

CIB WEEKLY REPORT



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What to watch next week

Local market movers

All eyes will be on the Monetary Council meeting scheduled for next Tuesday. A rate hike seems to be a done deal, but the size of the move remains uncertain, especially seeing the fragility of the FX rate. The market will scrutinize the statement and the updated macro forecasts for information about the expected monetary policy trajectory beyond June.

External developments

Housing, income, consumption and orders figures will be on the agenda in the US. The releases, however, are likely to have a limited impact on the trading pattern as the market is digesting the Fed's hawkish shift. Flash June PMIs and the German Ifo index will be released in the euro zone, the composite PMIs are expected to move higher on the back of strengthening activity in the services sector. The manufacturing component may dip marginally.

Summary of recent macro and market developments

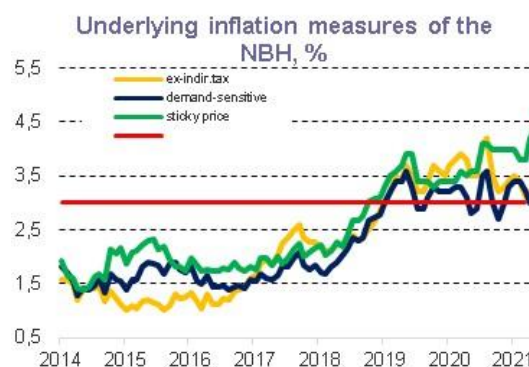
The Monetary Council meeting will be on the focus next week

The key event of the forthcoming week is going to be the Monetary Council meeting scheduled for Tuesday and the publication of the updated Inflation Report. Incoming new information and strong central bank messages cemented in expectations for a June rate hike. The central bank is widely expected to raise the 1W depo rate at least to 0.9% (in order not to disappoint the market), and the base rate is also likely to be raised. It is still uncertain, however, whether the gap between the 2 rates will remain, we received mixed signals concerning this issue.

The tightening has already been fully priced in, the focus will be on the statement and the updated staff projection as the market is eagerly awaiting information regarding the possible rate changes beyond June and the future of the unconventional toolkit (QE).

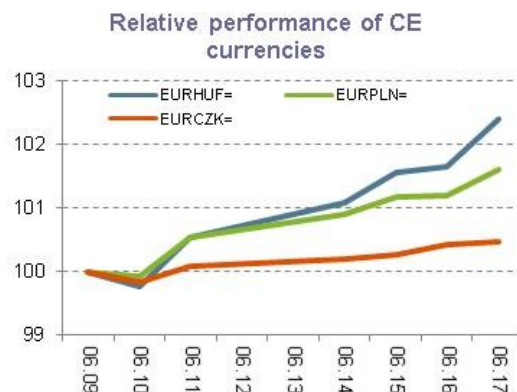
The statement is expected to remain hawkish, confirming the shift to a “data-driven” mode and emphasizing the central bank’s determination to fight off upside inflation risks.

The staff is widely expected to raise both its GDP and CPI projections, the new GDP forecast is likely to be ~6% and the average 2021 inflation forecast is likely to be slightly above 4% (compared to 4-6% and 3.8%, respectively).



The hawkish Fed sent HUF down

The forint showed a visible depreciation this week as the dollar climbed further following a hawkish turn by the FED that cut into appetite for riskier assets. The Hungarian unit opened against the euro with a significant negative correction, approaching the EUR/HUF 356 level again. This represents a loss of more than 2.5% in essentially one week. During the same period, the Polish zloty and other regional currencies were also showing strong losses, but the forint was underperforming all of them. Nevertheless, the weakening this week has not yet fully corrected the strengthening of the forint seen in May. The main factor behind the regional underperformance is the high uncertainty ahead of the NBH rate-setting meeting next week which would make it the first in the European Union to tighten monetary policy after the pandemic. A rate increase is a done deal, but market expectations on the magnitude of the tightening are widely scattered and that has made markets uncertain. The government bond market was also dominated by the Fed hawkish communication: by June 18, an almost 10 bps jump of yield was seen at the 10-year tenor compared to the beginning of the week, while the 3- and 5-year yields were also up by more than 5 and 10bps, respectively. The short-end segment of the curve remained stable.





