Global Strategy 1Q 2024

The financial markets are currently pricing in sharp interest rate cuts over the course of the year. In reality, however, the last mile in reaching the inflation target will be challenging and will determine the future interest rate path. Increased volatility is therefore to be expected on the bond market. We consider US government bonds to be attractively valued. The general yield level makes bond investments interesting. In the case of corporate bonds, we favour bonds in the BBB rating segment. The global equity markets should also achieve gains in the 1st quarter.

Investment Strategy 1Q 2024:

Govt. bond yields	Mar. 2024
Germany (10Y)	2.20
USA (10J)	4.00

Currencies	Mar. 2024
EURUSD	1.12
EURCHF	0.94

Equity Performances		Mar. 2024
Global	↗	0%/ +5%
Europa	↗	0%/ +5%
USA	↗	0%/ +5%

Source: Erste Group Research

Prices as of
05.01.2024, 22:00

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

Economy

Despite a slowdown in the 4th quarter, the US economy is still solid and thus largely unaffected by the sharp rise in interest rates and real wage losses since 2022. However, the support provided by accumulated savings could soon run out, although rising real wages should also favour the economy this year. We therefore expect only a slight slowdown in growth this year. Inflation should continue to fall over the course of the year. However, the extent of this will depend on the price momentum for services. We only expect GDP growth of +0.7% in the eurozone in 2024. Over the course of the first half of the year, slight impetus should come from industry. Private consumption will benefit from real wage increases and a robust labour market this year. The inflation rate has fallen significantly in recent months, but we expect a more volatile trend in the first half of 2024. The last mile on the way to achieving the inflation target will be challenging. The ECB will focus on the development of wages and corporate profits.

Bonds

We expect the first interest rate cut in the US in July. A moderate slowdown in the US economy should increasingly remove the basis for inflation and a further fall in inflation should then trigger swift interest rate cuts. Overall, we are forecasting -100 bp by December. The bond market is currently pricing in stronger interest rate hikes and is very volatile. We expect further swings as uncertainty will remain high. The ECB should begin slowly cutting interest rates from June onwards due to the still quite high core inflation. We do not expect a rapid normalisation of interest rate policy until after September as price pressure eases. German government bonds have been volatile in recent months and have thus followed the direction set by the USA. The expected economic recovery should cause yields on medium and longer maturities to rise slightly. We consider short maturities to be attractive.

Currencies

The expected moderate recovery of the eurozone economy and slight slowdown in growth in the US should support the euro against the US dollar. We are also forecasting a strengthening of the euro against the Swiss franc. Gold will benefit from the expected interest rate cuts in the 1st quarter.

Equities

In view of the strong sales and earnings growth forecast for 2024, we expect the global equity market index to grow moderately in the 1st quarter, in a range between 0% and +5%. We favour quality stocks from the healthcare, technology and consumer sectors.

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Investment Strategy 1Q 2024

Yields			Estimates			
		current	1Q24	2Q24	3Q24	4Q24
10y. Govt. bonds	**Germany**	2.17	**2.20**	2.30	2.30	2.30
	Austria	2.74	**2.70**	2.80	2.80	2.75
	US	4.05	**4.00**	3.80	3.80	3.80
	CEE					
	Czech Republic	3.87	**3.83**	3.70	3.59	3.43
	Hungary	6.13	**6.66**	6.34	6.23	6.14
	Poland	5.27	**5.10**	5.00	4.90	4.80
	Romania	6.49	**6.80**	6.70	6.60	6.50

Source: Erste Group Research estimates

Currencies			Estimates			
		current	1Q24	2Q24	3Q24	4Q24
Global	**EURUSD**	1.09	**1.12**	1.14	1.14	1.12
	EURCHF	0.93	**0.94**	0.94	0.94	0.94
	Gold (USD)	2,027	**2,100**	2,125	2,150	2,175
CEE	**CZK**	24.62	**24.48**	24.35	24.25	24.20
	HUF	377.80	**385.00**	385.00	385.00	385.00
	PLN	4.35	**4.35**	4.30	4.30	4.35
	RON	4.97	**5.02**	5.05	5.07	5.10

Source: Erste Group Research estimates

Equities		Estimate			
		1Q 2024	min	max	FX
Global		↗	**0%**	**+5%**	USD
Regions	**Europe**	↗	**0%**	**+5%**	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
	Financials	↗	0%	+5%	USD
	Consumer Discretionary	↗	0%	+5%	USD
	Energy	↘	-5%	0%	USD
	Basic Materials	↗	0%	+5%	USD
	Consumer Staples	↗	0%	+5%	USD
	Industrials	↗	0%	+5%	USD
	Telecom	↘	-5%	0%	USD
	Utilities	↗	0%	+5%	USD

Source: Erste Group Research estimates

Eurozone Economic Outlook

Cautious outlook for 1Q 24

In 3Q23, the Eurozone economy contracted by 0.1% q/q. Weak consumption and investment weighed on growth. At the country level, Germany's economic weakness continued. Leading indicators suggest that economic momentum will remain weak in 1Q24. However, based on data from the PMI, at least the mood in manufacturing did not deteriorate any further in 4Q23. In Germany, expectations in the manufacturing sector have recently even begun to brighten tentatively.

We expect to see the first slight growth impetus from industry over the course of the first half of the year. However, the recovery in industry could be delayed by persistently high inventories in some sectors. Based on data on inventory changes at the country level, Germany's growth should suffer the longest from the reduction of excess inventory capacity. By contrast, Italy, for example, has already seen an above-average reduction in inventories by historical standards in 2023. In our view, this suggests below-average growth prospects for Germany in 2024.

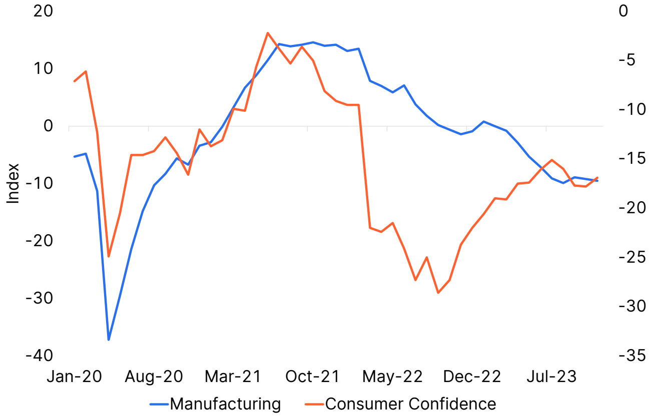
0.7% GDP growth 2024 expected

Further slight positive impetus should come from private consumption in 2024. Positive real wage growth, which we expect for the first time in two years, should be the main driver of this. A robust labor market will also support consumption. Despite widespread stagnation in the current year, there has been no increase in the unemployment rate in the Eurozone. This confirms the fact of a general shortage of labor due to demographic change in many countries. For 2024, we forecast a slight acceleration in growth to 0.7%. The recovery should solidify in the second half of the year, allowing for a further slight acceleration in growth to 1.1% in 2025.

Inflation should decline further 2024

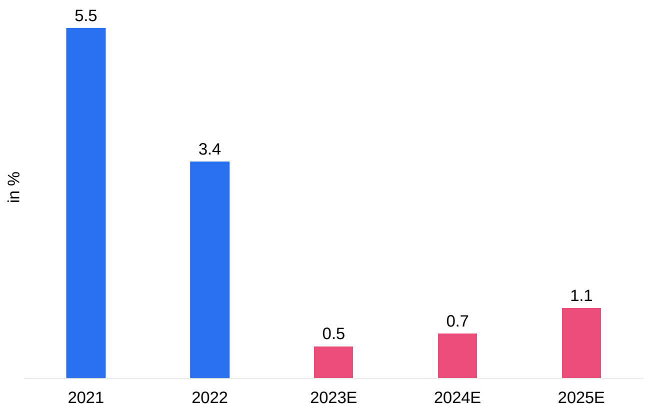
Inflation should fall from 5.5% to 2.7% in 2024. However, we expect inflation to be volatile over the course of the year, due to energy prices.

Sentiment remains subdued in 4Q 2023
Eurozone sentiment indicator manufacturing vs. consumer



Source: EC, Erste Group Research

Slow recovery expected in 2024
EZ GDP growth 2021 – 2025E



Source: Eurostat, Erste Group Research

US Economic Outlook

US economy has held up well so far

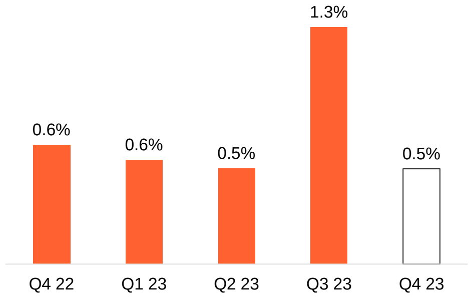
US economy still robust

Following an acceleration in growth in the third quarter, initial data for the fourth quarter indicates a slowdown in the US economy. However, the quarter that has just ended is still on track to show solid growth. There are currently signs of strong contributions from corporate investment and public spending. Private consumption, on the other hand, is showing a clear slowdown in growth, although this must be seen in the context of the strong third quarter. Overall, the US economy has remained unaffected by the sharp rise in interest rates and real wage losses since 2022 and will have grown more strongly in 2023 than in 2022. This resilience is surprising. We assume that the US government's very expansionary fiscal policy in recent years has played a decisive role in this. During the pandemic, governments have granted generous payments to all citizens (and businesses). In conjunction with lockdowns, this led to an accumulation of savings in 2020 and 2021, which were used in the years that followed and thus supported consumption. In 2023, government spending also increased significantly. However, both supportive factors are expected to weaken. The savings built up during the pandemic should be used up and public spending will no longer increase as much in 2024. In general, the rise in interest rates should also continue to have a dampening effect. On the other hand, inflation is falling and households' real wages are rising as a result, increasing their purchasing power. These different trends make it difficult to assess the coming economic situation in the USA. For us, a slight slowdown in growth seems most likely.

Price pressure must fall even further

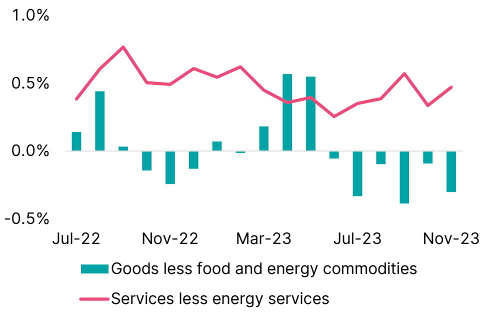
Price momentum in the US has slowed significantly since the summer of 2023. This was due to the highly weighted housing costs and the prices of goods in the basket of goods. However, the rate of inflation for services as a whole has hardly fallen any further in recent months. Even if the monthly price pressure remains unchanged, the annual inflation rate will fall over the coming months, as sharp price increases from the previous year will be replaced by lower ones. In order to achieve the central bank's inflation target of 2%, however, the price momentum for services must continue to weaken. This will probably require a weakening of the economy, which we expect but which remains to be seen.

Weaker but solid growth
Real GDP growth, q/q, in %



Source: Bureau of Economic Analysis, Erste Group Research

Price pressure for services still too high
Inflation by sector, m/m in %



Source: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

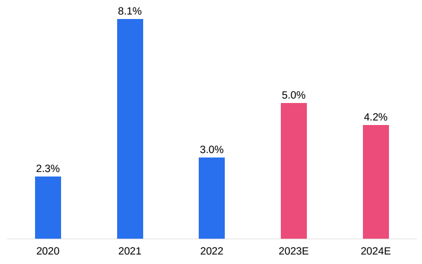
In 2023, the CEE countries showed mixed performance. Croatia and Romania have been growing dynamically for most of the year. These two countries have seen private consumption growing in the first half of the year as opposed to the rest of the region. On the other hand, Czechia and Hungary have been in recession as domestic demand has been weak – the result of tight monetary conditions in response to high inflation.

