

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

CSO is set to release flash Q1 GDP figures next week. First quarter activity was weighed down by the pandemic, y-o-y GDP growth may be around -4% before posting a double-digit rate of growth in Q2.

External developments

Final April HICP and flash May PMIs are on the agenda in the euro zone. The composite PMI is expected to edge further up, but in tandem with the gradual reopening of the economies the services sector will drive the index higher this time. In case of the manufacturing PMI a small retreat can well be expected from the extremely high level of April.

US housing figures will confirm the consolidation in the sector, while regional manufacturing indices are likely to move slightly lower.

Summary of recent macro and market developments

CPI jumped in April, the industry performed well in Q1

Final March IP figures confirmed that the sector performed quite well in Q1. Industrial output increased by 0.4% m-o-m in March 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. Regarding the major subsectors, the output of the auto sector remained below last year's level in Q1, but this was offset by the strong, 9.3% increase of the electrical/optical subsegment.

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.

April CPI came out at a little bit higher than the consensus and our own expectations. The y-o-y index jumped from 3.7% to 5.1%.

CSO has started to publish a new core CPI starting this month (CPI excluding food, fuel and tobacco). Since it is also adjusted for tobacco products, the new core CPI is much lower (3.1%) than the "old" one.

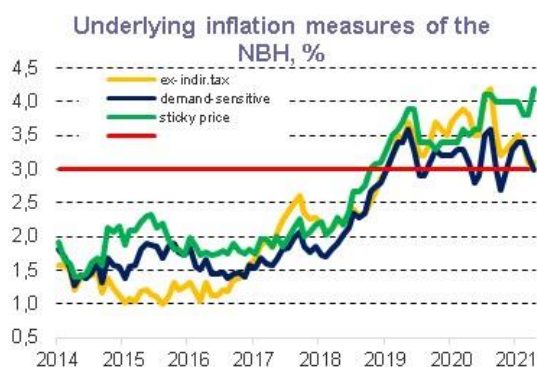
Looking at the monthly price changes, fuel prices declined compared to March (reflecting the cut in excise duty), services prices (up 0.5% m-o-m) did not show any

divergence from the usual seasonal pattern (yet). Consumer durable prices, however, rose 0.3% following the 0.1% decline in March, clothing prices jumped 3% and food prices also increased by 1.1%. Tobacco and alcoholic beverage prices rose 2.4% since part of the tobacco excise duty hike showed up in the data only this month.

Following the publication of the April CPI the inflation trajectory for the remaining part of the year has shifted upward. Now inflation is highly likely to remain above 4% during the upcoming period, and average 2021 inflation will also be higher than our previous estimate of 3.9%.

The central bank remains confident that it is going to be a temporary spike and inflation will return to target next year, but the reopening of the economy alongside with strong supply side pressures make the outlook highly uncertain on the one hand, and strengthen the upside risks to the outlook, on the other hand, in our view. Hence vigilance from the central bank's side remains warranted, and we do not think that there is any room to close the gap between the policy rate and the 1W depo rate.

