

Source: Erste Group Research estimates

Currencies			Estimates			
		current	4Q23	1Q24	2Q24	3Q24
Global	**EURUSD**	1.06	**1.12**	1.14	1.16	1.18
	EURCHF	0.96	**0.97**	0.97	0.98	0.98
	Gold (USD)	1,922	**1,950**	1,980	1,980	2,000
CEE	**CZK**	24.4	**24.5**	24.4	24.3	24.3
	HUF	389	**385**	385	385	385
	PLN	4.60	**4.55**	4.50	4.50	4.50
	RON	4.97	**5.00**	5.02	5.05	5.07

Source: Erste Group Research estimates

Equities		Estimate			
		4Q 2023	min	max	FX
Global		↗	**0%**	**+5%**	USD
Regions	**Europe**	→	**0%**		EUR
	USA	↗	**0%**	**+5%**	USD
	CEE	↗	**0%**	**+5%**	EUR
	Emerging Markets				
	Brazil	↗	0%	+5%	BRL
	India	↗	0%	+5%	INR
	China	↘	-5%	0%	USD
Sectors	Technology	↗	0%	+5%	USD
	Health Care	↗	0%	+5%	USD
	Industrials	↗	0%	+5%	USD
	Consumer Discretionary	↗	0%	+5%	USD
	Energy	↗	0%	+5%	USD
	Basic Materials	↗	0%	+5%	USD
	Consumer Staples	↘	-5%	0%	USD
	Financials	↘	-5%	0%	USD
	Telecom	↘	-5%	0%	USD
	Utilities	↘	-5%	0%	USD

Source: Erste Group Research estimates

Eurozone Economic Outlook

Economic weakness continues

France and Spain support growth in 2Q

The extensive stagnation of the Eurozone economy continued in 2Q, with growth of a scant 0.1% q/q, as in 1Q. At the country level, growth varied widely. While France and Spain posted solid growth in 2Q, Germany stagnated and Italy's GDP contracted by 0.4% from the previous quarter. In Italy, investment fell in 2Q, due to a sharp decline in activity in the construction sector. Obviously, Italy, like Germany, is feeling the headwind from the recent rapid rise in interest rates on the real estate market. At the component level, private consumption continued to stagnate in 2Q and investments stabilized at a growth rate of +0.3% q/q. Encouragingly, public consumption returned to growth, though foreign trade weighed on GDP, due to declining exports.

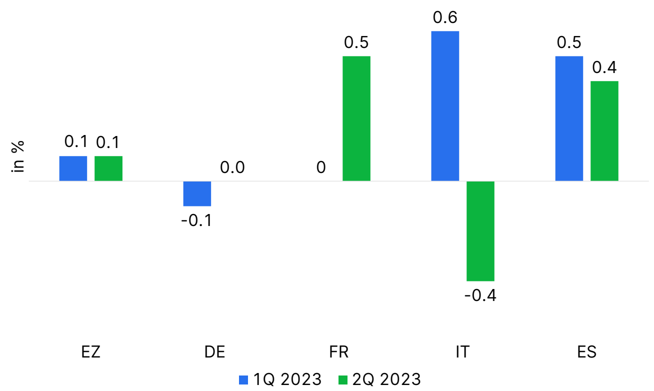
Slight growth expected in 2023

While the sentiment of the industrial sector is showing signs of bottoming out, the sentiment of service providers has recently weakened significantly. Against this background, the growth outlook for 4Q remains subdued. However, we expect initial gradual growth impetus from private consumption, which should benefit from an end to the massive real wage losses from the third quarter. A continued tight labor market should also have a positive impact on consumer sentiment. We therefore expect the Eurozone economy to recover slowly. However, growth will remain subdued in the medium term, given the difficult environment, mainly due to high interest rates. We forecast GDP growth of 0.5% for 2023. With the end of destocking, a slight positive growth impetus should gradually return from industry from the first half of 2024. We therefore forecast a slight acceleration in growth to 1.2% for 2024.

Inflation should decline further

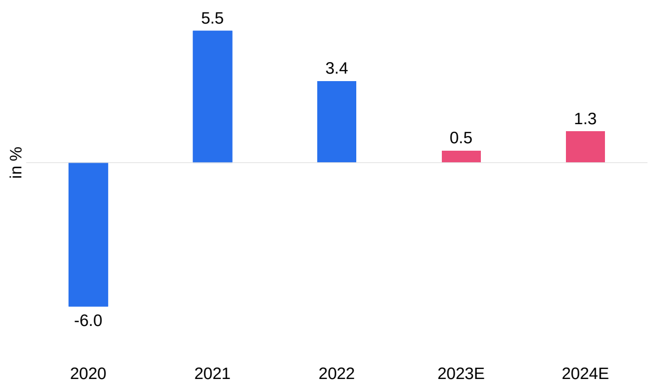
Thanks to falling food price momentum, inflation should continue its downward trend. Core inflation should also establish a slightly downward trend in the coming months following the current stabilization. We forecast inflation to fall to 5.7% for 2023 as a whole and to 3.0% in 2024.

Germany and Italy weigh on growth
GDP growth EZ, DE, FR, IT and ES (q/q)



Source: Eurostat, Erste Group Research

Subdued growth expected in 2023
EZ GDP growth 2020 - 2024E



Source: Eurostat, Erste Group Research

US Economic Outlook

US economy has held up well so far

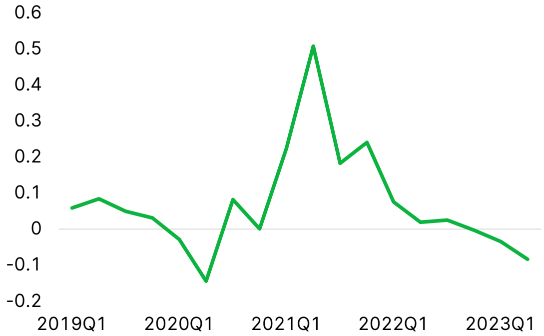
We expect a weaker US economy

The massive rise in interest rates in the USA since 2022 has so far only had a clearly discernible impact in the real estate sector, which was overheated. The other sectors, however, have held up well and so the US economy is on track to grow in 2023 at about the same rate as in 2022. The continued solid US economy was a big surprise for the markets and how long the US economy will hold up will remain a crucial issue. For us, a number of factors point to a slowdown in the U.S. economy. The negative effects of higher interest rates, for example, will become stronger. Thanks in part to high inflation, U.S. companies were able to significantly increase their sales and profits in 2021 and 2022, which made it easier to absorb higher interest rates. In the meantime, however, corporate profits are declining on a macroeconomic level. In addition, more and more maturing loans will have to be refinanced at the higher interest rates as time goes on, so companies will face further burdens from this side. All this should dampen investment. More important for the US economy, however, will be consumer spending by private households. Real income losses have been absorbed well in the past. Recently, incomes have started to grow again in real terms, which should support consumption. At the same time, however, weaker corporate profit growth probably means a weaker labor market. Another negative factor should be that savings accumulated during the pandemic supporting consumption are increasingly being used up. Overall, future consumer spending is therefore difficult to assess, but in our view the likelihood of weaker growth is higher.

Is the easing of price pressure sustainable?

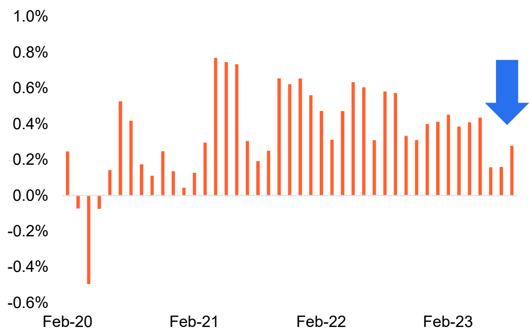
There have been encouraging signals from inflation in recent months. The monthly momentum of inflation excluding energy and food prices (core inflation) has eased noticeably. The composition is also positive. Price pressures in services, where inflation is high and persistent, are also easing, albeit slowly. There is a high probability that the decline in price pressures is sustainable. However, as long as the economy remains firm, no all-clear can be given for inflation. Due to base effects, we expect core inflation to decline only slightly until the end of the year. Positive contributions from energy prices should compensate for this, so that the overall inflation rate should trend sideways until the end of the year. Inflation rates should fall further next year.

Corporate profits are sinking
Corporate profits, y/y in %



Source: Bureau of Economic Analysis, Erste Group Research

Price pressure has softened since three months
Core inflation, m/m in %



Source: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

We expect the CEE region to expand by 0.7% in 2023 GDP. Looking country by country, we expect Hungary to be in recession this year, while Czechia and Poland are at edge of it in 2023. These three economies contracted in the first half of the year, and more vibrant recovery is needed in the second half of the year to assure the economic expansion in 2023 in Czechia and Poland. On the other hand, Croatia and Romania outperformed the peers and we expect these two economies to grow the fastest in the region in 2023.

We expect CEE economies to recover in 2024 and grow by 2.8%. The recovery will be determined by improvement of global environment and extent to which private consumption regains strength. Solid nominal wage growth in combination with easing inflation should translate into increasing purchasing power of households as real wage growth accelerates gradually. Finally, monetary easing should bring some relief to households in form of lower cost of credit. Investment activity is likely to suffer as region switches to new budgeting period in utilizing EU funds. Ongoing flow of RRF funds may cushion the slowdown of the investment activity to some extent.

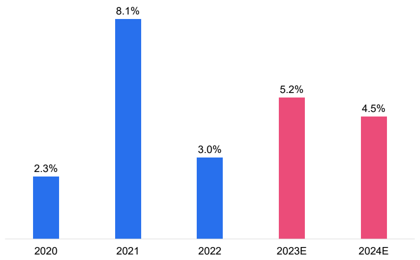
At this moment the risks seem to be titled to the downside, however. The external environment is expected to remain weaker than initially expected as growth forecasts for Eurozone countries are being revised down. Further, it seems that the full effects of the tightening of monetary condition are now seen as coming through with a longer lag than previously thought.

The inflation rate began to fall in the second quarter of 2023 and it has become single-digit in several CEE countries. Such a dynamic decline supports monetary easing scenario. Hungary normalized the interest rates while Poland cut the key interest rate to 6% on September meeting. Czechia should begin with monetary easing by the end of the year as well. On average, however, the inflation rate is expected at 11.9% in 2023 and is expected to drop to 5.2% in 2024.

Emerging Markets Economic Outlook

China

China GDP-Growth (y/y)



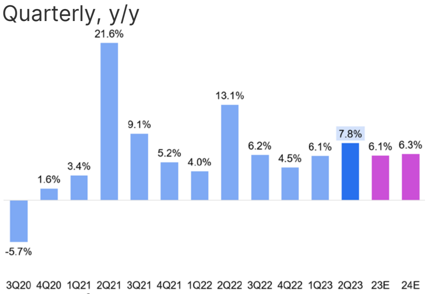
Source: IMF, Erste Group Research

China's real estate sector remains in focus. In recent weeks, possible bankruptcies of large real estate companies in China have continued to be a topic. The desired curbing of investment activities in order to get a grip on the high level of corporate and household debt is putting further pressure on the real estate sector, from which the economy is also suffering. Leading indicators show a further slowdown among service providers, after sentiment here improved significantly with the end of zero Covid policy at the beginning of the year. By contrast, China's industrial sector is likely to have found a bottom. Sentiment among industrial companies has been steadily brightening since June. For 2024, the IMF forecasts GDP growth to decline to 4.5%.

China's transformation weighs on German exports. The current year has shown that German exports in particular (especially automotive exports) have already suffered greatly from the changes in China. China now produces its own high-quality capital goods and is already competing globally in some other export markets. Germany will therefore have to increasingly look for other sales markets in Asia (e.g. India, Indonesia or Vietnam) for its export goods.

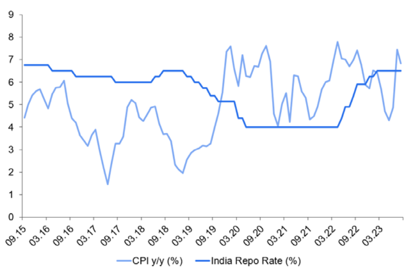
India

India: GDP-Growth
Quarterly, y/y



Source: Refinitiv

India: Inflation und Target Rate



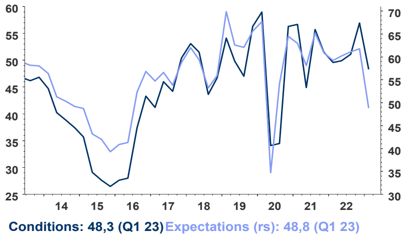
Source: Central Statistical Org. India, RBI

India's economy continues to grow very strongly by global standards. For example, GDP growth accelerated to +7.8% year-on-year in 2Q23, compared with +6.1% in the previous quarter. The main driver of the GDP increase was the contribution of private consumption, which added 3.5 percentage points to growth. Investments contributed 2.8 percentage points to GDP growth.

Short-term indicators in India continue to show very strong growth. The Purchasing Managers' Index (EMI) for industry rose to a three-year high of 58.6 points in August from 57.7 previously. Strong demand was key to the robust August reading, which led to the fastest increase in new orders since January 2021. In the services sector, the EMI continues to trade at the very high level of now 60.1 points (previously 62.3). The activity sub-index of the EMI showed one of the strongest increases in output since the mid-10s.