In 2024, gradual recovery is expected (GDP growth to accelerate to 2.6% in CEE8). Improvement in the sentiment indicators support such development. Most recently, Economic Sentiment Indicator (ESI) went up in November more visibly compared to the previous months and is at the highest level this year in the CEE. Private consumption is expected to regain its strength. Real wage growth, falling inflation and monetary easing should support higher household spending. On the other hand, still high costs of living, high uncertainty and restocking of depleted savings may slow the pace of recovery. Investment growth will be driven by the ongoing flow of EU funds, as we see Recovery and Resilience Funds cushioning the switch between budgeting periods that is usually associated with lower investment activity. Including the REPowerEU chapter increases the available funds substantially. The risks are to the downside now however, as Eurozone economies have been stagnating. For CEE, weak expectations about the performance of the German economy are particularly worrying.

Disinflation has been pretty solid over the course of 2023, strongly supported by external factors. Yet, inflation in the region at the end of 2023 was among the highest in the whole European Union. In 2024, the pace of disinflation is expected to slow visibly, amid the fading effect of external factors (oil and food prices). Further, the tight labor market is likely to keep demand pressure elevated, as nominal wage growth (including a double-digit increase in minimum wages) is pro-inflationary by nature. The upcoming elections in the numerous CEE countries are associated with loose fiscal policy (Croatia, Poland or Romania) that tends to keep inflation rates higher. All in all, inflation is expected to remain well above the inflation target throughout the whole of 2024 in most of the CEE countries.

Emerging Markets Economic Outlook

China GDP-Growth (y/y)



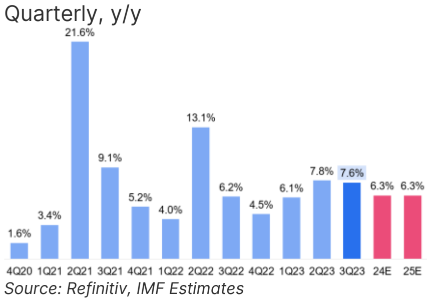
Source: IMF, Erste Group Research

China

Following a recovery in GDP growth to 5.0% in 2023, the IMF is forecasting a slight slowdown in growth momentum to 4.2% for China in 2024. Unfortunately, sentiment in both industry and the service sector weakened continuously over the course of 4Q23. The data therefore also indicates a weak start to 2024 for China. Germany's exports to China are currently still declining (around -14% in real terms). However, the pace of decline has stabilized at this level for some time.

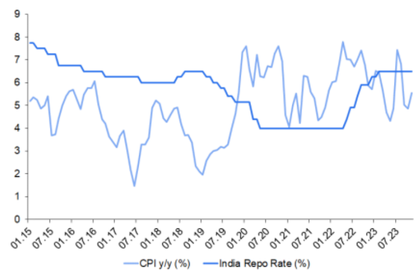
China's transformation is weighing on German exports. The current year has shown that German exports in particular (especially automotive exports) have already suffered greatly from the changes in China. China now produces high-quality capital goods itself and is already competing on other export markets globally in some cases. Germany will therefore have to increasingly look for other sales markets in Asia (e.g. India, Indonesia or Vietnam) for its export goods. However, this will take time. In addition, Germany should also focus more on exporting services, as services are becoming increasingly important in global trade.

India: GDP-Growth
Quarterly, y/y



Source: Refinitiv, IMF Estimates

India: Inflation und Target Rate



Source: Central Statistical Org. India, RBI

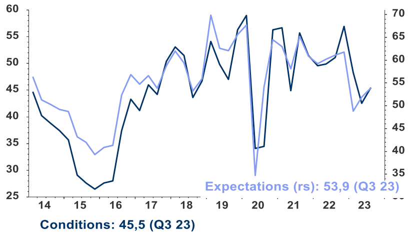
India

India's economy continues to grow very strongly by global standards. GDP growth reached +7.6% year-on-year in 3Q23 after +7.8% in the previous quarter. The long-term economic outlook for the world's most populous country since April 2023, with an average population age of just 30 years, remains positive (compared to China: 40 years). The IMF forecasts annual GDP growth of +6.3% for both 2024 and 2025. Parliamentary elections will be held in India in April/May. Polls currently point to a third term in office for Prime Minister Narendra Modi.

Short-term indicators in India continue to show strong growth with a slightly slower trend. The Purchasing Managers' Index for industry stood at 54.9 points in December (Nov.: 56.0 points). Although the index fell slightly, it is still comfortably in the growth range of over 50 points. India's purchasing managers' expansion contrasts with the stagnating production in China and Taiwan as well as most Southeast Asian countries.

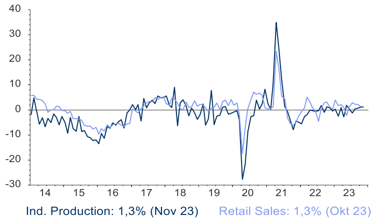
The Reserve Bank of India (RBI) left its key interest rate unchanged at 6.50% for the ninth consecutive month in December. As part of the publication, the RBI's key inflation forecast for the fiscal year 23/24 also remained unchanged at +5.4%. Inflation had risen slightly to +5.5% in November, but is still well below the highs of the middle of last year. The figure is therefore back within the RBI's target range of 2% to 6%. The market consensus expects interest rate cuts totalling 50 basis points from the middle of the year until the end of 2024. The Indian rupee remains very stable against the USD. The yield on the 10-year government bond remains unchanged at 7.2% and should fall to 6.5% by the end of the year according to market expectations.

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

The Brazilian economy will grow significantly less strongly this year than in the previous year. While GDP growth of +3.0% is expected for 2023, GDP growth of just +1.6% is forecast for 2024. Private consumption will grow by around +2% this year. Government consumption should increase by +1.5%. Following stagnation in industrial production last year, growth of +1.8% is expected for 2024. Sentiment among purchasing managers in the industrial sector has improved. Their assessment of future developments is better than their assessment of the current situation.

At +3.0%, exports should grow faster than imports this year. An increase of +2% is forecast for the latter. The labor market should be relatively stable in 2024. The unemployment rate will rise only slightly in 2024. It should amount to 8.3% this year (vs. 8.1% in 2023). The inflation rate is expected to fall to 3.9% this year. The fiscal deficit is very high at -7.0% in 2024. The current account balance is also negative. The current account deficit will amount to -1.7% this year.

The key interest rate has already been cut four times in the past year. It now stands at 11.75%. The cycle of interest rate cuts should continue this year. The consensus expectation is that the key interest rate will fall to 9.25% by the end of the year. The Brazilian real strengthened slightly against the USD in the fourth quarter. The consensus estimate is a sideways movement of the real against the USD until the end of 2024.

Eurozone

	Yield Forecast 1Q 2024
ECB Main Refinancing Rate	4.5%
Deutsche Staatsanleihen	2.2% (10Y)

When will the ECB cut interest rates?

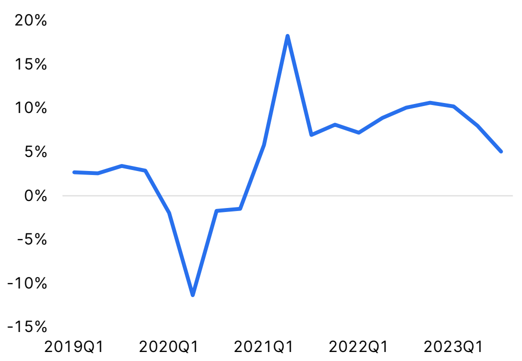
ECB wants to wait for further data for the time being

At the December meeting, the ECB Governing Council not only left the key interest rates unchanged, but also left the key wording in the press release. This once again confirmed that interest rates have most likely peaked. However, there were no indications of an initial rate cut, which the market waited for in vain. Instead, the ECB Governing Council wants to wait for further data. The focus will be on the extent to which wages rise as a result of the adjustment to inflation and whether the increases are passed on from companies to consumers. From the ECB's perspective, wage growth that stabilizes or declines and is predominantly absorbed by companies is desirable. The data from the last few months and quarters already point in this direction. The chances of further confirmation of this development are also very good due to the weak economy. We therefore assume that by the time the ECB Governing Council meets in March, the data will be sufficient to verbally open the door for interest rate cuts. However, as core inflation is still high, the ECB should only cut interest rates slowly for the time being. We therefore expect the first rate cut in June and not the next one until the meeting after next in September. After that, however, weaker price pressure should allow interest rate cuts at each meeting, meaning that we expect two further interest rate cuts of 25 basis points (bp) each after September, which would result in a total of 100 bp by the end of the year.

We prefer short maturities

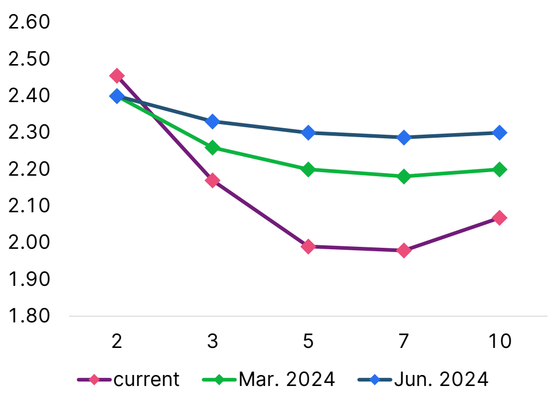
The bond market has gone through a very volatile phase. Strong yield increases from the summer onwards were followed by even sharper falls in yields during the final months of 2023. The direction was determined by the US, but the extent of the movements reflected the different economic conditions in the two economic areas. As a result, the yield differential to the USA increased. The picture should change this year. The economic data for the eurozone should improve somewhat, while that for the USA should weaken somewhat. This suggests a slight increase in German yields in the medium and longer maturity segment and thus a narrowing of the spread to the USA. We therefore prefer short maturities in the eurozone.

Profit growth slows down
Profits and self-employment income, y/y in %



Source: ECB, Erste Group Research

Slight rise in yields expected
Yields on German government bonds by maturity, in %



Source: Market data provider, Erste Group Research

USA
Federal Funds Rate 5.25 – 5.50%
US Treasuries 4.0% (10y)

Yield Forecast 1Q 2024

How quickly will US interest rates fall?

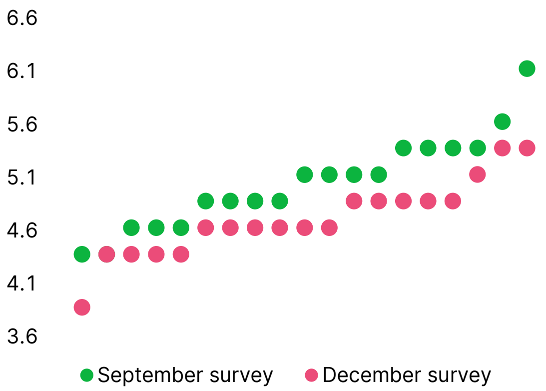
Markets expect very rapid interest rate cuts

There was a significant change of opinion at the FOMC meeting in December. The new survey of the participants in the meeting of the interest rate-setting body showed significantly lower expectations for the key interest rate at the end of 2024 than in September. The median corresponded to a key interest rate of 4.6%, which was 50 basis points (bp) lower than in the September survey. This corresponds to interest rate cuts of 75 bp this year. At the same time, however, interest rate hikes were verbally left "on the table", even if none of the meeting participants expected any. This shows that the data situation is not clear. After all, the solid economy poses risks to achieving the inflation target. However, our base line scenario is that the US Federal Reserve will take its foot off the monetary policy brake and cut interest rates with further confirmation of weaker price pressure. We do not expect the first rate cut until July. This is because the US economy should only cool down moderately and thus the basis for inflation should only be removed slowly. With increasing progress in reducing inflation, the central bank should cut interest rates further and we therefore expect three further rate cuts of 25 bp each by the end of the year, which would add up to 100 bp in total. The market is pricing in just under 150 bp.

Bond market volatile but attractive

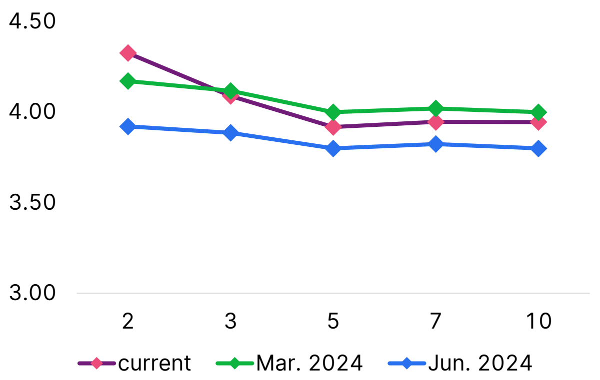
The bond market has been extremely volatile since around mid-2023. A rapid rise in yields was followed by at least as sharp a fall during the last two months of the year. One reason was the surprisingly solid US economy in the third quarter. Overall, however, the economic data did not justify market reactions on this scale. The markets are obviously struggling with the uncertain environment. Past cycles of interest rate cuts were triggered by crises and so the direction was clear. It does not look like that this time. The pace of rate cuts will remain uncertain as economic data will fluctuate. The bond market should therefore remain volatile. However, we do not expect swings like those seen in the second half of 2023. Overall, the environment for bonds will be friendly. Excluding exchange rate risk, we believe US government bonds are generally attractively valued and the volatility should be used to buy.

