

# CIB WEEKLY REPORT



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## What to watch next week

### Local market movers

The key domestic event of the forthcoming week is going to be the NBH's rate-setting meeting scheduled for Tuesday. However, we do not expect any changes either in the policy rates or in the unconventional toolkit. The information received since the previous MC meeting justifies a wait-and-see stance.

The second wave of the pandemic and the new restriction measures (re)introduced across Europe, their direct and indirect impact on the growth trajectory call for sustained monetary support. Simultaneously, inflation pressures have eased recently, and headline CPI is not likely to revisit summer highs any time soon. Cooling inflation and the stabilization (appreciation) of the FX rate eased pressure on the central bank, therefore neither the

inflation outlook nor FX rate developments call for tighter monetary conditions (tightening would be carried out via the 1W depo rate -not under the MC's control-, anyway.)

The statement is likely to emphasize the deterioration of the short-term growth picture and the high level of uncertainties, but may welcome the decrease of inflation. The forward guidance could reiterate that the NBH continues closely monitoring incoming new information and stands ready to act if needed.

### External developments

The euro zone diary will be rather light next week. IP, retail sales and housing figures are on the agenda on the other side of the Atlantic. The presidential election will remain in the spotlight, too, however, COVID news are likely to remain the key influence in terms of market sentiment.

## Summary of recent macro and market developments

### Inflation retreated further, the economy recovered nicely in Q3

October inflation came out a tad lower than expected. Headline CPI retreated from 3.4% to 3%, core CPI decreased from 4% to 3.8%, and the central bank's underlying inflation measures (tax-adjusted core CPI, demand-sensitive inflation) moved away from the "danger zone" as well.

*On a monthly basis, clothing prices and tobacco prices posted the highest price increases -the former due to seasonal affects, the latter due to a tax increase. Fuel and consumer durable prices rose 0.3% and 0.4%, respectively, in case of durable prices, the depreciation of the FX rate might be behind the rise. Food price dynamics weakened.*

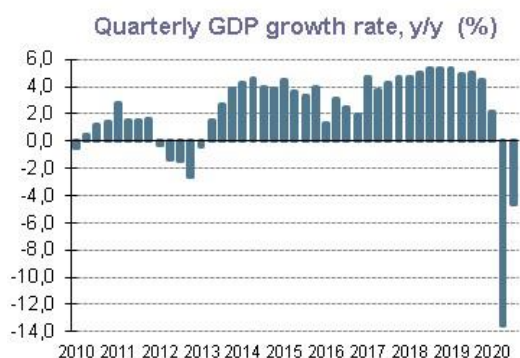
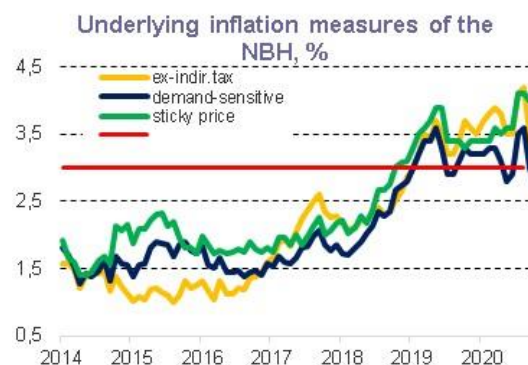
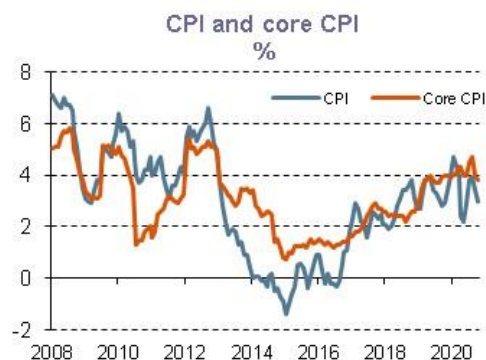
Headline inflation is likely to hover around current levels in the remaining part of the year, we do not expect the index to revisit summer highs. Average 2021 CPI is expected to remain conveniently in the target range as the disinflationary effect of weak domestic demand gets stronger in line with diminishing supply side pressures (as

witnessed during the first COVID wave).

Flash Q3 GDP data confirmed that the economy posted a strong rebound in Q3. GDP grew by 11.3% q-o-q and the y-o-y decline of gross domestic product moderated from minus -13.6% to minus 4.6%; better than the market consensus and our expectations. Swda y-o-y growth was -4.7% in Q3, Q1-Q3 GDP growth was -5.6%. Detailed figures will be released later, but the recovery may have been driven by services, although the industrial sector may have managed to work off a big part of Q2 losses, too. The construction sector's performance may have been much less impressive.