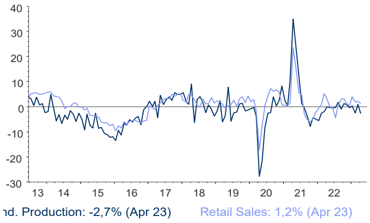
The Reserve Bank of India (RBI) left its key interest rate unchanged at 6.50% for the third consecutive month in August. However, due to the steep rise in vegetable prices, inflation concerns have recently risen again. The inflation reached a 15-month high of 7.4% in July before falling back slightly to 6.8% in August. Thus, however, inflation remains above the RBI's target range of 2% to 6%. The market consensus does not expect any further interest rate changes in the course of the year. Interest rate cuts totaling 50 basis points are then expected from mid-2024. The Indian rupee remains very stable at USD 83. By the end of 2024, the consensus forecasts a strengthening to USD 80.

Brazil: Sentiment of the industry indices



Source: Datastream, Erste Group Research

Brazil: Industrial production and retail sales year-on-year



Source: Datastream, Erste Group Research

Brazil

Economic growth will weaken in 2024. After an expected GDP increase of +2.5% (y/y) in the current year, GDP growth should GDP growth in 2024 is expected to be only 1.5% (y/y). The growth rate of private consumption should decline from +2.0% (y/y) this year to +1.6% (y/y) in 2024. Government consumption will increase by only +1.2% (y/y) next year. Industrial production should return to a stronger growth rate of +1.5% (y/y) in 2024 than in 2023. Sentiment among purchasing managers in the industrial sector has improved slightly recently. This applies to both the assessment of the current situation and that of future developments.

At +2.3% (y/y), export growth should be lower next year than import growth. The latter will be around +3.1% (y/y) in 2024. Overall, the current account deficit for next year is expected to be of around -2.2% is expected. The forecast slowdown in GDP growth will also have a slightly negative impact on the labor market in 2024. The unemployment rate should rise from approx. 8.3% today to 8.6% in 2024 Consumer price inflation is on the decline. It should fall from 4.7% in 2023 to 4.0% next year.

The fiscal deficit is clearly negative at around -6.8% of GDP in 2024. However compared with 2023, however. This year it is expected to be -7.5% of GDP. The key interest rate is currently 13.25%. It was lowered again for the first time at the beginning of August, after 12 interest rate hikes previously. The consensus expectation is for the key rate to fall to 9% by the end of 2024. The Brazilian real weakened slightly against the USD in the third quarter. The consensus estimate is a continuation of the slight weakness of the real against the USD until the end of the year.

Eurozone

ECB Main Refinancing Rate	Yield Forecast 4Q 2023 4.5%
Deutsche Staatsanleihen	2.4% (10Y)

German bonds attractively valued

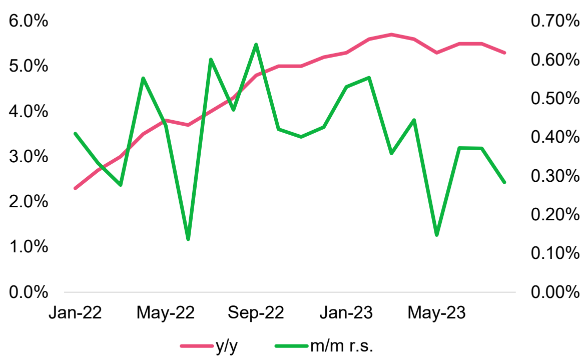
Key interest rates very likely at their peak

In September, the Governing Council decided once again to raise interest rates by 25 basis points. However, the data in the weeks prior to this had been anything but clear. Progress in reducing inflation was only moderate, but at the same time economic indicators weakened. However, this data mix was then reflected in the outlook. Based on the current assessment, the interest rate level achieved, if maintained long enough, should make a significant contribution to achieving the inflation target, the Governing Council said in the press release. Thus, the Governing Council signaled relatively clearly that the interest rate peak has been reached, provided that further progress in reducing inflation is achieved, which is what we assume. In our view, interest rates will thus remain unchanged for some time. We expect the first rate cut in the summer of 2024, but the timing is highly uncertain as the further economy and the development of inflation are very uncertain.

German yields should fall

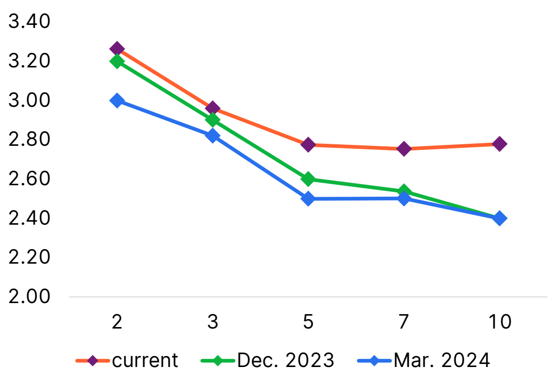
Yields on German government bonds rose since the summer. The main reason for this was the guidance from the USA. By contrast, the economic data from the euro zone did not justify this movement, as they were weak. The ECB's interest rate hike then led to even higher yields at short maturities. The expected environment in the euro zone, which will remain characterized by a persistently weak economy and stable key interest rates, argues for lower yields on longer maturities and stable yields on short maturities. However, developments in the U.S. market will remain a key factor. The development of the U.S. economy is an even greater factor of uncertainty than in the euro zone, as there has been almost no reaction to the rise in interest rates so far. We expect a moderate economic downturn in the U.S. and thus U.S. yields should fall. Generally. yield spreads within the eurozone have been little changed so far this year. The expectation is that government deficits will be reduced next year. Information on this will come from the budget drafts that countries will submit to the EU Commission in October. Should the governments' plans disappoint from the markets' point of view, risk premiums on government bonds versus Germany could rise.

Price pressures are easing, but only slowly
Inflation excl. food and energy, in %



Source: ECB, Erste Group Research

Yields of longer maturities should decline
Yields on German government bonds by maturity, in %



Source: Market data provider, Erste Group Research

USA

Federal Funds Rate	Yield Forecast 4Q 2023
	5.25 – 5.50%
US Treasuries	4.0% (10y)

Solid US economy unsettles markets

US Fed mulls final interest rate move

Following an interest rate hike in July, the interest rate-setting body of the U.S. Federal Reserve (FOMC) decided in September to leave interest rates unchanged. Essentially, the idea was to wait for more data. The FOMC wants to see how and if trends in recent months, which have shown weaker price pressures and a cooling labor market, continue. Not all meeting participants are convinced that the data will be compelling enough by the end of the year. In the latest survey of meeting participants, 12 of 19 respondents expect a final rate hike before the end of the year. The others, however, believe that the interest rate peak has already been reached. Only one set of relevant monthly data will be released until the next FOMC meeting in early November, so the FOMC could save the final decision on another rate hike until the last meeting in December, unless data would clearly argue for a rate hike already before then. We assume a slow continuation of the above-mentioned trends and thus no further rate hike. However, clarity that the interest rate peak has been reached would only come from a slowdown in the economy.

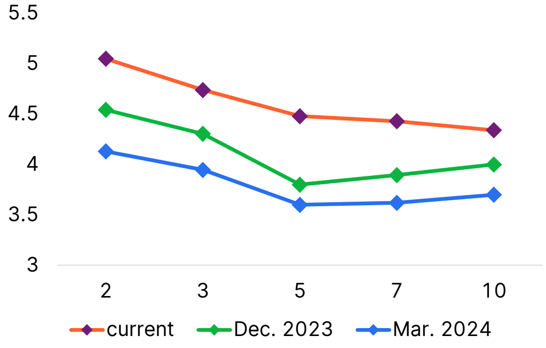
Continued solid US economy triggers sell-off on bond market

The U.S. bond market saw a sell-off from around the end of July, the causes of which are not clear. The markets are likely to have reacted to the persistently good economic indicators in the USA. From the market's point of view, the solid economic situation apparently jeopardizes the ongoing weakening of price pressures and the cooling of the labor market, although the data of recent months showed otherwise. The sell-off in the bond market may also have been triggered by the unwinding of speculative positions that had bet on a weakening of the U.S. economy. This triggered a wave of selling that fed itself. Further developments will depend on economic data. In our view, the current high yields can only be justified if the economy actually remains strong and progress in containing inflation and cooling the labor market is modest. However, we expect the U.S. economy to weaken, essentially because the sharp rise in interest rates will still have an impact. Therefore, even though it is difficult to determine the peak of the selling wave still underway, we see U.S. Treasury yields as attractive.

US Treasury are rising since summer
10yr Treasury yield, in %

Source: Market data provider, Erste Group Research

US Yields should come down
Yields of US Treasuries by maturity, in %



Source: Market data provider, Erste Group Research

CEE Government Bonds	Yield Forecast 4Q 2023
Czech Republic	4.0% (10J)
Hungary	7.2% (10J)
Poland	6.4% (10J)
Romania	7.3% (10J)

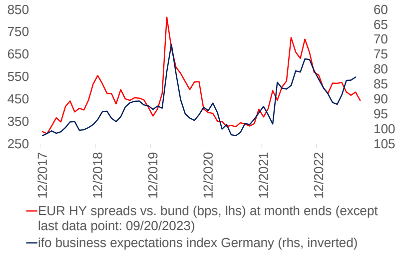
The central banks in the region were first to begin with interest rates' increases and it seems they are first to abandon tight monetary conditions. In Hungary, one-day deposit rate (currently at 14%, down from18%) and key policy rate should be merged in September at 13%. Monetary easing should continue afterward. but pace may slow down toward year-end. Poland kicked off monetary easing in rest of region with stunning 75bp cut. The Polish Governor Glapinski said, however, that the space for further monetary easing narrowed visibly after September's decision. Czechia is expected to cut interest rate in 4Q23. Czech central bankers remain much more cautious compared to the Polish MPC members, reiterating that there is no reason to rush with monetary easing. Serbia should begin to lower interest rates in 2024, while Romania is expected to only begin monetary easing in mid-2024.

CEE currencies have lost strength from beginning of year. Although YTD, Hungarian forint and Polish zloty strengthened, CEE currencies were shaken by surprisingly large rate cut by Polish central bank. Polish zloty lost almost 4% vs. euro within a week after the September's decision, not only because of cut itself, but also due to speculation that front-loading of monetary easing shortly before October elections has been politically motivated, undermining independence of central bank.

Since the beginning of the year the long-term yields moved south in all CEE countries with spread against German bunds narrowing amid improving risk assessment. The biggest decline of long-term yields took place in Hungary and Romania. As far as outlook is concerned, the monetary easing prospects will support further decline of yields.

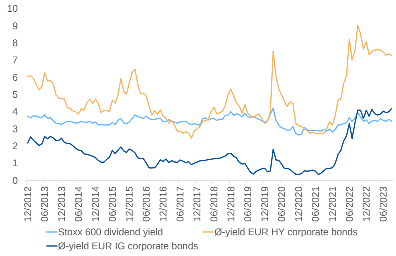
EUR-Corporate Bonds
Investment Grade
High Yield

HY spreads tightened in 3Q despite business expectations slowdown
HY spreads (in basis points) vs. ifo business expectations index Germany



Source: Erste Group Research
Data as of 09/20/2023

EUR IG Corporate Bond yields exceed dividend yields
Ø-corporate bond & dividend yields*, in %



Source: Erste Group Research
Data as of 09/20/2023
*Ø-corporate bond yields (Tenor ~ 4-6 years); Ø-dividend yield Stoxx 600 Index

Investors' risk appetite remained high in 3Q. HY bonds (+2.4%) performed better than IG bonds (+0.1%). An unusual development was observed in the HY segment. Spreads declined even though key leading economic indicators for the eurozone continued to deteriorate over the summer. HY bonds in the (weak) B rating category performed even better than BB-rated bonds, which are only one rating notch below the BBB bucket and thus the IG segment. The spreads of IG bonds tightened only slightly in 3Q. The high level of IG new issue supply is likely to have prevented clearer spread tightening.

European corporate credit metrics remained broadly stable in 2Q, although the weaker macroeconomic environment was reflected in the results of cyclical companies. Due to forward-looking borrowing of long-term, low-interest debt in previous years, there has so far been little weakening in corporates' interest coverage ratio, the ratio of operating profit to interest expense that is important for ratings. The interest coverage ratio will increasingly become the focus of investors, especially for HY issuers. This is because refinancing requirements in the HY segment will rise steadily from 2024. An increasing number of spec-grade rated bonds issued in the low-interest phase will mature. While the coupon of outstanding HY bonds averages 4.4%, secondary market yields are currently at 7.3%. Rising funding costs could pose problems for some of the lowest-rated HY issuers. Default rates are likely to rise moderately.

After outperforming in 3Q, bonds of low-rated HY issuers in particular (mainly B-rated and below) appear expensive in view of the deteriorating economic outlook, weakening consumer confidence and rising funding risks and costs. To be sure, refinancing should not be a problem for BB issuers. But the spread premium of BB bonds over BBB bonds narrowed in 3Q and is at historically low levels. For these reasons, as well as the existing geopolitical risks (especially the Ukraine war), we advise caution in 4Q and prefer bonds from the BBB rating segment.

In the IG segment, oil & gas bonds posted the strongest performance in 3Q, also thanks to rising oil prices. Oil & gas bonds continue to offer the highest risk premiums in the IG space, although their credit metrics and ratings are strong compared to other sectors. ESG or transformation risks are likely to play a key role. Oil & gas groups have one of the lowest debt payoff periods in comparison to the other sectors. Their bonds remain interesting from a risk/return perspective. The analyst consensus currently expects significant decreases in debt payoff periods for 2024 in the healthcare and chemicals sectors, among others.

Corporate bond yields (IG: 4.2%; HY: 7.3%) exceed dividend yields of European equities (3.5%) on average, as measured by the Stoxx 600 index. This has not been the case for IG corporate bonds for more than a decade. The fact that the cycle of interest rate hikes in the euro zone has either already ended or is about to end speaks in favor of bond investments.