Interest rate expectations have shifted downwards
FOMC participants' interest rate expectations for the end of 2024, in %



Source: US Fed, Erste Group Research

US Yields should decline moderately
Yields of US Treasuries by maturity, in %



Source: Market data provider, Erste Group Research

CEE Government Bonds	Yield Forecast 1Q 2024
Czech Republic	3.83% (10J)
Hungary	6.66% (10J)
Poland	5.50% (10J)
Romania	6.80% (10J)

CEE countries were the first to begin monetary tightening when inflation skyrocketed, and they are now ahead of major central banks with monetary easing as well. While the ECB and the Fed continued to increase benchmark interest rates, the central banks in CEE switched to rate cuts in the course of 2023. The dynamic decline of inflation justified monetary easing in Hungary and Poland. Czechia joined at the end of the year, only delivering a 25 basis points cut at the last meeting of 2023. While Hungary is likely to continue with monetary easing (the key interest rate should become single-digit in the months to come), Poland is likely to take a pause throughout the first half of 2024, at least. Romania and Serbia should begin with monetary easing only in the course of 2024.

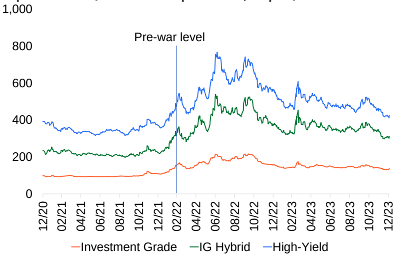
As for the CEE currencies, in 2023, the Polish zloty appreciated against the euro the most (almost 7%), supported by the change of the government at the end of the year. The second-best performing currency in the region was the Hungarian forint that gained versus the euro, roughly 5% throughout last year. On the other hand, the Czech koruna and the Romanian leu have weakened. On the bond market, the long-term yields were visibly down over the last year in the whole region. The long end of the curve is roughly 300 basis points lower in Hungary, 200 basis points lower in Romania, and 150 basis points in Poland. We see monetary easing as a key factor for the development of the bond market in the region.

Apart from Croatia, all other countries should proceed with gradual fiscal consolidation. Many CEE countries have among the highest deficits in Europe. The European Commission plans to reinstate the Excessive Deficit Procedure in Spring 2024. We see particular risks for Slovakia to be put under it, next to Romania, which is already under the EDP. High fiscal deficits in Hungary and Poland may also raise an alarm. In 2024, the rating agencies may also have some work with the countries in the region. Serbia is chasing an investment grade, while Croatia is expected to see another series of upgrades after parliamentary elections. Slovakia may be downgraded as the fiscal situation deteriorates.

EUR-Corporate Bonds
Investment Grade
High Yield

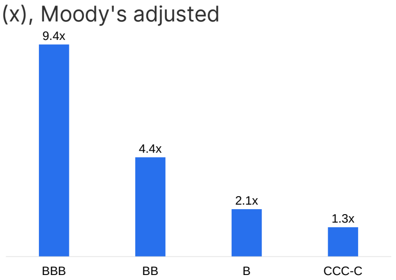
In 2024, the focus is likely to be increasingly on bonds from issuers with strong credit ratings

Spreads are back below the level before the Ukraine war for the first time
Spreads (in basis points, bps)



Source: Erste Group Research
As of January 4, 2024

Interest rate increases manageable for BBB and BB issuers
Interest cover: EBITA/interest expense (x), Moody's adjusted



Source: Moody's Financial Metrics 2023 Update; Erste Group Research

Corporate bonds performed well in 2023, despite the turbulence in the banking sector in mid-March, weak economic indicators in the eurozone, high inflation and the conflict in the Middle East. All rating categories closed the year with a positive performance (IG: +8.0%, IG Hybrid: +10.4%, HY: +13.4%). Risk premiums narrowed in all categories. The HY segment recorded the largest decline. Spreads here have fallen by around 140bps since the start of the year and, standing at around 420bps, are now tighter for the first time than shortly before the outbreak of war in Ukraine at the end of February 2022.

As the economic outlook is likely to brighten only slowly, we expect spreads in the IG segment to move sideways in 2024 and HY spreads to see slight upward pressure. We also expect bonds from issuers with strong credit ratings to become more attractive in 2024 as a result of rising interest rates and the weak economy. Specifically, we expect BBB bonds and subordinated corporate bonds (hybrids) to perform strongly in the IG segment. Although the latter are more volatile than senior bonds due to their subordination, they offer higher yields on average. The outstanding hybrid bonds are likely to be used for refinancing purposes in 2024 (EUR 19bn with call date), as in 2023. The share of the green hybrid issue volume is also likely to remain high (2023: 38%).

After the ECB left key interest rates unchanged for the second time in a row in December, hopes were raised among market participants that interest rates would be cut soon, although there was no indication of this from the ECB Governing Council. This was reflected in falling yields in the HY segment, particularly in the months of Nov/Dec 2023. Newly issued HY corporate bonds currently have an average yield that is only 160bps higher than the average coupon of outstanding HY-rated corporate bonds. At the end of Oct/23, this difference was still 340bps. We believe that the decline in refinancing costs (difference between yields and coupons) will lose momentum in 1Q/24. This is because the economic environment in the eurozone remains challenging. Although the leading economic indicators (EZ Purchasing Managers' Index, ifo Business Climate Index Germany) have stabilized recently, they remain at a low level.

We therefore believe that the level of refinancing costs in conjunction with a weak economic environment will have a negative impact on the credit quality of weaker issuers in particular. Pressure on companies' interest coverage ratios is likely to increase in view of higher interest expenses compared to 2023. Within the HY segment, BB issuers, which offer the highest interest cover at 4.4x, should be able to cope better with the challenge of higher financing costs than the weaker rating classes (B, CCC-C). On a positive note, refinancing requirements in the HY segment will remain limited at around EUR 23bn in 2024. However, a concentration is expected in 2026 and 2028.

Currencies

US-Dollar

Forecast 1Q 2024
1.12

EURUSD remains volatile

EURUSD has followed the volatile movements of the bond markets since the summer of last year. Starting from a value of 1.12 in July, the euro fell to 1.05 dollars at the end of September. This was followed by a countermovement, which most recently took the exchange rate to around 1.10. These movements were driven by expectations for the economy and inflation, particularly in the USA, which is likely to continue in 2024. The market should remain volatile, but probably not to the same extent as in 2023. It will remain difficult for the markets to estimate the timing and speed of interest rate cuts. This is because, unlike the last interest rate cut cycles, a crisis will not be the trigger this time. This will make the process more difficult, as economic data is likely to fluctuate and trends will only emerge slowly.

Uncertainty about the economy is particularly high this year

However, there should be trends. We expect the US economy to weaken slightly, while the eurozone economy should improve slightly. This should weaken the dollar, all the more so as the markets are paying more attention to the US data. However, we expect only a relatively moderate weakening. This is also because we expect similar developments in the Eurozone and the US in other areas. Inflation rates should fall, which should trigger interest rate cuts by both the ECB and the US Fed to the same extent from the summer. The economy is the biggest source of uncertainty in both economic areas this year.

Dollar should weaken moderately
EURUSD

Source: Market data provider, Erste Group Research

Swiss Franc

Forecast 1Q 2024
0.94

SNB leaves rate unchanged

The SNB left the key interest rate unchanged at 1.75% in December. Inflationary pressure has eased slightly over the last few quarters. However, uncertainty remains high. The SNB will therefore monitor inflation developments closely in the coming months and adjust its monetary policy if necessary to ensure that inflation remains within the price stability range in the medium term. We do not expect the SNB to raise interest rates any further for the time being.

Convergence of inflation differential should hamper further strengthening of franc

The SNB lowered its inflation forecast for 2024 to 1.9% and for 2025 to 1.6%. The inflation forecast for Switzerland is thus only slightly below the inflation expectations for the Eurozone. This is important for the outlook, as Switzerland's significantly lower inflation in the last two years has contributed significantly to the strengthening of the Swiss franc.

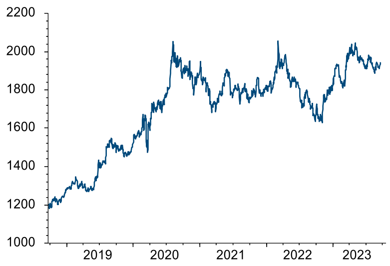
Until recently, the franc strengthened against the euro to a level of 0.93, probably triggered by a significant decline in yields on shorter-term German government bonds. The lower interest rate expectations on the market are obviously weighing on the euro against the franc.

Inflation rates in the two currency areas should be close to one other in the coming months. From this perspective, there should therefore be little reason for the franc to strengthen further against the euro. In the coming weeks, it will therefore be important to keep a close eye on the bond market in particular for shorter maturities. 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, which we expect, this should also support the euro against the franc. We continue to forecast a slight strengthening of the euro against the franc in the coming months. 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 could strengthen sharply against the euro at any time.

Gold

Forecast 1Q 2024
USD 2,100

Gold in USD



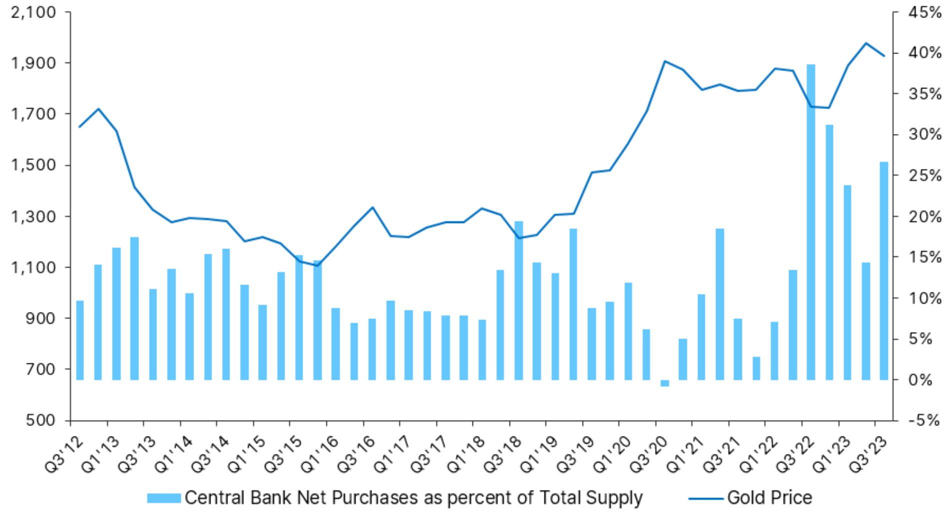
20.09.2023 | USD 1.945,35 | 5 Year Perf: 62,4%

Sources: Datastream, Erste Group Research

Investment demand for gold fell last year due to the rise in yields in the US and Europe. Exchange-traded gold ETFs recorded a -7% (y/y) decline in the amount of gold held in 2023. Due to the rise in the gold price last year, the total value of ETF holdings increased by +5% (y/y). However investment outflows from ETFs slowed significantly towards the end of the year due to the increase in geopolitical risks.

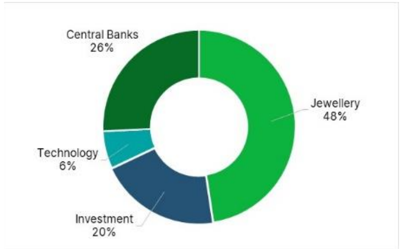
Global central banks once again made above-average net purchases of gold in 3Q 2023. They bought up around 27% of the total global gold supply in 3Q. Net gold purchases rose by +14% (y/y) in the first 3 quarters of 2023. The net total was 800t. The main reason for this was the diversification of reserves.

