

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

Preliminary Q3 GDP figures and October CPI data are due out next week in Hungary. High frequency indicators point to a strong rebound of economic activity in Q3, real GDP growth may be minus 5-6% compared to minus 13.6% in Q2. Headline inflation may have retreated further in October, the y-o-y figure could come out at 3.1-3.2% .

External developments

The US macro diary will be rather light, the focus will remain on developments regarding the presidential elections. The German ZEW index is widely expected to show deteriorating sentiment in tandem with the worsening pandemic situation. Preliminary Q3 EZ GDP figures could confirm the strong recovery reflected in the flash readings.

Summary of recent macro and market developments

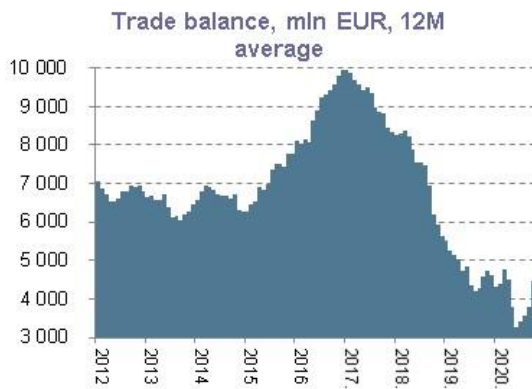
The industrial recovery continues, retail sales disappoints

The industrial recovery continued in September, albeit at a slower rate. Output increased by 2.3% m-o-m (wda) but remained 1% below last years level. Unadjusted data showed 2.2% y-o-y rise. Output were down 9.2% in the January-September period. The recovery may get more fragile alongside with the worsening COVID situation and the reintroduction of containment measures across Europe, but the recently released PMIs and the latest German IP and orders figures suggest that the COVID impact on manufacturing may be less severe compared to Q2 (factories remain open, global demand picture more supportive, no serious supply chain disruptions, yet).

The relatively benign external demand picture was confirmed by the September trade statistics as well- Exports rose by 4.6% in EUR terms, but imports remained down by 2.4% y-o-y (weak consumption and investments), hence the monthly surplus jumped above EUR 1 bln (EUR 1.141 bln), the surplus of the Q1-Q3 period reached EUR 3.67 bln suggesting that the FY positive balance could reach or even slightly surpass EUR 5 bln.

The worsening labor market situation, the fragile sentiment and rising cautiousness took a toll on retail sales in September; sales were down 2% y-o-y.

Although mirroring the global pattern, the Hungarian economy posted a strong rebound in Q3 (that is likely to be confirmed by flash GDP figures to be released next week), the downside risks have intensified lately. FY 2020 GDP growth is very likely to be minus 5-6% (lower than our previous estimate). However, due to the current COVID situation we do not feel like upgrading our 2021 GDP forecast of 3.9% despite the lower base.

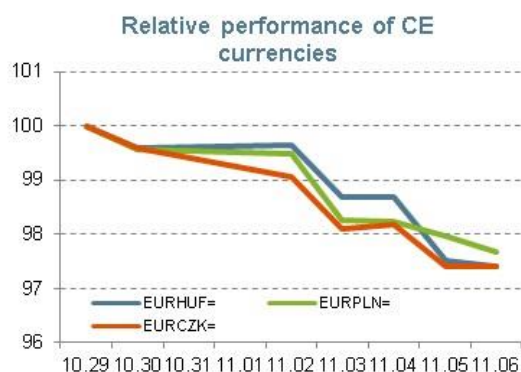


HUF rallies

The HUF posted an impressive rebound this week alongside with strengthening global risk appetite. EUR/HUF that hovered around 370 even last week, fell below 358 on Thursday. Other CE currencies also gained, but the forint managed to surpass its regional peers this time. However, we do not expect the rally to continue with this speed, once the US election is out of the picture, the worsening COVID situation may grab the markets' attention, yet again.

The appreciation of the Hungarian unit, however, is certainly a welcome development for the central bank and so is the expected CPI trajectory for the remaining part of the year. The stable and firmer FX rate alongside with falling headline inflation create room for the NBH to keep rates stable. The central bank left the 1W depo rate on hold this week (this is the effective interest rate anchoring Bubor rates), and barring a renewed strong wave of HUF

depreciation, the 1W rate is likely to remain unchanged in the upcoming period. Bubor rates may even retreat a few basis points if inflation releases will be as supportive as anticipated.



