

CIB WEEKLY REPORT



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What to watch next week

Local market movers

The key event of next week is going to be the release of April CPI. Inflation is expected to rise close to 5% this month and remain elevated in May, too. The short term outlook is characterized with a high degree of uncertainties, hence the actual data may surprise the market. Nonetheless, the jump has widely been expected, the bigger question is when and how fast inflation will retreat from the spring peaks.

External developments

The euro zone diary will be rather light next week. The German ZEW index is expected to edge down marginally in May, and the euro zone IP statistics may confirm the trend we had already seen in the big EZ economies (i.e. some rebound following the weak start of the year).

Inflation releases will take center stage in the US, too.

Both the CPI and the PPI are expected to increase significantly in April. Although the acceleration is not unexpected at all, the releases still have the potential (especially if they come out above-consensus) to move markets.

Summary of recent macro and market developments

Subdued retail sales, robust trade surplus, resilient industrial sector

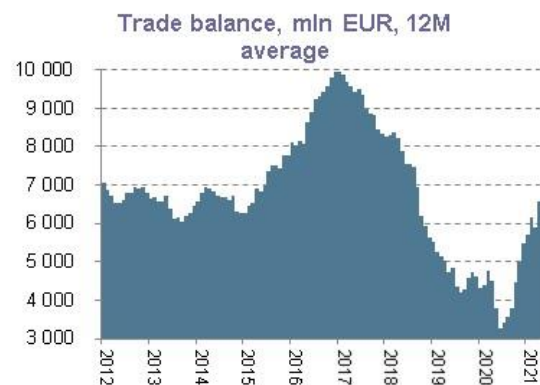
According to preliminary statistics, industrial output increased by 0.4% m-o-m in March (swda), and jumped by 16.2% y-o-y. The strong y-o-y increase is the result of the low base (last March factories shut down amid the first wave of COVID). Nonetheless, Q1 output was 4% higher compared to last year, that confirms the resilience of the Hungarian industrial sector. Detailed figures are not yet available, but the auto sector may have contributed the most to the y-o-y increase (due to the low base).

The figures confirm that the sector proved to be very resilient to the 3rd wave of the pandemic, the reintroduced restrictions measures and to supply side problems. The vehicle manufacturing sector's performance may remain weighed down by the global chip shortage in the upcoming period, but once capacity problems are resolved (it will take a few months), the factories can make up for lost production. Moreover, the weaker performance of the auto sector can be offset by increasing output of other sub-segments (i.e. electrical goods). To sum it up, the revival of domestic demand alongside with the supportive external demand environment may result in a 7.5-8.5% growth in 2021.

The trade balance registered yet another strong surplus in March. Exports jumped by 22% y-o-y (in EUR terms), imports increased by 15%, and the surplus rose above EUR 1 bln. The Q1 surplus came out at EUR 2.72 bln - above our expectations. Looking ahead, we expect healthy export performance in line with the recovery of global trade and global demand, and although import dynamics is also likely to get stronger in the upcoming

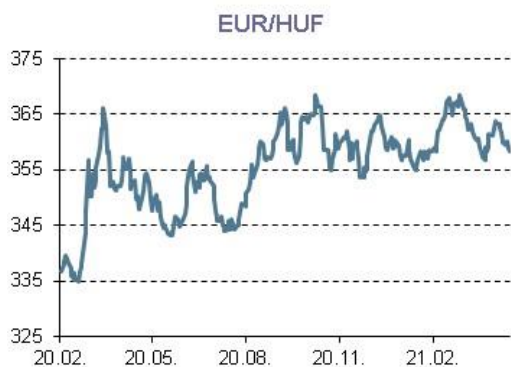
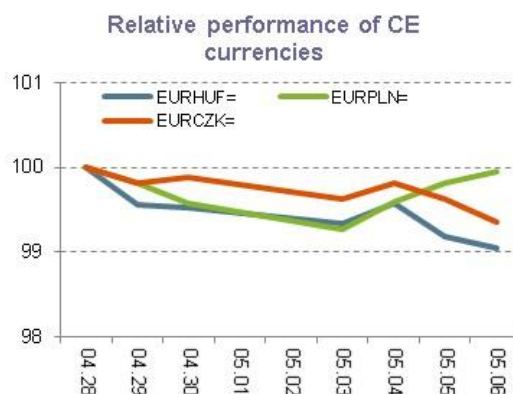
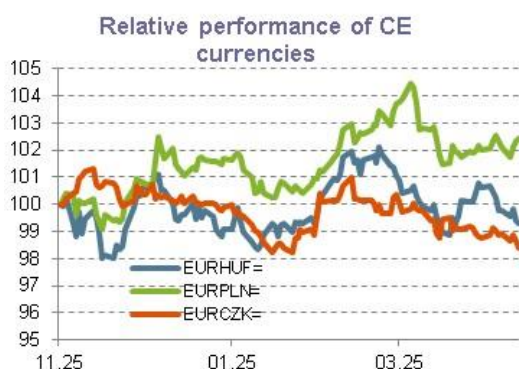
period, we do not expect any meaningful deterioration of the trade balance in 2021.