Currencies

US-Dollar

Forecast 4Q 2023
1.12

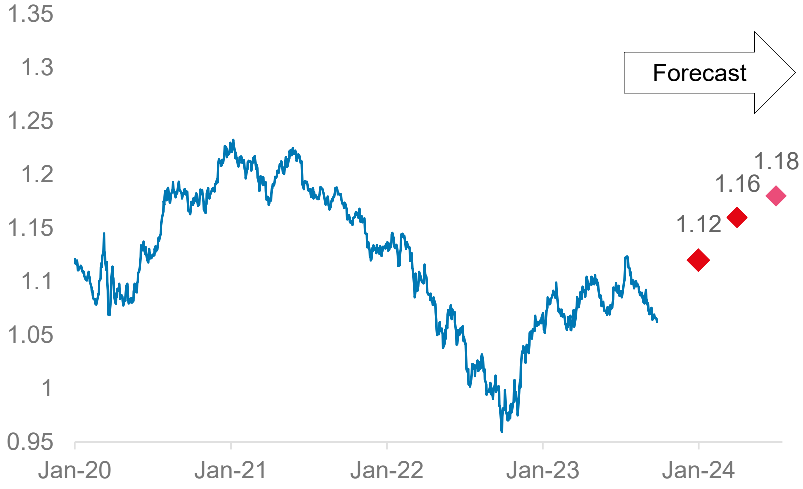
Dollar remains volatile

EURUSD was very volatile during the summer months, reflecting the uncertain development of inflation and GDP growth, especially in the U.S. but also in the eurozone. At the beginning of June, EURUSD traded at 1.07 and then rose to 1.12 by mid-July. Thereafter, the exchange rate fell back to levels most recently just above 1.06. This recent strengthening of the dollar was driven by a surprisingly solid U.S. economy, while at the same time economic data in the euro zone clouded over. In all likelihood, the extent of the strengthening was also due to a necessary repositioning of the market, as many market participants had probably previously bet on a weaker dollar. Overall, the erratic movement of EURUSD since the beginning of the year was thus continued.

Slower US economy should trigger weakening of the dollar

The further development of the exchange rate will predominantly depend on the U.S. economy, although it should not be forgotten that the U.S. dollar is already highly valued. However, if the divergence of economic data in the U.S. and the euro zone continues, further gains of the dollar would be possible. However, we do not expect this to happen. Rather, the U.S. economy should weaken, as the sharp rise in interest rates will still have its effect. If there are signs of a slowdown in the U.S. economy, the reaction on the markets should be strong and a rapid upward movement of EURUSD should be the result. For 2024, we expect a relatively better development of the economy in the euro zone, where the economy should recover from a weak level. The US economy, on the other hand, should remain relatively weak, so we expect the dollar to weaken further.

Dollar should weaken
EURUSD



Source: Market data provider, Erste Group Research

Swiss Franc

Forecast 4Q 2023
0.97

SNB takes interest rate break

The SNB has left the key interest rate unchanged at 1.75% in September. The significant tightening of monetary policy over the past few quarters is counteracting the inflationary pressure that still exists. From today's perspective, it cannot be ruled out that a further tightening of monetary policy may become necessary in order to ensure price stability in the medium term, according to the SNB. The SNB will therefore closely monitor the development of inflation in the coming months. In order to ensure appropriate monetary conditions, the SNB is also prepared to be active in the foreign exchange market if necessary. In the current environment, the focus is on foreign exchange sales. We do not expect the SNB to raise interest rates further in the medium term.

Convergence of inflation differential should hamper further strengthening of franc

The SNB is leaving its conditional inflation forecast for 2023 and 2024 unchanged at 2.2% each. For 2025, it has lowered it slightly to 1.9% (previously 2.0%). The inflation forecast for Switzerland thus remains below inflation expectations for the Euro Area. However, there should be a gradual convergence in the course of 2024. This is important for the outlook after Switzerland's significantly lower inflation in the past two years has contributed significantly to the strengthening of the Swiss franc.

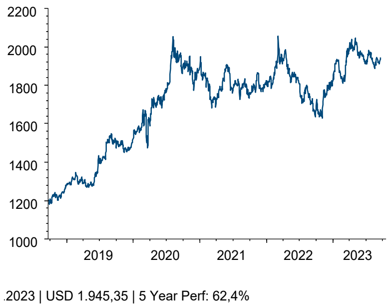
In the short term, the franc still benefits from a much lower inflation level compared to the Eurozone (1.9% y/y vs. 5.3% y/y in August), while the current interest rate differential does not fully compensate for this difference. However, we expect a faster decline in Eurozone inflation vs. Switzerland in the coming months. This should allow the euro to strengthen slightly against the Swiss franc.

In addition, the development of the currency pair also depends on the further course of the economy and the risk appetite of global investors. If the economic picture in the Eurozone gradually brightens (mainly thanks to the end of the ongoing destocking in industry), which we currently assume, then this should also support the euro against the franc. In the event of a renewed rise in the recently reduced uncertainty in the global financial system (or the flare-up of any geopolitical conflicts), the franc can strengthen strongly against the euro at any time.

Forecast 4Q 2023
USD 1,950

Gold

Gold in USD



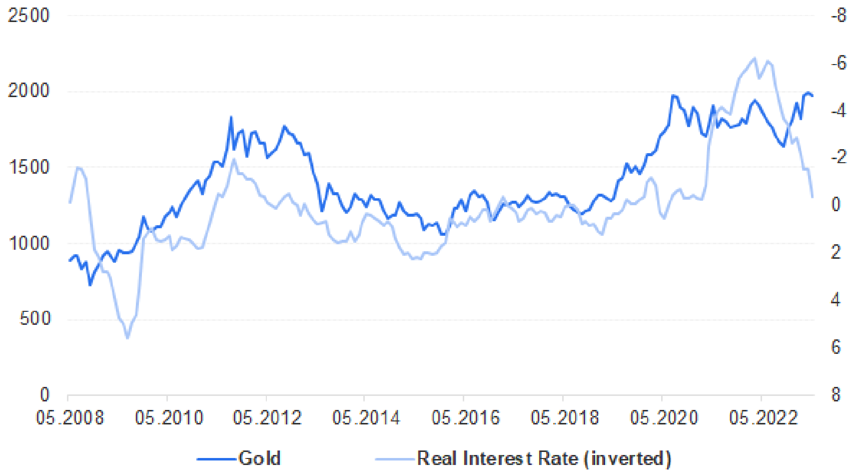
Sources: Datastream, Erste Group Research

The gold price increased by +2.9% in EUR in 3Q. The gold price increase since the beginning of the year in EUR amounts to +6.3%.

The demand for gold developed slightly weaker in recent months. Purchases by global central banks weakened in the last reported quarter. Investment demand through gold-backed ETFs has declined in recent months. Gold holdings held through ETFs are down -3.9% overall in 2023. Jewelry demand, on the other hand, has increased slightly since the beginning of the year.

Real yields are clearly in positive territory as a result of the decline in inflation and due to the rise in government bond yields in the USA. This fact, but also the positive development of the stock markets, currently reduce the attractiveness of gold. The expectation that the Fed's interest rate hike cycle is already well advanced, on the other hand, offers gold investors a slightly positive perspective with regard to future price developments.

Gold price and real interest rate



Sources: Datastream, Erste Group Research

Outlook:
Real yields are already in positive territory in the USA. This fact currently stands in the way of a sustained upward movement of the gold price. We expect a sideways movement of the gold price in the range between approx. USD 1,930 - 1960 for the 4Q 2023.

Equities

Global

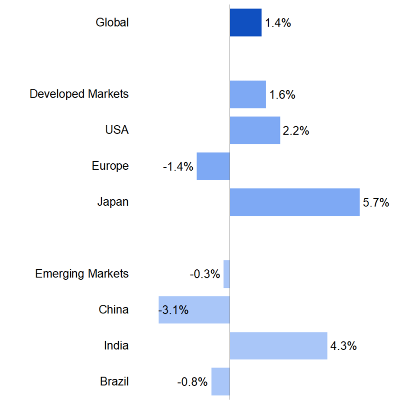
Forecast 4Q 2023
0% to +5%

Rev./ Sales and Net Profit Growth (y/y, %)

	Sales		Net Profit	
USD	23e	24e	23e	24e
North America	1.8%	5.5%	8.3%	10.7%
Europe	0.1%	1.1%	3.1%	3.0%
Asia	-3.0%	0.2%	-11.0%	10.7%
EM Asia	0.3%	5.9%	3.8%	10.0%
EM LatAm	2.1%	8.7%	-19.0%	7.2%
World	**1.5%**	**3.8%**	**3.6%**	**8.8%**

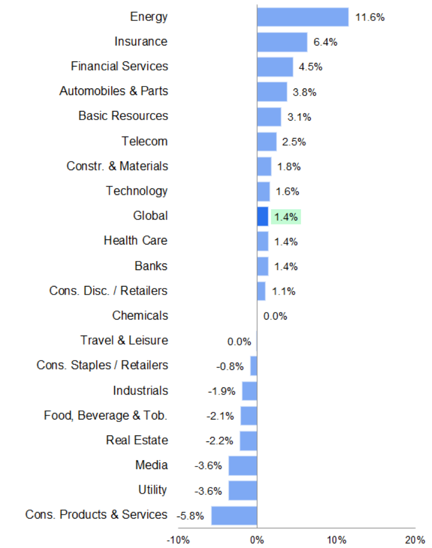
Source: Erste Group Research Index, FactSet.

Global Regions Perf. 3Q 2023
Erste Global 1000 Index, EUR



Source: Erste Group Research Index, FactSet

Global Sector Perf. 3Q 2023
Erste Global 1000 Index, EUR



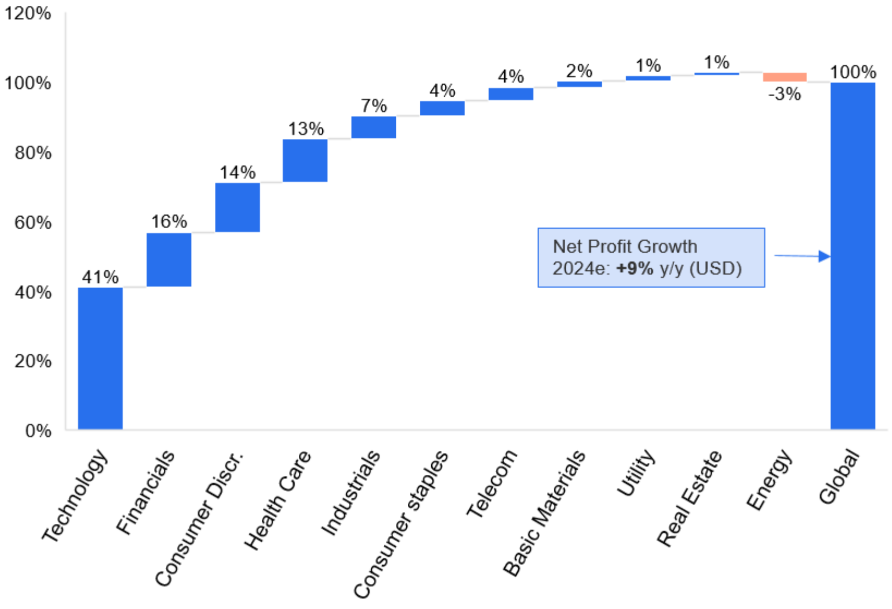
Source: Erste Group Research Index, FactSet

The global equity market index rose by +1.4% in EUR terms in the third quarter. The performance since the beginning of the year amounts to +12.4% in EUR. The US equity market continued to outperform the global equity index with an increase of +2.2% in EUR. The European equity market (in EUR: -1.5%) and the global emerging markets index (in EUR: -0.3%) also trended weaker than the overall market this quarter.

Sector indices for energy (in EUR: +11.6%), financials (in EUR: +3.6%) and telecoms (in EUR: +2.5%) posted the highest gains in 3Q. By contrast, shares in the utilities, real estate, industrial and consumer sectors underperformed.

In the 2Q reporting season, the majority of US companies reported positive sales and earnings surprises. The share of positive earnings surprises was 79%. This was well above the long-term average of 66%. After a profit decline of -5% (y/y) was realized in 2Q, positive profit growth rates are expected again from 3Q.

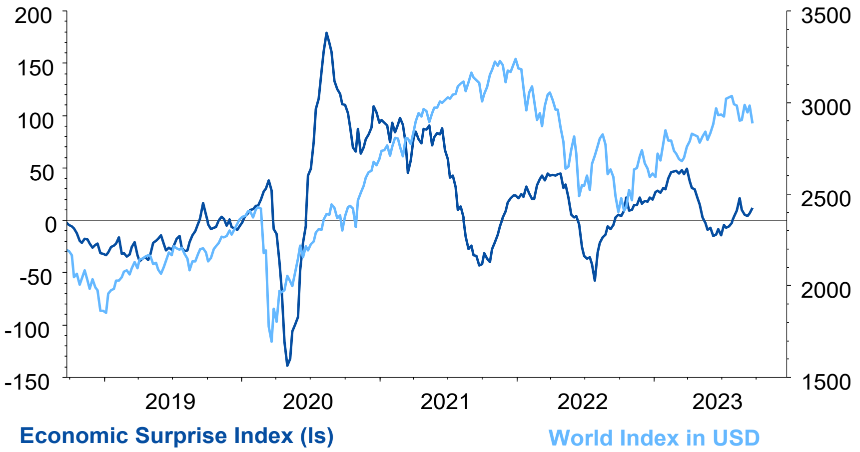
Global Sectors: Share of earnings growth in 2024
Erste Group Research Global Index in USD



Source: FactSet, Erste Group Research

For the global equity market, sales and profit growth are expected to accelerate in 2024. Revenues should rise +3.8% (y/y) and profits +8.8% (y/y). Companies in the Technology, Financials, Consumer Cyclicals, and Health Care sectors will contribute the most to earnings growth next year. Only the energy sector is expected to make a slightly negative contribution to the earnings development of the global stock market in 2024.