Net purchases of gold: Global central banks as % of total supply



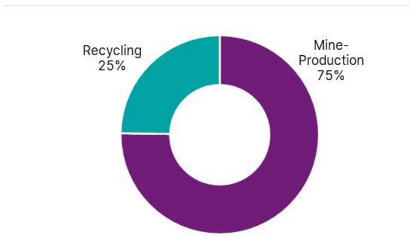
Source: World Gould Council, Erste Group Research

Demand Segments Global
Quantity (t) 4Q22-3Q23, percentage share



Real yields have risen significantly in the last quarter. This fact currently reduces the attractiveness of gold compared to bonds. However, it is to be expected that the US Federal Reserve will lower the key interest rate in July and that further interest rate cuts will follow. In the medium term, however, this prospect gives rise to positive expectations for the gold price.

Supply Segments Global
Quantity (t) 4Q22-3Q23, percentage share



Outlook:
Global central banks continue to act as relevant net buyers of gold. Price volatility should therefore be low in the coming quarters. We expect a moderate upward movement of the gold price to around USD 2,100 in 1Q 2024.

Equities

Global

Forecast 1Q 2024
0% to +5%

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

USD	Sales 23e	Sales 24e	Net Profit 23e	Net Profit 24e
North America	1.7%	5.6%	-0.3%	9.6%
Europe	-1.4%	4.9%	-7.3%	5.6%
Asia	-3.3%	4.7%	-9.9%	14.7%
EM Asia	2.1%	5.9%	4.7%	10.1%
EM LatAm	2.9%	8.3%	-18.4%	11.1%
World	1.4%	5.4%	-2.8%	9.3%

Source: Erste Group Research Index, FactSet.

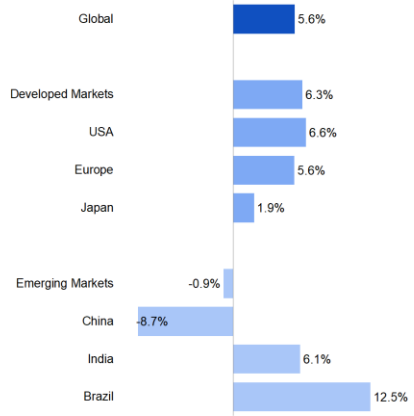
The global equity market index rose by +5.6% in EUR terms in the fourth quarter. Last year's performance amounted to EUR +15.4%. The US equity market slightly outperformed the European equity market. The global emerging markets index fell by -2.9% in EUR terms. The annual performance of the emerging markets index in 2023 was clearly negative at -6.9% in EUR. The main reason for this was the sharp weakening of the Chinese equity index last year.

In 4Q, the sector indices for technology (EUR: +10.6%), industrials (EUR: +8.1%) and commodities (EUR: +7.1%) achieved the highest gains. By contrast, shares in the energy (in EUR: -7.1%) and non-cyclical consumer sectors (in EUR: -0.1%) posted negative performances.

In the reporting season for 3Q, the majority of US companies reported positive sales and earnings surprises. The proportion of positive earnings surprises amounted to 82%. This percentage was above the long-term average. The next reporting season for the 4Q will begin in the US on January 12, 2024 with the earnings publications of the major banks.

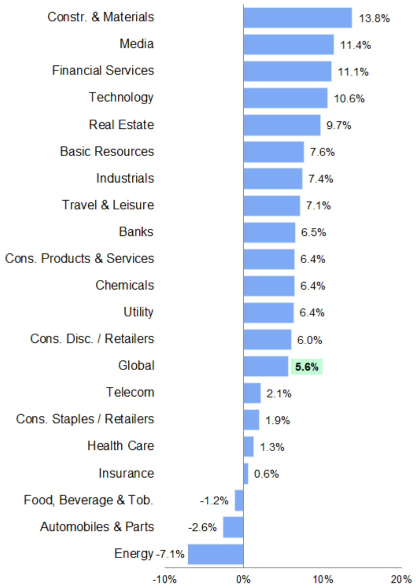
An acceleration in sales and earnings growth is forecast for the global equity market in 2024. Turnover should rise by +5.4% and profits by +9.3%. The technology, financials, healthcare, consumer discretionary and industrials sectors will make the biggest contribution to global earnings growth this year. It is worth noting that, according to the consensus forecast, all sectors should make a positive contribution to the earnings performance of the global equity market in 2024.

Global Region Perf. 4Q 2023
Erste Global 1000 Index, EUR



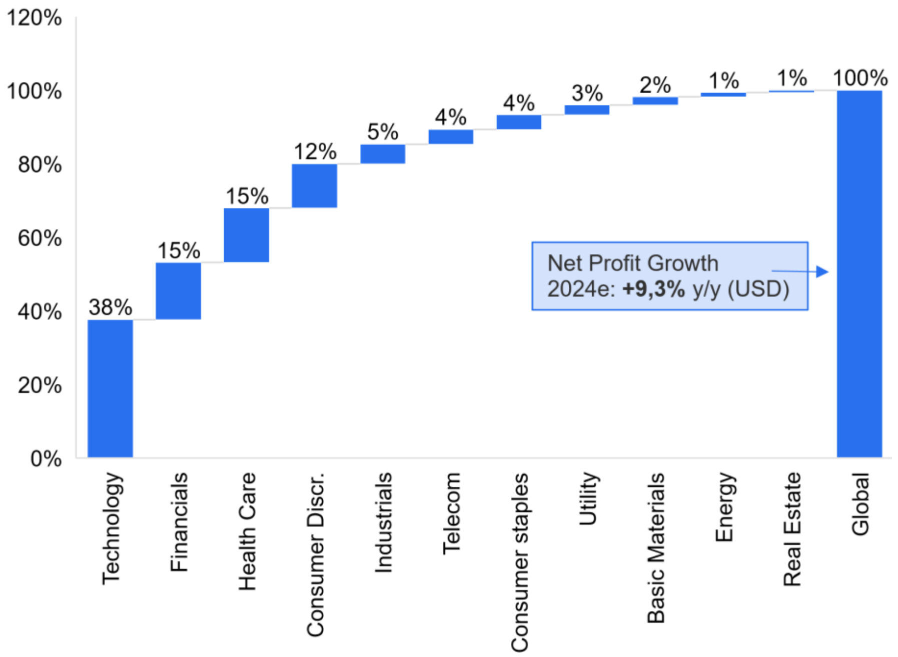
Source: Erste Group Research Index, FactSet

Global Sector Perf. 4Q 2023
Erste Global 1000 Index, EUR



Source: Erste Group Research Index, FactSet

Global sectors: Share of profit growth 2024
Erste Group Research Global Index in USD

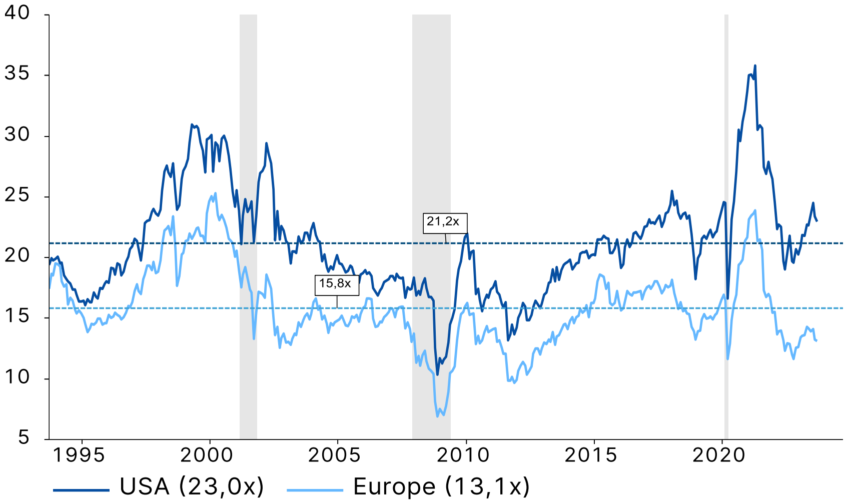


Source: FactSet, Erste Group Research

The valuation of the global equity market index is in line with the long-term average according to the P/E ratio. The expected P/E ratio 2024e is 16.8x. The dividend yield 2024e is 2.2%. This is exactly in line with the long-term average. In view of the positive growth prospects, the valuation of the global equity market is appropriate.

US equities generally have a higher valuation level due to the better growth prospects. The current P/E ratio of 23x is currently above the long-term average. European equities are currently valued low by historical standards, but have significantly lower earnings momentum.

PE-ratio: USA und Europe
US recessions (grey)



Source: Refinitiv, Erste Group Research

The biggest risk factor for the stock market would be a stronger than expected weakening of the global economy. The development of the US economy is particularly significant here. A slight slowdown is already expected for 2024. In the unlikely event of a significant slowdown in GDP growth in the US, this would lead to negative earnings revisions. This would lead to a significant increase in volatility. As the US equity market accounts for 62% of the weighting of the global equity market, the world equity index would also be affected. At present, however, only a slight economic slowdown in the US is the most likely scenario.

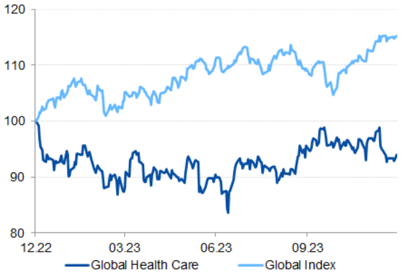
The Economic Surprise Index is important for the sentiment of equity investors. This compares the reported economic data with the consensus forecasts. The index remains in positive territory for the USA. The current index level shows that there were more positive than negative surprises in the published economic data.

Outlook: The prospects of stronger global sales and earnings growth this year compared to last year is a key factor contributing to the current attractiveness of equities, as are the recent falls in government bond yields. We expect the global equity market index to rise moderately in the first quarter. The index should achieve growth in a range between 0% and +5%. We prefer quality stocks from the healthcare, technology and consumer sectors.

Global Sectors - Positive Outlook

Estimate 1Q	0% to +5%
World Index Weight	10.9%
2023 Perf. EUR	-0.2%
P/E 24e	19.2x
Net Profit y/y 24e	+15.6%
Top 3 Companies (Market Cap.)	
Eli Lilly	
UnitedHealth Group	
Novo Nordisk	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Research Index, FactSet.

Health Care

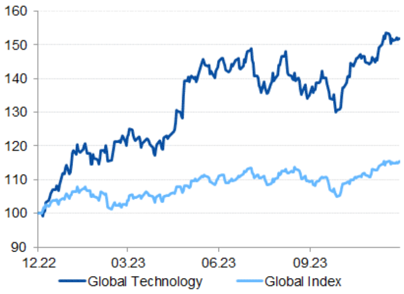
The healthcare sector index rose by +1.3% in EUR terms in the 4th quarter. It underperformed the global equity market index in the 4Q. The medical technology segment achieved relative strength with an increase of +4.7% in EUR. The sector index for pharmaceutical and biotechnology companies trended sideways (in EUR: +0.1%). The index for healthcare services companies performed only slightly better (in EUR: +0.5%).

Demand for diabetes medication and weight loss products remained very strong. The market for these products is still in its early stages. The shares of Novo Nordisk (buy) and Eli Lilly (hold) therefore continued their upward trend. Competitor Pfizer, on the other hand, had to discontinue a study on a weight loss drug due to severe side effects. Pfizer shares were among the biggest losers in 4Q due to this disappointing news.

The consensus forecasts for sales and earnings growth have risen in recent weeks. Accordingly, sales should rise by +7.7% this year. Profit growth is expected to be +15.6% this year. Both growth rates are higher than for the world share index. The valuation of the sector according to the P/E ratio 2024e is 19.2x. The higher valuation compared to the overall market reflects the good growth prospects and high profitability of the companies in the sector. We expect a performance of between 0% and +5% for the 1Q.

Estimate 1Q	0% to +5%
World Index Weight	28.8%
2023 Perf. EUR	+49.7%
P/E 24e	25.7x
Net Profit y/y 24e	+19.4%
Top 3 Companies (Market Cap.)	
Apple	
Microsoft	
Alphabet	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Research Index, FactSet.

Technology

The global technology index rose by +10.6% in EUR terms in 4Q. The sector rose by +49.7% last year. It thus achieved by far the best performance of all sectors in 2023.