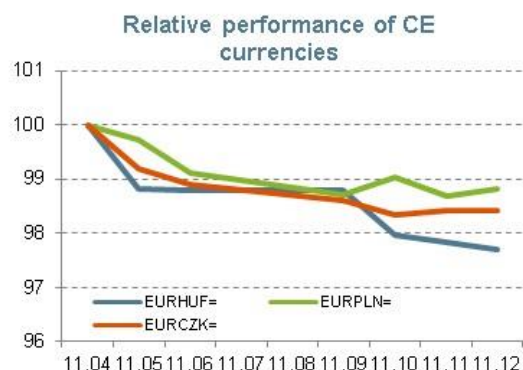
The recent surge in new COVID cases and the introduction of restriction measures clearly pose a risk to the short-term growth outlook, hence the MinFin's current -6.4% FY GDP projection seems to be realistic. We are going to revise our current -5.6% forecast after the release of the Q3 details (in early December).





### HUF keeps most of its recent gains

The vaccine optimism and decreasing uncertainties surrounding the US presidential election gave a strong boost to global risk appetite and supported the CE currencies, too. EUR/HUF had already traded below 360 last week, but the pair managed to move further down this week, even tested the 355 threshold before losing some momentum today. In late Friday trading EUR/HUF hovers around 357. We do not expect the HUF to gain much more on the short run, the 355 level seems to be a strong support for now. Depending on shifts in global risk appetite, EUR/HUF may fluctuate in the 355-365 range in the remaining part of the year.



CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,65	134	0,00	69	-0,22	46	-0,69
3Y	1,20	196	0,08	83	0,33	109	-0,76
5Y	1,63	235	0,46	117	0,65	137	-0,72
10Y	2,25	277	1,26	178	1,14	166	-0,52
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,67	129	0,07	69	0,08	70	-0,63
3Y	1,29	205	0,23	99	0,37	113	-0,76
5Y	1,74	247	0,59	132	0,61	133	-0,73
10Y	2,37	289	1,37	190	0,99	152	-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

	2019.12	2020.06	2020.12	2021.12
(eop)				
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%

# Macro diary

## Week 47

### MONDAY 11/16/2020

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

### TUESDAY 11/17/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	14:00	NBH rate decision, base rate	November	0,9%	0,9%	
US	14:30	Retail sales, m/m	October	1,5%	0,6%	
US	14:30	> ex-autos, m/m	October	1,9%	0,5%	
US	15:15	IP, final, m/m	October	-0,6%	1%	
US	15:15	Capacity utilization	October	71,5%	72,2%	
US	16:00	NAHB index	October	85	85	

### AUKCIÓK

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

### WEDNESDAY 11/18/2020

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	HICP, y/y, final	October	-0,3%	-0,3%	
EZ	11:00	Core HICP, y/y, final	October	0,4%	0,4%	
US	14:30	Building permits, mln unit	October	1,545	1,57	
US	14:30	Housing starts, mln unit	October	1,415	1,45	

### THURSDAY 11/19/2020

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Initial jobless claims, thousands	weekly	719		
US	14:30	Philly Fed index	November	32,2	22	
US	16:00	Existing home sales, mln unit	October	6,54	6,55	
US	16:00	Leading index	October	0,7%	0,7%	

### AUCTIONS

			Amount	Previous	Forecast	Result
HU	11:30	3Y T-bond	HUF 20 bln	1,15%		
HU	11:30	5Y T-bond	HUF 30 bln	1,52%		
HU	11:30	10Y T-bond	HUF 30 bln	2,14%		

### FRIDAY 11/20/2020

Country	Time	Data	Period	Previous	Forecast	Result
		No major data release				



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## Week 46

### MONDAY 11/09/2020

Country	Time	Data	Period	Previous	Forecast	Result
		No major data release				

### TUESDAY 11/10/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	October	3,4%	3,1%	3%
HU	9:00	Core inflation, y/y	October	4%	3,8%	3,8%
DE	10:00	ZEW index	November	56,1	41,7	39

### AUKCIÓK

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

### WEDNESDAY 11/11/2020

Country	Time	Data	Period	Previous	Forecast	Result
		No major data release				

### AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 30 bln	0,70%		0,58%

### THURSDAY 11/12/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	IP, final, y/y	September	2,2%	2,2%	2,2%
EZ	11:00	IP, final, m/m	September	0,6%	0,7%	-0,4%
US	14:30	Initial jobless claims, thousands	weekly	751	735	719
US	14:30	CPI, m/m	November	0,2%	0,1%	0%

### AUCTIONS

			Amount	Previous	Forecast	Result
HU	11:30	5Y T-bond	HUF 20 bln	1,54%		1,52%
HU	11:30	10Y T-bond	HUF 30 bln	2,08%		2,14%
HU	11:30	15Y T-bond	HUF 30 bln	2,65%		2,32%

### FRIDAY 11/13/2020

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



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