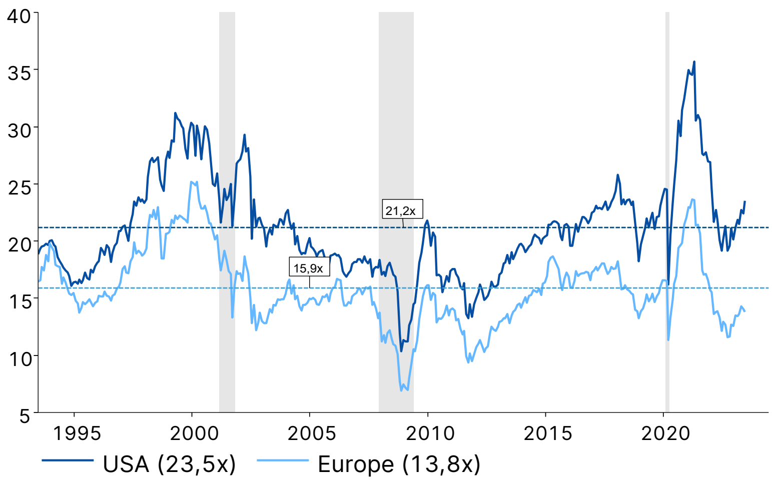
Global economic data slightly better than expected in 3Q 2023
Global Economic Surprise Index



Source: Refinitiv, Erste Group Research

The global Economic Surprise Index is slightly in positive territory. In terms of global economic data, positive surprises currently slightly outweigh market consensus expectations. The majority of economic data was weaker than expected, particularly in Europe and China. In the USA, on the other hand, the positive surprises predominate.

P/E ratio: USA and Europe
Expectation 12M Forward, US Recessions (gray)



Source: Refinitiv, Erste Group Research

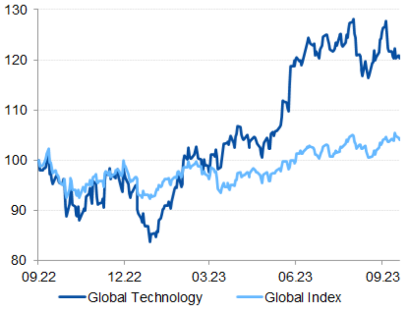
The valuation of the global stock market index is slightly below the long-term average. The expected P/E ratio for 2023e is 16.8x and for 2024 15.7x. European equities are valued lower than US equities in a historical comparison. The 2024e dividend yield of the global equity market is 2.3%.

Outlook:
We expect only a moderate increase in the global equity market index in 4Q. The index should post a gain at the lower end of the range between 0% to +5. In the environment of increased yields and weakening global economic growth, equity market volatility should increase. We prefer quality stocks of low-leveraged companies from the healthcare, technology and energy sectors.

Global Sectors - Positive Outlook

Estimate 4Q	0% to +5%
World Index Weight	27.2%
2023 Perf. EUR	+40.6%
P/E 24e	23.1x
Net Profit y/y 24e	+20.8%
Top 3 Companies (Market Cap.)	
Apple	
Microsoft	
Alphabet	

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Research Index, FactSet.

Technology

The global technology index rose +1.6% in 3Q in EUR terms. The increase of the entire technology sector since the beginning of the year is +41%. The sector is therefore the best performing one this year.

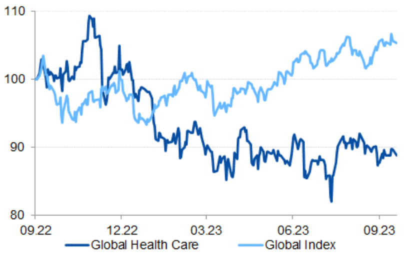
An important reason for the strong increase is the positive profit development of the companies. In the 2Q reporting season, 91% of the US companies that dominate this sector reported earnings that exceeded expectations. The US technology sector thus had the largest share of positive earnings surprises of all US sectors.

A key reason for the positive revenue development is the continued strong demand generated by AI developments from many sectors of the economy. Companies offering hardware and/or software as well as cloud platforms for AI developments are benefiting from this. The largest companies such as Microsoft, Amazon.com, Alphabet, Oracle or NVIDIA will continue to significantly increase their sales and profits as a result.

The technology sector will be the largest contributor to global earnings growth in 2024. Profits are forecast to increase by +20.8% in 2024e. Sales should increase by +9.8% (y/y). The expected 2024e P/E ratio is 23.1x. It is above the global average and reflects stronger growth and higher profitability of the sector's companies. After the exceptionally high increase of the index since the beginning of the year, expect a performance at the lower end of the range between 0% to +5% for 4Q.

Estimate 4Q	0% to +5%
World Index Weight	11.3%
2023 Perf. EUR	-0.2%
P/E 24e	17.9x
Net Profit y/y 24e	+11.7%
Top 3 Companies (Market Cap.)	
Eli Lilly	
UnitedHealth Group	
Johnson & Johnson	

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Research Index, FactSet.

Health Care

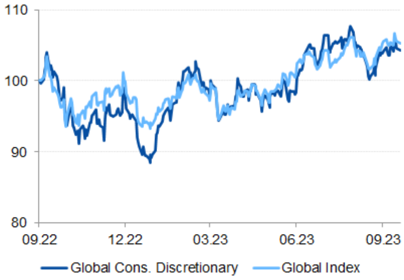
The Health Care sector index rose by +1.4% in EUR terms in the 3Q. The performance since the beginning of the year is -0.2% in EUR. The sector index has thus significantly underperformed the global equity market index this year. The Pharmaceuticals & Biotechnology segment achieved an increase of +4.4% in EUR in 3Q. In contrast, the index for medical technology companies weakened by -4.4% in EUR.

Shares of Eli Lilly (Hold) and Novo Nordisk (Buy) benefited from a very strong increase in demand for products used in diabetes and weight loss. Weight-loss products are already a highly profitable business with plenty of potential to increase sales and profits. The companies have already developed further active ingredients in this segment, which are currently being tested by means of clinical trials.

In the reporting season for 2Q, there were mostly positive earnings surprises in both the USA and Europe. Sales were also mostly higher than expected. Next year, sales and earnings growth will be stronger than in 2023, with the consensus estimate for 2024 sales growth at +6.3% (y/y). Expected earnings growth next year is +11.7% (y/y). The sector's valuation is reasonable with a 2024e P/E of 17.9x. We expect 4Q performance between 0% to +5%.

Estimate 4Q	0% to +5%
World Index Weight	12.7%
2023 Perf. EUR	+16.9%
P/E 24e	17.7x
Net Profit y/y 24e	+11.2%
Top 3 Companies (Market Cap.)	
Tesla	
LVMH	
Procter & Gamble	

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Research Index, FactSet.

Consumer Discretionary

The index fell by -1.0% in EUR terms in the third quarter. At +16.9%, the performance since the beginning of the year in EUR terms is higher than that of the global equity market (in EUR: +12.4%). Market breadth has decreased in the last quarter. Only just under half of the stocks in the index are currently trading above their 200-day line.

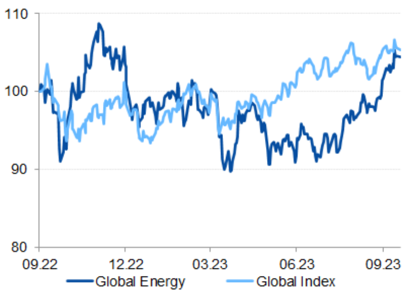
The largest gains in 3Q were posted by Toyota Motor (Buy), Costco Wholesale (Buy) and Procter & Gamble (Hold). The majority of companies' 2Q earnings were better than expected in both the U.S. and Europe. Sales were also mostly higher than consensus expectations.

Consensus estimates for 2023 sales growth are +7.8% (y/y) and for 2024 +4.6% (y/y). Corporate operating margins should increase from 10% this year to 10.6% in 2024. Profits will grow at a slower pace in 2024 than this year. The consensus earnings estimate is +24.7% (y/y) for 2023 and +11.2% (y/y) for next year. These earnings growth rates are higher than those of the global equity market index.

The valuation of the stocks in this sector is reasonable with a P/E ratio 2023e of 19.8x. For 2024e, the P/E ratio is currently 17.7x. We forecast a moderate increase in the sector index for 4Q at the lower end of the range between 0% and +5%.

Estimate 4Q	0% to +5%
World Index Weight	6.0%
2023 Perf. EUR	+6.2%
P/E 24e	10.4x
Net Profit y/y 24e	-2.5%
Top 3 Companies (Market Cap.)	
Exxon Mobil	
Chevron	
Shell	

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Group Research, FactSet

Energy

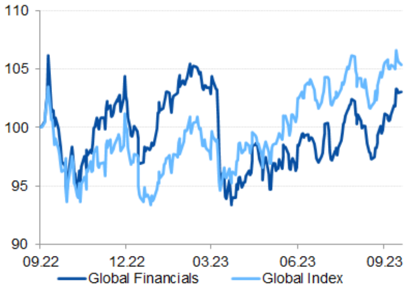
The energy sector index rose at an above-average rate in the 3rd quarter. It rose by +11.6% in EUR terms. The performance since the beginning of the year is +6.2% in EUR.

An important reason for the strong increase of the index in the last quarter are the production cuts recently announced by Saudi Arabia and the Russian Federation. At least in the next few months, this will mean that there will no longer be an oversupply of crude oil on the market and, for the time being, inventories will probably have to be reduced in order to meet demand. A study published by the U.S. Energy Information Administration at the beginning of September illustrates the tense situation on the oil market. According to the study, oil demand cannot be met by production alone in 3Q and 4Q.

Revenues should increase +0.4% (y/y) and profits should decline -2.5% (y/y) in 2024, according to the consensus estimate. The consensus forecast for operating margins in 2024 has recently improved. The sector's valuation is below average with a 2024e P/E of 10.4x. The 2024e dividend yield of 4.3% is very high by historical standards. We expect the global sector index to rise in the range of 0% to +5% in 4Q.

Estimate 4Q	↗	0% to +5%
World Index Weight		16.4%
2023 Perf. EUR		+4.7%
P/E 24e		9.9x
Net Profit y/y 24e		+5.3%
Top 3 Companies (Market Cap.)		
Berkshire Hathaway		
Visa		
JP Morgan		

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Research Index, FactSet.

Financials

The global index for financials rose +4.5% in EUR terms in the third quarter. The year-to-date performance is +4.7% in EUR. The insurance sector index rose by +6.4% in EUR terms, while the financial services sector index gained +4.5% in EUR terms. The banking index was 1.4% higher.

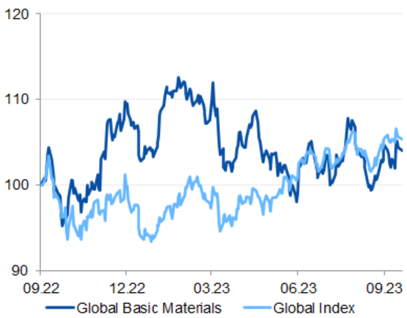
The growth of credit demand has weakened significantly due to the increase in interest rates. Consumer loans in the USA, for example, recently increased at an annual rate of only +2.5%. The volume of commercial and industrial loans has actually declined since the beginning of the year.

The trend in earnings estimates is currently stable for financial stocks. Earnings growth of +9.7% (y/y) is currently forecast for 2023. Growth will slow in 2024. Profit growth should be +5.3% (y/y) next year. Non-life insurance will achieve higher profit growth rates. This segment is expected to grow +25.3% (Y/Y) this year and +13.1% (Y/Y) next year. Life insurers and financial services also have expected profit growth rates well above the sector average. The banking index should underperform in 4Q due to lower projected earnings growth (2024e: +1.5% Y/Y) within the sector.

The 2024e sector P/E ratio is 9.9x. The expected dividend yield for 2024 is above average. It amounts to 3.7%. We expect the 4th quarter a slight increase in the sector index in the range of 0% to +5%.

Estimate 4Q	↗	0% to +5%
World Index Weight		3.1%
2023 Perf. EUR		+0.8%
P/E 24e		13.4x
Net Profit y/y 24e		+4.3%
Top 3 Companies (Market Cap.)		
Linde		
BHP Group		
Rio Tinto		

EGR global sector
EUR, indexed at 100 for 1y



Sources: Erste Research Index, FactSet.

Basic Materials

The global basic materials sector index rose +1.6% in EUR terms in 3Q. The year-to-date performance of the overall commodity sector is +0.8% in EUR. The industrial commodities segment recorded an increase of +3.1% in EUR terms in 3Q. In contrast, the precious metals mining sector trended slightly weaker (in EUR: -0.2%). The chemicals sub-index moved sideways.

