Global Strategy 2Q 2024

Even if the central banks are currently in no hurry, the first interest rate cuts are increasingly within reach. Furthermore, the future interest rate path is uncertain, which should also lead to increased volatility on the bond markets in the second quarter. We consider 10-year US government bonds to be attractively valued without taking exchange rate risk into account. For corporate bonds, we recommend the BBB rating class and IG-rated subordinated bonds (corporate hybrids). We expect a positive price trend on the global equity markets in the second quarter.

Investment Strategy 2Q 2024:

Govt. bond yields		June 2024
Germany (10Y)		2.30
USA (10J)		3.80
Currencies		**June 2024**
EURUSD		1.12
EURCHF		0.97
Equity Performances		**June 2024**
Global	↗	0%/ +5%
Europa	↗	0%/ +5%
USA	↗	0%/ +5%

Source: Erste Group Research

Prices as of
22.03.2024, 22:00

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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 has got off to a slower start in 2024. Weaker, but still solid, economic growth is emerging for the first quarter. The decisive factor for this year's GDP growth will be how private consumption develops. Real wage increases on the one hand and the reduction in savings on the other will be important factors. In January and February, US inflation momentum was again higher than before, but we still expect price pressure to ease again in view of the expected slowdown in the economy. In the eurozone, we expect slight growth in 1Q 2024 after stagnation in 4Q 2023. Business sentiment is still at a low level, especially in industry. The still robust labour market and positive real wage growth should provide slightly positive impetus for private consumption. We forecast that inflation will fall to 2.5% this year. However, services inflation in particular will remain the focus of the ECB and the financial markets in the coming months.

Bonds

Inflation has fallen significantly in both the US and the eurozone. However, the US Fed and the ECB want to wait for more data before they are sufficiently convinced that inflation will sustainably return to the target of 2%. Although both central banks have recently held out the prospect of interest rate cuts, they have not been specific. Disappointing inflation data in January and February caused US Treasury yields to rise in 1Q. However, we expect 10-year yields to fall in Q2, mainly due to the expected slowdown in the US economy. German bond yields are being influenced by the US. Interest rate expectations for the eurozone are fairly homogeneous. The first interest rate hike of 25 bp in June should be followed by three more. Accordingly, we expect German 10-year Bund yields to move sideways. Volatility is still to be expected.

Currencies

In addition to the differing economic trends in the USA and the eurozone, the prospect of further falls in inflation rates and interest rates will be decisive for the development of currencies. We expect the euro to strengthen against the US dollar and the Swiss franc to strengthen slightly. Gold should also benefit from falling interest rates.

Equities

Supported by robust expected earnings growth of +7% for this year, we expect the global equity market index to rise in a range of 0% to +5% in the second quarter. We favour the technology, healthcare, industrials and consumer discretionary sectors.

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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 2Q 2024

Yields		current	2Q24	3Q24	4Q24	1Q25
			Estimates			
10y. Govt. bonds	**Germany**	2.32	**2.30**	2.30	2.30	2.30
	Austria	2.82	**2.80**	2.80	2.75	2.70
	US	4.21	**3.80**	3.80	3.80	3.80
	CEE					
	Czech Republic	3.87	**3.85**	3.67	3.50	3.36
	Hungary	6.58	**6.34**	6.23	6.14	6.05
	Poland	5.54	**5.00**	4.90	4.80	4.70
	Romania	6.57	**6.70**	6.60	6.50	5.90

Source: Erste Group Research estimates

Currencies		current	2Q24	3Q24	4Q24	1Q25
			Estimates			
Global	**EURUSD**	1.08	**1.12**	1.14	1.14	1.12
	EURCHF	0.97	**0.97**	0.98	0.98	0.99
	Gold (USD)	2,165	**2,300**	2,350	2,450	2,500
CEE	**CZK**	25.31	**24.90**	24.75	24.60	24.47
	HUF	397.13	**390.00**	390.00	390.00	390.00
	PLN	4.32	**4.30**	4.30	4.30	4.30
	RON	4.97	**4.98**	5.02	5.05	5.07

Source: Erste Group Research estimates

Equities		Estimate 2Q 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	↗	0%	+5%	USD
	Industrials	↗	0%	+5%	USD
	Consumer Staples	↘	-5%	0%	USD
	Basic Materials	↘	-5%	0%	USD
	Telecom	↘	-5%	0%	USD
	Utilities	↘	-5%	0%	USD

Source: Erste Group Research estimates

Eurozone Economic Outlook

First slight positive signs

The Eurozone economy stagnated in 4Q23. While investments and public consumption showed slight growth, external trade and the reduction in inventories weighed on growth. At country level, Germany's economic weakness continued, with GDP falling by 0.3%. In contrast, Spain recorded dynamic growth of 0.6%.

Overall, after stagnation in 4Q23, we expect slight growth in the Eurozone in 1Q24, although the weakness of the German economy should continue in relative terms. Business sentiment is still at a low level, particularly in the industrial sector. However, sentiment brightened over the course of 1Q24 relative to 4Q23, after having not done so for some time. In addition, other indicators, such as Germany's export growth to China, have also brightened recently. Trucking activity on German roads has also increased recently.

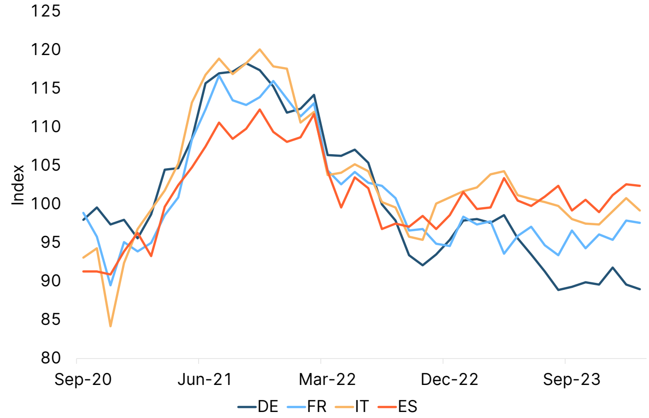
0.7% GDP growth expected in 2024

We also expect a slight positive impetus from private consumption. Positive real wage growth, which we expect for the first time in two years, should be the main driver of this. In addition, a robust labor market is supporting consumption. Despite economic stagnation over the last few quarters, there has been no increase in the unemployment rate in the Eurozone. This points to 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 consolidate in the second half of the year, which should enable a further slight acceleration in growth to +1.1% in 2025.

Inflation should decline further in 2024

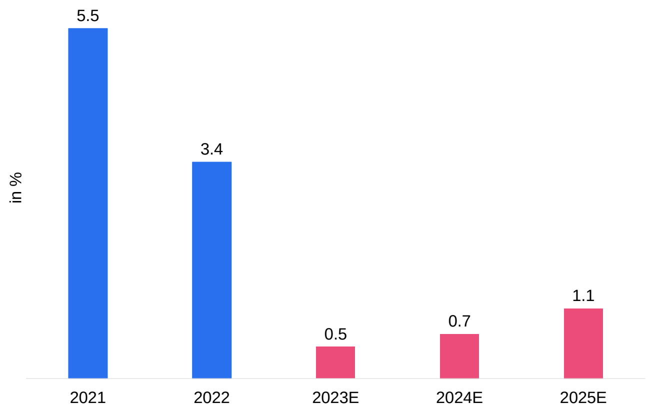
Inflation should fall from 5.5% to 2.5% in 2024. Service provider inflation, which was still at 3.9% in February, will remain the focus of the financial markets in the coming months.

Sentiment weakest in Germany
Eurozone Sentiment Indicator DE, FR, IT and ES



Source: EC, Erste Group Research

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



Source: Eurostat, Erste Group Research

US Economic Outlook

How strong will the slowdown be?

US economy still solid

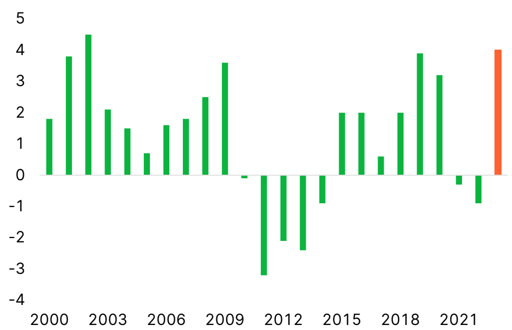
After a very strong second half of 2023, the US economy got off to a slower start in 2024. Economic growth is expected to be weaker, but still solid, in the first quarter. Economic indicators for March are still pending, meaning that a final assessment is not yet possible. The question of how the US economy will fare in the second quarter remains open. Public spending has been a key factor in the overall positive development of the US economy to date. Support payments during the pandemic, which were spent later and thus supported consumption, and a sharp rise in spending by local governments and on defense in 2023 were decisive factors. However, these effects should subside. The accumulated savings should be increasingly used up and a repeat of the real increase in public spending, which contributed a good quarter to economic growth in 2023, is difficult to imagine. The question for us is therefore not whether the US economy will cool down, but how much. The indicators currently point to only a moderate downturn. The unemployment rate, for example, has risen only slightly so far from historic lows. How private consumption develops will be critical. If real wage increases can compensate for the depleted savings, the downturn should indeed be moderate. However, if private consumption weakens considerably, a recession cannot be ruled out. As there are no indications of this in the data so far, we are not assuming this, but expect the economy to grow at a lower rate, albeit with sustained positive growth.

Private consumption will be decisive

Price pressure has recently increased again

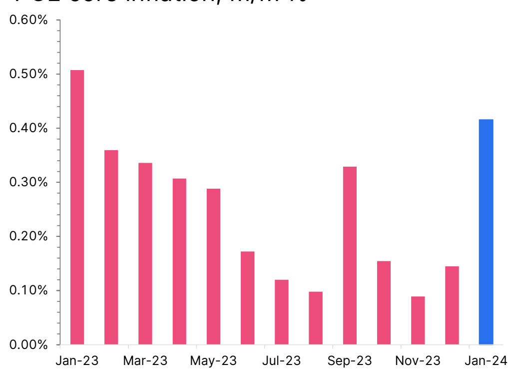
Inflation momentum weakened significantly in the second half of 2023. However, the figures for January again showed significantly higher monthly price pressure. Service prices rose more strongly again and the prices of goods stagnated after falling in the previous months. Although indicators suggest that price pressure will be somewhat weaker again in February, it should still be higher than before January. Following these recent setbacks, it is very difficult to assess the future course of inflation. For us, a renewed, sustained acceleration in inflation is unlikely. This is because wage growth is stable to falling slightly. We also expect the US economy to cool down, making a renewed weakening of price pressure the most likely scenario.

Public sector supports the economy
Real increase in public spending, y/y %



Source: Bureau of Economic Analysis, Erste Group Research

Price pressure increased again in January
PCE core inflation, m/m %



Source: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

In 2023, CEE countries showed a mixed performance. Croatia, Romania, and Serbia saw relatively strong GDP growth (above 2% last year). 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, a gradual recovery is expected (GDP growth to accelerate to 2.4% in CEE8). However, we have revised the GDP growth forecast for the region down slightly due to the weaker expected performance in the following countries: Czechia (1.0% compared to 1.7%), Hungary (2% compared to 3.2%), and Romania (2.6% compared to 3.3%). On the other hand, in Croatia, the growth forecast got bumped up to 3.1%, owing to a stronger carry-over effect and further improving private consumption outlook. In general, we see private consumption growth as the key driver of economic recovery in 2024. Real wage growth turned positive in 2023, and it should be accelerating further throughout the year (amid falling inflation and still solid nominal growth of wages), supporting household spending. Investment growth is likely to slow down, as CEE countries switch to drawing EU funds from the new budgeting period. The inflow of Recovery and Resilience Funds should, however, cushion the usual drop in investment activity related to the switch between budgeting periods. Risks to the downside for our current GDP forecast persist, as the German economy has been weak.