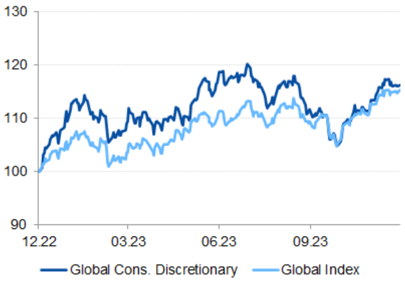
The outlook for sales and earnings growth in this sector is positive. This year, companies in the hardware segment will achieve the strongest growth rates. The semiconductor sector, an important sub-sector of the hardware segment, will see significant improvements this year. After a cyclical downturn in the last two years, positive annual growth rates in turnover will be achieved again from around the start of 2024. Global sales in the semiconductor sector are forecast to increase by +17% (Y/Y) to USD 624 bn this year.

Sales for all types of chips should grow, driven by double-digit growth in the memory chip market. A key beneficiary of this development is Samsung Electronics (Buy), the undisputed market leader in memory chips.

The global technology sector will make the largest contribution to global earnings growth in 2024. A profit increase of +19.4% is forecast for 2024e. Sales should increase by +10.9% (Y/Y) this year. The expected P/E ratio for 2024e is 25.7x. It is above the global average and reflects the very strong growth and higher profitability of companies in the sector. We expect a performance in the range of 0% to +5% for the 1Q.

Estimate 1Q	↗ 0% to +5%
World Index Weight	12.4%
2023 Perf. EUR	+16.7%
P/E 24e	18.7x
Net Profit y/y 24e	+10.0%
Top 3 Companies (Market Cap.)	
Tesla	
LVMH	
Home Depot	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Consumer Discretionary

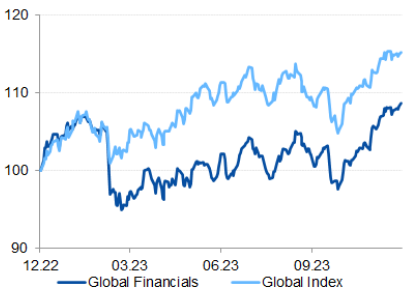
The index rose by +4.5% in EUR terms in the fourth quarter. The performance of shares within the sector was very mixed. The sector index for prefabricated house producers (particularly in the USA) achieved very high growth of +27% in the fourth quarter. The cyclical retail trade index also rose at an above-average rate of +6.4%. The shares of Uber Technologies, Target and Costco Wholesale (buy) achieved the highest price gains. By contrast, the automotive sector fell by -2.6%. Shares in BYD, Tesla (hold) and Honda Motor recorded the biggest price losses.

Sales growth in the sector will be slightly lower in 2024 than in the previous year. In 2023, sales increased by +7.7%. The consensus estimate for sales growth in 2024 is +6.2%. The operating margin of companies should rise from 10% in the previous year to 10.4% this year. Profit growth will also be lower in 2024 than in 2023. The consensus earnings estimate for 2024 is +10.0% (vs. 22.7% in 2023). The sector's expected earnings growth rate for this year is moderately higher than that of the global equity market index. This amounts to 9.3%.

The valuation of the shares in this sector is reasonable with a P/E ratio 2024e of 18.7x. We expect the sector index to rise by between 0% and +5% in the first quarter.

Estimate 1Q	↗ 0% to +5%
World Index Weight	16.5%
2023 Perf. EUR	+8.8%
P/E 24e	10.7x
Net Profit y/y 24e	+5.5%
Top 3 Companies (Market Cap.)	
Berkshire Hathaway	
Visa	
JP Morgan	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Research Index, FactSet.

Financials

The global financial index rose by +6.3% in EUR terms in the fourth quarter. The sector indices for investment banks, financial service providers and banks rose the most. The sector index for insurance companies trended sideways. The performance of the financial index for 2023 as a whole amounted to +8.8% in EUR. It was thus significantly below that of the global equity market (+15.4%).

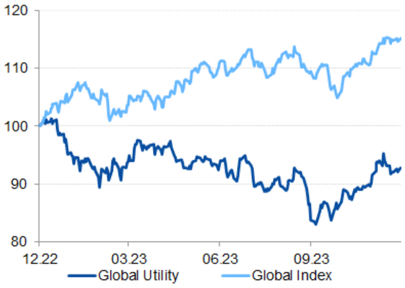
Banks are the largest segment of the financial sector in terms of market capitalization. They are confronted with low credit growth due to the rise in interest rates. US consumer loans have recently only increased at an annual rate of +1.2%. Revenue growth for banks amounted to +5.4% in 2023. An increase of +3.4% is expected for 2024. Profit growth is also slowing. The expected increase in profits for the banking sector this year is +1.3% (vs. +7.9% in 2023).

The consensus estimate for revenue growth in global financials is +5.8% for 2024. Profits in the sector should rise by +5.5% this year. The expected earnings growth is below that of the global equity market. On the positive side, the earnings forecast has risen continuously over the last two months.

The sector's valuation is very low by global standards. The sector P/E ratio for 2024e is 10.7x. The expected dividend yield for 2024 is above average at 3.6%. We expect the sector index to rise slightly in the range of 0% to +5% in the first quarter.

Estimate 1Q	0% to +5%
World Index Weight	2.2%
2023 Perf. EUR	-8.7%
P/E 24e	14.2x
Net Profit y/y 24e	+9.8%
Top 3 Companies (Market Cap.)	
NextEra Energy	
Iberdrola	
Southern Co	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Utilities

The sector index rose by +6.4% in EUR terms in 4Q. The sector's performance last year amounted to -8.7% in EUR. The utilities sector was thus the weakest sector in 2023.

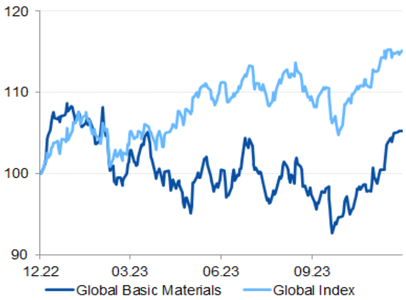
There were fundamental reasons for the weakening of the index last year. Sales fell by -2.2% in 2023. At +1.5%, earnings growth was below average last year compared to the market as a whole. The sector will benefit from the lower yield level in the medium term. Due to the sector's higher level of debt, changes in yields have a major impact on the profitability of utility companies.

Turnover in the sector should stagnate in 2024 (2024e: +0.4%). On the positive side, however, the companies' operating margin should rise from 15.8% in the previous year to around 17.2% this year. The consensus estimate for earnings growth in 2024 is an increase of +9.8%. The expected earnings growth rate is moderately higher than for the global equity index.

The expected P/E ratio 2024e for the sector is 14.2x. According to this ratio, the valuation is lower than the long-term average. The dividend yield 2024e is 4.1%. Due to the improved earnings outlook, we forecast a rise in the sector index in 1Q, at the lower end of the range between 0% and +5%.

Estimate 1Q	0% to +5%
World Index Weight	3.2%
2023 Perf. EUR	+5.6%
P/E 24e	15.1x
Net Profit y/y 24e	+5.7%
Top 3 Companies (Market Cap.)	
Linde	
BHP Group	
Rio Tinto	

EGR Global Sektor
EUR, rebasiert seit 1 Jahr



Source: Erste Group Research, FactSet

Basic Materials

The global commodities sector index rose by +7.1% in EUR terms in the 4th quarter. The shares of the mining companies BHP Group (hold), Rio Tinto (hold) and Vale (hold) achieved the highest increases. The companies in the chemicals index benefited from the fall in energy costs in the last quarter. The chemicals sector index therefore also performed above average.

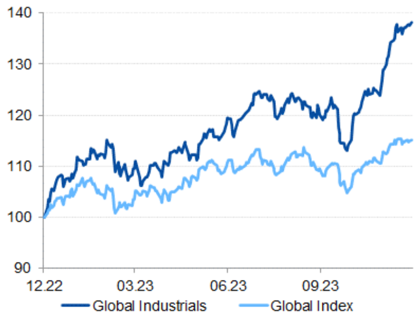
Prices for agricultural commodities fell in the last quarter, while prices for industrial commodities rose slightly.industrial raw materials developed slightly positively. In particular, prices for iron ore and copper have risen. The large mining groups should continue to benefit from this.

After a decline in revenue of -9.9% last year, the consensus forecast for 2024 expects companies to increase their revenue again. Revenue growth will amount to around +3.4% this year. The sector's operating margin should rise from 15.2% in the previous year to 15.7% this year. The profit situation will therefore improve significantly in 2024. While profits fell by -36% in 2023, an increase in profits of +5.7% is forecast for this year.

The expected P/E ratio for the sector in 2024 is 15.1x. This is below the average of the global equity market. By contrast, the expected dividend yield in 2024e is above the global average at 3.2%. Due to the improvement in growth prospects this year, we expect the sector index to rise by between 0% and +5% in the first quarter.

Estimate 1Q	0% to +5%
World Index Weight	10.1%
2023 Perf. EUR	+11.0%
P/E 24e	19.6x
Net Profit y/y 24e	+5.6%
Top 3 Companies (Market Cap.)	
Union Pacific	
Boeing	
Caterpillar	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Industrials

The sector index for industrial companies rose by +8.1% in EUR terms in the fourth quarter. The highest price gains were achieved by Boeing, Siemens (hold), Raytheon Technologies and Union Pacific. The shares of UPS (hold) and Caterpillar (hold) underperformed the sector index.

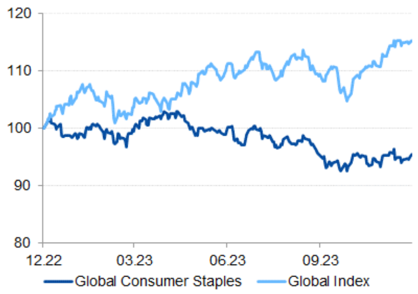
Companies in the industrial sector have benefited from the sharp fall in energy prices in recent months. In addition, the lower yields on government bonds have had a positive impact on investment calculations for long-term projects. However, the weak development of incoming orders in the USA and the eurozone and the increased prices for industrial metals are currently having a negative impact on the sector.

The consensus estimate for the expected sales trend has improved in the last two months. The forecast for sales growth in 2024 is a slight increase of +3.6%. Profits should increase by +5.6% (y/y) in 2024. The expected profit growth rate is below the global average.

The valuation of the sector according to the P/E ratio 2024e is 19.6x. The expected P/E ratio is slightly above the long-term average. The forecast dividend yield for 2024 is 1.8%. This is lower than the global average. We expect the global sector index to rise slightly at the lower end of the 0% to +5% range in 1Q.

Estimate 1Q	0% to +5%
World Index Weight	6.0%
2023 Perf. EUR	-4.6%
P/E 24e	17.5x
Net Profit y/y 24e	+6.1%
Top 3 Companies (Market Cap.)	
Walmart	
Nestle	
Coca Cola	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Consumer Staples

The sector index fell by -0.1% in EUR terms in the fourth quarter. With a performance of -4.6%, this index showed significant relative weakness to the global equity market index in 2023. The shares of traditional major food producers such as Nestle, Coca-Cola, PepsiCo and Unilever came under particular pressure from the middle of last year, as sales growth at all companies was at best only below the rate of inflation. Nestle and Unilever had to report sales declines in the low single-digit range.

However, the forecasts for 2024 have recently improved slightly. Expected profit growth is +6.1%, with sales growth forecast at +4.3%. One factor behind the improved outlook for companies in the sector is the further fall in agricultural commodity prices in 4Q23, which will have a positive impact on purchase prices.

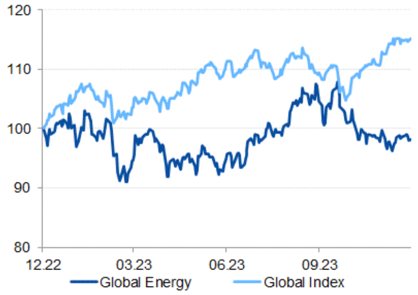
The sector's P/E ratio 2024e is 17.5x. The sector's valuation is therefore in line with the long-term average. The expected dividend yield for 2024 is 3.0%. Due to the slight improvement in global growth in 2024, as well as lower input costs and falling inflation, which is having a positive impact on consumer sentiment, we expect the sector index to rise slightly in the range of 0% to +5% in the first quarter.

