

# CIB WEEKLY REPORT



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## What to watch next week

### Local market movers

CSO is going to publish November CPI figures next week. Headline CPI is expected to retreat further and to fall below 3%. Core measures may inch down, too, easing pressure on the central bank.

### External developments

The key euro zone event of the forthcoming week is going to be the ECB meeting scheduled for Thursday. The Bank is widely expected to announce new support measures amid stubbornly low inflation and downside risks to the growth outlook. The extension of the PEPP (both in size and time) and boosting the TLTRO III may well be in the cards. The US diary will be rather light next week, the most recent PPI and CPI figures will be released alongside with the flash December consumer confidence index.

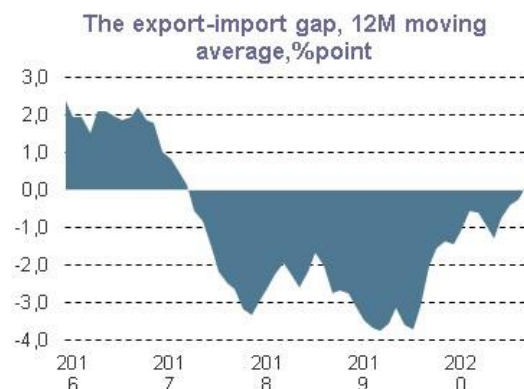
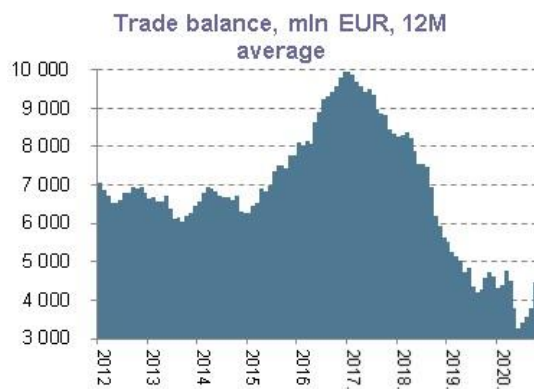
## Summary of recent macro and market developments

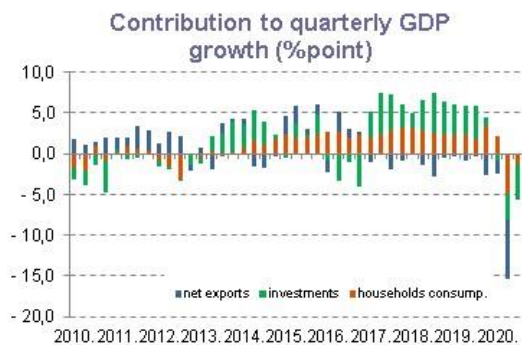
### **Resilient industrial sector, weaker retail sales dynamics**

The most recent IP statistics confirms that the industrial sector remains quite resilient amid the second COVID wave. Working-day adjusted output increased by 2.8% m-o-m in October and was 2.7% up from a year earlier. Industrial production decreased by 8.2% in the January-October period. Details are not yet available, but CSO said that production rose both in the vehicle manufacturing and electrical-optical goods segments. The resilience of the industrial sector is not Hungary-specific, this trend can be witnessed globally: despite the newly reintroduced containment measures, factories are open, global supply chains are not broken and most importantly the global demand picture is rather supportive (especially compared to Q2). Although activity is set to weaken during the next few months, industrial output is highly unlikely to collapse (which is also reflected in the November PMI release, the index actually picked up last month.)

The direct and indirect impacts of the second wave, however, have taken their toll on retail sales. Retail sales rose by 1.2% m-o-m in October, but were down by 1.9% compared to the same period of 2019 (wda data). Food sales increased in October, but non-food sales fell, and gasoline sales posted a double-digit fall in line with the rising use of home office and less travelling).

