

CIB WEEKLY REPORT



Contents

- **What to watch in the week ahead**
- **Summary of recent macro and market events**
- **Forecast tables**
- **Macro diary**

What to watch next week

Local market movers

The key event of the forthcoming week is going to be the NBH's rate-setting meeting, but CSO is set to publish the most recent wage and unemployment statistics, too.

We do not expect the Monetary Council to change either the policy rate or the O/N depo rate, and no major announcements are expected regarding the unconventional toolkit, either.

The tone of the statement is likely to remain cautious, but it will be interesting to see how the NBH evaluates the recently released CPI and GDP figures (better than expected GDP, uptick in core inflation).

The statement is likely to focus on the inflation risks, and repeat that monetary stimulus will be provided via the unconventional toolkit targeting the medium and long-end

segment of the curve. As far as the short-end segment of the curve is concerned, the central bank is set to remain vigilant repeating that

- the time profile of the pandemic and the expected economic recovery may continue to result in volatile pricing patterns; therefore, an exceptionally cautious approach is warranted in assessing more persistent inflationary effect,
- the increase in risk aversion vis-à-vis emerging markets continues to pose the greatest risk in terms of the outlook for inflation and
- the Bank will maintain the difference between the base rate and the one-week deposit rate as long as warranted by inflationary risks.

External developments

The February Ifo index will be released in the euro zone alongside with the most recent ESI. The indicators are likely to signal a cautious improvement regarding the macro economic outlook. US housing, income, consumption and durable goods orders figures may confirm that the economy has gained some momentum at the beginning of 2021.

Summary of recent macro and market developments

Q4 GDP surprised at the strong side

Flash Q4 GDP data surpassed even the most optimistic expectations. Despite the reintroduction of containment measures in November, the economy managed to post a positive quarterly growth rate (+1.1% q-o-q, swda). Unadjusted y-o-y growth came out at minus 3.7%, swda figures showed minus 4.3% rate of growth. FY 2020 GDP growth was minus 5.1%.

Detailed breakdown is not available yet, but high frequency indicators suggest that the industry and export sectors contributed positively to overall growth, the drag from construction might have been smaller than expected and some services subsectors may have performed better

than expected, too.

The release confirm that the economic damage of the second COVID wave and the reintroduction of containment measures was much less severe. This is due to the more targeted and selected nature of the measures, the much more supportive external demand backdrop and the fact that companies managed to adapt to the new norm on a micro level as well. These factors could partly offset the depressed performance of those segments that remained weighed down by the restriction measures (tourism, hospitality, entertainment).

The first quarter of 2021 will still be strongly affected by the pandemic, the recovery may start in Q2 and might gain further momentum in H2 when restrictions measures can be lifted more permanently in line with the progress of mass immunization. We have not changed our earlier 2021 GDP forecast, yet (+3.9%), but risks surrounding this forecast are skewed to the upside.

EUR/HUF stabilized below 360

Although the better than expected preliminary Q4 GDP data lent some support to the Hungarian currency at the beginning of the week, the strengthening trend was temporary, and the EUR/HUF spent the last couple of days in the 357-359 range. The external developments did not give a significant impulse in the regional comparison, the PLN/HUF and the CZK/HUF exchange rate also hardly changed compared to a week ago. Our views on the outlook for the domestic currency remain unchanged, we are not expecting a significant trend in any direction (the EUR/HUF range of 355-365 may remain the major course). The next major event to watch is going to be the NBH rate setting meeting scheduled for next Tuesday.



CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,59	122	0,13	76	0,31	94	-0,63
3Y	1,30	202	0,31	103	0,91	163	-0,72
5Y	1,60	224	0,72	136	1,21	185	-0,64
10Y	2,43	279	1,36	172	1,57	193	-0,36
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,52	119	0,09	76	-0,13	54	-0,67
3Y	1,05	181	0,15	92	0,49	125	-0,76
5Y	1,52	225	0,49	122	0,84	157	-0,73
10Y	2,30	283	1,29	182	1,31	184	-0,53

Source: Reuters

Macroeconomic and market forecasts

EXCHANGE RATES, QUARTERLY AVERAGE					
	2019 Q4	2020 Q2	2020 Q4	2021Q2	2021 Q4
EUR/HUF	332	352	361	357	356
CHF/HUF	303	331	335	322	317
USD/HUF	300	320	303	303	306
EUR/CHF	1,10	1,06	1,08	1,11	1,12
EUR/USD	1,11	1,10	1,19	1,18	1,16
GBP/USD	1,29	1,24	1,32	1,34	1,35
GBP/HUF	386	397	399	406	414

INTEREST RATE FORECASTS					
(eop)	2019.12	2020.06	2020.12	2021.06	2021.12
NHB base rate	0,90%	0,75%	0,60%	0,60%	0,60%
HU 3M BUBOR	0,16%	0,74%	0,75%	0,70%	0,65%
Fed Funds rate	1,75%	0,25%	0,25%	0,25%	0,25%
ECB refi rate	0,00%	0,00%	0,00%	0,00%	0,00%
SNB 3M Libor target	-0,75%	-0,75%	-0,75%	-0,75%	-0,75%

	Unit	2017	2018	2019	2020	2021*	2022*
GDP growth, y/y - CIB forecast (*)	%	4,3	5,1	4,9	-5,1	3,9	4,0
GDP growth, y/y - Market consensus	%	-	-	-	-6,0	4,4	4,6
Industrial production, y/y	%	4,6	3,5	5,6	-6,1	6,5	5,5
Trade balance	EUR mln	8078	5520	4334	5700	5400	5000
CPI, y/y, average - CIB forecast	%	2,4	2,8	3,4	3,3	3,5	3,1
CPI, y/y, average - Market consensus	%	-	-	-	3,4	3,2	3,1
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	2,7	3,3	3,2
CPI, y/y, end of period - Market consensus	%	-	-	-	-	-	-
Budget balance / GDP (ESA, including one-off revenues)	%	-2,2	-2,2	-1,6	-8,9	-6,5	-4,5
Unemployment rate (eop)	%	3,8	3,6	3,5	4,4	4,6	4,2

Week 9

MONDAY 02/22/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	8:00	Economic sentiment index	February	-16,3		
DE	10:00	Ifo index	February	90,1	89,7	

TUESDAY 02/23/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	14:00	MNB interest rate decision	February	0,6%	0,6%	
US	15:00	Case-Shiller house price index, y/y	December	9,49%		

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,43%		

WEDNESDAY 02/24/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Personal consumption, q/q	Q4	10,8%		
US	16:00	New home sales, mln unit	January	0,842	0,860	

THURSDAY 02/25/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Gross wages, y/y	December	8,6%		
US	14:30	Durable goods orders, m/m	January	0,5%	1,3%	
US	14:30	Initial jobless claims, thousands	weekly	861		
US	14:30	GDP growth rate, q/q, 2nd estimate	Q4	33,4%	4,3%	

AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	1,56%		
HU	11:30	10Y T-bond	HUF 30 bln	2,36%		
HU	11:30	15Y T-bond	HUF 15 bln	2,75%		

FRIDAY 02/26/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Unemployment rate	January	4,2%		
US	14:30	Personal income, m/m	January	0,6%	9,7%	
US	15:45	Chicago PMI	February	63,8	61	



CIB BANK

February 19, 2021 | www.ebroker.hu

Week 8

MONDAY 02/15/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Trade balance, final, EUR m	December	25,1		27,5

TUESDAY 02/16/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	GDP growth, flash, y/y	Q4	-4,6%		-3,7%
HU	9:00	GDP growth, flash, q/q	Q4	11,4%		1,1%
DE	11:00	ZEW index	February	61,8	62,3	71,2
EZ	11:00	GDP growth rate, q/q, 2nd estimate	Q4	12,5%	-0,7%	-0,6%
EZ	11:00	GDP growth rate, y/y, 2nd estimate	Q4	-4,4%	-5,1%	-5,0%