Global Sectors - Negative Outlook

Energy

Estimate 1Q	-5% to 0%
World Index Weight	5.4%
2023 Perf. EUR	-1.4%
P/E 24e	9.5x
Net Profit y/y 24e	+1.1%
Top 3 Companies (Market Cap.)	
Exxon Mobil	
Chevron	
Shell	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

The energy sector index fell at an above-average rate in EUR terms in the 4th quarter with a performance of -7.6%. The performance for 2023 as a whole was therefore also negative at -1.4%.

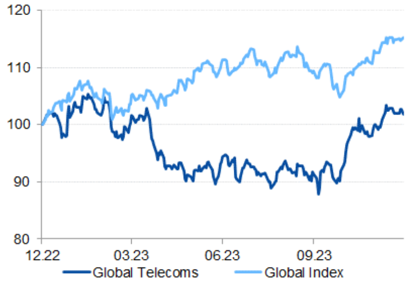
The main reason for the sharp fall in equities in the last quarter was the significant drop in the oil price. The price of a barrel of Brent fell from USD 95 at the beginning of October to around USD 78. OPEC+ had already slightly reduced production volumes in mid-2023 due to weak demand and extended the production cut by 2.2 million barrels per day at the end of November. At the same time, the USA, the world's largest oil producer, set a new record in October with a production volume of 13.2 million barrels of crude oil per day (+7.0% y/y). Natural gas production in the USA also increased to a new record level (+2.6% y/y). Gas prices in the US and Europe fell in line with the oil price in 4Q23.

The futures markets expect the price of a barrel of Brent to fall further to USD 74 by the end of 2024. The consensus forecasts for sales and earnings growth for companies in the sector are therefore low. Revenues are expected to increase marginally by +2.6% and profits by +1.1%. This would be a stabilization after the sharp declines in 2023 (sales: -11%, profits: -24%). The sector's valuation is below the long-term average with a P/E ratio 2024e of 9.5x. At 4.7%, the dividend yield 2024e is high by historical standards. However, as growth is low and could easily be negative, we do not see an attractive risk/reward ratio and forecast a negative performance in the range of -5% to 0% for the global sector index in the first quarter.

Telecom

Estimate 1Q	-5% to 0%
World Index Weight	2.9%
2023 Perf. EUR	+4.5%
P/E 24e	14.1x
Net Profit y/y 24e	+10.8%
Top 3 Companies (Market Cap.)	
Comcast	
T-Mobile US	
Verizon	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

The performance of the sector index amounted to +2.1% in EUR terms in the 4th quarter and +4.5% in EUR terms for 2023 as a whole. Shares in Comcast (+18%) and T-Mobile US (+13%) were particularly popular last year, whereas the long-established US telecommunications providers Verizon (-6%) and AT&T (-11%) recorded significant declines.

According to the consensus estimate, sales in the telecoms sector will rise by +3.8% this year. Profits are forecast to grow by +10.8% this year. However, the majority of the expected increase in profits this year is once again concentrated on just a few companies, such as Comcast and T-Mobile US.

The valuation of the sector according to the P/E ratio 2024 is 14.1x. The P/E ratio is below that of the global equity market (P/E ratio Global 2023e: 16.8x). The expected dividend yield for this year is 3.3%. We expect a slightly negative performance in the range of -5% to 0% in the first quarter due to the below-average long-term growth momentum and the higher level of debt in this sector.

Europe

Forecast 1Q 2024
0% to +5%

The European stock market index rose by +5.6% in EUR terms in 4Q. An increase of +12.9% was recorded for 2023 as a whole. Shares from the real estate (+25%) and technology (+16%) sectors were particularly popular with investors. With the exception of the food sector (-0.1%) and energy stocks (-3.2%), all 18 of the 20 sectors performed positively in 4Q23.

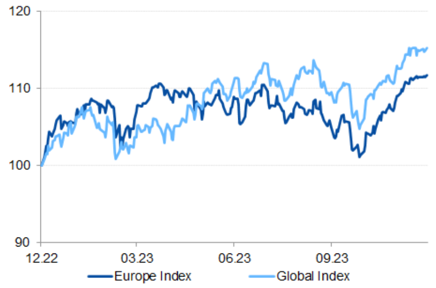
In Europe, the reporting season for 3Q23 was below average. At 55%, the proportion of positive earnings surprises was roughly in line with the long-term average of 54%. However, only 48% of companies were able to exceed sales forecasts (average: 59%). Overall, profits in Europe fell by -11% in 3Q23. Excluding the energy sector, profits rose by around +1%. The earnings decline of the overall index should continue until 1Q24. For 2024, the expected earnings growth for the overall index is +3.3%. The median earnings growth in the Europe 250 Index should improve slightly this year to +8.8%, after +7.8% last year. Only 12% of companies are expected to see a decline in profits. These are mainly energy and utilities companies.

Profit and sales growth
EUR, y/y, %

	Sales		Net Profit	
EUR	23e	24e	23e	24e
France	-1.1%	2.9%	-6.6%	1.6%
Germany	-0.4%	2.3%	-11.9%	3.0%
Switzerland	-8.6%	5.9%	-14.1%	10.6%
UK	-4.1%	1.8%	-12.2%	0.9%
Netherlands	1.7%	2.2%	15.4%	2.9%
Europe	**-3.9%**	**2.7%**	**-9.6%**	**3.3%**

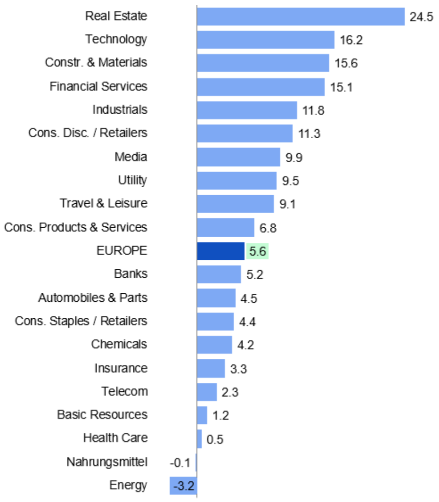
Source: Erste Group Research Index, FactSet.

Europe 250 Index vs. Global Index
EUR, indexed at 100 for 1y



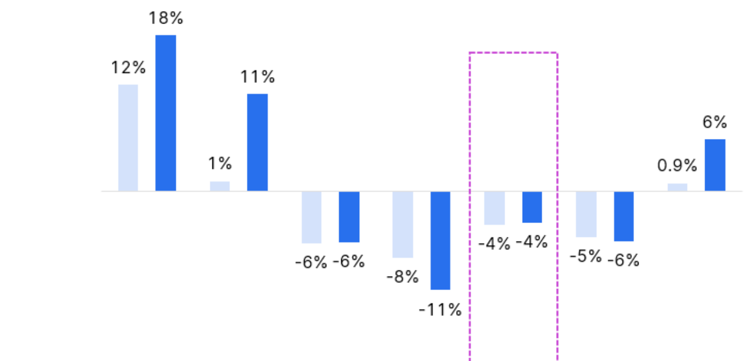
Source: Erste Group Research Index, FactSet.

Europe Sector Perormances. 4Q23
Erste Europa 250 Index, EUR



Source: Erste Group Research Index, FactSet.

Europe: Sales and earnings forecasts 4Q22 to 2Q24e
EUR, y/y, %



	4Q22	1Q23	2Q23e	3Q23e	4Q23e	1Q24e	2Q24e
Revenue	12%	1%	-6%	-8%	-4%	-5%	0.9%
Earnings	18%	11%	-6%	-11%	-4%	-6%	5.9%

Source: FactSet, Erste Group Research.

The most important factor that led to the good performance of European equities in 4Q23 was the very low valuation by historical standards after the index correction until the end of October 2023. With an expected P/E ratio of 14.2x for 24e, the index is still valued below average. The long-term average of the last 30 years is 15.8x. The dividend yield of 3.5% is above the global yield of 2.2%.

Outlook: We expect a slightly positive trend on the European equity market of 0% to +5% in 1Q24 due to the continued below-average valuation. We assume that the positive performance can be achieved by a further slight increase in valuation to the long-term average. In the long term, healthcare and technology stocks offer the best risk/reward profile in Europe due to their high profitability and above-average earnings growth.

USA

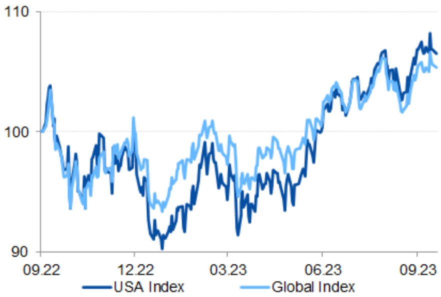
Forecast 1Q 2024
0% to +5%

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



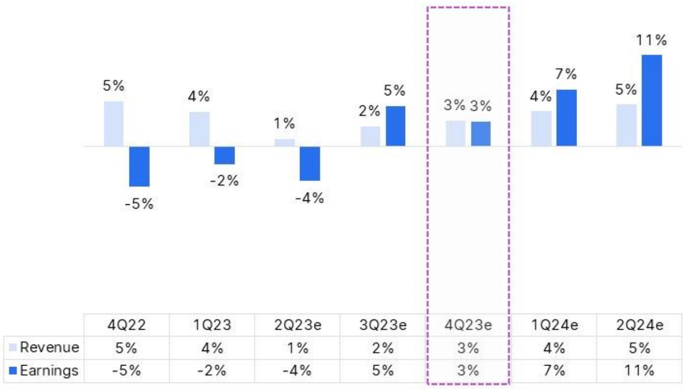
Source: Erste Group Research Index, FactSet.

The Erste USA 500 Index rose by +6.6% in EUR terms in 4Q23. The sector indices for homebuilding and consumer finance as well as for hotels and real estate companies rose the most. By contrast, the sector indices for energy, agricultural products and automobiles posted negative performances.

The ISM index for US industry amounted to 47.4 points in December. The contraction in the industrial sector is therefore continuing. The latest ISM Manufacturing figure has improved compared to the previous month. However, at 47.1 points, the new orders index signals a further decline in new orders.

US companies increased sales and profit growth in 3Q23. Reported sales growth amounted to +2% year-on-year and profit growth was +5%. The share of positive earnings surprises amounted to 83%. According to the consensus forecast, sales and corporate profits should both increase by +3% in 4Q23.Sales and earnings growth momentum will be stronger in 1Q and 2Q 2024.

USA 500 Index: Expected sales and profits - Consensus forecasts by quarter



Source: FactSet, Erste Group Research

The expected sales growth for 2024 is +5.5% and the consensus forecast for the net profit margin is a slight increase from 12.2% in 2023 to 12.6% this year. Profits should rise by +9.8% this year. The development of the US technology sector is very relevant for the stock market. Above-average earnings growth of +16% is expected for this sector this year.

The valuation of the equity market according to the P/E ratio 2024e is 20.2x. The valuation ratio is therefore slightly above the long-term average. The dividend yield expected for 2024 is 1.5%.

Outlook: The prospects for an acceleration in sales and earnings growth are positive this year. The US equity market should benefit from this. We therefore expect the leading US index to rise in the first quarter. Our forecast growth rate for 1Q24 is in the range of 0% to +5%.

Forecast 1Q 2024

CEE

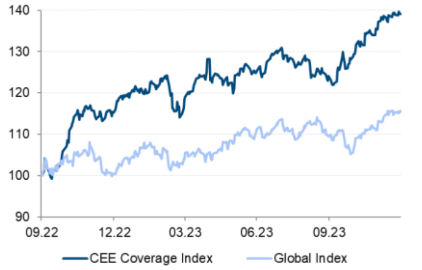
0% to +5%

CEE coverage index

EUR	2023e	2024e
Sales	3.1%	5.7%
EBIT	-1.8%	-2.7%
Net Profit adj.	-2.1%	-2.5%
PE	8.6x	8.9x
Div. Yield	4%	4.5%

Sources: Erste Group Research Estimates.

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



Sources: Erste Group Research indices, FactSet

As expected, 2023 has indeed proved to be a year of economic weakness. However, with "peak rates" almost certainly already reached and interest rate cuts expected in 2024, monetary policy has proven to be a strong driver for equity markets and should be able to carry a positive market trend into 2024. However, the expectation of an interest rate cut can be a fragile argument with corresponding risk, meaning that moments of market consolidation are always possible in Central and Eastern Europe. The sooner an outlook for a recovery in corporate results - however moderate such a recovery may be - can act as a vehicle for positive market movement, the better. Until then, however, current valuations at discounts to the historical average should have a supportive effect.