The outlook for households' consumption is dampened by the lockdown measures, the worsening labor market situation, slower wage growth and shaky confidence. Official labor market statistics can not fully capture the COVID impact, though. According to the official release net wages rose by 8.9% y-o-y in September and were up by 9.8% in the January-September period. Underlying wage dynamics, however, is much weaker as official statistics are unable to capture the impact of rising unemployment, and the higher share of part-time/underemployed workers.





Source:CSO

## EUR/HUF below 360

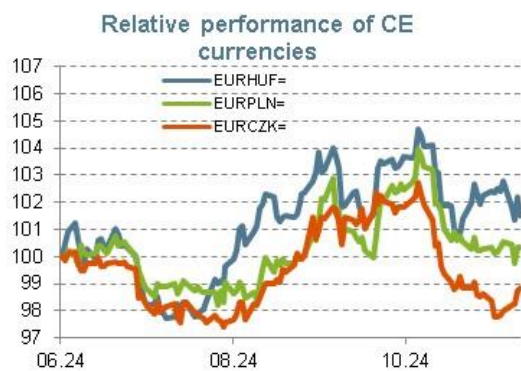
This week the forint showed a strengthening trend against major currencies and vis-a vis its regional peers too. The Hungarian unit posted a relatively strong positive correction, EUR/HUF dropped from 361 to below 356 during the last couple of days. However, HUF gave up part of its earlier gains on Friday but remained below 359. This time the budget veto dominates the FX market instead of the strength of the contagion although the epidemic situation is getting worse. Despite the lack of positive development in the debate, the HUF moved in tandem with the PLN, both of them regained some of their losses from the last weeks. The space for further appreciation is limited, we expect EUR/HUF to trade in the 355-365 range in the upcoming period.



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CE3 GOVERNMENT BOND YIELDS							
	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
<b>SPOT (bid)</b>							
1Y	0,55	124	0,06	75	-0,02	67	-0,69
3Y	1,07	184	0,07	84	0,42	119	-0,77
5Y	1,58	233	0,46	120	0,82	157	-0,75
10Y	2,27	282	1,28	182	1,28	182	-0,55
<b>60-DAY AVG</b>							
1Y	0,70	135	0,04	70	0,00	65	-0,65
3Y	1,27	204	0,18	95	0,36	113	-0,77
5Y	1,73	247	0,52	127	0,62	136	-0,74
10Y	2,34	289	1,32	187	1,03	158	-0,55

Source: Reuters

## Macroeconomic and market forecasts

	Unit	2017	2018	2019	2020	2021
GDP growth, y/y - CIB forecast (*)	%	4,3	5,1	4,9	-5,6	3,9
GDP growth, y/y - Market consensus	%	-	-	-	-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 - CIB forecast	%	2,4	2,8	3,4	3,4	3,4
CPI, y/y, average - Market consensus	%	-	-	-	3,5	3,1
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	3,2	3,1
CPI, y/y, end of period - Market consensus	%	-	-	-		
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%

# Macro diary

## Week 50

### MONDAY 12/07/2020

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

### TUESDAY 12/08/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	November	3%	3,1%	
HU	9:00	CPI, m/m	November	0,2%	0,2%	
DE	11:00	ZEW index	December	39	44,3	
EZ	11:00	GDP growth rate, final y/y	Q3	-14,8%	-4,3%	
EZ	11:00	GDP growth rate, final q/q	Q3	-11,8%	12,7%	

### AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,39%		

### WEDNESDAY 12/09/2020

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Trade balance, prelim., EUR m	October	20800	16000	
HU	9:00	Trade balance, prelim., EUR m	October	1140		
HU	11:00	Budget balance, HUF bln	November	-2604		

### AUKCIÓK

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

### THURSDAY 12/10/2020

Country	Time	Data	Period	Previous	Forecast	Result
EZ	13:45	ECB rate decision, policy rate	December	0,00%	0,00%	
EZ	13:45	ECB rate decision, depo rate	December	-0,50%	-0,50%	
US	14:30	CPI, y/y	November	1,2%	1,3%	
US	14:30	CPI, m/m	November	0%	0,1%	
US	14:30	Initial jobless claims, thousands	weekly	712	775	