The weaker economic recovery reduces inflationary pressure in the region, allowing banks to continue monetary easing. Average inflation in 2024, compared to the previous year, is expected to be lower in all CEE countries, as demand-side pressure and supply-side factors favor the downward trend (such as food price development). Furthermore, we revised the inflation forecast downward in all CEE countries. Headline inflation has fallen toward the central bank’s target in numerous countries at the beginning of 2024. It will move in different directions in the second half of 2024. In Czechia, Hungary and Poland, inflation is expected to be higher compared to the beginning of 2024. Such a development will be driven by the base effect to some extent. On the other hand, Croatia, Romania and Serbia should see inflation (currently above the central bank’s tolerance band) falling throughout the year.

Emerging Markets Economic Outlook

China

China loan growth vs. German exports to China growth (Y/Y 6-months average)

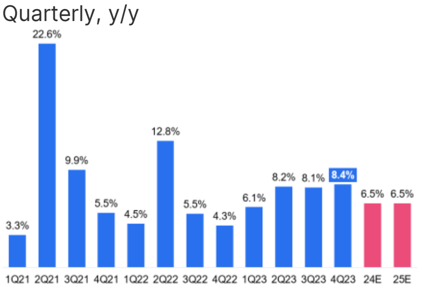
Source: PBoC, Statistic Germany, Erste Group Research

Following a recovery in GDP growth to 5.2% in 2023, the IMF is forecasting a slight slowdown in growth momentum to 4.6% for China in 2024. Encouragingly, sentiment among service providers has brightened steadily in recent months, while only stabilization can be seen in industry for the time being.

German exports to China rose by a surprisingly strong 11% year-on-year in January. This is the first increase since November 2022. Interestingly, an acceleration in lending growth has been visible in China for several months. This is due to a gradual easing of the Chinese central bank's monetary policy. Historically, there has been a positive correlation between the dynamics of credit growth in China and the growth of German exports to China. In our view, this increases the likelihood that the positive momentum of German exports will continue in the coming months.

India

India: GDP-Growth
Quarterly, y/y

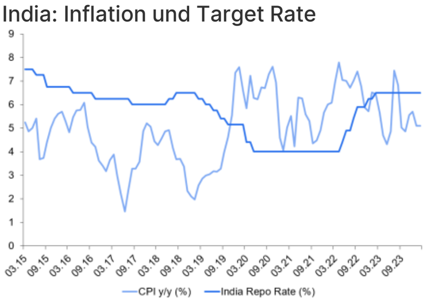


Source: Refinitiv, IMF Estimates

India's economy is growing very strongly. In 4Q23, GDP growth reached +8.4% year-on-year, after +8.1% in the previous quarter. The 4Q figure was thus well above market expectations of +6.6%. The long-term economic outlook is clearly positive. The IMF is forecasting annual GDP growth of +6.5% for both 2024 and 2025 as at the end of January. Parliamentary elections will be held in India in April/May. At present, the polls clearly point to a third term in office for Prime Minister Narendra Modi.

Short-term indicators in India continue to show very strong growth. The Purchasing Managers' Index (PMI) for industry stood at 56.9 points in February (Jan.: 56.5 points). In particular, incoming orders for exports rose at the fastest rate in two years. Strong growth also continued in the services sector. After an already strong January, the EMI reached 60.6 points in February. Business activity increased in all service sectors. The finance and insurance sector recorded by far the strongest growth.

India: Inflation und Target Rate

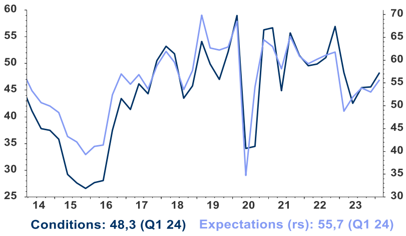


Source: Central Statistical Org. India, RBI

The Reserve Bank of India (RBI) left its key interest rate unchanged at 6.5% in February. As part of the publication, the RBI's key inflation forecast for the fiscal year 23/24 also remained unchanged at +5.4%. In January, inflation fell slightly to +5.1%. The inflation rate is therefore still below the highs of the middle of last year and thus back within the RBI's target range of 2% to 6%. The market consensus expects interest rate cuts totalling 50 basis points from the second quarter until the end of the year. The Indian rupee remains very stable against the USD and the market expectation sees no change against the USD until the end of the year. The yield on the 10-year government bond is 7.2% and the market expects it to fall slightly to 6.8% by the end of 2024.

Brazil

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

GDP growth expected for 2024 is +1.7%. Compared to other Latin American countries and within the emerging markets, this is a below-average growth outlook. GDP growth should then rise to around +2% in 2025.

Industrial production and investments should each grow by 1.9% this year. Sentiment among purchasing managers in the industrial sector has improved in the last quarter, with the expectations component of the purchasing managers' index also rising in particular. The reason for the improved outlook is falling inflation and the simultaneous fall in interest rates. The inflation rate is expected to fall to 3.9% this year. In the previous year, it was still at 4.6%. The decline in the inflation rate should continue over the next two years.

However, the high unemployment rate of 8.1% and the current high real interest rate are currently slowing down growth in private consumer spending. Private consumption is therefore only expected to grow by +2% in 2024 and +2.3% in 2025. Government consumption should increase by +1.5% this year. This is also unlikely to change much in the coming year (2025e: +1.4%).

The key interest rate has already been cut six times since August last year. It now stands at 10.75%. The consensus expectation is that the key interest rate will fall further to 9% by the end of this year. Interest rate cuts are also expected in 2025. The Brazilian real fell slightly against the USD in the first quarter. The consensus estimate is that the real will move sideways against the USD until the end of 2024.

Eurozone

	Yield Forecast 2Q 2024
ECB Deposit Facility	3.75%
German Bond	2.3% (10Y)

First interest rate cut in sight

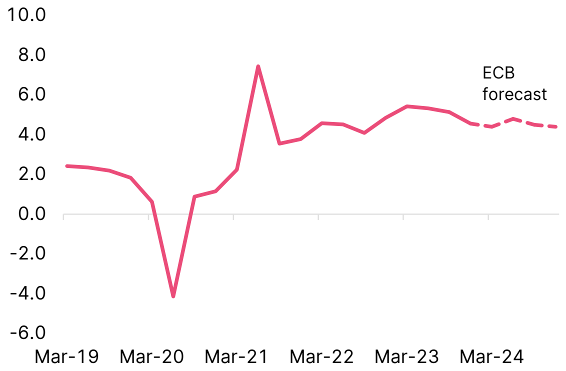
Data support interest rate cut fairly soon

The economic data during the first quarter as a whole has encouraged the ECB to lower interest rates in the foreseeable future. This was shown by the latest forecasts from ECB economists, who expect inflation to fall more quickly in the coming years than in December. However, the decisive ECB Governing Council is not yet entirely convinced. Further data should be awaited to ensure that the progress made so far in reducing inflation is sustainable. The environment is favorable for this. The economy is weak and is only getting off the ground very slowly. Wage growth, which is being monitored particularly closely, is developing largely in line with the Governing Council's expectations and is therefore consistent with a weakening of price pressure over the coming years. Although the most recent monthly inflation data was again higher than in previous months, the environment described above suggests that this is more of a temporary development. However, the data shows that there are still risks to the inflation trend. Our base scenario is that the data situation will develop by June in such a way that the ECB Governing Council will decide on an initial interest rate cut of 25 basis points (bp). Three further interest rate cuts of the same magnitude should then follow by the end of the year. Independently of this, the ECB Governing Council adopted changes to the policy framework in mid-March. Among other things, the gap between the main refinancing rate and the deposit rate will be reduced from 50 to 15 bp from September 18. The main refinancing rate will therefore fall by 35 bp on the cut-off date. However, this will have no impact on the money market rates (ESTR, Euribor), as these are based on the deposit rate. The other measures adopted will also have no impact for the time being.

Uncertainty speaks for continued volatile bond market

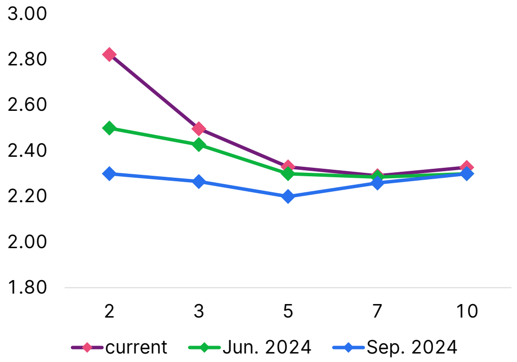
For the bond market, we expect a volatile sideways movement in the coming quarter and thus a continuation of recent months. Economic data is likely to fluctuate, meaning that the ECB's interest rate path will remain uncertain, especially beyond June. As in the past, a key factor will be the guidance from the US market, which could trigger additional volatility as the US Fed's interest rate path is even more uncertain. We only see potential for sustained fall in yields for German short maturities, as more and more future interest rate cuts by the ECB will be factored into valuations here.

Incomes develop in line with the ECB
Compensation/employee, y/y in %



Source: ECB, Erste Group Research

Yields to move mostly sideways
Yields on German government bonds by maturity, in %



Source: Market data provider, Erste Group Research

USA

Federal Funds Rate — Yield Forecast 2Q 2024: 5.00 – 5.25%
US Treasuries — 3.8% (10y)

Interest rate path remains uncertain

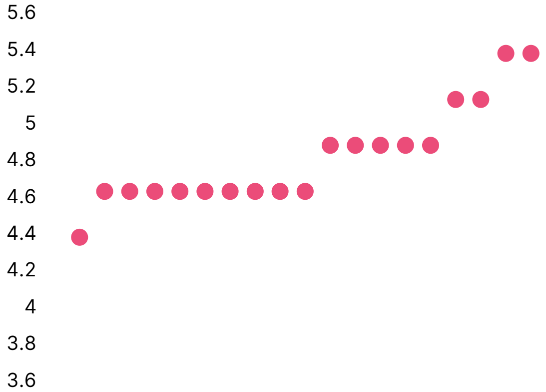
First interest rate cut in June

The Fed's rate-setting committee, the FOMC, confirmed its wait-and-see stance at its March meeting. Further data is to be awaited in order to gain greater confidence that inflation is moving sustainably towards 2%, the central bank's target. At the same time, the latest survey of the relevant FOMC meeting participants showed that only 2 out of 19 do not expect a rate cut this year. The median expectations corresponds to interest rate cuts by 75 basis points (bp) by the end of the year. However, this survey is in no way binding. Future decisions will depend on further data. The latest inflation rates for January and also for February were setbacks after a series of very favorable inflation rates in the second half of 2023. Seasonal effects or their adjustment may have played a role in January. So far, only consumer prices have been published for February and not yet the PCE indicator, which is relevant for the FOMC. A lower value than in January, but still too high from the FOMC's point of view, is to be expected. The path of inflation and the interest rate path have thus become more uncertain. The FOMC will probably need at least two months of data to be convinced that January and February were outliers. This means that the April data, which will be published in May, should be awaited in any case. For us, the June meeting of the FOMC is therefore the earliest time for a first rate cut.

Bond yields should fall

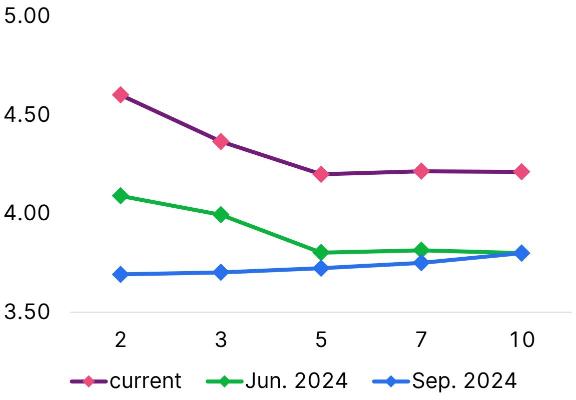
Following a sharp fall in yields, there was a significant rise again in the first quarter of 2024, mainly due to the disappointing inflation rates mentioned above. Yields should fall again in the second quarter. However, uncertainty is high as both the inflation data and the economy have the potential to surprise. We expect both to weaken. Any impact of the upcoming US elections in the fall on the markets is difficult to assess at present. A victory for Donald Trump would probably lead to more uncertainty in US foreign policy, including trade relations. Neither candidate is likely to tackle the urgent need to restructure the public budget. However, this will also depend on the future majorities in the US Congress, which could shift in the fall. We expect a close race and the markets are most likely to react only once the outcome is known.