CE3 GOVERNMENT BOND YIELDS							
	HU		PL		CZ		EU
SPOT (bid)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,89	155	0,39	104	1,05	170	-0,66
3Y	1,85	254	0,61	131	1,30	200	-0,69
5Y	2,12	271	1,29	188	1,62	220	-0,59
10Y	2,91	308	1,79	196	1,74	191	-0,17
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,78	142	0,19	83	0,20	84	-0,64
3Y	1,55	225	0,46	117	1,07	178	-0,70
5Y	1,95	254	1,06	165	1,46	205	-0,59
10Y	2,87	310	1,56	179	1,80	203	-0,23

Source: Reuters

Macroeconomic and market forecasts

	Unit	2017	2018	2019	2020	2021*	2022*
GDP growth, y/y - CIB forecast (*)	%	4,3	5,1	4,9	-5,1	5,9	5,0
GDP growth, y/y - Market consensus	%	-	-	-	-6,0	4,7	5,1
Industrial production, y/y	%	4,6	3,5	5,6	-6,1	9,8	6,5
Trade balance	EUR mln	8078	5520	4334	5700	7200	6800
CPI, y/y, average - CIB forecast	%	2,4	2,8	3,4	3,3	4,2	3,3
CPI, y/y, average - Market consensus	%	-	-	-	3,4	4,0	3,3
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	2,7	4,2	3,1
CPI, y/y, end of period - Market consensus	%	-	-	-	-	-	-
Budget balance / GDP (ESA, including one-off revenues)	%	-2,2	-2,2	-1,6	-8,9	-7,5	-6,5
Unemployment rate (eop)	%	3,8	3,6	3,5	4,4	4,3	3,9

Week 26

MONDAY 06/21/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	8:00	Economic sentiment index	June	-2,6		
HU	8:00	Consumer confidence index	June	-18,3		
HU	8:30	C/A balance, EUR m	June	185		

TUESDAY 06/22/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	14:30	NBH rate decision, base rate	June	0,6%	0,9%	
EZ	16:00	Consumer confidence index	June	-5,1		
US	16:00	Existing home sales, mln unit	May	5,85	5,71	

AUKCIÓK

Country	Time	Data	Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,59%		

WEDNESDAY 06/23/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	9:30	Manufacturing PMI, flash	June	64,4	63,0	
DE	9:30	Services PMI, flash	June	52,8	55,0	
DE	9:30	Composite PMI, flash	June	56,2	57,6	
EZ	10:00	Manufacturing PMI, flash	June	63,1	62,2	
EZ	10:00	Services PMI, flash	June	55,2	57,7	
EZ	10:00	Composite PMI, flash	June	57,1	58,8	
US	15:45	Manufacturing PMI, flash	June	62,1	61,8	
US	15:45	Services PMI, flash	June	70,4	69,9	
US	15:45	Composite PMI, flash	June	68,7		
US	16:00	New home sales, mln unit	May	0,863	0,88	

AUKCIÓK

Country	Time	Data	Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	0,87%		

THURSDAY 06/24/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	9:30	Ifo index	June	102,9	103,6	
US	14:30	Durable goods orders, m/m	May	-1,3%	2,8%	
US	14:30	Initial jobless claims, thousands	weekly	412		

FRIDAY 06/25/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Personal income, m/m	May	-13,1%	-3,0%	



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Week 25

MONDAY 06/14/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	IP, final, y/y	April	10,9%	37,4%	39,3%
EZ	11:00	#REF!	April	0,1%	0,4%	0,8%

TUESDAY 06/15/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Trade balance, final, EUR m	April	15,8		10,9
US	14:30	Retail sales, y/y	May	0,0%	-0,4%	-1,3%
US	14:30	> ex-autos, m/m	May	-0,8%	0,6%	-0,7%
US	14:30	PPI, y/y	May	6,2%	6,2%	6,6%
US	14:30	PPI, m/m	May	0,6%	0,4%	0,8%
US	15:15	IP, final, m/m	May	0,5%	0,6%	0,8%
US	15:15	Capacity utilization	May	74,6%	75,1%	75,2%
AUKCIÓK		#N/A	#N/A			
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,59%		0,59%

WEDNESDAY 06/16/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Building permits, mln unit	May	1,733	1,738	1,681
US	14:30	Housing starts, mln unit	May	1,569	1,65	1,572
US	20:00	Fed interest rate decision	May	0,25%	0,25%	0,25%

THURSDAY 06/17/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Initial jobless claims, thousands	weekly	376		412
US	20:00	Leading index	June	1,6%	1,1%	1,3%

AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	2,00%		2,02%
HU	11:30	10Y T-bond	HUF 20 bln	2,90%		2,85%
HU	11:30	20Y T-bond	HUF 20 bln	3,17%		3,40%

FRIDAY 06/18/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	PPI, y/y	May	5,2%	6,3%	7,2%
DE	8:00	PPI, m/m	May	0,8%	0,6%	1,5%



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