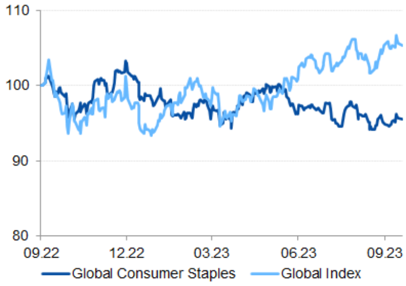
Prices for agricultural and industrial raw materials showed a slightly positive development in the last quarter. The price of copper also remained stable. According to the consensus forecast, sales and profit development will improve significantly in 2024. For this year, sales are still expected to decline by -9% (y/y) and profits by -31% (y/y). The forecast for the coming year is a stabilization of sales (2024e: +0.4%) and a moderate increase in profits of +4.3% (y/y).

The expected 2024 P/E ratio of this cyclical sector is 13.4x. It is below the historical average of the sector and also below the average of the global equity market. On the other hand, the expected dividend yield in 2024e is 3.4%, which is above the global average. Due to the improvement in growth prospects in the coming year and because of the low valuation, we expect the sector index to increase slightly in 4Q in a range between 0% and +5%.

Global Sectors - Negative Outlook

Estimate 4Q		-5% to 0%
World Index Weight		6.5%
2023 Perf. EUR		-1.9%
P/E 24e		17.4x
Net Profit y/y 24e		+6.5%
Top 3 Companies (Market Cap.)		
Walmart		
Nestle		
Coca Cola		

EGR global sector
EUR, indexed 1y



Sources: Erste Group Research, FactSet

Consumer Staples

The sector index fell by -1.6% in EUR terms in the third quarter. This index has shown relative weakness to the global equity market index since the beginning of the year. The performance since the beginning of the year is -1.9% in EUR. The shares of Walmart, Anheuser Busch Inbev and Philip Morris Int. outperformed the sector index in the 3Q.

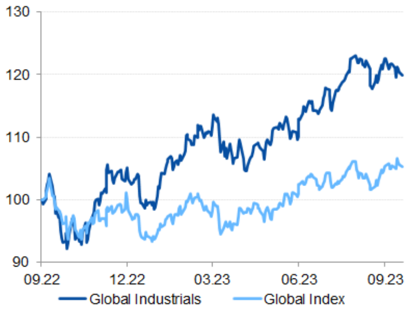
The slowdown in sales and earnings performance continues. The sales growth will be +5.1% (y/y) in 2023 and decline to 2.9% (y/y) next year. Consensus operating margin estimates are on the downside for both 2023 and 2024. The current forecast is for an operating margin of 9.6% in 2024.

Expected 2023 profit growth is +7.8% (y/y). Profit growth of +6.5% (y/y) is forecast for 2024. Next year's expected profit growth is below that of the global equity index.

The 2024e P/E ratio of the sector is 17.4x. The sector's P/E ratio valuation is above the long-term average. The expected dividend yield for 2023 is 2.8%. It is higher than that of the global equity market index. We expect the sector index to weaken in the next quarter. The performance should be in the range of -5% to 0%.

Estimate 4Q		-5% to 0%
World Index Weight		9.9%
2023 Perf. EUR		+6.3%
P/E 24e		17.2x
Net Profit y/y 24e		+6.3%
Top 3 Companies (Market Cap.)		
Caterpillar		
UPS		
Union Pacific		

EGR global sector
EUR, indexed 1y



Sources: Erste Group Research, FactSet

Industrials

The industry sector index fell by -1.6% in EUR terms in the 3Q. The performance since the beginning of the year is +6.3% in EUR. The shares of Caterpillar, General Electric and Union Pacific rose the most. The sector indices for companies in the electrical equipment and defense sectors were the weakest performers.

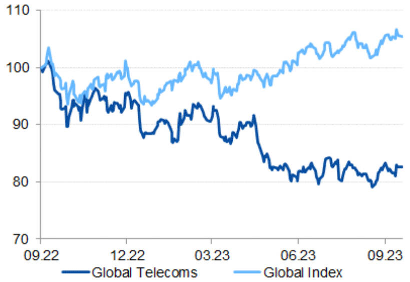
The industrial sector is suffering from the negative impact of higher interest rates, which is slowing down the investment activity of companies. As raw materials are also an important cost factor for industrial companies, the slight increase in raw material prices is also impacting the profitability of companies. In addition, the price of oil has risen again. Rising energy prices are also weighing on the profits of industrial companies.

The consensus forecast for revenue development is stagnation in 2023 (2023e: +0.2% y/y). Next year, however, revenues should again grow below average. The forecast increase is only +2.1% (y/y). Profits should increase by +6.3% (y/y) in 2024. The expected profit growth rate is also below the global average.

The sector's 2024e P/E valuation is 17.2x. The expected dividend yield in 2024 is 2%. It is lower than the global average. Given the below-average growth prospects, the valuation is not attractive. We expect the global sector index to decline in the range of -5% to 0% in 4Q.

Estimate 4Q	-5% to 0%
World Index Weight	3.0%
2023 Perf. EUR	+4.5%
P/E 24e	13.6x
Net Profit y/y 24e	+10.0%
Top 3 Companies (Market Cap.)	
Comcast	
T-Mobile US	
Comcast	

EGR global sector
EUR, indexed 1y



Sources: Erste Group Research, FactSet

Telecom

The performance of the sector index in 3Q was +2.5% in EUR or +4.5% in EUR since the beginning of the year. Shares of the U.S. companies Charter Communications, Comcast, and T-Mobile were among the outperformers within the sector.

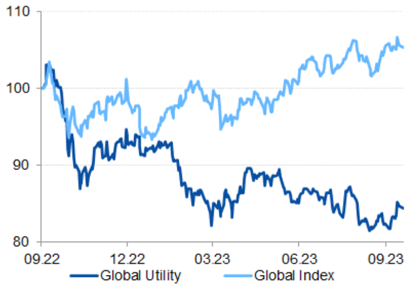
The share of positive revenue surprises was 83% in the US in 2Q. This figure was above the market average of 79%. Sales in the sector will decline -0.3% (y/y) this year, according to the consensus estimate. Next year's sales performance is also below average compared to the global equity market. Accordingly, sector sales will increase by only +1.7% (y/y) in 2024.

Profits are forecast to grow +10.0% (y/y) in 2024. Most of the expected earnings growth in the coming year is concentrated on just a few companies such as Softbank Corp, Comcast and T-Mobile US.

The sector's 2024 P/E valuation is 13.6x. The P/E ratio is lower than that of the global equity market (P/E Global 2023e: 15.7x). The expected dividend yield for this year is 3.3%. We expect a negative performance in the range of -5% to 0% in the fourth quarter due to the below-average growth momentum in the long term and the higher level of debt in this sector.

Estimate 4Q	-5% to 0%
World Index Weight	2.3%
2023 Perf. EUR	-9.0%
P/E 24e	13.8x
Net Profit y/y 24e	+4.7%
Top 3 Companies (Market Cap.)	
NextEra Energy	
Iberdrola	
Southern Co	

EGR global sector
EUR, indexed 1y



Sources: Erste Group Research, FactSet

Utilities

The sector index fell by -3.6% in EUR terms in the 3Q. The year-to-date performance of -9.0% in EUR is the lowest sector performance in the global equity market index. An important reason for this weak development is declining sales this year and next year. Sales are expected to decline by -1.1% in 2023 and weaken by -1.9% in 2024. The rise in yield levels in the last quarter is also having a negative impact on the profitability of companies due to the higher level of debt in the sector.

Sector profits will rise less next year (2024: +4.7% y/y) than this year (2023e: +8.0% y/y). The profit increase forecast for 2024 is below that of the global stock market.

The sector's expected P/E ratio for 2024 is 13.8x. The valuation is lower than the long-term average according to this ratio. The 2024e dividend yield is 4.2%. It is slightly above the multi-year average. We forecast the sector index to decline in the range of -5% to 0% in 4Q due to below-average growth prospects and high corporate debt.

Forecast 4Q 2023
0%

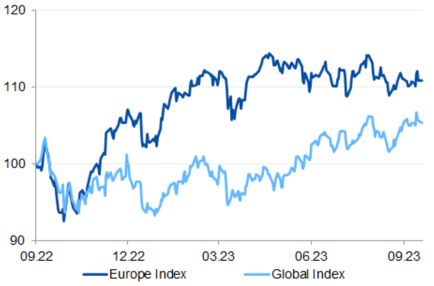
Europe

Profit and Sales Growth
EUR, y/y, %

EUR	Sales 23e	Sales 24e	Net Profit 23e	Net Profit 24e
France	-2.5%	4.2%	4.2%	4.2%
Germany	1.0%	1.5%	-0.6%	5.7%
Switzerland	-4.7%	3.4%	9.8%	9.8%
UK	-1.6%	2.3%	11.3%	4.3%
Netherlands	-1.4%	2.5%	-13.4%	4.7%
Europe	**-2.7%**	**2.4%**	**0.2%**	**4.3%**

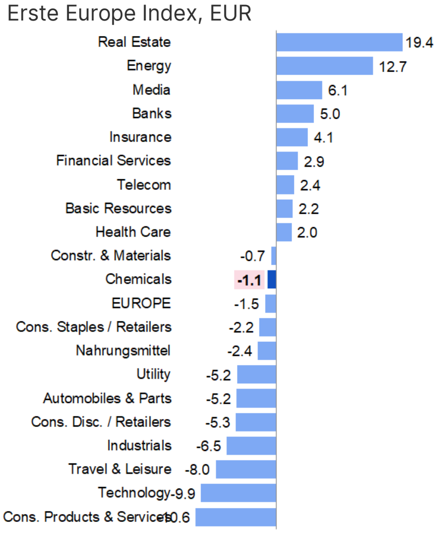
Source: Erste Group Research Index, FactSet.

Europe Index vs. Global Index
EUR, indexed at 100 for 1Y



Source: Erste Group Research Index, FactSet.

Europe Sector Perf. 3Q 2023
Erste Europe Index, EUR

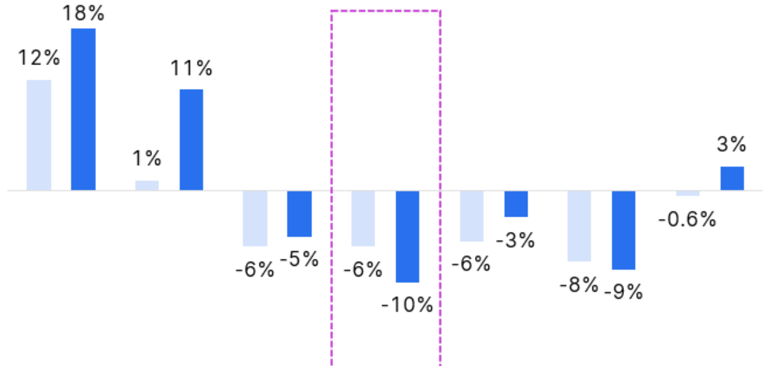


Source: Erste Group Research Index, FactSet.

The European stock index continued its slight downward trend in the 3Q, falling by -1.5% in EUR terms. Since the beginning of 2023, the increase thus amounts to only +8%. The sector indices showed a strongly differentiated development. Shares from the real estate (+19%) and energy (+13%) sectors rose significantly, while the cyclical consumer (-11%) and technology (-10%) sectors in particular suffered significant declines due to weak global demand (e.g. in China).

There was a slightly positive impulse on the European stock market at the beginning of the quarter due to the positive development in the USA in the course of the 2Q23 reporting season. In Europe, however, the 2Q reporting season was below average. At 51.5%, the share of positive earnings surprises was lower than the long-term average of 54%. The share of positive sales surprises was also lower. Profits fell by -5% (y/y) in Europe in 2Q. The profit decline will continue up to and including 1Q 2024. However, the sector view shows that the decline is particularly attributable to the highly cyclical commodities and energy sectors. For the full year 23e, the expected profit growth is +0.2%. However, the median earnings growth in the European index is clearly positive at +7.8%.

Quarterly: Net Profit and Sales Growth
EUR, % y/y



	4Q22	1Q23	2Q23e	3Q23e	4Q23e	1Q24e	2Q24e
Revenue	12%	1%	-6%	-6%	-6%	-8%	-0.6%
Earnings	18%	11%	-5%	-10%	-3%	-9%	2.7%

Source: Refinitiv, Erste Group Research

European equities are currently valued below average with an expected P/E ratio of 12.9x for 2023. The long-term average of the last 30 years is 15.8x. For 2024e, the forecast earnings growth of +4.3% results in an expected P/E ratio of 12.7x. The dividend yield of 3.5% is above the global yield of 2.2%.

Outlook:
We expect unchanged performance in the European equity market in 4Q due to stagnant 2023e earnings. Healthcare and financial stocks (esp. insurance) with above-average growth and high profitability offer the best risk/reward profile. Energy stocks are our preferred cyclical sector as market earnings expectations will improve due to the recent significant increase in oil prices and the sector offers a high dividend yield of 5.2%.

USA

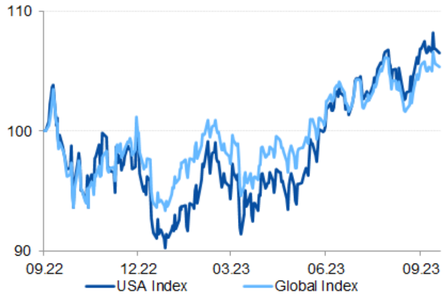
Forecast 4Q 2023
0% to +5%

USA Index

USD	2023e	2024e
Sales	+2.3%	+5.6%
EBIT	+6.7%	+11.0%
Net Profit adj.	+10.1%	+10.9%
PE	20.8x	18.7x
Div. Yield	1.5%	1.6%

Source: Erste Group Research Index, FactSet.