Median corresponds to interest rate cuts of 75 bp in 2024
FOMC participants' interest rate expectations for the end of 2024, in %



Source: Federal Reserve, Erste Group Research

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



Source: Market data provider, Erste Group Research

CEE Government Bonds

	Yield Forecast 2Q 2024
Czech Republic	3.85% (10J)
Hungary	6.34% (10J)
Poland	5.00% (10J)
Romania	6.70% (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. The dynamic decline of inflation justified monetary easing in Hungary and Poland. Czechia joined at the end of 2023 and the Czech central bank has delivered 125bp in cuts since December (key policy rate at 5.75% as of March 20). Hungary lowered the policy rate to 9.0% at the last meeting and we expect it to fall to 6.5% by mid-2024 and remain unchanged afterward. Romania and Serbia should begin with monetary easing only in the course of 2024. Serbia is expected to wait until the Fed begins with monetary easing. Poland, on the other hand, may pause in 2024.

Since the beginning of the year, the Czech koruna and Hungarian forint have depreciated against the euro, while the Polish zloty, on the contrary, has strengthened. The markets are keeping a close eye on the comments of central bankers to see whether weaker currencies could not be mentioned as a hurdle for the continuation of monetary easing at the current pace. This is especially valid for Czechia.

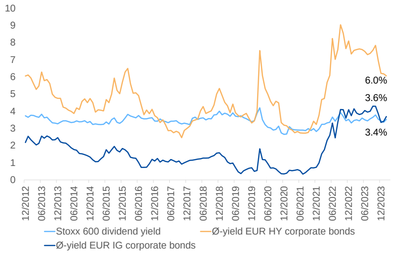
As far as the fiscal situation is concerned, Croatia has space for fiscal expansion, especially as 2024 is an election year. Czechia and Hungary plan fiscal consolidation in 2024, while all other countries are likely to see similar budget deficits as in 2023. In Romania, the budget deficit reached 1.67% of GDP at the end of February. Such a development makes our forecast of the 2024 budget deficit at 5.7% look quite optimistic (even if we overlook one-offs such as military spending). 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, alongside Romania, which is already under the EDP.

When we look at YTD developments on the bond market in the region, the upward correction is quite visible, with long-term yields rising everywhere, most notably in Hungary. This comes as no surprise, as the Hungarian bond market had become overbought at the end of last year, with expectations for more MNB rate cuts, coupled with other factors such as the risk-on mode of markets, leading to a spectacular bond rally. The smallest changes were in Czechia, where sizeable monetary easing seems to be holding off any substantial yield increase.

EUR-Corporate Bonds
Investment Grade
High Yield

High yield bonds already appear to be pricing in interest cuts and economic recovery

Ø IG corporate bond yield is higher than Ø dividend yield*
Spreads (in basis points, bps)

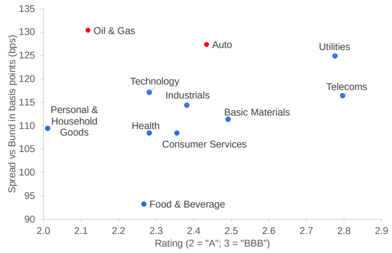


Source: Markit, Erste Group Research
As of March 18, 2024
* Ø dividend yield of the STOXX 600 index in %; Ø remaining bond term: ~5 years

Risk premium for HY versus IG bonds historically low
HY minus IG spread in basis points

Source: Markit, Erste Group Research
As of March 18, 2024

IG: Auto and Oil & Gas bonds have a good risk/return profile
Spread to Bund (bps) vs. Ø-Rating



Source: Markit, Erste Group Research
As of March 18, 2024

The rise in government bond yields weighed more heavily on IG corporate bonds (performance: -0.7% since the beginning of the year) than on HY corporate bonds (+1.6%). In a generally risk-friendly market environment, subordinated bonds from the IG segment (IG Corporate Hybrids: +1.6%) also performed well.

The risk premiums on corporate bonds tightened in 1Q in both the IG and HY segments. Investors want to secure historically high yields in the run-up to the forecast key interest rate cuts. This is also reflected in the high demand for new corporate bond issues. The 4Q results of European companies provided some tailwind. In aggregate, they slightly exceeded analysts' consensus expectations. However, the business outlook of many cyclical companies remains rather subdued. The consensus expects a slight increase in the debt repayment period for STOXX 600 companies in 2024 compared to 2023.

HY bonds benefited particularly from investors' hunger for yield. From a fundamental perspective, we consider the extent of the tightening of risk premiums there to be somewhat exaggerated. This is because leading economic indicators have only brightened slightly so far. The spread pick up of HY- over IG-bonds is already very low by historical standards (see chart).

The (re-)financing costs of HY issuers remain high regardless of possible key interest rate cuts. HY yields are on average 130 basis points higher than the coupons of outstanding HY bonds. HY yields and financing costs fell only slightly in 1Q despite the tightening of risk premiums (due to the offsetting effect of rising government bond yields). At the same time, the refinancing requirements of HY issuers are gradually increasing. Their interest coverage ratios (ratio of operating results to interest expenses) are likely to weaken further. If the ECB's first interest rate cut comes in June as expected, this is unlikely to provide an additional boost to HY bonds. If inflation proves to be stubborn and the first interest rate cut does not come in June, this could dampen investors' appetite for risk. This would have a negative impact on the performance of HY bonds.

The slight decline in five-year government bond yields that we are forecasting should in principle support the performance of corporate bonds over the course of 2024. However, in our view, the risk premiums on corporate bonds with low credit ratings (rating categories B and lower) already reflect a great deal of optimism regarding the development of the economy, key interest rates and ultimately the issuers' creditworthiness, as outlined above.

We therefore continue to recommend BBB-rated corporate bonds and IG-rated subordinated bonds (corporate hybrids). After years of very low yields, the yield of IG corporate bonds remains slightly higher on average (3.6%) than the dividend yield of the STOXX 600 (3.4%).

Despite the relative outperformance since the beginning of the year, bonds from the automotive and oil & gas sectors still have the best risk/return profile within the IG segment (see chart).

Currencies

US-Dollar

Forecast 2Q 2024
1.12

Will EURUSD break out of the range?

EURUSD remained within a narrow range during the first quarter, continuing the sideways movement that has been in place since the beginning of 2023. Both economic areas showed a similar inflation trend in the quarter coming to an end. Although both central banks held out the prospect of interest rate cuts, neither of them became concrete. With an uncertain interest rate path on both sides of the Atlantic, the markets did not develop a preference for one of the two currencies. The result was the mentioned persistent sideways trend.

The economy could make the difference

We assume that in the second quarter and beyond, data in both the eurozone and the US will show decreasing price pressure. This should confirm expectations for interest rate cuts, which we expect to total 100 basis points in both currency areas by the end of the year. However, the economy should make the difference. A slowdown in US economic growth should further support market expectations for rate cuts. A slow improvement in the eurozone, on the other hand, should limit expectations for interest rate cuts by the ECB. We expect slow changes in the economy in both economic areas, and therefore also relatively moderate movements in the exchange rate. In general, however, developments are very uncertain, especially with regard to the more important US economic data. More persistent US inflation than we currently expect, for example, would support the dollar. If, on the other hand, the US economy weakens more sharply, the dollar would probably weaken more than we currently expect.

Dollar should weaken
EURUSD

Source: Market data provider, Erste Group Research

Swiss Franc

Forecast 2Q 2024
0.97

SNB lowers key interest rate to 1.5%

In March, the SNB lowered its key interest rate by 0.25pp to 1.5%. The easing of monetary policy was possible because the fight against inflation has been effective over the last two and a half years: inflation has now again been below 2% for several months and is therefore in the range that the SNB equates with price stability. According to the new forecast, inflation is likely to remain in this range over the next few years.

The SNB's decision takes into account the reduced inflationary pressure and the real appreciation of the Swiss franc over the past year. SNB Chairman Jordan emphasized that the sharp fall in the inflation forecast was an important factor in the key interest rate cut. With regard to questions on the assessment of the real neutral key interest rate, Jordan referred to market estimates in a range of 0-0.5%.

The SNB significantly lowered its conditional inflation forecast for 2024 to 1.4% (previously 1.9%) and for 2025 to 1.1% (previously 1.6%). The inflation forecast for Switzerland is therefore only slightly higher than 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.

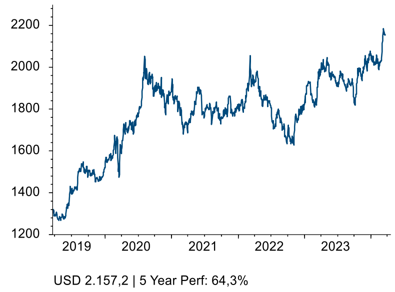
Swiss franc weakens significantly

In view of the slight rise in interest rate expectations in the Eurozone, the franc has weakened continuously against the euro since February. Due to the interest rate cut in March, which came as a surprise to the market, the franc weakened significantly in the short term to a level of almost 0.98. This makes it clear that interest rate changes and changes in interest rate expectations in the two currency areas will remain decisive for the development of the exchange rate. We and the market currently expect interest rate cuts of 100bp for the Eurozone in the current year. Should interest rate expectations for the Eurozone change over the coming crucial months, this could have an impact on the exchange rate. We assume that the SNB will leave the key interest rate unchanged at 1.5% at its next meeting in June. With inflation forecasts already significantly lower, we see little scope for further cuts by the SNB in the short term. We believe that the economic outlook for the Eurozone, which has gradually brightened recently, points to a further slight strengthening of the euro against the franc in the medium term. In the short term, however, we expect the market to digest the recent rapid weakening of the franc in a sideways movement in a range of around 0.96 to 0.98. In the event of geopolitical risks flaring up, the franc could strengthen sharply against the euro at any time.

Gold

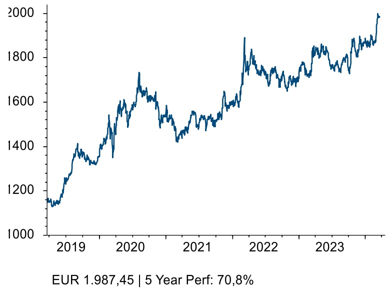
Forecast 2Q 2024
USD 2,300

Gold in USD

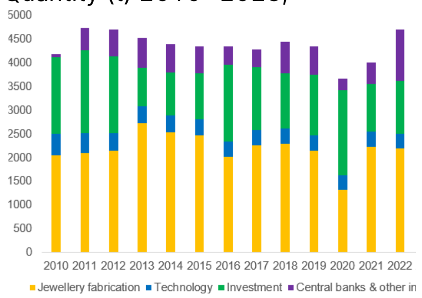


Source: Datastream, Erste Group Research

Gold in EUR



Demand Segments Global
Quantity (t) 2010- 2023,



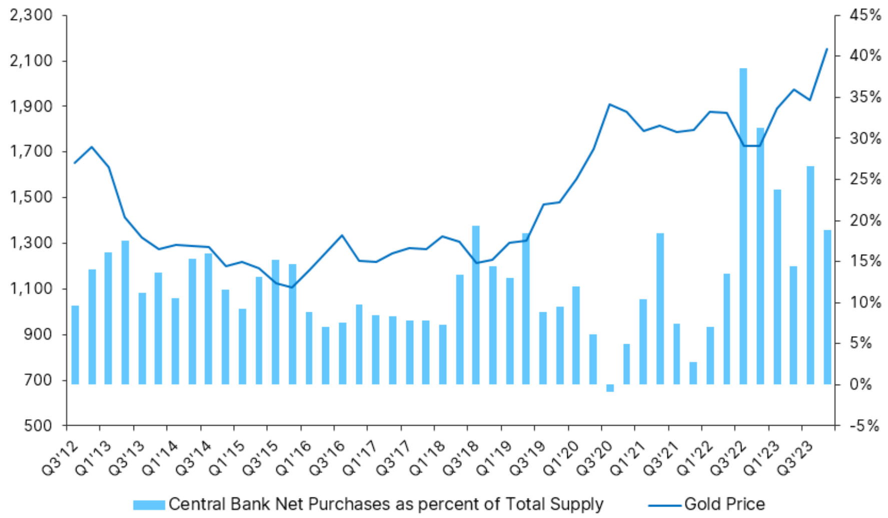
Source: WGC, Erste Group Research

The gold price in USD has risen by +6.9% since the beginning of the year. The performance in EUR was +8.4%. The gold price reached new all-time highs in both USD and EUR towards the end of the 1st quarter.