### AUCTIONS

HU	11:30	3Y T-bond	HUF 20 bln	1,00%		
HU	11:30	5Y T-bond	HUF 30 bln	1,55%		
HU	11:30	10Y T-bond	HUF 30 bln	2,24%		

### FRIDAY 12/11/2020

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	November	0,5%	0,4%	
US	14:30	PPI, m/m	November	0,3%	0,2%	



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## Week 49

### MONDAY 11/30/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Gross wages, y/y	September	9,1%	10,4%	8,8%
DE	14:00	CPI, m/m	November	0,1%	0,1%	-0,8%
DE	14:00	CPI, y/y	November	-0,2%	-0,2%	-0,3%
DE	14:00	Retail sales, y/y	October	6,5%	5,2%	8,2%
DE	14:00	Retail sales, m/m	October	-1,9%	0,9%	2,6%
US	15:45	Chicago PMI	November	61,1	59,2	58,2

### TUESDAY 12/01/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Manufacturing PMI, final	November	50,2	49	51,9
HU	9:00	GDP growth rate, final q/q	Q3	-14,6%	11,2%	11,4%
HU	9:00	GDP growth rate, final y/y	Q3	-13,6%	-5,4%	-4,6%
HU	9:00	PPI, m/m	October	2,8%		0,7%
HU	9:00	PPI, y/y	October	5,2%		5,9%
DE	10:00	Unemployment rate	November	6,2%	6,3%	6,1%
EZ	10:00	Manufacturing PMI, final	November	53,6	53,2	53,8
EZ	11:00	CPI, m/m	November	0,2%	0,2%	-0,3%
EZ	11:00	CPI, y/y	November	-0,3%	-0,3%	-0,3%
EZ	11:00	Core inflation, y/y	November	0,2%	0,2%	0,2%
US	15:45	Manufacturing PMI, final	November	53,4	53	56,7
US	16:00	ISM index	November	59,3	58	57,5

### AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,42%		0,39%

### WEDNESDAY 12/02/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Trade balance, final, EUR m	September	1141		1140
HU	14:00	MNB MC minutes				
EZ	11:00	PPI, y/y	October	-2,4%	-2,4%	-2%
EZ	11:00	PPI, m/m	October	0,4%	0,3%	0,4%
EZ	11:00	Unemployment rate	October	8,3%	8,2%	8,4%

### THURSDAY 12/03/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Retail sales, y/y	October	-2%	1,1%	-1,9%
EZ	10:00	Services PMI, final	November	46,9	42	41,7
EZ	10:00	Composite PMI, final	November	50	45,6	45,3
EZ	11:00	Retail sales, y/y	October	2,5%	2,8%	4,3%
EZ	11:00	Retail sales, m/m	October	-1,7%	-1,5%	1,5%
US	14:30	Initial jobless claims, thousands	weekly	787	730	712
US	15:45	Services PMI, final	November	57,7	55	58,4
US	15:45	Composite PMI, final	November	57,9		58,6
US	16:00	Services ISM index	November	56,6	56,2	55,9

### AUCTIONS

HU	11:30	3Y T-bond	HUF 20 bln	1,00%		1,00%
HU	11:30	5Y T-bond	HUF 45 bln	1,55%		1,55%
HU	11:30	10Y T-bond	HUF 45 bln	2,24%		2,24%

### FRIDAY 12/04/2020

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	IP, prelim., y/y	October	-1%		2,7%
US	14:30	Unemployment rate	November	6,9%	7,6%	
US	14:30	NFP, change in non-farm payrolls, thousands	November	638	520	
US	14:30	Trade balance, USD bn	October	-63,9	-65	
US	16:00	Durable goods orders, m/m	October	1,3%	0,8%	



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## Contacts

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

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