The main sentiment indicators in the region are still some way from positive trends. However, all indicators should have bottomed out and suggest a continuous improvement in sentiment. Only the PMI for Turkey remains in a negative trend.

Even if the expectations of the ECB and the Fed should essentially determine the market, the monetary easing that has already begun in the region should have a supportive effect. Hungary should deliver further interest rate cuts, Poland may pause for a while and the Czech National Bank actually has every reason to start cutting interest rates too. The Romanian stock market alone will probably have to wait until the summer of 2024 for this support and a rather restrictive interest rate policy should continue to be appropriate in Turkey.

A moderate recovery in corporate profits in the region should be realized in 2024 in both sales and operating margins, with wage costs being one of the biggest risk factors. Overall, operating costs are expected to rise in line with inflation or even less. On a 12-month horizon, however, profit growth for the region is currently still at -4%. However, continued stable momentum suggests that this will turn into a positive growth outlook in the course of the first quarter of 2024.

Discounts to historical averages help to prevent current positive market sentiment from turning into a simple expansion of the valuation. Since there is no reason for euphoria, this would also be inappropriate. Measured in terms of risk premiums, the region currently has an implied potential of around 15%. However, this valuation reserve will not last forever and the sooner improved growth prospects take over as a driver here, the better.

In anticipation of a moderate recovery, we would increasingly focus on cyclical stocks, with consumer discretionary and industry (preferably with "green tech") at the forefront. Banks should remain fundamentally stable, although most of this should already be priced in. We would continue to avoid the commodities sector, as we still lack broad global momentum here.

Real Estate Europe

Forecast 1Q 2024
0% to +5%

Sentiment towards real estate stocks turned 180 degrees in the 4th quarter of 2023. With a price gain of 21.6%, the Stoxx Real Estate Index catapulted to the top of the Stoxx 600 family in the fourth quarter, clearly outperforming other interest rate-sensitive sectors such as technology (+16.9%). With an annual performance of +13.8%, the Stoxx Real Estate Index is now in the midfield, slightly ahead of the broad Stoxx 600, which is up 12.7% for the year.

The decisive factor for this development is the recent steady decline in inflation and the associated bet on falling interest rates. Upcoming (re-)financing is thus becoming somewhat easier, and rental yields are also appearing more attractive again, which significantly reduces the pressure for further devaluations. The trend of narrowing spreads (between rental yields and government bond yields) in recent quarters has therefore come to a halt - at least for the time being.

However, not everything is rosy, many problems remain, including the still limited access to capital, especially for highly indebted companies. The sharp decline in transactions shows that there are still differences between the price expectations of potential buyers and sellers. Uncertainty regarding future pricing and potential buyers is one of the reasons for the delay of numerous projects.

In the coming months, most companies will present figures for the past financial year, and a further convergence of share prices (which have now risen) and net property values (which are still falling due to devaluations) can be expected. Even if the strong fourth quarter of 2023 has already anticipated some of the catch-up potential, sentiment towards real estate stocks should continue to improve over the course of 2024, which is why we expect a positive performance in the 0-5% range in the first quarter as well.

China

Forecast 1Q 2024
-5% to 0%

The First China Index continued its downward trend in 4Q23. The index with its 66 stocks fell by -8.7% in EUR terms. This represents a decline of -15% for 2023 as a whole. One reason for this is the continued weak economic data and investors' doubts about Beijing's willingness to take serious measures to stimulate weakening growth. In addition, liquidity problems in the real estate sector are causing investors justified concern. As a result of this uncertainty, around 90% of the foreign capital that had flowed into the Chinese stock market in the previous months was withdrawn again from August 2023. As a result, the net inflow of foreign capital into the Chinese stock market only reached around USD 4.3 billion in 2023.

In general, the greatly increased state control of the booming Chinese technology sector until the end of 2020 led to a significant decline in valuation levels (i.e. Alibaba, Tencent). In our view, the significant fall in the P/E ratio on the Chinese market also reflects the heightened geopolitical tensions between China and the US. The economic impact here is on the one hand the strict US export sanctions on finished high-end microchips (e.g. NVIDIA) and the necessary production machinery (e.g. ASML, Tokyo Electron). Beijing is responding to this, for example, with partial bans on iPhones and Teslas in state institutions and companies and the associated instruction to use Chinese smartphones and cars.

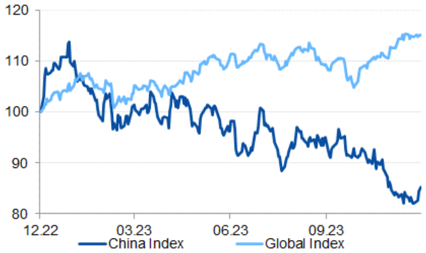
Due to the weak economic outlook in China, we expect a further negative performance of -5% to 0% in the first quarter of 2024.

EGR China Index

USD	2023e	2024e
Sales	+1.4%	+6.3%
EBIT	+1.2%	+9.8%
Net Profit adj.	+3.5%	+9.6%
PE	7.5x	6.8x
Div. Yield	4.4%	4.6%

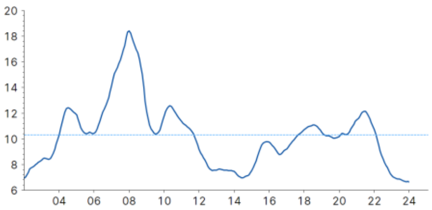
Source: Erste Group Research Indices, FactSet

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



Source: Erste Group Research Indices, FactSet

China Index: Long-term PE-ratio



Source: Datastream

India

Forecast 1Q 2024
0% to +5%

The Indian stock market continued its upward trend in 4Q and rose by +6.1% in EUR terms. For 2023, an increase of +7.3% is recorded in EUR. The market breadth of the movement in the 4Q was again good, as 83% of the stocks in the index achieved a positive performance. The shares of the Adani conglomerate and Indian Oil Corporation (+41%) performed particularly well.

Expected sales growth for 24e in USD remained unchanged at +5.6% in 4Q. Profits are expected to rise by a strong +13% this year in a global comparison. Only 3 of the 46 companies are expected to post a decline in profits. The most important large caps such as Tata Motors, ICICI Bank (Buy), Reliance Industries and Tata Consultancy Services should all achieve double-digit earnings growth rates in 2024.

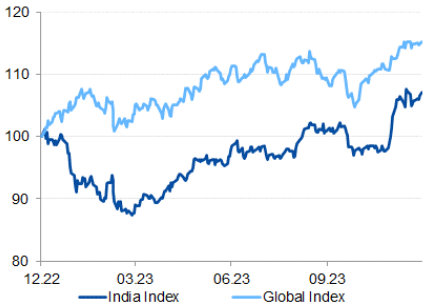
The valuation of the equity market is higher than the emerging market average with a P/E ratio of 21.3x for 24e. This is due to the above-average growth rates of sales and profits as well as the high profitability of Indian companies. The operating margin should reach c. 18% in 2024. We expect Indian equities to perform positively in the range of 0% to +5% in 1Q24.

EGR Indien Index

USD	2023e	2024e
Sales	+5.8%	+5.6%
EBIT	+11.7%	+12.2%
Net Profit adj.	+12.7%	+13.0%
PE	24.1x	21.3x
Div. Yield	1.5%	1.6%

Source: Erste Group Research Indizes, FactSet.

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



Forecast 1Q 2024

Brazil

0% to +5%

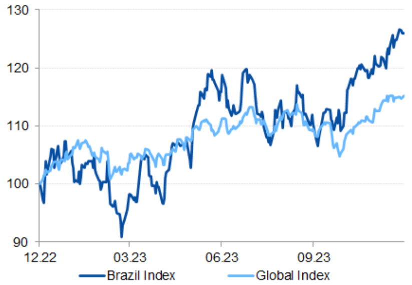
EGR Brazil Index

Brazil

USD	2023e	2024e
Sales	-5.6%	+6.2%
EBIT	-5.5%	+8.4%
Net Profit adj.	-27.7%	+12.3%
PE	9.1x	8.1x
Div. Yield	7.2%	6.2%

Source: 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 rose by +12.5% in EUR terms in the 4th quarter. Stocks in the banking sector (Itau Unibanco Holding, Banco Santander Brasil, BTG Pactual, Banco Bradesco) achieved the largest gains. By contrast, stocks in the energy group Petrobras and the beverages group AmBev underperformed.

A significant improvement in the companies' sales and earnings growth is expected for 2024. According to the consensus estimate, sales should grow by +6.2%. The companies' operating margins should also increase slightly. Profits are forecast to grow by +12.3%. Profits should rise this year for all companies in the Erste Brazil Index, with the exception of Petrobras.

The valuation of the equity market according to the expected P/E ratio 2024 is 8.1x. The P/E ratio is significantly below the global average. At 6.2%, the dividend yield forecast for 2024 is high by global standards. Due to the positive growth prospects and the very favorable valuation, we expect the Brazilian stock market index to rise in a range of 0% to +5% in the first quarter of 2024.

Tables & Appendix

Economic indicators

		GDP (% yoy)		Inflation (% yoy)		Un-employ. (%)		CA Balance (% GDP)		Fiscal Balance (% GDP)		Gross Debt (% GDP)	
		23e	24e	23e	24e	23e	24e	23e	24e	23e	24e	23e	24e
Europe	**Eurozone**	0.5	**0.7**	5.5	2.7	6.6	6.5	1.2	1.4	-3.5	-2.7	89.6	88.3
	Germany	-0.1	**0.6**	6.3	3.5	3.3	3.3	6.0	6.6	-2.9	-1.7	65.9	64.0
	France	0.8	**0.7**	5.6	2.5	7.4	7.3	-1.2	-1.3	-4.9	-4.5	110.0	110.5
	Spain	2.5	**1.7**	3.5	3.9	11.8	11.3	2.1	2.0	-3.9	-3.0	107.3	104.7
	Italy	0.8	**0.8**	6.0	2.6	7.9	8.0	0.7	0.9	-5.0	-4.0	143.7	143.2
	Austria	-0.6	**0.6**	7.8	3.5	5.1	5.1	1.5	1.9	-2.7	-2.7	76.4	76.4
	UK	0.5	**0.6**	7.7	3.7	4.2	4.6	-3.7	-3.7	-4.5	-3.9	104.1	105.9
	Switzerland	0.9	**1.8**	2.2	2.0	2.1	0.0	8.0	8.0	0.1	0.4	39.5	37.7
Eastern Europe	**Poland**	0.4	**2.7**	11.6	5.3	5.2	5.0	0.8	0.0	-5.4	-5.5	50.0	53.0
	Turkey	4.0	**3.0**	51.2	62.5	9.9	10.1	-4.2	-3.0	-5.4	-3.7	34.4	31.9
	Czechia	-0.4	**1.7**	10.7	2.7	2.7	3.4	0.8	1.0	-4.0	-2.8	45.3	46.1
	Romania	2.1	**3.3**	10.6	6.6	5.6	5.7	-6.3	-5.9	-5.9	-5.4	48.4	49.7
	Hungary	-0.6	**3.2**	17.6	5.2	3.8	3.5	0.2	1.0	-5.9	-4.4	71.7	70.7
	Slovakia	1.1	**2.0**	10.7	4.0	6.0	6.0	0.0	-2.0	-6.2	-5.5	58.4	59.6
Americas	**USA**	2.5	**1.6**	4.1	2.3	3.6	3.8	-3.0	-2.8	-8.2	-7.4	123.3	126.9
	Canada	1.3	**1.6**	3.6	2.4	5.5	6.3	-1.0	-1.0	-0.7	-0.6	106.4	103.3
	Brazil	3.1	**1.5**	4.7	4.5	8.3	8.2	-1.9	-1.8	-7.1	-6.0	88.1	90.3
	Chile	-0.5	**1.6**	7.8	3.6	8.8	9.0	-3.5	-3.6	-1.6	-1.3	38.4	41.2
	Mexico	3.2	**2.1**	5.5	3.8	2.9	3.1	-1.5	-1.4	-3.9	-5.4	52.7	54.7
	Colombia	1.4	**2.0**	11.4	5.2	10.8	10.4	-4.9	-4.3	-3.5	-2.4	55.0	55.1
Asia	**China**	5.0	**4.2**	0.7	1.7	5.3	5.2	1.5	1.4	-7.1	-7.0	83.0	87.4
	Japan	2.0	**1.0**	3.2	2.9	2.5	2.3	3.3	3.7	-5.6	-3.7	255.2	251.9
	India	6.3	**6.3**	5.5	4.6	na	na	-1.8	-1.8	-8.8	-8.5	81.9	82.3
	Indonesia	5.0	**5.0**	3.6	2.5	5.3	5.2	-0.3	-0.6	-2.2	-2.2	39.0	38.6
	South Korea	1.4	**2.2**	3.4	2.3	2.7	3.2	1.3	1.7	-1.2	-0.9	54.3	55.6
	Thailand	2.7	**3.2**	1.5	1.6	1.2	1.1	-0.2	1.9	-2.9	-2.7	61.4	62.9
	Australia	1.8	**1.2**	5.8	4.0	3.7	4.3	0.6	-0.7	-1.4	-2.2	51.9	55.6
	South Africa	0.9	**1.8**	5.8	4.8	32.8	32.8	-2.5	-2.8	-6.4	-6.5	73.7	75.8
	World	3.0	**2.9**										