At the same time, the trend of declining investment demand for gold continued in February. The outflows from gold ETFs have now lasted for 9 months in a row up to and including February. They were particularly pronounced in the USA and Europe. The total volume of gold invested in ETFs has fallen by -3.2% to 3,100 tons since the beginning of the year. This was due to the rising stock markets and cryptocurrencies as well as positive real interest rates. However, the continued outflow of funds from ETFs hardly had any negative impact on the gold price, as consumer demand and central bank purchases remained robust.

Global central banks also made above-average net purchases of gold in 4Q 2023. They increased their holdings by 229.4 tons in the fourth quarter and acquired the second-largest amount of gold in 2023 as a whole in historical terms. Global central banks have been net buyers of gold for around 13 years.

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



Source: World Gould Council (WGC), Erste Group Research

The real yields on US government bonds and money market investments were in positive territory in 1Q 24. This currently reduces the relative attractiveness of gold compared to fixed-interest investments. However, the Fed and the ECB should start cutting interest rates from around the middle of the year. This could cause real interest rates to fall, making gold investments much more attractive.

Outlook: Demand for gold from global central banks remains high. We expect this trend to continue in 2Q24. The prospect of lower key interest rates and slightly falling yields is supporting the upward trend, as is the continuing geopolitical uncertainty. We expect a moderate upward movement of the gold price to around USD 2,300 in 2Q 2024.

Equities

Global

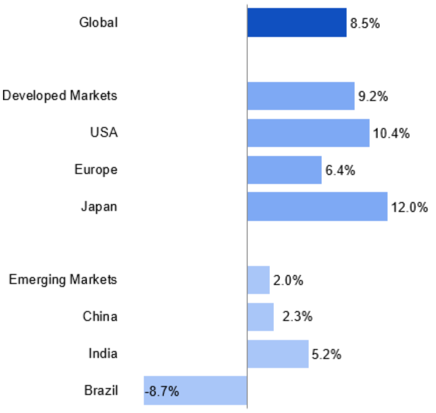
Forecast 2Q 2024
0% to +5%

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

USD	Sales 24e	Sales 25e	Net Profit 24e	Net Profit 25e
North America	5.2%	5.9%	8.1%	12.1%
Europe	2.1%	2.8%	0.7%	7.9%
Asia	1.3%	3.7%	11.4%	9.4%
EM Asia	6.1%	6.4%	9.1%	9.3%
EM LatAm	7.3%	4.9%	8.7%	6.4%
World	4.1%	4.9%	7.0%	10.5%

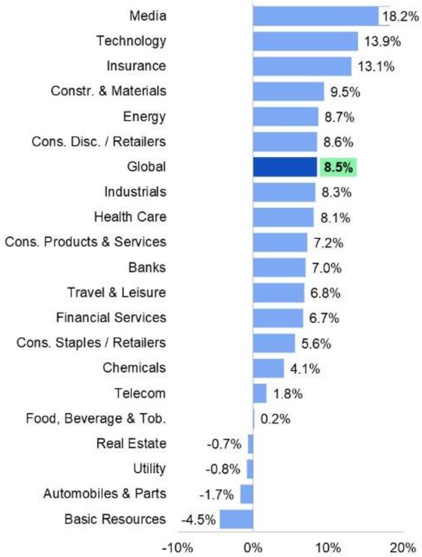
Source: Erste Group Research Index, FactSet.

Global Region Perf. 1Q 2024
Erste Global 1000 Index, EUR



Source: Erste Group Research Index, FactSet

Global Sector Performances 1Q 2024
Erste Global 1000 Index, EUR



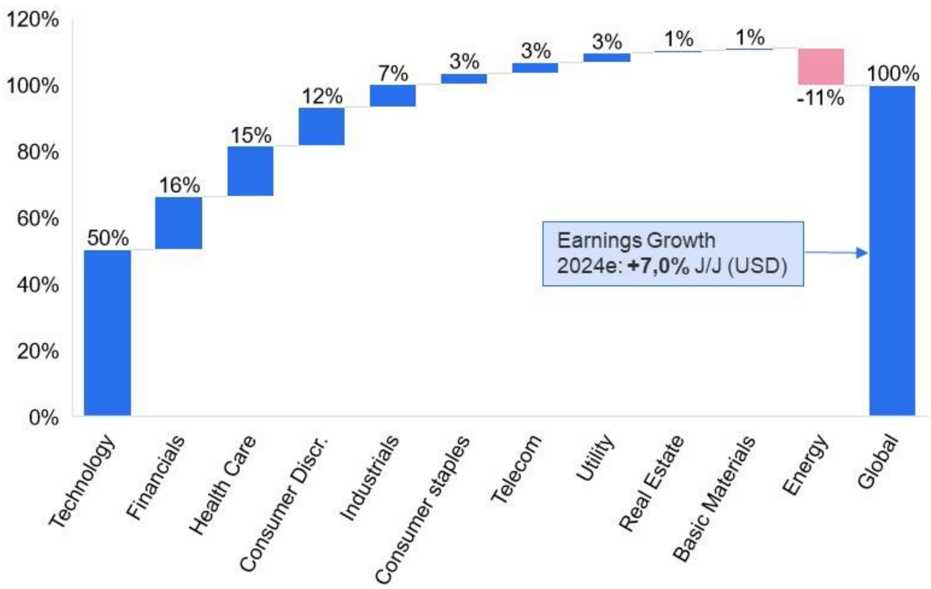
Source: Erste Group Research Index, FactSet

The global stock market index continued its upward trend in the first quarter. It rose by +8.5% in EUR terms. The US stock market performed above average with an increase of +10.4% in EUR. The share indices of important Asian markets such as Taiwan (in EUR: +20%) and Japan (in EUR: +12%) also achieved very high performances. With an increase of +6.4%, the European index slightly underperformed the global equity market. The global emerging market index rose by +2.0% in EUR.

The strong rise in the US equity market was underpinned by the good results of US companies for the fourth quarter. 73% of companies reported higher profits than expected. This was the case for 89% of companies in the technology sector, the largest global sector with a 30% weighting in the world equity index. In terms of sales, 64% of US companies exceeded consensus expectations. Among European companies, only 49% reported positive earnings surprises for 4Q and 51% reported higher than expected revenues. The reporting season for 1Q24 starts in the US on April 12 with the results of the major banks JPMorgan and Citigroup.

On the global stock market, the expected sales growth for the full year 2024 is currently +4.1%. The forecast earnings growth is +7.0% and this figure has been stable since the end of the US reporting season in mid-February. This is positive. The forecast for the operating margin for the entire Global 1000 Index in 2024 is a stable 16.9%. The very positive growth forecasts for 2025 are also important for the direction of the stock market. While the earnings forecast for the coming year was still at +9.1% around three months ago, the figure has steadily improved to +10.5%.

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

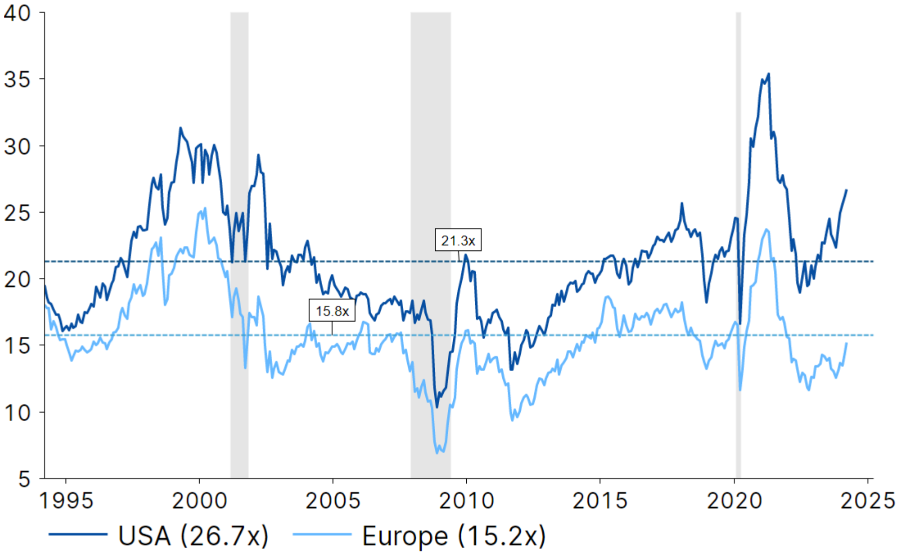


Source: FactSet, Erste Group Research

The sectors that will make the biggest contribution to profit growth in 2024 are technology, healthcare and finance. The technology sector will generate half of the expected earnings growth this year. It also has above-average percentage earnings growth of 18.9%. The only sector that will see a decline in earnings in 2024 is the energy sector.

The valuation of the global equity market index according to the P/E ratio 2024e is currently 18.4x. The current P/E ratio is only slightly above the long-term average of 18.2x. The expected dividend yield for 2024 is 2.0% below the long-term average. Due to the very robust earnings growth momentum, the current valuation of the global equity market is appropriate. US companies are increasing sales and profits faster than their European counterparts in the long term. As the profitability ratios in the US are also better, a higher US valuation is also appropriate. The expected P/E ratio in the US for 2024 is now 22.7x and the expected P/E ratio of European companies is 15.2x.

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



Source: Refinitiv, Erste Group Research

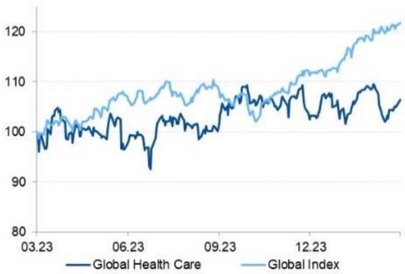
Important economic data underpins the current positive sentiment among investors on the stock market. The global Economic Surprise Index, for example, is well above zero, indicating that the positive surprises in economic data outweigh market expectations. This also applies to all important countries and regions, such as the USA, the eurozone, China and the Asia/Pacific region. The global Industrial Purchasing Managers' Index has also improved. It stood at 50.3 points in February, signaling an expansion of the global economy for the first time in around two years.

Outlook: The upward trend of the global stock market index is supported by robust earnings growth this year. Earnings growth is being generated by all major sectors and should accelerate further next year. We expect the global equity market index to rise in Q2. The increase should be in the range between 0% to +5%. Our preferred sectors are technology, healthcare, industrials and consumer discretionary.

Global Sectors - Positive Outlook

Estimate 2Q	0% to +5%
World Index Weight	10.6%
2024 Perf. EUR	+8.1%
P/E 24e	21.0x
Net Profit y/y 24e	+12.2%
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

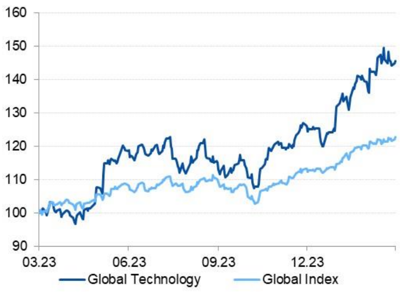
The healthcare sector index strengthened by +8.1% in EUR terms in 1Q. Pharma & biotechnology stocks outperformed the sector index as a whole, rising +9.4%. Healthcare providers achieved slightly lower operating margins in 1Q and performed significantly weaker (in EUR +2.3%) than the sector as a whole.

The reason for the better performance of pharmaceutical and biotech companies is the high expected earnings growth. Profits are expected to rise by 15.4% this year. Sales are expected to increase by +7%. The companies with the biggest absolute earnings growth this year are Eli Lilly (Hold) and Novo Nordisk (Buy). These two companies alone will increase their profits by +32% (y/y) in 2024 to a total of USD 34.7 billion. The very strong demand for weight loss injections and diabetes drugs continues to be an important factor for sales and profit growth. Novo Nordisk has recently conducted successful trials for weight loss pills. This is one of the reasons why we expect further growth in sales of weight loss drugs.