Retail sales remained weak in March. Although sales rose by 0.8% m-o-m, they are still down by 2% compared to March 2020. Moreover, the monthly increase is only the result of higher gasoline sales, food and non-food sales actually decreased from February. Retail sales were down 3.2% in Q1 reflecting the impact of the reintroduction of containment measures. Retail sales may start to recover in the upcoming period in tandem with the reopening of the economy, but we do not expect a strong rebound this year as consumer demand may partially shift from goods to services once the economy fully reopens.



EUR/HUF below 360, again

During the first week this month, the forint fluctuated in a very narrow range, mostly moving in the 358-361 range against the euro. The weekly trend was strengthening, with the market hovering in the lower part of this band, near 358 in the first half of the trading session on Friday. Like the EUR/HUF, the performance of our currency has also showed a further appreciation compared to dollar in this week, typically fluctuating between 297-300. Although, the publication of February CPI data on 11 May could be important information for domestic exchange market, but we do not expect EUR/HUF to revisit the lows seen in mid-March, we rather expect trendless fluctuation around the 360 threshold on the short run. At the same time, in the government securities market, stagnation in yields were observed at the short end, while the 5-year yield showed a slight fall.



Source: Reuters



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CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,67	130	0,11	74	-0,13	50	-0,63
3Y	1,34	205	0,37	108	1,02	173	-0,71
5Y	1,77	238	0,95	156	1,35	195	-0,61
10Y	2,85	308	1,69	192	1,78	201	-0,23
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,69	132	0,11	75	-0,03	60	-0,63
3Y	1,43	215	0,36	108	0,98	170	-0,72
5Y	1,84	246	0,83	145	1,34	196	-0,63
10Y	2,70	301	1,50	180	1,77	207	-0,30

Macroeconomic and market forecasts

EXCHANGE RATES, QUARTERLY AVERAGE					
	2019 Q4	2020 Q2	2020 Q4	2021Q2	2021 Q4
EUR/HUF	332	352	361	366	364
CHF/HUF	303	331	335	332	323
USD/HUF	300	320	303	313	315
EUR/CHF	1,10	1,06	1,08	1,10	1,13
EUR/USD	1,11	1,10	1,19	1,17	1,16
GBP/USD	1,29	1,24	1,32	1,36	1,39
GBP/HUF	386	397	399	426	436

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%	0,74%	0,73%
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%

Week 20

MONDAY 05/10/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	11:00	Budget balance, HUF bln	April	-1144,1		

TUESDAY 05/11/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	April	3,7%	4,8%	
HU	9:00	CPI, m/m	April	0,7%		
DE	11:00	ZEW index	May	70,7	71,4	

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,47%		

WEDNESDAY 05/12/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	IP, prelim., y/y	March	-1,6%	12,0%	
EZ	11:00	IP, prelim., m/m	March	-1,0%	1,0%	
US	14:30	CPI, y/y	April	2,6%	3,6%	
US	14:30	CPI, m/m	April	0,6%	0,2%	

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 15 bln	#REF!		0,65%

THURSDAY 05/13/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	April	4,2%	5,8%	
US	14:30	PPI, m/m	April	1,0%	0,3%	
US	14:30	Initial jobless claims, thousands	weekly	498		

FRIDAY 05/14/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Retail sales, m/m	April	9,7%	1,1%	
US	14:30	> ex-autos, m/m	April	8,4%	1,1%	
US	15:15	IP, prelim., m/m	April	1,4%	1,3%	
US	15:15	Capacity utilization	April	74,4%	75,3%	



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Week 19

MONDAY 05/03/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Retail sales, y/y	March	-6,6%	-1,6%	11,0%
DE	8:00	Retail sales, m/m	March	2,7%	3,3%	7,7%
HU	9:00	Manufacturing PMI, final	April	48,7		50,8

TUESDAY 05/04/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Trade balance, USD bn	March	-71,1	-71,8	-74,4
US	16:00	Industrial orders, m/m	March	-0,8%	2,0%	1,1%
AUKCIÓK		#N/A	#N/A			
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,54%		0,47%

WEDNESDAY 05/05/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	PPI, y/y	March	1,5%		4,3%
EZ	11:00	PPI, m/m	March	0,5%		1,1%
US	16:00	ISM index	April	63,7	64,0	62,7

THURSDAY 05/06/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Retail sales, y/y	March	-5,9%		-2,0%
HU	9:00	IP, prelim., y/y	March	3,9%		16,2%
HU	9:00	IP, prelim., m/m	March	4,8%		0,4%
EZ	11:00	Retail sales, y/y	March	-2,9%		12,0%
EZ	11:00	Retail sales, m/m	March	3,0%		2,7%
US	14:30	Initial jobless claims, thousands	weekly	553		498

AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	1,73%		1,68%
HU	11:30	10Y T-bond	HUF 25 bln	2,69%		2,77%
HU	11:30	15Y T-bond	HUF 20 bln	3,00%		3,19%

FRIDAY 05/07/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	IP, prelim., y/y	March	-6,4%	5,7%	5,1%
DE	8:00	IP, prelim., m/m	March	-1,6%	2,5%	2,5%
DE	8:00	Trade balance, prelim., EUR m	March	18200		20500
DE	8:00	C/A balance, EUR m	March	18800		30200
HU	9:00	Trade balance, prelim., EUR m	March	849		1013
US	14:30	Unemployment rate	April	6,0%	5,8%	



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