USA Index vs. Global Index
EUR, indexed at 100 for 1Y



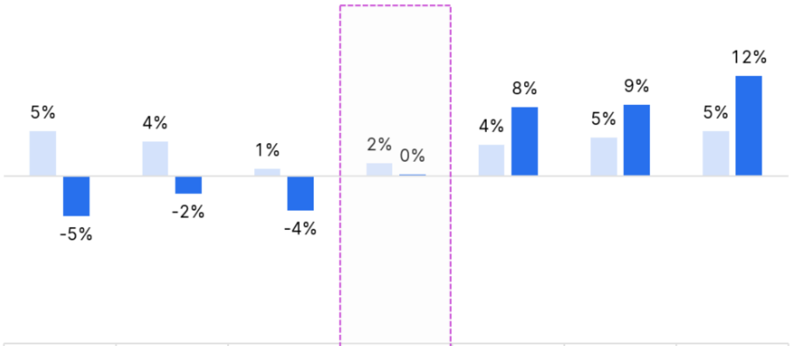
Source: Erste Group Research Index, FactSet.

The US stock market continued its upward trend in the 3rd quarter. It rose by +2.2% in EUR terms. The sector indices for energy, financials, telecoms and technology achieved above-average performances. By contrast, the sector indices for media, utilities, and consumer goods underperformed the overall market.

The ISM index for US industry stood at 47.6 points in August. This index improved over the course of the last quarter. However, it continues to indicate contraction in the industrial sector. The new orders index, at 46.8 points, signals a downward trend in new orders. By contrast, the trend in the services sector is developing positively. The relevant ISM Services Purchasing Managers' Index stood at 54.5 points in August. It has recently risen again.

US corporations reported a sales increase of +1.0% (y/y) and a profit decline of -4.0% (y/y) for 2Q. The percentage of positive earnings surprises was 79%, well above the long-term average of 66%. For 3Q, sales are expected to increase slightly by +1.5% (y/y) and profits by +0.2% (y/y). From 4Q onwards, sales and profits should start to rise more strongly again. Profits should grow by +8.2% (y/y) in 4Q.

Expected Sales & Net Profit Growth
Consensus forecasts per quarter



	4Q22	1Q23	2Q23e	3Q23e	4Q23e	1Q24e	2Q24e
Revenue	5%	4%	1%	2%	4%	5%	5%
Earnings	-5%	-2%	-4%	0%	8%	9%	12%

Source: FactSet, Erste Group Research

Next year, sales and profits will grow more strongly than this year. The consensus forecast for sales development is an increase of +5.6% (y/y) in 2024. Companies should also be able to increase operating margin in 2024. It should rise from 16.2% in 2023 to 17% next year. Profits are expected to increase by +10.9% (y/y) in 2024. The 2024e P/E valuation of the stock market is 18.7x. The P/E ratio is slightly above the long-term average. The expected dividend yield for 2023 is 1.6%.

Outlook: We expect the US leading index to rise on the positive outlook for improving sales and earnings growth rates will continue to rise in 4Q. Our expected growth is in the range of 0% to +5%.

Forecast 4Q 2023

CEE

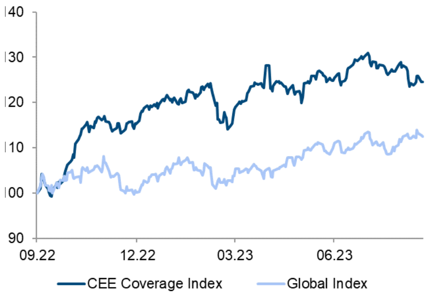
0% to +5%

CEE coverage index

EUR	2023e	2024e
Sales	3.3%	-0.7%
EBIT	-5.2%	-4.2%
Net Profit adj.	-0.2%	-8.8%
PE	7.5x	8.2x
Div. Yield	4.5%	4.7%

Sources: Erste Group Research Estimates.

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



Sources: Erste Group Research indices, FactSet

While the stock markets in Central and Eastern Europe have been quite robust for most of the year - in line with international markets - the beginning of August was the moment when sentiment tipped the markets into a sideways trend. The key risk factors, summarized in the growth outlook and monetary policy, have not changed in importance, but overall, sentiment currently seems unable to bring this into anything other than a sideways market movement at best. This should also be essential for the market's performance in 4Q.

Corporate earnings growth in the region continues to show moderate but positive momentum. On a 12-month horizon, the consensus still expects negative growth for the region. However, the region is managing to "grow out" of this negative outlook and in the course of 4Q, a sustainable growth outlook may also have re-established itself, which should also give the regional stock markets a more sustainable boost.

In such a currently rather wait-and-see scenario, the current valuations certainly offer support. Thus, the current outlook is definitely correctly reflected in valuations, especially by quite large discounts to historically accustomed valuations.

Central banks in the region had already reacted to massive inflationary pressures early on by raising interest rates, earlier than the ECB. In this respect, the extent of the latest cut in Polish interest rates alone was a surprise, but not the fact itself. Hungary and the Czech Republic should also follow with easing of monetary policy. However, it remains to be seen whether and to what extent the local stock markets will thus be able to detach themselves from the international mood.

As we expect a rather subdued development overall in 4Q, differences between the individual markets should be rather small. In anticipation of the elections, Poland may currently bear a somewhat higher political risk. Turkey has started to react to the massive inflation figures, but whether the market will have the necessary confidence in the new direction of the Turkish central bank remains to be seen. Currently, the weakness of the currency continues to look like any gains could fall victim to a weak exchange rate.

As a major constraint on growth, increased costs continue to have a significant impact on cyclical stocks, whereas defensives are better able to defend their margins. Banks continue to lead the way in positive earnings revisions, although the momentum in earnings expectations is already weakening noticeably. In this respect, the still large discount to historical valuations should also lose weight. Utilities and energy stocks are showing increasing momentum in earnings growth and, at least in the case of energy stocks, this development is adding to an attractive valuation. Selected industrial stocks could offer an early anticipation of the economic recovery with a thoroughly attractive discount in valuation.

Real Estate Europe

Forecast 4Q 2023
0% to +5%

The Stoxx 600 Real Estate Index recovered some of its losses since the beginning of the year but remains a clear underperformer with -4% YTD. Of the 19 sub-indices of the Stoxx 600, only Basic Resources stocks ended up in deeper red territory. In July and August, most companies released figures for the first half of the year, and in most cases, these were characterized by further portfolio write-downs. For example, Vonovia, which specializes in residential real estate, reported a further impairment charge of EUR 2.7 billion in Q2, bringing the total portfolio write-down to EUR 6.1 billion in H1. This corresponds to a total of around 6.6% of the total portfolio. Aroundtown, which is broadly diversified and represented in all asset classes, had to take write-downs amounting to 6% of the portfolio in H1.

The problems the sector is currently confronted with, remain the same. These include first and foremost the limited access to capital. Companies are struggling to refinance, and new financing is driving up financing costs. These are narrowing spreads to rental yields, severely impacting the attractiveness of the sector. Companies are reporting delays in construction and the start of new projects, which is also affecting some of the construction industry. Many companies are trying to sell parts of their portfolios to increase liquidity or reduce debt, but they are also encountering challenges here. Due to the different price expectations of potential buyers and sellers, the number of transactions has dropped sharply. Balance sheet quality is currently the top priority. It is likely that more highly indebted companies will slip into insolvency in the coming months.

Nevertheless, market sentiment has recently improved slightly. After an interim low at the end of June, the Stoxx 600 Real Estate has recovered somewhat and is showing a slight upward trend. Since no further interest rate steps are expected from the ECB, the end of the line seems to have been reached. Increasing visibility, a decline in core inflation and the prospect of falling yields should continue to support the sector in 4Q, which is why we expect a performance in the range of 0-5%.

China

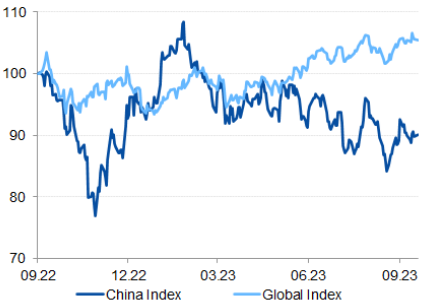
Forecast 4Q 2023
-5% to 0%

EGR China Index

USD	2023e	2024e
Sales	-1.0%	+6.5%
EBIT	+2.5%	+10.1%
Net Profit adj.	+2.6%	+9.4%
PE	7.8x	7.2x
Div. Yield	4.1%	4.3%

Quelle: Erste Group Research Indizes, FactSet

China Index vs Global Index
EUR, indexed at 100 for 1y



Source: Erste Group Research Indices, FactSet

The Erste China Index continued its downward trend this year in 3Q. The index, with its 66 stocks, fell -3.1% in EUR terms in the last quarter. The highly weighted shares of Tencent (-8%), as well as real estate and banking stocks fell the most following ongoing uncertainties about the longer-term solvency of major real estate developers. In contrast, the two shares of China's major oil companies performed positively. Both PetroChina (+8%) and the slightly smaller CNOOC (+26%) benefited from the bull market in the global oil market and showed significant outperformance.

One of the main reasons for the negative performance of the stock market was the persistently weak leading indicators of the Chinese economy during 3Q. The key industrial purchasing managers' index (EMI) improved slightly to 51.0 points in August from 49.2 points in July. The index was above the neutral level of 50, signaling the first significant improvement in manufacturing conditions since February. In the services sector, the EMI fell from 54.1 to just 51.8 points in August. This is the lowest value in eight months.

Consensus estimates for 2024e sales and profits continued to fall in 3Q. Profits are expected to rise +2.6% in 23e. Next year, +9.4% is now expected. The Chinese equity market is lowly valued by global standards, with a P/E ratio of 7.8x (23e) and a dividend yield of 4.1%. We expect a negative performance of Chinese equities of -5% to 0% in the fourth quarter.

India

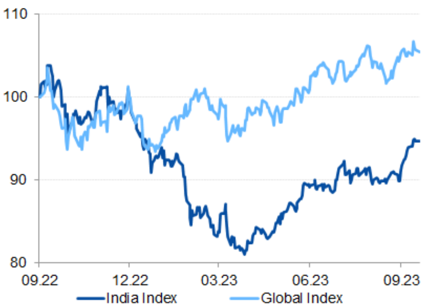
Forecast 4Q 2023
0% to +5%

EGR India Index

USD	2023e	2024e
Sales	+5.8%	+5.0%
EBIT	+12.3%	+12.5%
Net Profit adj.	+12.0%	+13.5%
PE	22.3x	19.6x
Div. Yield	1.7%	1.7%

Source: Erste Group Research Indizes, FactSet.

India Index vs Global Index
EUR, indexed at 100 for 1y



Source: Erste Group Research Indices, FactSet

The Indian stock market continued its upward trend, rising +4.3% in EUR terms in 3Q. The market breadth of the movement was good in this respect, as 74% of the stocks in the index achieved a positive performance. Shares of technology group Tata Consultancy Services (+12%) and also ICICI Bank (+5%), which we recommend as a buy, performed particularly well.

Expected revenue growth for 23e in USD terms remained unchanged at +6% in 3Q. Earnings 23e should rise by - by global standards - a strong +12% (y/y). In this context, only 8 of the 46 companies are expected to see a decline in profits. The declines are forecast especially for commodity companies such as Tata Steel or also Vedanta. In contrast, large caps such as Tata Motors, Reliance Industries and Tata Consultancy Services are expected to post significantly higher profits this year.

The equity market's valuation is higher than the emerging market average, with a P/E ratio of 22.3x for 23e. This is due to the above-average growth rates of sales and profits, as well as the high profitability of Indian companies. For example, the return on equity is 15%. The operating margin should reach about 18% in 2024. We expect a positive return on Indian equities in the range of 0% to +5% in 4Q, as long-term growth prospects remain above average by global standards.

Forecast 4Q 2023
0% to +5%

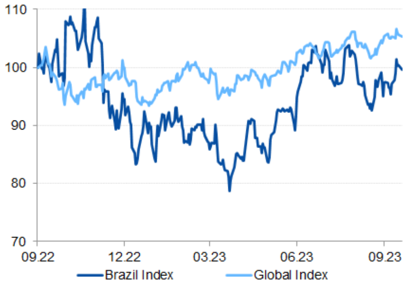
Brazil

EGR Brazil Index

USD	2023e	2024e
Sales	-7.0%	+6.2%
EBIT	-18.4%	+6.3%
Net Profit adj.	-29.4%	+7.7%
PE	8.2x	7.6x
Div. Yield	7.2%	6.2%

Quelle: FactSet, Erste Group Research

Brazil Index vs. Global Index
EUR, indexed at 100 for 1Y



Source: Erste Group Research Indices, FactSet

The Brazilian benchmark index moved sideways in the 3rd quarter (+0.8% in EUR). The best performances in this period were achieved by the shares of Petrobras, Banco BTG Pactual and the commodities group Vale.

The economic situation of the companies will not improve significantly until next year. Profits this year will still be down by a total of -29% (y/y) this year. Revenues should then rise +6.2% (y/y) next year, according to the consensus estimate. The expected 2024 corporate operating margin should be around 26.8%. In contrast, it is expected to increase by +7.7% (y/y) in 2024.

The valuation of the stock market according to the expected P/E ratio in 2024 is 7.6x. It is below the global average. The dividend yield forecast for 2024 is 6.2%. It is thus above average. We expect the stock market to rise slightly in 4Q due to its favorable valuation and because of the positive growth prospects of companies. The index increase should be in the range of 0% to +5%.