The consensus forecast for expected revenue growth this year is +6.7%. Expected earnings growth is +12.2%. The sector's valuation according to the 2024e P/E ratio is 21.4x, which is higher than that of the overall market. The reason for this is the higher profitability of the companies and stronger earnings growth, which is also expected for 2025. We expect a performance between 0% and +5% for 2Q.

Estimate 2Q	0% to +5%
World Index Weight	30.0%
2024 Perf. EUR	+13.9%
P/E 24e	27.9x
Net Profit y/y 24e	+18.9%
Top 3 Companies (Market Cap.)	
Apple	
Microsoft	
Alphabet	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Research Index, FactSet.

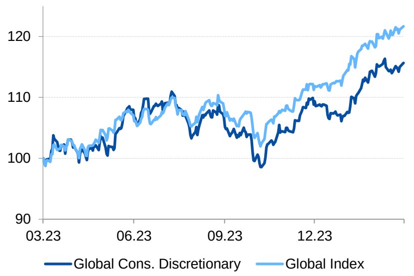
Technology

The global technology index achieved the largest increase of all sectors in 1Q. It rose by +13.9% in EUR. The hardware sector index rose by +16.1% in EUR, while the software sector index rose by +12.7%. The sharp rise in technology stocks was supported by the company's very strong 4Q results, but also by the prospect of continued strong growth this year. The outlook for 1Q in terms of revenue and earnings is very positive for the "Magnificent 7" stocks (Amazon.com, Apple, Alphabet, Broadcom, Microsoft, Meta Platforms, NVIDIA). All companies, except Apple, are expected to see significant increases in profits in 1Q. Apple's earnings should trend sideways, but then rise slightly again.

The expected revenue growth of the technology sector this year is +10.3% and the expected earnings growth is +18.9%. The earnings growth of the hardware sector (2024e: +24.7%) is higher than that of the software sector (2024e: +14.9%). The entire global technology sector will be the biggest contributor to global earnings growth this year. With a weight of 30% in the world stock index, it will generate 50% of the total profit growth this year. The 2024e P/E ratio is 27.9x higher than that of the global stock market. In our opinion, however, it is appropriate because of the strong growth and the very high profitability of the groups. We expect 2Q performance to be in the range of 0% to +5%.

Estimate 2Q	↗	0% to +5%
World Index Weight		11.9%
2024 Perf. EUR		+6.3%
P/E 24e		20.1x
Net Profit y/y 24e		+7.5%
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

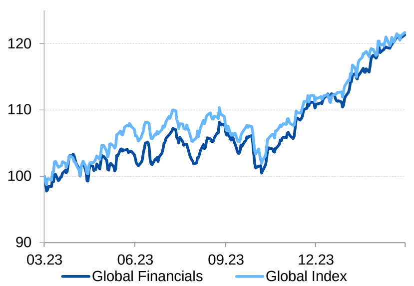
The sector index rose by +6.3% in EUR terms in the first quarter, less than the global equity market, which rose by +8.5% in EUR. The individual segments of this sector developed unevenly. The media sector index with stocks such as Spotify, Netflix (buy), Walt Disney (hold) rose by +18.2% in EUR. The consumer goods index (in EUR: +9.6%) and the consumer discretionary retail index (in EUR: +8.6%) also rose significantly. The index of car manufacturers, on the other hand, fell by -1.7% in EUR. This was mainly due to the decline in margins at Tesla and the associated weakening of Tesla shares (in EUR: -29%). This still has the highest weight in the automotive sector with 27%, followed by Toyota Motor with 17% and Stellantis with 5%. Tesla's decline offset all the gains made by the sector's nine largest companies by market capitalization, all of which posted gains.

The sector's expected revenue growth in 2024 is +4% and the projected earnings growth reaches +7.5%. The personal durables index is expected to post higher earnings growth of +8.9%, while the automotive sector is expected to grow only modestly at +3.7%. The forecast of the expected operating margin of the entire sector has been stable at 10.7% for half a year.

The valuation of the stocks of this sector is 20.1x according to the P/E ratio. The P/E ratio is slightly above the long-term average of 19.9x. For 2Q, we expect the sector index to rise in a range between 0% and +5%.

Estimate 2Q	↗	0% to +5%
World Index Weight		16.7%
2024 Perf. EUR		+8.5%
P/E 24e		11.7x
Net Profit y/y 24e		+4.2%
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

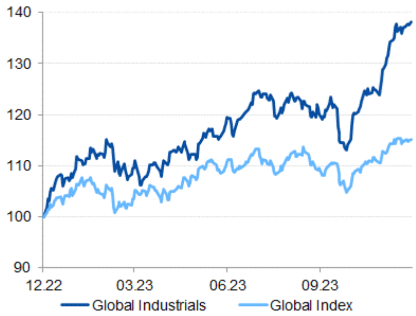
The financial index rose by +8.5% in EUR in 1Q, in line with the global stock market. Overall, the insurance index strengthened by +13.1% in EUR, with the accident and casualty insurance segment performing much better in 1Q (in EUR: +16.9%) than that of life insurance (in EUR: +3.1%). The global banking index rose by +7% in EUR.

The banking sector, the largest segment of the financial sector by market capitalization, is expected to post a slight decline in earnings of -0.3% this year. European banks are expected to see a smaller decline in profits (-4%) in 2024 than US banks (-6%). It is not until 2025 that profits in the global banking sector are expected to rise again (2025e: +4.7%). The insurance sector, on the other hand, will achieve high profit growth this year (2024e: +13.1%). This year, profit increases will be in the double-digit percentage range for both life insurance and accident and property insurance.

For the global financial sector, moderate revenue growth of +2.6% and earnings growth of +4.2% is forecast for 2024. The expected growth rates are below those of the global stock market, as is the 2024e P/E ratio of 11.7x. The expected dividend yield for 2024 is 3.3%. It is above average. The sector index should continue the upward trend in 2Q. For the second quarter, we expect an increase in the range between 0% and +5%.

Estimate 2Q	0% to +5%
World Index Weight	10.6%
2024 Perf. EUR	+8.4%
P/E 24e	21.9x
Net Profit y/y 24e	+5.2%
Top 3 Companies (Market Cap.)	
General Electric	
Caterpillar	
Uber Technologies	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Industrials

The industrial sector index strengthened by +8.4% in EUR terms in 1Q. Shares of General Electric, Uber Technologies (buy), Caterpillar (hold), Airbus and Schneider Electric (buy) posted double-digit percentage gains. 81% of stocks in the sector saw an increase in price in USD. Only the shares of Boeing, or those of the logistics companies Maersk and Kuehne + Nagel International, achieved strong negative performances.

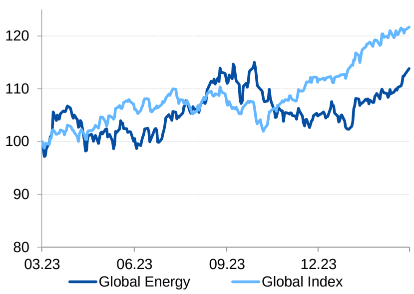
Industrial companies benefit from the expectation of falling interest rates and yields. The consensus forecasts for revenue and earnings development for 2024 and 2025 have improved in recent months. Revenue growth expected for 2024 is +3.1% and forecast earnings growth is +5.2%. For European companies, however, profits are expected to fall by around -1.4% this year, but a stronger increase in profits of +11.6% is expected again in 2025.

The positive medium-term outlook is also reflected in the global purchasing managers' index for the manufacturing sector of the economy.
For the first time in several quarters, this index is trading in slightly positive territory at 50.3 points. This signals a slow expansion of this important segment of the global economy.

The valuation of the sector according to the 2024e P/E ratio is 21.9x. The expected P/E ratio is slightly above the long-term average. We expect the sector index to rise slightly between 0% and +5% in 2Q.

Estimate 2Q	0% to +5%
World Index Weight	5.2%
2024 Perf. EUR	+8.7%
P/E 24e	10.7x
Net Profit y/y 24e	-7.5%
Top 3 Companies (Market Cap.)	
Exxon Mobil	
Chevron	
Reliance Industries	

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Energy

In 1Q, the energy sector index in EUR rose by +8.7%. The +11% rise in the price of oil to USD 85 was the main reason for the bull run in equities. Only the very small segment of alternative energy manufacturers in terms of market capitalization (0.1% of global market capitalization) performed weakly in the sector in 1Q, with a price decline of -12%.

Brent oil futures are currently signaling a slight decline to USD 83 a barrel for September and USD 81 at the end of the year. In any case, at around USD 80, the oil price should have very good support, because the US has always replenished its strategic reserve when it falls below this price in recent quarters. The currently predictable behavior of this important market participant should also contribute to the fact that the oil price will remain in a sideways movement in the medium term.

The forecast for the revenue growth of the entire energy sector in 2024 is +0.7%. Earnings are expected to decline by -7.5%. Net profit margin guidance has stabilized in recent weeks. On the other hand, sales growth of +11.7% and profit growth of +66% are expected for the small alternative energy sector this year. The largest profit increases are expected to be achieved by First Solar and Vestas Wind Systems.

The valuation of the entire sector is below the long-term average at a 2024e P/E ratio of 10.7x and the dividend yield of 4.3% is high by historical standards. As the outlook for earnings in 2025 is slightly positive and the oil price should remain stable, we expect a performance in the range of 0% to 5% in the second quarter.

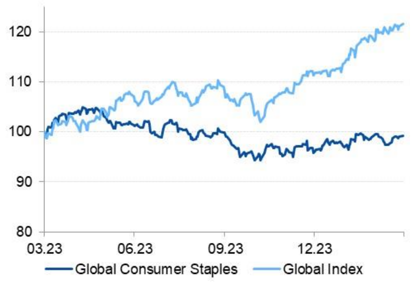
Global Sectors - Negative Outlook

Consumer Staples

Estimate 2Q	-5% to 0%
World Index Weight	5.7%
2024 Perf. EUR	+2.1%
P/E 24e	18.3x
Net Profit y/y 24e	+4.1%
Top 3 Companies (Market Cap.)	
Walmart	
Nestle	
Coca Cola	

The sector index rose by +2.1% in EUR terms in the first quarter. This index thus continued the relative weakness to the global equity market index that has been evident for a year. In particular, the shares of the traditional major food producers such as Nestle, Coca-Cola, PepsiCo and Unilever continued to show relative weakness. Only Walmart shares, which are highly weighted in the index at 11%, bucked the trend thanks to continued above-average earnings growth results and improved margins, gaining +18% in 1Q24.

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

The forecasts for 2024 have recently deteriorated. Expected profit growth is now only +4.1%, with sales growth forecast at +4.8%. One factor behind the improved outlook for companies in the sector is the slight fall in agricultural commodity prices in 1Q24, which will have a positive impact on purchase prices. The exception in terms of purchase prices continues to be cocoa. The cocoa price has doubled since December from USD 4,200/t to USD 8,870/t. One of the main reasons is the current severe drought in West Africa.

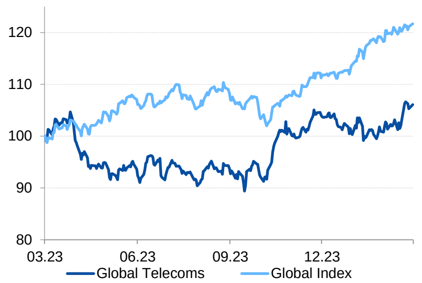
The sector's P/E ratio 2024e is 18.3x. The sector's valuation is therefore above the long-term average. We expect a slight decline in the sector index in the second quarter in a range between -5% and 0%.

Telecom

Estimate 2Q	-5% to 0%
World Index Weight	2.7%
2024 Perf. EUR	+1.8%
P/E 24e	15.5x
Net Profit y/y 24e	+6.9%
Top 3 Companies (Market Cap.)	
Comcast	
T-Mobile US	
Verizon	

The performance of the sector index in the 1st quarter was +1.8% in EUR terms. The largest stocks in the index by market capitalization were the best performers, including SoftBank Group (+40%), Bharti Airtel (+22%) and Verizon (+9%). On the other hand, Liberty Broadband (-29%) and Charter Communications (-24%) performed strongly negatively.