| CE3 GOVERNMENT BOND YIELDS | | | | | | | |
|----------------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| | HU | | PL | | CZ | | EU |
| | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) |
| SPOT (bid) | | | | | | | |
| 1Y | 0,73 | 145 | 0,00 | 72 | -0,16 | 56 | -0,72 |
| 3Y | 1,29 | 212 | -0,02 | 81 | 0,30 | 113 | -0,83 |
| 5Y | 1,70 | 251 | 0,30 | 111 | 0,57 | 137 | -0,81 |
| 10Y | 2,25 | 288 | 1,13 | 177 | 1,00 | 163 | -0,63 |
| 60-DAY AVG | | | | | | | |
| 1Y | 0,64 | 126 | 0,08 | 69 | 0,06 | 67 | -0,62 |
| 3Y | 1,28 | 203 | 0,25 | 100 | 0,36 | 111 | -0,75 |
| 5Y | 1,73 | 245 | 0,61 | 133 | 0,59 | 131 | -0,72 |
| 10Y | 2,37 | 289 | 1,37 | 189 | 0,98 | 150 | -0,52 |

Source: Reuters

Macroeconomic and market forecasts

| | Unit | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------|------|------|------|------|------|
| GDP growth, y/y - <i>CIB forecast (*)</i> | % | 4,3 | 5,1 | 4,9 | -5,6 | 3,9 |
| GDP growth, y/y - <i>Market consensus</i> | % | - | - | - | -5,5 | 4,7 |
| Industrial production, y/y | % | 4,6 | 3,5 | 5,6 | -6,8 | 5,2 |
| Trade balance | EUR mln | 8078 | 5520 | 4334 | 5427 | 5187 |
| CPI, y/y, average - <i>CIB forecast</i> | % | 2,4 | 2,8 | 3,4 | 3,4 | 3,4 |
| CPI, y/y, average - <i>Market consensus</i> | % | - | - | - | 3,5 | 3,1 |
| CPI, y/y, end of period - <i>CIB forecast</i> | % | 2,1 | 2,7 | 4,0 | 3,2 | 3,1 |
| CPI, y/y, end of period - <i>Market consensus</i> | % | - | - | - | | |
| Budget balance / GDP (ESA, including one-off revenues) | % | -2,2 | -2,2 | -1,6 | -6,7 | -3,4 |
| Unemployment rate (eop) | % | 3,8 | 3,6 | 3,5 | 4,9 | 4,5 |

| EXCHANGE RATES, QUARTERLY AVERAGE | | | | |
|-----------------------------------|---------|---------|---------|---------|
| | 2019 Q4 | 2020 Q2 | 2020 Q4 | 2021 Q4 |
| EUR/HUF | 332 | 352 | 362 | 356 |
| CHF/HUF | 303 | 331 | 339 | 320 |
| USD/HUF | 300 | 320 | 304 | 305 |
| EUR/CHF | 1,10 | 1,06 | 1,07 | 1,11 |
| EUR/USD | 1,11 | 1,10 | 1,19 | 1,16 |
| GBP/USD | 1,29 | 1,24 | 1,30 | 1,31 |
| GBP/HUF | 386 | 397 | 394 | 400 |

| INTEREST RATE FORECASTS | | | | |
|-------------------------|---------|---------|---------|---------|
| (eop) | 2019.12 | 2020.06 | 2020.12 | 2021.12 |
| NHB base rate | 0,90% | 0,75% | 0,60% | 0,60% |
| HU 3M BUBOR | 0,16% | 0,74% | 0,77% | 0,65% |
| Fed Funds rate | 1,75% | 0,25% | 0,25% | 0,25% |
| ECB refi rate | 0,00% | 0,00% | 0,00% | 0,00% |
| SNB 3M Libor target | -0,75% | -0,75% | -0,75% | -0,75% |