Tables & Appendix

Tables & Appendix

Economic indicators

Region	Country	GDP (% yoy) 23e	GDP (% yoy) 24e	Inflation (% yoy) 23e	Inflation (% yoy) 24e	Un-employ. (%) 23e	Un-employ. (%) 24e	CA Balance (% GDP) 23e	CA Balance (% GDP) 24e	Fiscal Balance (% GDP) 23e	Fiscal Balance (% GDP) 24e	Gross Debt (% GDP) 23e	Gross Debt (% GDP) 24e
Europe	**Eurozone**	**0.5**	1.2	5.7	3.0	6.8	6.8	0.6	0.9	-3.7	-2.8	89.8	89.0
	Germany	**-0.3**	1.0	6.2	3.1	3.3	3.3	4.7	5.1	-3.7	-1.9	67.2	66.5
	France	**0.8**	1.1	5.0	2.5	7.4	7.3	-1.2	-0.7	-5.3	-4.8	111.4	112.4
	Spain	**2.5**	2.0	4.3	3.2	12.6	12.4	0.9	0.8	-4.5	-3.5	110.5	108.3
	Italy	**0.8**	1.6	4.5	2.6	8.3	8.4	0.7	1.0	-3.7	-3.3	140.3	140.0
	Austria	**0.2**	1.0	7.8	4.0	4.9	4.7	1.3	1.9	-3.2	-1.6	77.0	75.1
	UK	**0.4**	1.0	6.8	3.0	4.2	4.7	-5.2	-4.4	-5.8	-4.4	106.2	109.7
	Switzerland	**0.8**	1.8	2.4	1.6	2.3	0.0	7.8	8.0	0.4	0.2	37.5	36.1
Eastern Europe	**Poland**	**0.2**	2.3	12.1	6.0	5.2	5.0	2.5	1.0	-5.0	-3.8	50.0	51.0
	Turkey	**3.0**	2.8	50.6	35.2	11.0	10.5	-4.0	-3.2	-6.5	-5.7	35.0	36.7
	Czechia	**0.0**	2.5	11.0	2.1	2.9	3.4	0.8	1.0	-4.0	-2.8	45.3	45.8
	Romania	**2.1**	3.3	10.4	6.5	5.6	5.7	-6.9	-6.5	-5.5	-4.3	47.8	47.7
	Hungary	**-0.6**	3.2	17.9	5.5	3.8	3.5	-0.5	0.3	-4.5	-3.6	71.1	69.3
	Slovakia	**1.5**	2.5	11.2	6.0	6.1	6.3	-5.6	-5.0	-5.5	-4.3	57.4	56.7
Americas	**USA**	**2.0**	1.1	4.1	2.5	3.8	4.9	-2.7	-2.5	-6.3	-6.8	122.2	125.8
	Canada	**1.7**	1.4	3.9	2.4	5.8	6.2	-1.1	-1.1	-0.4	-0.4	105.1	102.2
	Brazil	**2.1**	1.2	5.0	4.8	8.2	8.1	-2.7	-2.7	-8.8	-8.2	88.4	91.5
	Chile	**-1.0**	1.9	7.9	4.0	8.3	7.9	-4.2	-3.8	-1.8	-1.2	36.6	38.5
	Mexico	**2.6**	1.5	6.3	3.9	3.3	3.5	-1.0	-1.0	-4.1	-2.7	55.6	55.8
	Colombia	**1.0**	1.9	10.9	5.4	11.3	10.9	-5.1	-4.6	-4.0	-2.1	62.0	61.1
Asia	**China**	**5.2**	4.5	2.0	2.2	4.1	3.9	1.4	1.1	-6.9	-6.4	82.4	87.2
	Japan	**1.4**	1.0	2.7	2.2	2.3	2.3	3.0	4.0	-6.4	-4.0	258.2	256.3
	India	**6.1**	6.3	4.9	4.4	na	na	-2.2	-2.2	-8.9	-8.3	83.2	83.7
	Indonesia	**5.0**	5.0	4.4	3.0	5.3	5.2	-0.3	-0.7	-2.6	-2.5	39.1	38.8
	South Korea	**1.4**	2.4	3.5	2.3	3.7	3.7	2.2	2.8	0.0	-0.2	55.3	55.9
	Thailand	**3.4**	3.6	2.8	2.0	1.0	1.0	1.2	3.0	-3.1	-3.1	61.0	61.6
	Australia	**1.6**	1.5	5.3	3.2	4.0	4.1	1.4	0.2	-3.1	-2.8	59.4	62.4
	South Africa	**0.3**	1.7	5.8	4.8	34.7	34.7	-2.3	-2.6	-5.9	-6.1	72.3	74.0
	World	**3.0**	3.0										

Source: IMF, EU Commission, Erste Group Research estimates

Forecasts[1]

GDP	2021	2022	2023	2024
Eurozone	5.3	3.5	0.5	1.2
US	5.9	2.1	2.0	1.1

Inflation	2021	2022	2023	2024
Eurozone	2.6	8.4	5.7	3.0
US	4.7	8.0	4.1	2.5

Currency	current	Dec.23	Mar.24	Jun.24	Sep.24
EURUSD	1.06	1.12	1.14	1.16	1.18
EURCHF	0.97	0.97	0.97	0.98	0.98

Interest rates	current	Dec.23	Mar.24	Jun.24	Sep.24
ECB MRR	4.50	4.50	4.50	4.25	4.00
ECB Deposit Rate	4.00	4.00	4.00	3.75	3.50
3M Euribor	3.96	3.99	4.02	3.79	3.57
Germany Govt. 10Y	2.75	2.40	2.40	2.40	2.40
Swap 10Y	3.29	2.90	2.90	2.90	2.90

Interest rates	current	Dec.23	Mar.24	Jun.24	Sep.24
Fed Funds Target Rate*	5.33	5.38	5.38	5.13	4.63
3M Libor	5.66	5.46	5.46	5.04	4.54
US Govt. 10Y	4.46	4.00	3.70	3.50	3.50
EURUSD	1.06	1.12	1.14	1.16	1.18

*Mid of target range

Interest rates	current	Dec.23	Mar.24	Jun.24	Sep.24
Austria 10Y	3.35	2.90	2.85	2.80	2.80
Spread AT - DE	0.59	0.50	0.45	0.40	0.40

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 23e	Sales 24e	Net Profit Adj. 23e	Net Profit Adj. 24e	P/E 23e	P/E 24e	DY 23e
	World	**USD**	**1,123**	**62,423**	**100**	**3.7**	**2.0**	**7.1**	**12.4**	**0.6**	**3.8**	**3.6**	**8.8**	**16.7**	**15.3**	**2.1**
Developed Markets	**North America**	**USD**	**553**	**40,341**	**64.6**	**3.7**	**3.5**	**7.4**	**16.3**	**1.8**	**5.5**	**8.3**	**10.7**	**20.4**	**18.4**	**1.6**
	Canada	USD	47	1,688	2.7	5.1	3.9	-2.1	5.3	-4.8	4.0	-14.2	7.9	14.5	13.4	3.3
	USA	USD	506	38,654	61.9	3.7	3.5	7.9	16.8	2.2	5.6	10.1	10.9	20.8	18.7	1.5
	Europe	**EUR**	**250**	**10,604**	**17.0**	**1.7**	**-0.7**	**14.1**	**8.3**	**-2.7**	**2.4**	**0.2**	**4.3**	**13.1**	**12.6**	**3.5**
	Belgium	EUR	3	147	0.2	3.4	1.3	10.4	-2.1	11.2	4.5	2.6	12.4	15.4	13.7	2.8
	Denmark	EUR	11	565	0.9	0.1	4.7	33.2	14.8	-7.3	6.1	-45.9	1.7	24.5	24.0	1.6
	Finland	EUR	6	120	0.2	4.7	-3.7	-9.3	-15.1	-8.0	3.5	-20.0	11.0	14.7	13.2	4.6
	France	EUR	41	2,425	3.9	0.9	-1.4	21.3	12.7	-2.5	4.2	4.2	4.2	14.3	13.7	3.0
	Germany	EUR	37	1,391	2.2	0.2	-3.2	16.9	8.0	1.0	1.5	-0.6	5.7	10.8	10.2	3.7
	Ireland	EUR	11	274	0.4	3.1	3.9	28.8	19.8	8.9	6.4	18.0	11.8	18.0	16.1	0.9
	Italy	EUR	13	386	0.6	2.7	3.2	31.7	22.6	-15.8	1.7	6.4	0.9	9.6	9.5	5.6
	Netherlands	EUR	20	1,105	1.8	0.5	-2.2	12.8	8.6	-1.4	2.5	-13.4	4.7	15.1	14.4	2.8
	Norway	EUR	5	169	0.3	9.9	12.6	-5.3	-5.0	-25.1	-1.8	-50.5	1.0	9.6	9.5	9.3
	Spain	EUR	14	517	0.8	3.2	0.7	23.7	17.8	-1.9	-1.0	3.7	1.0	11.7	11.6	4.8
	Sweden	EUR	20	470	0.8	1.5	-3.6	6.4	-0.2	6.4	-1.4	96.1	-6.2	12.0	12.8	4.0
	Switzerland	EUR	26	1,542	2.5	2.0	0.4	5.6	5.5	-4.7	3.4	9.8	9.8	17.7	16.1	3.4
	United Kingdom	EUR	39	1,424	2.3	3.4	-1.2	4.3	2.5	-1.6	2.3	11.3	4.3	10.0	9.6	3.8
	Asia/Pacific	**USD**	**159**	**5,352**	**8.6**	**7.5**	**0.6**	**8.8**	**11.0**	**-3.0**	**0.2**	**-11.0**	**10.7**	**14.2**	**12.9**	**3.7**
	Japan	USD	96	3,115	5.0	9.3	3.4	15.4	16.6	-2.9	-2.7	2.4	3.5	14.8	14.3	3.5
	Singapore	USD	5	175	0.3	4.6	2.9	-3.9	-4.2	6.4	1.3	15.4	1.5	9.2	9.1	5.6
	Australia	USD	22	930	1.5	5.7	-2.4	-3.8	-1.8	-1.9	-0.4	-14.6	-3.6	14.5	15.1	4.4
	South Korea	USD	20	744	1.2	5.2	-3.5	9.4	14.0	-0.6	7.7	-46.4	71.6	19.4	11.3	2.0
	Taiwan	USD	16	389	0.6	4.1	-6.6	-0.3	6.1	-11.0	6.0	-18.4	17.1	8.9	7.6	3.6
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**131**	**5,142**	**8.2**	**3.7**	**-1.6**	**-7.3**	**-3.6**	**0.3**	**5.9**	**3.8**	**10.0**	**10.6**	**9.6**	**3.2**
	China (incl. HK)	USD	66	2,985	4.8	3.1	-5.9	-7.3	-7.1	-1.0	6.5	2.6	9.4	7.8	7.2	4.1
	India	USD	46	1,741	2.8	5.6	5.9	-7.1	2.2	5.8	5.0	12.0	13.5	22.3	19.6	1.7
	Indonesia	USD	6	186	0.3	0.9	0.4	-5.6	8.6	3.9	4.4	13.3	7.9	14.0	13.0	4.0
	Thailand	USD	7	140	0.2	0.4	3.3	-9.6	-4.1	-3.8	0.3	-16.1	12.6	18.6	16.5	3.0
	Emerging Americas & AF/ME	**USD**	**22**	**825**	**1.3**	**4.7**	**-0.3**	**3.6**	**15.7**	**2.1**	**8.7**	**-19.0**	**7.2**	**11.1**	**10.4**	**5.0**
	Brazil	USD	12	446	0.7	6.2	-2.9	-3.4	11.0	-7.0	6.2	-29.4	7.7	8.2	7.6	7.2
	Mexico	USD	8	270	0.4	-0.2	-1.5	14.1	19.2	19.8	12.1	33.3	4.0	14.5	14.0	3.6
	Global Sectors															
Erste Sectors	**Basic Materials**	USD	62	1,922	3.1	4.7	1.3	5.1	0.8	-9.0	0.4	-30.7	4.3	14.0	13.4	3.5
	Consumer Discretionary	USD	157	7,923	12.7	4.1	-0.3	3.6	16.9	7.8	4.6	24.7	11.2	18.9	17.0	1.5
	Consumer Staples	USD	83	4,054	6.5	1.0	-1.5	-3.5	-1.9	5.1	2.9	7.8	6.5	18.3	17.2	2.8
	Energy	USD	64	3,755	6.0	5.9	13.1	7.5	6.2	-11.9	0.4	-20.7	-2.5	10.2	10.5	4.5
	Financials	USD	196	10,216	16.4	5.4	4.5	2.8	4.7	3.3	4.4	9.7	5.3	10.4	9.9	3.5
	Health Care	USD	111	7,044	11.3	0.8	1.6	2.7	-0.2	4.3	6.3	7.3	11.7	20.0	17.9	1.8
	Industrials	USD	168	6,165	9.9	1.1	-0.2	8.8	6.3	0.3	2.1	-7.6	6.3	18.1	17.0	2.0
	Real Estate	USD	47	1,068	1.7	1.8	-1.6	-14.2	-5.1	1.5	5.8	-2.6	6.8	21.6	20.2	3.8
	Technology	USD	140	16,964	27.2	4.9	2.0	23.0	40.6	1.8	9.8	10.6	20.8	26.1	21.6	0.8
	Telecom	USD	40	1,863	3.0	5.4	4.1	-1.8	4.5	-0.3	1.7	39.8	10.0	14.6	13.3	3.8
	Utility	USD	55	1,449	2.3	1.0	-4.5	-16.2	-9.0	-1.1	-1.9	8.0	4.7	14.4	13.8	4.1

Source: Erste Group Research, FactSet. Closing Prices as of: 19.09.2023.