EGR global sector
EUR, indexed at 100 for 1y



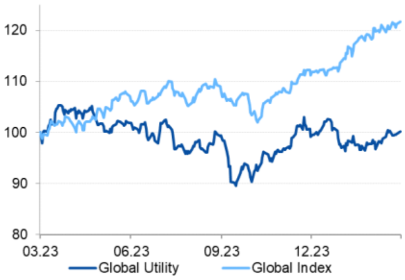
Source: Erste Group Research, FactSet

According to consensus estimates, revenues in the telecommunications sector will increase by +1.9% this year. The expected growth rate of sales is significantly lower than that of the global stock market of +4.1%. Profits will increase by +6.9% this year. Projected earnings growth is only slightly lower than global earnings growth. However, the forecasts for both sales and profit development have weakened significantly in recent months. The largest increases in profits this year are expected at SoftBank Group and T-Mobile US.

The valuation of the sector according to the 2024 P/E ratio is 15.5x. The P/E ratio is lower than that of the global equity market (P/E Global 2024e: 18.4x), but also below the long-term sector average. The dividend yield expected for this year is 3.1%. Due to the below-average growth prospects, we expect a slightly negative performance of between -5% and 0% in the second quarter.

Estimate 2Q	↘	-5% to 0%
World Index Weight		2.0%
2024 Perf. EUR		-0.8%
P/E 24e		14.1x
Net Profit y/y 24e		+8.0%
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 fell by EUR -0.8% in the first quarter. The index of electricity producers trended sideways (in EUR: -0.1%), while the index of gas and water utilities in EUR fell by -3.0%.

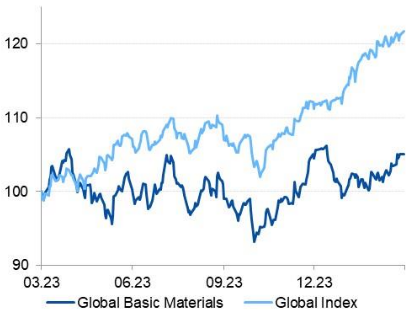
Companies in this sector are currently experiencing a slight decline in sales. The consensus forecast for 2024 is a -0.9% decline in revenues. The slowdown in sales is particularly affecting European utilities. A decline in sales of -4.4% is forecast for this year. For US companies, on the other hand, a slight increase in sales of +2.8% is expected.

The sector's expected earnings growth this year is +8.0%. Again, there is a big difference in projected earnings growth between European utilities and U.S. firms. European utilities are expected to see only a modest increase in profits of +3.7%, while US companies are expected to see a stronger increase of +8.4%. Earnings estimates for 2024 for the entire global sector have weakened significantly in the last quarter.

The expected sector P/E ratio in 2024e is 14.1x. According to this ratio, the valuation is below the long-term average of 15.4x. The expected dividend yield for 2024 is 4.1%. It is slightly below the historical average. Due to the expected loss of sales and the weakening of earnings forecasts, we expect a slightly negative performance of the sector in the range of -5% to 0% in 2Q.

Estimate 2Q	↘	-5% to 0%
World Index Weight		2.9%
2024 Perf. EUR		-0.7%
P/E 24e		16.1x
Net Profit y/y 24e		+1.3%
Top 3 Companies (Market Cap.)		
Linde		
BHP Group		
Rio Tinto		

EGR global sector
EUR, indexed at 100 for 1y



Source: Erste Group Research, FactSet

Basic Materials

The commodity sector index fell by -0.7% in EUR terms in the first quarter. The Industrial Metals segment (companies such as Vale, BHP Group, Fortescue Metals Group, Rio Tinto and Glencore) developed significantly negatively. Stocks in the precious metals sector also fell by -1.4% in EUR despite the higher prices for gold and silver. The Chemicals segment, on the other hand, achieved an increase of +4.0% in EUR terms. The sector index for industrial materials (packaging materials, paper) also achieved a slight increase in EUR of +0.6%.

Industrial metals prices showed a sideways trend in the last quarter. However, revenue and earnings estimates deteriorated in the last quarter. At +1.4%, the current forecast for revenue growth is significantly below the expected growth for the global equity market. The consensus forecast for earnings growth in 2024e is only +1.4%, which is a significantly smaller increase than the world stock index.

The sector's 2024e P/E ratio is 16.1x. It is below the average of the global stock market. The expected dividend yield in 2024e is 2.9%. Due to the below-average growth prospects, we expect the sector index to decline in the second quarter in a range between -5% and 0%.

Forecast 2Q 2024

Europe

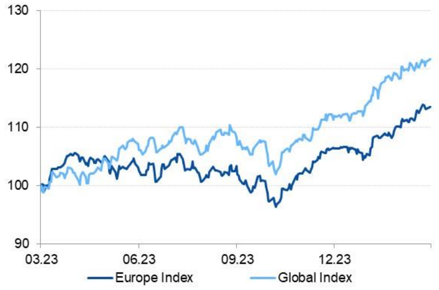
0% to +5%

Profit and sales growth
EUR, y/y, %

	Sales		Net Profit	
EUR	24e	25e	24e	25e
France	1.4%	3.7%	2.3%	7.4%
Germany	-0.2%	3.6%	-4.7%	9.7%
Switzerland	5.8%	1.5%	5.6%	10.9%
UK	2.8%	2.1%	-1.1%	4.5%
Netherlands	1.7%	3.9%	-0.2%	17.9%
Europe	**1.6%**	**2.8%**	**0.2%**	**7.9%**

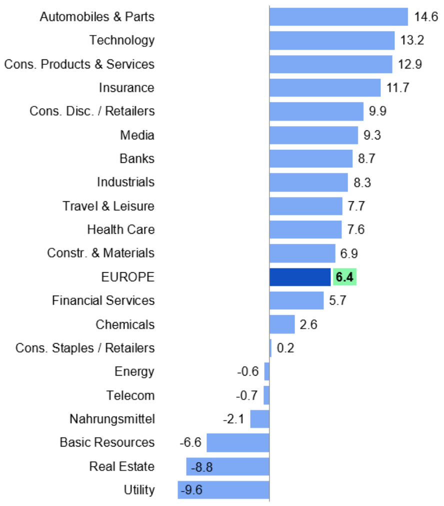
Source: Erste Group Research Index, FactSet.

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



Source: Erste Group Research Index, FactSet.

Europe Sector Perormances. 1Q24
Erste Europa 250 Index, EUR

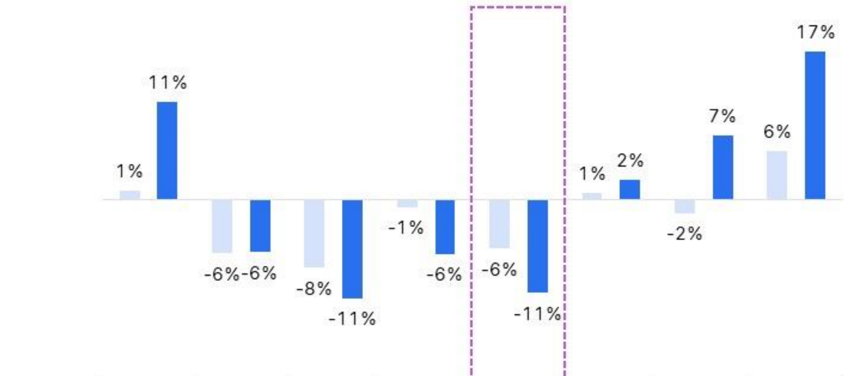


Source: Erste Group Research Index, FactSet.

The European stock market index rose by +6.4% in EUR terms in the first quarter. The best performing sector indices were technology (+13.1%), consumer discretionary (+12.4%), financials (+9.3%) and industrials (+8.0%). By contrast, utilities (-9.6%), real estate stocks (-8.8%) and non-cyclical consumer stocks (-1.9%) performed significantly negatively.

The reporting season for 4Q23 was again below average. The share of positive earnings surprises fell to 49% and was thus significantly below the long-term average of 54%. At 51%, the proportion of positive sales surprises was also below the multi-year average of 58%. The decline in profits at European companies has now lasted for three quarters. Overall, profits fell by -6% in 4Q23. The weakening of the economic situation of companies will continue in 1Q24. In 1Q, sales should fall by -6% compared to the previous year and profits by -11%. From 2Q24, a positive earnings growth rate of +2% is expected again for European companies. Profits will rise even more strongly in 3Q and 4Q.

Europe: Sales and earnings forecasts 1Q23 to 4Q24e
EUR, y/y, %



	1Q23	2Q23e	3Q23e	4Q23e	1Q24e	2Q24e	3Q24e	4Q24e
Revenue	1%	-6%	-8%	-1%	-6%	1%	-2%	6%
Earnings	11%	-6%	-11%	-6%	-11%	2%	7%	17%

Source: FactSet, Erste Group Research.

The valuation of the 250 largest European stocks in the Erste 1000 Index is now 15.2x according to the P/E ratio 2024e. This value is slightly below the long-term average of 15.8x. The expected dividend yield for 2024 is 3.3%. This is well above the global yield of 2.0%. The comparatively low valuation of European equities in a global context is mainly due to the sector structure with a lower weighting of highly profitable sectors such as technology and industry, whose valuation is also correspondingly higher.

Outlook: The profits of European companies should rise from Q2 and also gain positive momentum in the following quarters. The stock market currently also has a slightly below-average valuation. We therefore expect the leading European index to rise in the second quarter. It should gain between 0% and +5%.

USA

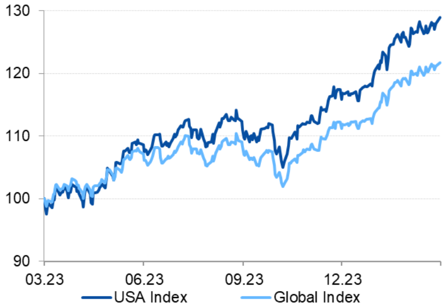
Forecast 2Q 2024
0% to +5%

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.

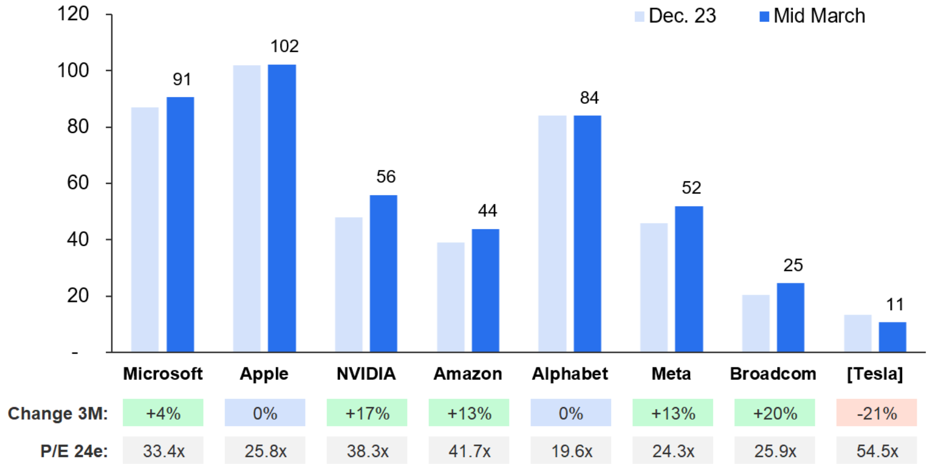
USA Index vs. Global Index
USD, indexed at 100 for 1Y



Source: Erste Group Research Index, FactSet.

The Erste USA 500 Index rose by +10.4% in EUR terms in 1Q24. A large part of the upward trend can be attributed to the strong performance of the so-called Magnificent 7 (Mag7) stocks. These are currently the stocks of Microsoft, Apple, NVIDIA, Amazon, Alphabet, Meta and Broadcom. Together they account for 28% of the USA 500 Index. Mag7 already performed strongly last year and have risen by +14% since the beginning of the year. An important positive factor for the upward trend of the shares is that the valuation of Mag7 has fallen since the beginning of the year. While the weighted P/E ratio of the seven shares for the calendar year 2024e was 31x at the beginning of the year, it has now fallen to 29x. The high profit growth rates achieved in 4Q23 and the companies' strong guidance for the coming quarters were the reasons for the raised forecasts. The high demand for hardware and software with a focus on AI solutions will continue in the coming years and the Mag7 have existing business models to monetize the demand. This is an important difference to the balance sheets and valuations of technology stocks during the dotcom boom in the early 2000s.