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,43%		0,43%

WEDNESDAY 02/17/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	January	0,8%	0,9%	1,7%
US	14:30	PPI, m/m	January	0,3%	0,5%	1,3%
US	14:30	Retail sales, m/m	January	-0,7%	0,8%	5,3%
US	15:15	Capacity utilization	January	74,5%	74,9%	75,6%

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 15 bln	0,48%		0,52%

THURSDAY 02/18/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Building permits, mln unit	January	1,709	1,668	1,881
US	14:30	Housing starts, mln unit	January	1,669	1,650	1,580
US	14:30	Initial jobless claims, thousands	weekly	793	760	861

AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	1,36%		1,56%
HU	11:30	10Y T-bond	HUF 20 bln	2,26%		2,36%
HU	11:30	20Y T-bond	HUF 10 bln	2,98%		3,15%

FRIDAY 02/19/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	PPI, y/y	January	0,2%		0,9%
DE	8:00	PPI, m/m	January	0,8%		1,4%
EZ	10:00	Manufacturing PMI, flash	February	54,8	54,6	57,7
EZ	10:00	Services PMI, flash	February	45,4	46	44,7
EZ	10:00	Composite PMI, flash	February	47,8		48,1
US	15:45	Manufacturing PMI, flash	February	59,2	59	
US	15:45	Services PMI, flash	February	58,3	58	
US	15:45	Composite PMI, flash	February	58,7		
US	16:00	Existing home sales, mln unit	January	6,76	6,56	



CIB BANK

February 19, 2021 | www.ebroker.hu

Contacts

Resarch	Sales – Securities	Sales FX
<ul style="list-style-type: none"> • Mariann Trippon Head of Research 423-2420 • András Bukovszki Junior analyst 	<ul style="list-style-type: none"> • Balázs Borók Head of Securities Sales 489-8365 • Balázs Pápay Equity sales 489-8366 • Balázs Tóth Equity sales 489-8345 • Sándor Fenyvesi FI sales 489-8352 • Zoltán Verzár FI sales 489-835 	<ul style="list-style-type: none"> • Mária Juhász Head of Treasury sales 489-8313 • Marianna Nagy FX sales 489-8303 • Péter Kelemen FX sales 489-8304 • Gábor Horváth FX sales 489-8327

THIS DOCUMENT IS NOT A PROSPECTUS, AN OFFER OR AN INVITATION TO BUY OR SELL ANY SECURITIES UNDER HUNGARIAN OR FOREIGN LAW. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE PUBLISHED IN THE PRESS OR ANY OTHER MEDIA. ANY INVESTMENT DECISION WITH RESPECT TO ANY SECURITIES OF THE RESPECTIVE COMPANY MUST BE MADE ON THE BASIS OF AN OFFERING CIRCULAR OR PROSPECTUS APPROVED BY SUCH COMPANY AND NOT ON THE BASIS OF THIS DOCUMENT. THIS DOCUMENT HAS BEEN PREPARED USING SOURCES BELIEVED TO BE RELIABLE AND ACCURATE. AS THE INFORMATION CONTAINED IN THIS REPORT HAS NOT BEEN INDEPENDENTLY VERIFIED, NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED IS MADE AS TO THE FAIRNESS ACCURACY OR COMPLETENESS OF THE INFORMATION AND OPINIONS CONTAINED IN THIS DOCUMENT. THE INFORMATION AND OPINIONS IN THIS REPORT ARE SUBJECT TO CHANGE WITHOUT NOTICE. ANY OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT ARE ENTIRELY THOSE OF THE AUTHORS. NEITHER THE RESPECTIVE COMPANY, CIB BANK CLOSELY-HELD CORPORATION, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.