Erste CEE Indices

				Weight	Performance (%)				Growth (%, y/y)						
		No. of	Mkt. Cap.	(%)	EUR				Sales		Net Profit Adj.		P/E		DY
Erste CEE Index		Comp.	EUR bn	CEE	1M	3M	12M	YTD	23e	24e	23e	24e	23e	24e	23e
CEE Coverage	**EUR**	**157**	**367**	**100**	**-1.3**	**-1.1**	**16.2**	**8.2**	**3.3**	**-0.7**	**-0.2**	**-8.8**	**7.5**	**8.2**	**4.5**
CEE Austria	EUR	36	117	32.0	3.0	2.8	5.1	2.3	-3.2	-1.3	-9.5	-2.3	7.3	7.4	5.7
CEE Czech Republic	EUR	8	41	11.0	-1.2	-6.2	3.5	12.1	19.0	-5.7	-28.2	-5.0	16.3	17.1	4.3
CEE Croatia	EUR	11	7	1.9	2.0	6.8	23.8	26.0	9.8	5.9	18.2	12.9	19.2	17.0	3.2
CEE Hungary	EUR	4	22	6.1	2.8	7.0	44.4	30.2	-7.1	-3.9	-5.5	12.8	6.3	5.6	5.3
CEE Poland	EUR	78	137	37.5	-7.2	-8.4	24.4	9.8	16.4	0.9	29.6	-20.3	6.6	8.3	2.8
CEE Romania	EUR	9	19	5.1	2.2	2.0	9.6	8.8	-19.9	-0.4	-24.6	3.3	7.2	7.0	8.5
CEE Serbia	EUR	2	2	0.4	1.1	-0.3	9.0	4.5	-8.5	1.2	-42.2	-18.4	3.7	4.5	9.8
CEE Slovenia	EUR	2	4	1.0	2.4	-6.5	16.8	16.8	3.5	4.4	-10.8	5.0	10.9	10.4	5.5
CEE Turkey	EUR	6	18	5.0	11.0	48.7	59.7	-0.8	-25.4	-7.2	-27.3	-5.2	8.5	9.0	5.5

Source: Erste Group Research, FactSet. Closing Prices as of: 19.09.2023.

Contacts

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902
CEE Macro/Fixed Income Research	
Head: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357
Katarzyna Rzentarzewska (Fixed income)	+43 (0)5 0100 17356
Croatia/Serbia	
Alen Kovac (Head)	+385 72 37 1383
Mate Jelić	+385 72 37 1443
Ivana Rogic	+385 72 37 2419
Czech Republic	
David Navratil (Head)	+420 956 765 439
Jiri Polansky	+420 956 765 192
Michal Skorepa	+420 956 765 172
Hungary	
Orsolya Nyeste	+361 268 4428
János Nagy	+361 272 5115
Romania	
Ciprian Dascalu (Head)	+40 3735 10108
Eugen Sinca	+40 3735 10435
Dorina Ilasco	+40 3735 10436
Vlad Nicolae Ionita	+40 7867 15618
Slovakia	
Maria Valachyova (Head)	+421 2 4862 4185
Matej Hornak	+421 902 213 591
Major Markets & Credit Research	
Head: Gudrun Egger, CEFA®	+43 (0)5 0100 11909
Ralf Burchert, CEFA® (Sub-Sovereigns & Agencies)	+43 (0)5 0100 16314
Hans Engel (Global Equities)	+43 (0)5 0100 19835
Margarita Grushanina (Austria, Quant Analyst)	+43 (0)5 0100 11957
Peter Kaufmann, CFA® (Corporate Bonds)	+43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds)	+43 (0)5 0100 85509
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Financials & Covered Bonds)	+43 (0)5 0100 19632
Rainer Singer (Euro, US)	+43 (0)5 0100 17331
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds)	+43 (0)5 0100 17203
Elena Statelov, CIIA® (Corporate Bonds)	+43 (0)5 0100 19641
Gerald Walek, CFA® (Euro, CHF)	+43 (0)5 0100 16360
CEE Equity Research	
Head: Henning Eßkuchen	+43 (0)5 0100 19634
Daniel Lion, CIIA® (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420
Michael Marschallinger, CFA®	+43 (0)5 0100 17906
Nora Nagy (Telecom)	+43 (0)5 0100 17416
Christoph Schultes, MBA, CIIA® (Real Estate)	+43 (0)5 0100 11523
Thomas Unger, CFA® (Banks, Insurance)	+43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343
Martina Valenta, MBA	+43 (0)5 0100 11913
Croatia/Serbia	
Mladen Dodig (Head)	+381 11 22 09178
Boris Pevalek, CFA®	+385 99 237 2201
Marko Plastic	+385 99 237 5191
Matej Pretkovic	+385 99 237 7519
Iva Tomic	+385 99 237 1662
Davor Spoljar, CFA®	+385 72 37 2825
Czech Republic	
Petr Bartek (Head)	+420 956 765 227
Jan Safranek	+420 956 765 218
Hungary	
József Miró (Head)	+361 235 5131
András Nagy	+361 235 5132
Tamás Pletser, CFA®	+361 235 5135
Poland	
Cezary Bernatek (Head)	+48 22 257 5751
Piotr Bogusz	+48 22 257 5755
Łukasz Jańczak	+48 22 257 5754
Krzysztof Kawa	+48 22 257 5752
Jakub Szkopek	+48 22 257 5753
Romania	
Caius Rapanu	+40 3735 10441

Group Markets

Head of Group Markets	
Oswald Huber	+43 (0)5 0100 84901
Group Markets Retail and Agency Business	
Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail Sales AT	
Head: Markus Kaller	+43 (0)5 0100 84239
Group Markets Execution	
Head: Kurt Gerhold	+43 (0)5 0100 84232
Retail & Sparkassen Sales	
Head: Uwe Kolar	+43 (0)5 0100 83214
Markets Retail Sales CZ	
Head: Roman Choc	+420 956 765 374
Markets Retail Sales HUN	
Head: Peter Kishazi	+36 1 23 55 853
GM Retail Products &Business Development	
Head: Martin Langer	+43 (0)50100 11313
Corporate Treasury Product Distribution AT	
Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
Group Securities Markets	
Head: Thomas Einramhof	+43 (0)50100 84432
Institutional Distribution Core	
Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Distribution DACH+	
Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Bernd Bollhof	+49 (0)30 8105800 5525
Andreas Goll	+49 (0)711 810400 5561
Mathias Gindele	+49 (0)711 810400 5562
Ulrich Inhofner	+43 (0)5 0100 85544
Sven Kienzle	+49 (0)711 810400 5541
Rene Klasen	+49 (0)30 8105800 5521
Christopher Lampe-Traupe	+49 (0)30 8105800 5523
Danijel Popovic	+49 1704144713
Michael Schmotz	+43 (0)5 0100 85542
Klaus Vosseler	+49 (0)711 810400 5560
Slovakia	
Šarlota Šipulová	+421 2 4862 5619
Monika Směliková	+421 2 4862 5629
Institutional Distribution CEE & Insti AM CZ	
Head: Antun Burić	+385 (0)7237 2439
Jaromir Malak	+43 (0)5 0100 84254
Czech Republic	
Head: Ondrej Čech	+420 2 2499 5577
Milan Bartoš	+420 2 2499 5562
Jan Porvich	+420 2 2499 5566
Institutional Asset Management Czech Republic	
Head: Petr Holeček	+420 956 765 453
Petra Maděrová	+420 956 765 178
Martin Peřina	+420 956 765 106
David Petráček	+420 956 765 809
Blanka Weinerová	+420 956 765 317
Petr Valenta	+420 956 765 140
Croatia	
Head: Antun Burić	+385 (0)7237 2439
Zvonimir Tukač	+385 (0)7237 1787
Natalija Zujic	+385 (0)7237 1638
Hungary	
Head: Peter Csizmadia	+36 1 237 8211
Gábor Bálint	+36 1 237 8205
Ádám Szönyi	+36 1 237 8213
Romania and Bulgaria	
Head: Octavian Florin Munteanu	+40 746128914
Group Institutional Equity Sales	
Head: Brigitte Zeitlberger-Schmid	+43 (0)50100 83123
Werner Fürst	+43 (0)50100 83121
Josef Kerekes	+43 (0)50100 83125
Viktoria Kubalcova	+43 (0)5 0100 83124
Thomas Schneidhofer	+43 (0)5 0100 83120
Oliver Schuster	+43 (0)5 0100 83119
Czech Republic	
Head: Michal Řízek	+420 224 995 537
Jiří Fereš	+420 224 995 554
Martin Havlan	+420 224 995 551
Pavel Krabička	+420 224 995 411
Poland	
Head: Jacek Jakub Langer	+48 22 257 5711
Tomasz Galanciak	+48 22 257 5715
Wojciech Wysocki	+48 22 257 5714
Przemyslaw Nowosad	+48 22 257 5712
Grzegorz Stepien	+48 22 257 5713
Croatia	
Matija Tkalicanac	+385 72 37 21 14
Hungary	
Nandori Levente	+ 36 1 23 55 141
Krisztian Kandik	+ 36 1 23 55 162
Balasz Zankay	+ 36 1 23 55 156
Romania	
Liviu Avram	+40 3735 16569
Group Fixed Income Securities Markets	
Head: Goran Hoblaj	+43 (0)50100 84403
Fixed Income Flow Sales	
Head: Aleksandar Doric	+43 (0)5 0100 87487
Margit Hraschek	+43 (0)5 0100 84117
Christian Kienesberger	+43 (0)5 0100 84323
Ciprian Mitu	+43 (0)5 0100 85612
Bernd Thaler	+43 (0)5 0100 84119
Zsuzsanna Toth	+36-1-237 8209
Poland:	
Pawel Kielek	+48 22 538 6223
Michal Jarmakowicz	+43 50100 85611
Fixed Income Flow Trading	
Head: Aleksandar Doric	+43 (0)5 0100 87487
Group Fixed Income Securities Trading	
Head: Goran Hoblaj	+43 (0)50100 84403
Group Equity Trading & Structuring	
Head: Ronald Nemec	+43 (0)50100 83011
Business Support	
Bettina Mahoric	+43 (0)50100 86441

Disclaimer

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time without further notice. It only serves for the purpose of providing non-binding information and does not constitute investment advice or investment recommendations. This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the security or financial product. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any security or financial product has a different risk level. Performance charts and example calculations do not provide any indication for future performance of the security or the financial product. Information about past performance does not necessarily guarantee a positive development in the future and investments in securities or financial products can be of risk and speculative nature. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – the intended purchase of the security or financial product is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. Investment research is produced by Erste Group's division for investment research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed Company, Erste Group, or any other person. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document. Erste Group, associated companies as well as representatives and employees may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the financial instruments or other securities of) the Company. Further, Erste Group, associated companies as well as representatives and employees may offer investment services to the Company or may take over management function in the Company. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial products described herein are restricted or interdicted in certain jurisdictions. This, in particular, applies to the United States, Canada, Australia, Switzerland, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material. Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all. All information provided in this Document is non-binding. Misprints and printing errors reserved.

Erste Group is not registered or certified as a credit agency in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation). Any assessment of the issuers creditworthiness does not represent a credit rating pursuant to the Credit Rating Angencies Regulation. Interpretations and analysis of the current or future development of credit ratings are based upon existing credit rating documents only and shall not be considered as a credit rating itself.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses.

Important Disclosures

THIS DOCUMENT MAY NOT BE TAKEN, TRANSMITTED OR DISTRIBUTED INTO THE UNITED STATES, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN OR TO ANY U.S. PERSON OR TO ANY INDIVIDUAL OUTSIDE CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN WHO IS A RESIDENT OF THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN OR TO THE PRESS IN THESE COUNTRIES.

General disclosures

All recommendations given by Erste Group Research are independent, objective and are based on the latest company, industry and other general information publicly available which Erste Group Research considers being reliable; however, we do not represent or assume any liability for the completeness of accuracy of such information or our recommendation. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal departments of Erste Group. Each research drawn up by an analyst is reviewed by a senior research executive or agreed with a senior analyst/deputy (4-eyes-principle). Erste Group has implemented thorough Compliance Rules on personal account dealings of analysts (please see “Conflicts of Interest”). Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. No part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. Erste Group may engage in transactions with financial instruments, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Erste Group, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Conflicts of Interest

Disclosures of potential conflicts of interest relating to Erste Group Bank AG, its affiliates or branches and its relevant representatives and employees with respect to the issuers, financial instruments and/or securities forming the subject of this document are updated daily.

For an overview of conflicts of interests for all analysed companies by Erste Group in Credit Research please follow following link:
https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml.

Erste Group Bank AG ensures with internal policies that conflicts of interest are managed in a fair manner. The policy „Managing Conflict of Interest in connection with Investment Research" is provided under the following link:
https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml.

A history of all recommendations within the last 12 months is provided under the following link:
https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml.

Valuation and Methodology

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:
https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Planned frequency of updates for recommendations

Target prices or recommendations for financial instruments are meant to be 12 month target prices or equivalent recommendations (except if other validity period is stipulated) starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require (e.g. company updates, ad-hoc publications, etc.).

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. target price or recommendation is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

Links

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

Additional notes to readers in the following countries:

Austria: Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnemannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

Germany: Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United Kingdom: Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

Czech Republic: Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

Croatia: Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

Hungary: Erste Bank Hungary ZRT. and Erste Investment Hungary Ltd. are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

Serbia: Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

Romania: Banka Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

Poland: Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

Slovakia: Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

Switzerland: This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

Hong Kong: This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com