Mag7 Earnings 2024e: Positive change in forecasts since 3 months
Earnings in USD bn, calendar year adj., ranked by market capitalization



Source: FactSet, Erste Group Research

The expected sales growth for the entire US market in 2024 is +5.5% and the forecast for the net profit margin is also a slight increase from 12.2% to 12.6% this year. Profits for the index as a whole should rise by +9.8% this year. The median profit change for the 500 companies is +6.9% (2025: +10.1%). The positive trend in leading indicators, such as the ISM services sector index (52.6 pts.) in February, currently support the raised forecasts. The valuation of the equity market is slightly above the long-term average with a P/E ratio of 20.2x for 2024e. The dividend yield expected for this year is 1.5%. In addition, US companies have bought back more of their own shares (buybacks) in the last three quarters. The upward trend of the US index is therefore additionally supported by a buyback yield of currently around 2% p.a.

Outlook: The fundamental factors for a rise in the index in 2Q24 are in place. We therefore expect the US leading index to achieve a growth rate in the range of 0% to +5%.

Forecast 2Q 2024
0% to +5%

CEE

CEE coverage index

EUR	2024e	2025e
Sales	5.7%	4.3%
EBIT	-4%	-0.4%
Net Profit adj.	-8.7%	2.5%
PE	9.7x	9.5x
Div. Yield	4.6%	4.8%

Source: Erste Group Research Estimates.

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

Sources: Erste Group Research indices, FactSet

The outlook for the start of a cycle of interest rate cuts in the US and the eurozone, as well as a continuation of the interest rate cuts that have already begun in Central and Eastern Europe (CEE), remains the main driver for equity markets in the region. However, such a driver remains a fragile argument. Even if expectations regarding the date of a possible first interest rate cut are firming up, there is still further risk with regard to subsequent, further interest rate cuts.

This means that a bottoming out and subsequent recovery in corporate profits will become increasingly important, as growth should and must take over as a key market driver at some point.

The consensus earnings estimates for the eurozone indicate a massive recovery, which should also have a positive impact on the CEE region. Looking ahead over the next 12 months, the CEE region still has negative earnings growth, but until recently it has steadily emerged from this weakness. However, this continuous recovery has shown short-term weakness. However, it appears to have been just an interlude and we are now seeing an acceleration in the momentum of profit expectations again in the consensus. Operating margins in particular have improved recently, partly due to a relaxing burden on the cost side.

Market valuations continue to provide a cushion, with which the markets in the region should also continue to develop positively. Discounts to historical valuations for CEE remain rather high, in contrast to the USA.

Banks in the region have delivered considerable price increases, which were absolutely justified on fundamental grounds. However, we should gradually approach price levels that have priced in the essence of the fundamental recovery in the sector. Even if no fundamental deterioration is to be expected, the positive momentum in the results should flatten out and we increasingly see only selective options for exposure to the banking sector.

To the extent that a bottoming out of corporate results is confirmed and solidifies into growth, we would consider exposure to cyclical sectors. With investments (largely financed by EU funding) and rising domestic demand as key contributors to GDP growth in the region in 2024, there are selective opportunities in industrials and then consumer discretionary. Utilities, on the other hand, should already have the best behind them for now and the outlook for electricity prices is not supportive here. Real estate could become interesting again as interest rates ease. In particular, companies with commercial use of their properties (logistics) or subsidized residential construction could be an option here.

Real Estate Europe

Forecast 2Q 2024
0% to +5%

The euphoria towards interest rate-sensitive equities that we observed in 4Q 2023 has faded at the beginning of this year. The Stoxx 600 Real Estate, which gained 21.6% in the last three months of last year, is still down just under 5% YTD despite the recovery trend of recent weeks. Nevertheless, it can be said that optimism has risen significantly in view of the clear data on falling inflation and the prospect of interest rate cuts. The conviction of market participants that the peak of the interest rate cycle has now been reached or exceeded and that the financing environment is therefore improving will - according to experts - only have a substantial impact in the second half of 2024. Nevertheless, significantly higher transaction volumes are expected in 2024 compared to the historically weak 2023 (lowest transaction volume since 2012).

However, falling interest rates are also of great importance for the companies themselves, as on the one hand they open up access to the capital market and more favorable (re-)financing for many companies, and on the other hand they enable liquidity-enhancing transactions. In addition, the pressure on asset valuations is easing, although it is still continuing.

Colliers expects prices for the office, retail and hotel asset classes in Germany to continue to fall slightly in the coming quarter, which should lead to a further increase in yields. Only the residential (stable prices) and logistics (rising prices) asset classes stand out from the ongoing trend. Prime yields in Germany currently stand at 4.8% for offices, 4.7% for logistics, 3.8% for residential, 5.9% for retail parks, 4.8% for high streets and 5.5% for hotels.

We anticipate a gradual improvement in sentiment and a slightly positive performance for the sector in a range of 0-5%.

China

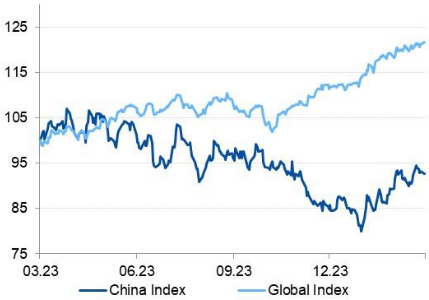
Forecast 2Q 2024
-5% to 0%

EGR China Index

USD	2024e	2025e
Sales	+6.4%	+5.8%
EBIT	+8.6%	+7.2%
Net Profit adj.	+8.3%	+8.3%
PE	7.2x	6.7x
Div. Yield	4.6%	4.8%

Source: Erste Group Research Indices, FactSet

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



Source: Erste Group Research Indices, FactSet

The First China Index rose by +2.3% in EUR terms in the volatile 1Q24. The best-performing stocks were from the energy (PetroChina, CNOOC) and financials (China Merchants Bank, Bank of China, Agricultural Bank of China) sectors. By contrast, the two technology stocks with a high weighting in the index (Tencent and Alibaba) once again recorded price declines.

Due to the long-term weakness of the stock market, the China Securities Regulatory Commission (CSRC) announced at the beginning of February that it would be stepping up measures to stabilize the market. This includes taking action against short selling.

However, a sustained recovery of the index is only possible if the outlook for corporate profits also improves. The sales growth expected for Chinese companies this year is +6.4%. The profit growth rate expected for 2024 is +8.3%. However, the trend in profit estimates has been slightly downward for several months. The highest profit growth is expected at Tencent, Ping An Insurance, China Life Insurance and car manufacturer BYD.

The low P/E ratio of 7.2x in a global comparison primarily reflects the increased political risks in China. The 2024e dividend yield is 4.6%. Due to the slowdown in the expected earnings growth rate in China in 2024, we expect a slightly negative performance at the upper end of the range of -5% to 0% in the second quarter.

India

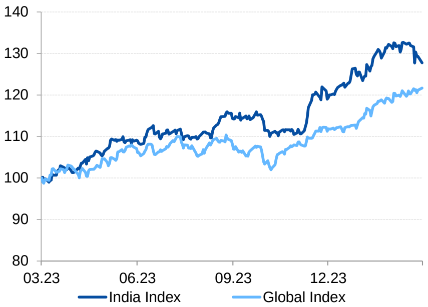
Forecast 2Q 2024
0% to +5%

EGR India Index

USD	2024e	2025e
Sales	+6.4%	+8.9%
EBIT	+13.5%	+13.1%
Net Profit adj.	+13.5%	+13.3%
PE	21.4x	18.9x
Div. Yield	1.5%	1.6%

Source: Erste Group Research Indizes, FactSet.

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



Source: Erste Group Research Indizes, FactSet

The Indian stock market gained +5.2% in EUR terms in the first quarter. The market's upswing is being driven by a large number of stocks and sectors. 79% of stocks are above their 200-day moving average. The best performers were shares of telecom provider Bharti Airtel, State Bank of India and energy company Reliance Industries.

The expected sales growth for 2024 is +6.4% in USD. Profits should rise by +13.5% this year. This is significantly higher growth than the global equity market. The largest percentage profit increases are expected for Tata Steel, JSW Steel, Adani Enterprises and Bharti Airtel. Only two energy stocks (Indian Oil, Coal India) are expected to see a decline in profits.

The valuation of the stock market according to the P/E ratio has risen to 21.4x due to the upward movement of the index. The P/E ratio is slightly above the long-term average. The high profitability of the companies and the above-average profit growth justify the valuation level, which is above the global equity market. We expect Indian equities to rise between 0% and +5% in 2Q24.

Forecast 2Q 2024

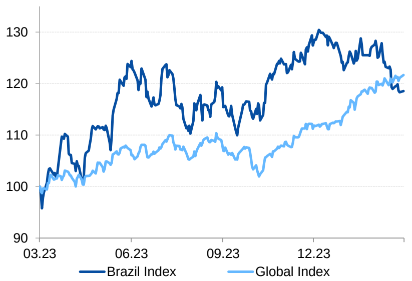
Brazil

0% to +5%

EGR Brazil Index
Source: FactSet, Erste Group Research

USD	2024e	2025e
Sales	+4.2%	+2.2%
EBIT	+8.5%	+2.1%
Net Profit adj.	+6.2%	+2.2%
PE	7.5x	7.4x
Div. Yield	7.2%	7.0%

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



Source: Erste Group Research Indices, FactSet

The Brazilian benchmark index fell by -8.7% in EUR terms in the first quarter. Stocks in the industrial and energy sectors performed positively. However, shares in the other sectors fell significantly. The decline in shares in the commodities sector was most pronounced (e.g. Vale: -21%).

However, the financial situation of companies is improving significantly this year compared to the previous year, when turnover and profits fell sharply. Profits are expected to rise by +6.2% in 2024 and sales should increase by +4.2%. An increase in profits is forecast for 11 of the 15 companies in the index. The highest profit growth should be achieved by the commodities group Vale (+34% y/y) and Banco do Brasil (+20% y/y).

However, the expected growth rates for sales and profits in 2024 are slightly lower than for the global equity market index. The valuation of the equity market according to the expected P/E ratio 2024e is 7.5x. This ratio is well below the global average due to the moderate growth prospects. The dividend yield for 2024 is at a very high level of 7.2%. We expect the Brazilian stock market index to rise slightly in the second quarter. The expected performance is in the range of 0% to +5%.