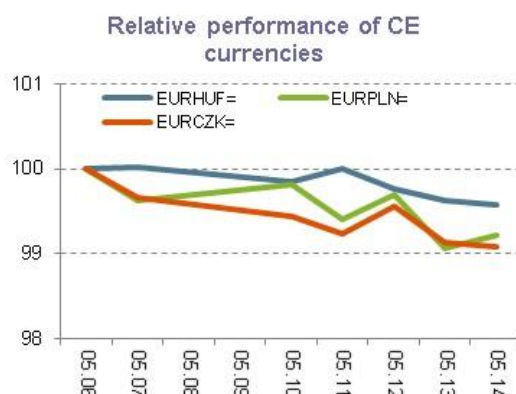




Source: CSO, NBH

EUR/HUF moves toward the 355 threshold

The gradual appreciation of the forint continued this week. EUR/HUF exchange rate slowly but steadily retreated from the local highs (around 364) of mid-April to below 357. The strengthening might have been influenced by the higher-than-expected CPI statistics, but the relatively weak dollar was also supportive. The pair has been fluctuating around levels not seen since middle of February, but we think that for EUR/HUF it would take a much hawkish than currently anticipated NBH and the continuation of the supportive global market sentiment to show a persistent break below the 355 threshold. In addition to the improving real economy outlook and favourable developments in the pandemic situation, forint appreciation was supported by monetary policy expectations, which was observable in the interest rate market. The domestic yield curve was stable up to the 1-year area, while the 3-20-year sector showed a massive rise which resulted in the steepening of the yield curve. By May 13, an almost 15 bps increase of yield was seen at the 3-year tenor compared to a week ago, while the 5- and 10-year yields were also up by almost 20 and 25 bps respectively and it meant that the 10-year benchmark moved above to 3,0%.



Source: Reuters

CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,67	130	0,14	77	0,59	121	-0,63
3Y	1,50	216	0,47	112	1,09	174	-0,66
5Y	1,95	246	1,31	182	1,49	200	-0,51
10Y	3,16	328	0,00	12	1,80	192	-0,12
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,69	133	0,12	75	0,01	65	-0,63
3Y	1,45	216	0,38	110	1,01	173	-0,71
5Y	1,86	248	0,89	150	1,38	199	-0,61
10Y	2,75	302	1,54	182	1,80	208	-0,28

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 21

MONDAY 05/17/2021

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

TUESDAY 05/18/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	GDP growth, flash, y/y	Q1	-3,6%	-3,7%	
HU	9:00	GDP growth, flash, q/q	Q1	1,4%		
EZ	11:00	Trade balance, prelim., EUR m	March	18,4		
US	14:30	Building permits, mln unit	April	1,759	1,77	
US	14:30	Housing starts, mln unit	April	1,739	1,705	

AUKCIÓK		#N/A	#N/A			
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,46%		

WEDNESDAY 05/19/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	20:00	Fed FOMC minutes	-			

THURSDAY 05/20/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	8:00	PPI, y/y	April	3,7%		
HU	8:00	PPI, m/m	April	0,9%		
US	14:30	Initial jobless claims, thousands	weekly	473		
US	16:00	Leading index	April	1,3%	1,2%	

AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	1,68%		
HU	11:30	10Y T-bond	HUF 25 bln	2,77%		
HU	11:30	20Y T-bond	HUF 20 bln	3,17%		

FRIDAY 05/21/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	9:30	Manufacturing PMI, flash	May	66,2	66,0	
DE	9:30	Services PMI, flash	May	49,9	52,0	
DE	9:30	Composite PMI, flash	May	55,8		
EZ	10:00	Manufacturing PMI, flash	May	62,9	62,3	
EZ	10:00	Services PMI, flash	May	50,5	52,0	
EZ	10:00	Composite PMI, flash	May	53,8		
US	15:45	Manufacturing PMI, flash	May	60,5	60,8	
US	15:45	Services PMI, flash	May	64,7	64,9	
US	15:45	Composite PMI, flash	May	63,5		
US	16:00	Existing home sales, mln unit	April	6,01	6,06	



CIB BANK

May 14, 2021 | www.ebroker.hu

Week 20

MONDAY 05/10/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	11:00	Budget balance, HUF bln	April	-1144,1		-1043,6

TUESDAY 05/11/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	April	3,7%	4,8%	5,1%
HU	9:00	CPI, m/m	April	0,7%		0,8%
DE	11:00	ZEW index	May	70,7	71,4	84,4

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,47%		0,46%

WEDNESDAY 05/12/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	IP, prelim., y/y	March	-1,6%	12,0%	10,9%
EZ	11:00	IP, prelim., m/m	March	-1,0%	1,0%	0,1%
US	14:30	CPI, y/y	April	2,6%	3,6%	4,2%
US	14:30	CPI, m/m	April	0,6%	0,2%	0,8%

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	0,65%		0,69%

THURSDAY 05/13/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	April	4,2%	5,8%	6,2%
US	14:30	PPI, m/m	April	1,0%	0,3%	0,6%
US	14:30	Initial jobless claims, thousands	weekly	498		473

FRIDAY 05/14/2021

Country	Time	Data	Period	Previous	Forecast	
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%	



CIB BANK

May 14, 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.



CIB BANK

May 14, 2021 | www.ebroker.hu