Source: IMF, EU Commission, Erste Group Research estimates

Forecasts[1]

GDP	2022	2023	2024	2025
Eurozone	3.5	0.5	0.7	1.1
US	2.1	2.5	1.6	1.8

Inflation	2022	2023	2024	2025
Eurozone	8.4	5.5	2.7	2.1
US	8.0	4.1	2.3	2.0

Currency	current	Mar.24	Jun.24	Sep.24
EURUSD	1.09	1.12	1.14	1.14
EURCHF	0.93	0.94	0.94	0.94

Interest rates	current	Mar.24	Jun.24	Sep.24	Dec.24
ECB MRR	4.50	4.50	4.25	4.00	3.50
ECB Deposit Rate	4.00	4.00	3.75	3.50	3.00
3M Euribor	3.94	4.02	3.79	3.40	2.92
Germany Govt. 10Y	2.18	2.20	2.30	2.30	2.30
Swap 10Y	2.62	2.70	2.80	2.80	2.80

Interest rates	current	Mar.24	Jun.24	Sep.24	Dec.24
Fed Funds Target Rate*	5.33	5.38	5.38	4.88	4.38
3M Libor	5.59	5.63	5.46	4.96	4.46
US Govt. 10Y	4.05	4.00	3.80	3.80	3.80
EURUSD	1.09	1.12	1.14	1.14	1.12

*Mid of target range

Interest rates	current	Mar.24	Jun.24	Sep.24	Dec.24
Austria 10Y	2.75	2.70	2.80	2.80	2.75
Spread AT - DE	0.57	0.50	0.50	0.50	0.45

Source: Market data provider, Erste Group Research

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

Equities

Erste Global 1000 Index

					Weight	Performance (%)				Growth (%, y/y)							
			No. of	Mkt. Cap.	(%)	EUR				Sales		Net Profit Adj.		P/E		DY
	Erste Global 1000 Index		Comp.	EUR bn	World	1M	3M	12M	YTD	23e	24e	23e	24e	23e	24e	23e
	World	**USD**	**1,123**	**64,883**	**100**	**4.1**	**5.6**	**15.4**	**15.4**	**0.4**	**5.4**	**-2.8**	**9.3**	**18.0**	**16.5**	**2.1**
Developed Markets	**North America**	**USD**	**554**	**41,769**	**64.4**	**4.3**	**6.6**	**20.6**	**20.6**	**1.7**	**5.6**	**-0.3**	**9.6**	**21.8**	**19.9**	**1.5**
	Canada	USD	47	1,730	2.7	6.6	5.3	7.9	7.9	-6.6	7.3	-12.7	6.5	15.1	14.1	3.2
	USA	USD	507	40,039	61.7	4.2	6.6	21.3	21.3	2.2	5.5	0.6	9.8	22.2	20.2	1.4
	Europe	**EUR**	**249**	**11,124**	**17.1**	**4.0**	**5.6**	**12.9**	**12.9**	**-3.9**	**2.7**	**-9.6**	**3.3**	**14.1**	**13.7**	**3.4**
	Belgium	EUR	3	157	0.2	4.9	8.3	3.1	3.1	7.2	4.0	0.1	7.6	16.6	15.4	2.6
	Denmark	EUR	11	648	1.0	3.4	6.3	22.7	22.7	-18.8	4.5	-56.2	20.7	34.6	28.7	1.5
	Finland	EUR	6	117	0.2	0.9	3.4	-17.5	-17.5	-9.1	1.0	-19.6	4.4	14.2	13.6	4.6
	France	EUR	41	2,501	3.9	4.0	6.6	17.1	17.1	-1.1	2.9	-6.6	1.6	14.7	14.5	2.8
	Germany	EUR	37	1,464	2.3	3.4	7.6	14.3	14.3	-0.4	2.3	-11.9	3.0	11.5	11.2	3.5
	Ireland	EUR	10	255	0.4	8.2	11.2	27.7	27.7	10.2	5.5	21.3	9.7	22.4	20.4	0.6
	Italy	EUR	13	401	0.6	0.1	6.2	27.4	27.4	-14.4	1.1	9.5	0.1	9.7	9.7	5.5
	Netherlands	EUR	19	931	1.4	3.5	8.6	14.8	14.8	1.7	2.2	15.4	2.9	18.9	18.4	2.3
	Norway	EUR	5	164	0.3	2.1	-4.5	-8.4	-8.4	-28.1	1.5	-42.4	2.3	9.6	9.3	9.2
	Spain	EUR	14	547	0.8	0.6	7.0	24.9	24.9	-1.8	0.8	6.7	1.5	12.0	11.9	4.7
	Sweden	EUR	20	555	0.9	9.9	14.9	17.7	17.7	6.2	4.2	25.3	2.9	16.3	15.9	3.4
	Switzerland	EUR	26	1,584	2.4	6.4	5.0	8.6	8.6	-8.6	5.9	-14.1	10.6	19.1	17.2	3.3
	United Kingdom	EUR	40	1,733	2.7	2.8	-1.4	3.1	3.1	-4.1	1.8	-12.2	0.8	10.6	10.5	4.1
	Asia/Pacific	**USD**	**159**	**5,974**	**9.2**	**4.1**	**5.9**	**8.3**	**8.3**	**-3.3**	**4.7**	**-9.9**	**14.7**	**16.4**	**14.3**	**2.6**
	Japan	USD	96	3,162	4.9	1.5	1.9	2.7	2.7	-3.3	2.1	1.6	8.8	15.7	14.4	2.2
	Singapore	USD	5	174	0.3	4.4	-0.8	-4.3	-4.3	2.6	4.0	14.7	5.8	9.6	9.1	5.6
	Australia	USD	22	1,029	1.6	11.4	11.9	8.7	8.7	2.3	4.2	-7.7	-0.7	16.3	16.4	4.1
	South Korea	USD	20	794	1.2	6.2	10.5	21.7	21.7	-1.0	11.4	-44.2	68.5	20.7	12.3	1.8
	Taiwan	USD	16	815	1.3	3.9	12.3	23.9	23.9	-12.9	10.5	-19.0	20.3	19.3	16.0	2.6
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**131**	**4,967**	**7.7**	**3.0**	**-2.9**	**-6.9**	**-6.9**	**2.1**	**5.9**	**4.7**	**10.1**	**10.7**	**9.7**	**3.3**
	China (incl. HK)	USD	66	2,719	4.2	-0.4	-8.7	-15.3	-15.3	1.4	6.2	3.5	9.6	7.5	6.8	4.4
	India	USD	46	1,829	2.8	8.1	6.1	7.3	7.3	5.8	5.6	12.7	13.0	24.1	21.3	1.5
	Indonesia	USD	6	198	0.3	11.4	8.4	15.6	15.6	3.3	4.1	13.0	9.2	15.4	14.1	3.7
	Thailand	USD	7	128	0.2	0.1	-9.3	-12.4	-12.4	-3.0	0.5	-14.6	9.1	17.3	15.9	3.3
	Emerging Americas & AF/ME	**USD**	**22**	**883**	**1.4**	**4.8**	**10.6**	**23.8**	**23.8**	**2.9**	**8.3**	**-18.4**	**11.1**	**12.2**	**11.0**	**5.1**
	Brazil	USD	12	489	0.8	5.9	12.5	21.8	21.8	-5.6	6.2	-27.7	12.3	9.1	8.1	7.2
	Mexico	USD	8	281	0.4	7.4	8.2	24.0	24.0	19.2	11.0	27.4	5.8	16.2	15.3	3.4
	Global Sectors															
Erste Sectors	Basic Materials	USD	62	2,042	3.1	7.5	7.1	5.6	5.6	-9.9	3.4	-35.6	5.7	15.9	15.0	3.4
	Consumer Discretionary	USD	156	8,020	12.4	4.4	4.5	16.7	16.7	7.7	6.2	22.7	10.0	19.9	18.1	1.5
	Consumer Staples	USD	83	3,917	6.0	2.4	-0.1	-4.6	-4.6	4.6	4.3	1.6	6.1	18.3	17.3	2.9
	Energy	USD	64	3,476	5.4	0.4	-7.1	-1.4	-1.4	-10.9	2.6	-24.4	1.1	9.6	9.4	4.9
	Financials	USD	196	10,697	16.5	5.5	6.3	8.8	8.8	3.0	5.8	8.0	5.5	11.3	10.7	3.4
	Health Care	USD	111	7,058	10.9	4.1	1.3	-0.2	-0.2	2.7	7.7	-15.9	15.5	22.1	19.2	1.8
	Industrials	USD	169	6,545	10.1	6.8	8.1	11.0	11.0	-0.3	3.6	-8.8	5.6	20.5	19.4	1.8
	Real Estate	USD	47	1,129	1.7	7.1	9.7	0.4	0.4	1.8	6.1	-3.4	4.6	23.8	22.7	3.5
	Technology	USD	140	18,685	28.8	3.0	10.6	49.6	49.6	1.8	10.9	3.4	19.4	28.8	24.1	0.7
	Telecom	USD	40	1,858	2.9	2.5	2.1	4.5	4.5	-0.6	3.8	6.4	10.8	15.1	13.7	3.1
	Utility	USD	55	1,456	2.2	3.4	6.4	-8.7	-8.7	-2.2	0.4	1.5	9.8	15.6	14.2	4.0

Source: Erste Group Research, FactSet. Closing Prices as of: 29129.2023.

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	World	1M	3M	12M	YTD	23e	24e	23e	24e	23e	24e	23e
CEE Coverage	**EUR**	**157**	**409**	**100**	**2.8**	**12.1**	**20.7**	**20.7**	**3.1**	**5.7**	**-2.1**	**-2.5**	**8.6**	**8.9**	**4.0**
CEE Austria	EUR	36	123	30.1	3.9	6.8	7.9	7.9	-1.7	2.3	-14.8	-1.0	8.1	8.2	5.0
CEE Czech Republic	EUR	8	41	9.8	-1.7	-1.1	12.0	12.0	8.9	3.8	-25.9	-6.6	15.7	16.8	5.9
CEE Croatia	EUR	11	7	1.8	4.7	6.5	34.2	34.2	10.0	4.7	25.2	6.1	19.3	18.2	3.0
CEE Hungary	EUR	4	24	5.8	5.3	11.9	38.4	38.4	-5.2	-0.6	0.6	12.9	6.3	5.6	4.4
CEE Poland	EUR	78	172	42.0	3.5	25.6	37.5	37.5	17.6	11.4	25.7	-4.8	8.8	9.2	2.3
CEE Romania	EUR	9	21	5.1	6.1	7.6	17.1	17.1	-19.6	3.1	-23.3	0.1	8.1	8.1	6.5
CEE Serbia	EUR	2	2	0.4	-0.2	6.3	12.0	12.0	-1.6	7.9	-69.9	29.6	7.6	5.8	3.4
CEE Slovenia	EUR	2	4	0.9	2.3	0.5	19.6	19.6	3.5	4.4	-16.0	12.1	11.8	10.5	6.2
CEE Turkey	EUR	6	16	4.0	-7.1	-14.5	-11.5	-11.5	-29.2	-7.0	-6.6	-20.0	5.9	7.4	5.9

Source: Erste Group Research, FactSet. Closing Prices as of: 29.12.2023.

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