Week 45

| MONDAY 11/02/2020 | | | | | | |
|----------------------|-------|---|------------|----------|----------|--------|
| Country | Time | Data | Period | Previous | Forecast | Result |
| HU | 9:00 | Manufacturing PMI, final | October | 48,8 | | 50,1 |
| EZ | 10:00 | Manufacturing PMI, final | October | 54,4 | 54,4 | 54,8 |
| US | 16:00 | ISM index | October | 55,4 | 55,8 | 59,3 |
| TUESDAY 11/03/2020 | | | | | | |
| Country | Time | Data | Period | Previous | Forecast | Result |
| | | No major data release | | | | |
| AUKCIÓK | | | | | | |
| | | | Amount | Previous | Forecast | Result |
| HU | 11:30 | 3M T-bill | HUF 30 bln | 0,49% | | 0,50% |
| WEDNESDAY 11/04/2020 | | | | | | |
| Country | Time | Data | Period | Previous | Forecast | Result |
| EZ | 10:00 | Services PMI, final | October | 46,2 | 46,2 | 46,9 |
| EZ | 10:00 | Composite PMI, final | October | 49,4 | 49,4 | 50,1 |
| US | 14:15 | ADP, change in private sector employment, thousands | October | 749 | 650 | 365 |
| US | 16:00 | Services ISM index | October | 57,8 | 57,5 | 56,6 |
| THURSDAY 11/05/2020 | | | | | | |
| Country | Time | Data | Period | Previous | Forecast | Result |
| DE | 8:00 | Industrial orders, m/m | September | 4,9% | 2% | 0,5% |
| HU | 9:00 | Retail sales, y/y | September | -0,8% | | -2% |
| EZ | 11:00 | Retail sales, m/m | September | 4,2% | -1% | -2% |
| US | 14:30 | Initial jobless claims, thousands | weekly | 758 | 732 | 751 |
| US | 20:00 | Fed interest rate decision | November | 0,125% | 0,125% | 0,125% |
| AUCTIONS | | | | | | |
| | | | Amount | Previous | Forecast | Result |
| HU | 11:30 | 3Y T-bond | HUF 20 bln | 1,26% | | 1,15% |
| HU | 11:30 | 5Y T-bond | HUF 30 bln | 1,71% | | 1,54% |
| HU | 11:30 | 10Y T-bond | HUF 30 bln | 2,28% | | 2,08% |
| FRIDAY 11/06/2020 | | | | | | |
| Country | Time | Data | Period | Previous | Forecast | Result |
| DE | 8:00 | IP, final, m/m | September | 0,5% | 2,7% | 1,6% |
| HU | 9:00 | IP, prelim., y/y | September | -2,1% | 0% | 2,2% |
| HU | 9:00 | Trade balance, prelim., EUR m | September | 272 | | 1141 |
| US | 14:30 | Unemployment rate | October | 4,7% | | |
| US | 14:30 | NFP, change in non-farm payrolls, thousands | October | 661 | | |



Week 46

MONDAY 11/09/2020

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|------|-----------------------|--------|----------|----------|--------|
| | | No major data release | #N/A | | | |

TUESDAY 11/10/2020

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|---------------------|----------|----------|----------|--------|
| HU | 9:00 | CPI, y/y | October | 3,4% | 3,1% | |
| HU | 9:00 | Core inflation, y/y | October | 4% | 3,8% | |
| DE | 10:00 | ZEW index | November | 56,1 | 45,4 | |

AUKCIÓK

| | | | Amount | Previous | Forecast | Result |
|----|-------|-----------|------------|----------|----------|--------|
| HU | 11:30 | 3M T-bill | HUF 30 bln | 0,50% | | |

WEDNESDAY 11/11/2020

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|------|-----------------------|--------|----------|----------|--------|
| | | No major data release | #N/A | | | |

AUKCIÓK

| | | | Amount | Previous | Forecast | Result |
|----|-------|------------|------------|----------|----------|--------|
| HU | 11:30 | 12M T-bill | HUF 30 bln | | | |

THURSDAY 11/12/2020

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-----------------------------------|-----------|----------|----------|--------|
| HU | 9:00 | IP, final, y/y | September | 2,2% | 2,2% | |
| EZ | 11:00 | IP, final, m/m | September | 0,7% | 0,9% | |
| US | 14:30 | Initial jobless claims, thousands | weekly | 751 | | |
| US | 14:30 | CPI, m/m | November | 0,2% | 0,2% | |

AUCTIONS

| | | | Amount | Previous | Forecast | Result |
|----|-------|------------|------------|----------|----------|--------|
| HU | 11:30 | 3Y T-bond | HUF 20 bln | | | |
| HU | 11:30 | 5Y T-bond | HUF 30 bln | | | |
| HU | 11:30 | 10Y T-bond | HUF 30 bln | | | |

FRIDAY 11/13/2020

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-------------------------------------|----------|----------|----------|--------|
| HU | 9:00 | GDP growth, flash, y/y | Q3 | -13,6% | -5,5% | |
| SK | 9:00 | GDP growth, flash, y/y | Q3 | -12,1% | -5% | |
| PL | 9:00 | GDP growth, flash, y/y | Q3 | -8,4% | | |
| EZ | 11:00 | GDP growth, flash, q/q | Q3 | 12,7% | 12,7% | |
| EZ | 11:00 | GDP growth, flash, y/y | Q3 | -4,3% | -4,3% | |
| US | 14:30 | PPI, m/m | October | 0,4% | 0,2% | |
| US | 16:00 | UM consumer confidence index, flash | November | 81,8 | 82 | |



CIB BANK

November 6, 2020 | www.ebroker.hu

Contacts

| Resarch | Sales – Equity | Sales – FI, 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 489-8365• Balázs Pápay 489-8366• Balázs Tóth 489-8345 | <ul style="list-style-type: none">• Mária Juhász Head of Treasury sales 489-8303• Sándor Fenyvesi FI sales 489-8352• Zoltán Verzár FI sales 489-8353• Marianna Nagy FX sales 489-8313• 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.



CIB BANK

November 6, 2020 | www.ebroker.hu