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	2.5	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	0.7	**0.8**	5.6	2.5	7.4	7.3	-1.2	-1.3	-4.9	-4.5	110.0	110.5
	Spain	2.4	**1.5**	3.5	3.9	11.8	11.3	2.1	2.0	-3.9	-3.0	107.3	104.7
	Italy	0.9	**0.9**	6.0	2.6	7.9	8.0	0.7	0.9	-5.0	-4.0	143.7	143.2
	Austria	-0.8	**0.4**	7.7	3.4	5.1	5.2	2.4	2.1	-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**	0.2	**2.8**	11.6	4.5	5.2	5.0	1.6	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	**1.0**	10.7	2.4	2.6	3.4	1.2	0.5	-3.6	-2.8	44.8	45.4
	Romania	2.1	**2.6**	10.5	5.9	5.6	5.6	-7.0	-6.9	-6.0	-5.7	48.9	49.6
	Hungary	-0.9	**2.0**	17.6	4.7	4.1	3.9	0.2	0.7	-6.5	-5.0	73.5	72.6
	Slovakia	1.1	**2.0**	10.5	3.0	5.8	5.7	-1.0	-1.3	-6.0	-6.0	58.0	60.1
Americas	**USA**	2.5	**2.0**	4.1	2.3	3.6	3.8	-3.0	-2.8	-8.2	-7.4	123.3	126.9
	Canada	1.1	**1.4**	3.6	2.4	5.5	6.3	-1.0	-1.0	-0.7	-0.6	106.4	103.3
	Brazil	3.1	**1.7**	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	3.4	**2.7**	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**	5.2	**4.6**	0.7	1.7	5.3	5.2	1.5	1.4	-7.1	-7.0	83.0	87.4
	Japan	1.9	**0.9**	3.2	2.9	2.5	2.3	3.3	3.7	-5.6	-3.7	255.2	251.9
	India	6.7	**6.5**	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	0.6	**1.0**	5.8	4.8	32.8	32.8	-2.5	-2.8	-6.4	-6.5	73.7	75.8
	World	3.1	**3.1**										

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	1.9	2.5	2.0	1.4

Inflation	2022	2023	2024	2025
Eurozone	8.4	5.5	2.5	2.1
US	8.0	4.1	2.3	2.0

Currency	current	Jun.24	Sep.24	Dec.24	Mar.25
EURUSD	1.08	1.14	1.14	1.12	1.12
EURCHF	0.97	0.97	0.98	0.98	0.99

Interest rates	current	Jun.24	Sep.24	Dec.24	Mar.25
ECB MRR	4.50	4.25	3.65	3.15	2.65
ECB Deposit Rate	4.00	3.75	3.50	3.00	2.50
3M Euribor	3.89	3.79	3.40	2.92	2.45
Germany Govt. 10Y	2.37	2.30	2.30	2.30	2.30
Swap 10Y	2.65	2.60	2.60	2.60	2.60

Interest rates	current	Jun.24	Sep.24	Dec.24	Mar.25
Fed Funds Target Rate*	5.33	5.13	4.63	4.38	3.88
3M Libor	5.57	5.21	4.88	4.46	4.05
US Govt. 10Y	4.25	3.80	3.80	3.80	3.80
EURUSD	1.08	1.12	1.14	1.14	1.12

*Mid of target range

Interest rates	current	Jun.24	Sep.24	Dec.24	Mar.25
Austria 10Y	2.88	2.80	2.80	2.75	2.70
Spread AT - DE	0.51	0.50	0.50	0.45	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 24e	25e	Net Profit Adj. 24e	25e	P/E 24e	25e	DY 24e
	World	**USD**	**1,150**	**71,053**	**100**	**2.2**	**8.5**	**21.7**	**8.5**	**4.1**	**4.9**	**7.0**	**10.5**	**18.0**	**16.3**	**2.0**
Developed Markets	**North America**	**USD**	**565**	**46,127**	**64.9**	**2.5**	**9.6**	**28.2**	**10.1**	**5.2**	**5.9**	**8.1**	**12.1**	**21.6**	**19.2**	**1.4**
	Canada	USD	48	1,852	2.6	1.2	5.3	13.3	3.7	6.5	3.1	1.7	6.7	14.9	13.9	2.4
	USA	USD	517	44,274	62.3	2.5	9.8	28.9	10.4	5.1	6.0	8.5	12.4	22.0	19.5	1.4
	Europe	**EUR**	**248**	**11,848**	**16.7**	**3.2**	**6.6**	**13.4**	**6.4**	**1.6**	**2.8**	**0.2**	**7.9**	**15.1**	**14.0**	**3.3**
	Finland	EUR	6	109	0.2	-3.0	-6.9	-19.9	-7.0	-1.3	4.1	-3.6	10.7	14.1	12.7	4.9
	Germany	EUR	35	1,656	2.3	4.1	6.1	10.7	6.4	-0.2	3.6	-4.7	9.7	12.8	11.7	3.4
	Ireland	EUR	9	265	0.4	4.5	15.3	39.5	15.0	6.9	7.1	9.8	12.6	21.1	18.7	0.8
	Netherlands	EUR	20	1,041	1.5	-0.6	10.3	18.3	11.8	1.7	3.9	-0.2	17.9	21.0	17.8	2.1
	Norway	EUR	5	144	0.2	2.2	-11.2	-3.0	-11.8	-3.3	-4.1	-2.5	-2.3	9.6	9.8	8.6
	Sweden	EUR	19	571	0.8	4.7	5.4	17.9	4.5	1.5	2.7	0.6	6.4	17.7	16.6	3.8
	Switzerland	EUR	28	1,579	2.2	0.6	1.3	7.8	-0.1	5.8	1.5	5.6	10.9	18.5	16.6	3.2
	United Kingdom	EUR	41	1,758	2.5	1.3	3.2	4.3	2.6	2.8	2.1	-1.1	4.5	11.0	10.5	4.2
	Asia/Pacific	**USD**	**164**	**6,662**	**9.4**	**1.8**	**9.7**	**15.7**	**8.0**	**1.3**	**3.7**	**11.4**	**9.4**	**15.9**	**14.5**	**2.5**
	Japan	USD	97	3,590	5.1	2.7	12.6	16.1	12.0	-2.2	1.4	3.9	5.7	16.4	15.5	2.0
	Singapore	USD	6	191	0.3	0.6	6.1	1.8	2.0	3.6	1.9	-1.5	-0.1	9.4	9.4	5.9
	Australia	USD	23	1,003	1.4	-2.7	-2.5	8.3	-4.0	2.4	0.7	0.2	-3.0	15.5	16.0	4.2
	South Korea	USD	21	866	1.2	-0.5	2.8	13.7	-2.8	7.9	9.4	76.7	28.3	13.7	10.7	1.7
	Taiwan	USD	17	1,011	1.4	6.0	21.5	29.2	20.3	11.8	10.3	16.7	20.9	19.4	16.1	2.4
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**138**	**5,383**	**7.6**	**-0.5**	**4.9**	**1.7**	**3.8**	**6.1**	**6.4**	**9.1**	**9.3**	**10.5**	**9.6**	**3.2**
	China (incl. HK)	USD	60	2,749	3.9	1.3	4.0	-11.9	2.3	6.4	5.8	8.3	8.3	7.2	6.7	4.6
	India	USD	58	2,160	3.0	-3.0	5.6	27.7	5.2	6.4	8.9	13.5	13.3	21.4	18.9	1.5
	Indonesia	USD	7	246	0.3	1.6	10.3	24.4	8.8	2.1	5.6	4.6	9.5	17.5	16.0	3.3
	Thailand	USD	7	132	0.2	-0.3	3.2	-2.3	3.6	-1.0	2.4	3.6	8.0	16.5	15.3	3.4
	Emerging Europe	**USD**	**1**	**17**	**-**	**-6.2**	**0.7**	**18.9**	**-2.7**	**13.4**	**3.5**	**-45.6**	**17.8**	**5.7**	**4.8**	**6.8**
	Emerging Americas	**USD**	**27**	**878**	**1.2**	**-6.0**	**-6.5**	**13.2**	**-6.2**	**7.3**	**4.9**	**8.7**	**6.4**	**10.5**	**9.9**	**4.9**
	Brazil	USD	15	458	0.6	-6.4	-8.4	18.5	-8.7	4.2	2.2	6.2	2.2	7.5	7.4	7.2
	Mexico	USD	10	311	0.4	-2.6	-3.1	8.3	-3.0	11.9	8.1	14.2	16.2	14.9	12.8	3.3
	Emerging Africa	**USD**	**7**	**138**	**0.2**	**-6.2**	**-10.4**	**-8.4**	**-9.8**	**-2.8**	**7.9**	**11.5**	**19.7**	**14.8**	**12.3**	**2.5**
	Global Sectors															
Erste Sectors	**Basic Materials**	USD	64	2,091	2.9	2.3	0.1	5.1	-0.7	1.4	1.7	1.3	7.4	16.0	14.9	2.9
	Consumer Discretionary	USD	154	8,436	11.9	1.2	5.2	15.7	6.3	4.0	5.5	7.5	10.3	19.3	17.5	1.6
	Consumer Staples	USD	85	4,063	5.7	0.7	2.7	-0.7	2.1	4.8	4.2	4.1	7.9	18.0	16.7	3.0
	Energy	USD	64	3,696	5.2	4.6	8.0	13.8	8.7	0.7	0.6	-7.5	3.7	10.7	10.3	4.3
	Financials	USD	206	11,880	16.7	2.7	9.1	21.3	8.5	3.1	4.4	4.2	6.5	11.7	11.0	3.3
	Health Care	USD	108	7,554	10.6	0.0	9.0	13.4	8.1	6.7	6.5	12.2	13.1	21.0	18.6	1.7
	Industrials	USD	183	7,530	10.6	3.1	8.4	19.7	8.4	3.1	5.0	5.2	11.5	21.6	19.3	1.6
	Real Estate	USD	46	1,123	1.6	0.8	-0.3	3.6	-0.7	6.0	6.6	4.1	9.8	23.7	21.6	3.6
	Technology	USD	147	21,348	30.0	2.8	13.4	46.1	13.9	10.3	11.0	18.9	19.1	26.2	22.0	0.7
	Telecom	USD	39	1,887	2.7	0.5	2.9	2.8	1.8	1.9	2.6	6.9	7.9	15.0	13.9	3.1
	Utility	USD	54	1,444	2.0	2.0	-1.1	-3.4	-0.8	-0.9	0.9	8.0	6.1	14.1	13.3	4.1

Source: Erste Group Research, FactSet. Closing Prices as of: 19.03.2024

Erste CEE Indices

Erste CEE Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) World	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 24e	Sales 25e	Net Profit Adj. 24e	Net Profit Adj. 25e	P/E 24e	P/E 25e	DY 24e
CEE Coverage	**EUR**	**157**	**416**	**100**	**0.4**	**1.0**	**19.3**	**1.1**	**5.7**	**4.3**	**-8.7**	**2.5**	**9.7**	**9.5**	**4.6**
CEE Austria	EUR	36	120	28.8	1.3	-1.6	1.9	-2.6	2.1	4.5	-6.7	2.6	8.6	8.4	5.7
CEE Czech Republic	EUR	8	39	9.3	3.2	-1.8	-10.2	-3.6	-2.7	-5.9	-5.6	-9.6	16.4	18.2	5.2
CEE Croatia	EUR	11	8	1.9	4.9	10.6	33.9	8.9	5.6	4.5	6.4	8.7	18.2	16.8	3.3
CEE Hungary	EUR	4	25	6.0	-0.8	5.8	47.7	5.8	-1.7	-3.7	-8.3	7.8	6.6	6.1	4.7
CEE Poland	EUR	78	175	42.1	-0.8	0.5	41.2	1.4	12.1	5.5	-7.3	3.1	10.7	10.4	3.2
CEE Romania	EUR	9	23	5.5	6.0	8.2	22.0	9.5	13.5	3.2	-24.5	0.1	10.3	10.3	6.7
CEE Serbia	EUR	2	2	0.4	3.8	3.8	6.1	2.9	8.0	7.6	29.7	-4.5	6.0	6.3	4.3
CEE Slovenia	EUR	2	6	1.5	6.8	19.0	28.2	17.8	3.5	4.3	-7.7	3.4	7.9	7.6	7.6
CEE Turkey	EUR	6	18	4.3	-8.9	6.7	18.8	9.4	-8.7	9.7	-18.4	3.3	6.6	6.4	6.5

Source: Erste Group Research, FactSet. Closing Prices as of: 19.3.2024.

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
Jakub Cery (Fixed income)	+43 (0)5 0100 17384

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
Bruno Barbic	+385 99 237 1041
Davor Spoljar, CFA®	+385 72 37 2825
Magdalena Basic	+385 99 237 1407

Czech Republic

Petr Bartek (Head, Utilities)	+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® (Oil & Gas)	+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, CIIA®	+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
Christoph Ungerböck	+43 (0)5 0100 85558
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
Pavel Zdichynec	+420 2 2499 5590

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
Gergő Szabo	+36 1 237 8209

Romania

Head: Octavian Florin Munteanu	+40 746128914

Group Institutional Equity Sales

Head: Michal Řízek	+420 224 995 537
Werner Fürst	+43 (0)50100 83121
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
Maciej Senderek	+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

Valerian Ionescu	+40 3735 16541

Group Fixed Income Securities Markets

Head: Goran Hoblaj	+43 (0)50100 84403

Fixed Income Flow Sales

Head: Gorjan Hoblaj	+43 (0)5 0100 84403
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: Gorjan Hoblaj	+43 (0)5 0100 84403

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

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