

# CIB WEEKLY REPORT



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## What to watch next week

### Local market movers

No major data releases are scheduled for next week, but the detailed IP statistics will likely to reveal the problems the industry is facing from supply side bottlenecks.

### External developments

The euro zone diary will be rather light, too. EZ IP figures will confirm the disappointing performance already revealed by national releases. The German ZEW index is expected to inch down mirroring mounting uncertainties about the short-term outlook.

US inflation statistics are expected to confirm that peak inflation is already behind us, but inflation will remain higher for longer due to persistent supply side problems.

## Summary of recent macro and market developments

**Inflation went up as expected, the industry posted a disappointing performance in August**

Y-o-y CPI went up from 4.9% to 5.5% in August, matching both the market consensus and our call. Underlying inflationary pressures also strengthened. Core CPI rose from 3.6% to 4%, and all of the central bank's underlying CPI measures went up as well.

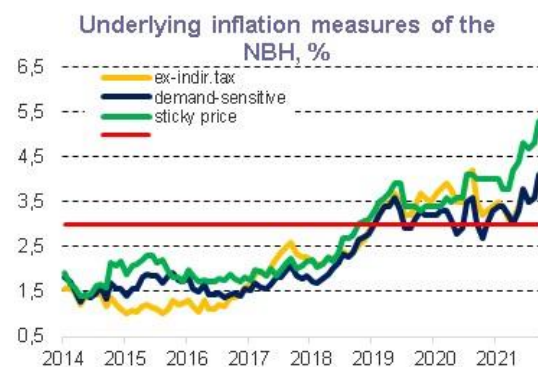
Services prices declined by 0.5% m-o-m confirming that following the reopening shock, price changes returned to the normal pattern in this category. Fuel prices, however, drove up the headline index and so did clothing prices. Especially worrisome is the 0.9% monthly increase in consumer durable prices which clearly reflects global supply side problems.

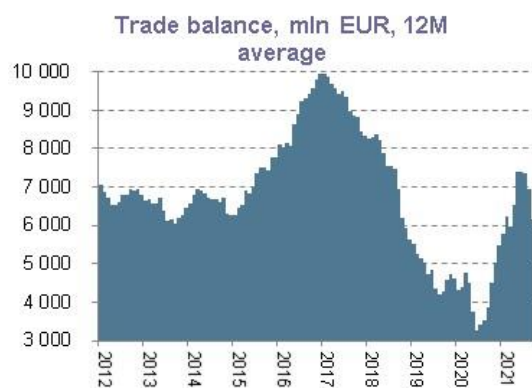
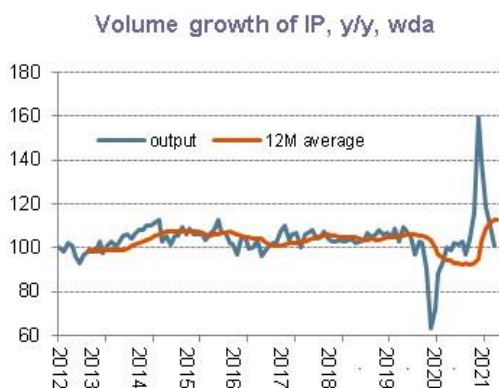
Headline inflation is expected to creep higher in the remaining part of the year, y-o-y CPI could reach 6% in November. Average 2021 inflation will come out at ~4.7-4.8% -well above the 3% mid term target of the central bank. One-off factors (reopening, excise duty hike of tobacco products) clearly contribute to the jump of inflation, but underlying inflationary pressures are also on the rise. Supply side tensions are likely to persist well into 2022 on the one hand, and the pre-election spending campaign of the government strengthens demand-led inflation, on the other hand. Hence, upside inflation risks still dominate and reaching the 3% inflation target will take longer than had been expected previously. The central bank has no other option than to proceed with the rate hike cycle and it will be interesting to see whether they stick to the slower, 15 bps pace or decide to take bolder moves to keep inflation expectations anchored and markets stable.

In line with the disappointing European releases, the most recent Hungarian IP and trade statistics also brought a negative surprise. Industrial output fell 2.7% m-o-m (swda), well below the market consensus and also weaker than

our forecast which was the most pessimistic on the market. Output has fallen for the 3<sup>rd</sup> month in a row. IP was a mere 2.6% higher y-o-y (unadjusted) and grew by 15.3% in the first nine months of 2021. Details are not yet available, but it is highly likely that strengthening global supply side problems are to blame for the disappointing performance. These problems are likely to persist in the upcoming period; hence the industry and the export sectors are not likely to make a strong contribution to overall GDP growth in Q3 and Q4.

The deterioration of the trade balance continued in August; the trade account registered yet another monthly deficit (this time almost EUR 500 mln). Exports rose by 5.2% y-o-y in EUR terms and imports increased by 16.2%. the muted performance of exports reflects ongoing supply side problems (transportation, shortage of materials, parts, shortage of labor etc.), the robust import growth is a reflection of booming domestic demand and higher imported inflation. The cumulative surplus of the January-August period was EUR 2.99 bln, the 12M rolling average surplus went down further to EUR 6.1 bln from almost EUR 7.4 bln at the beginning of summer.



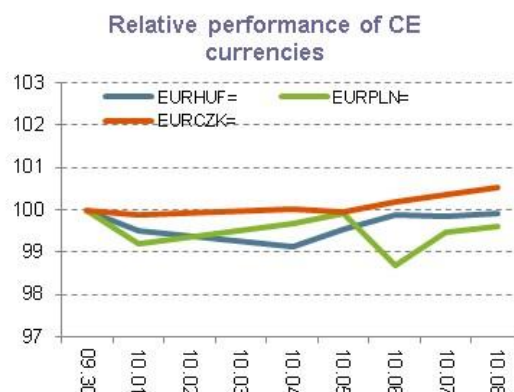
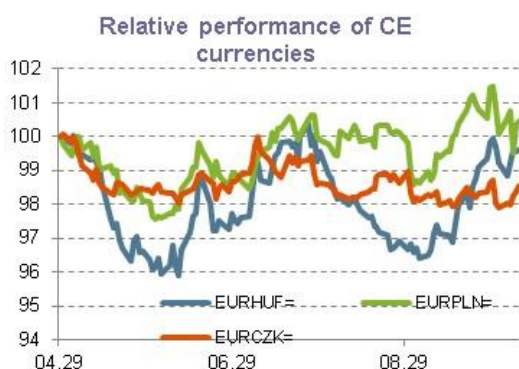
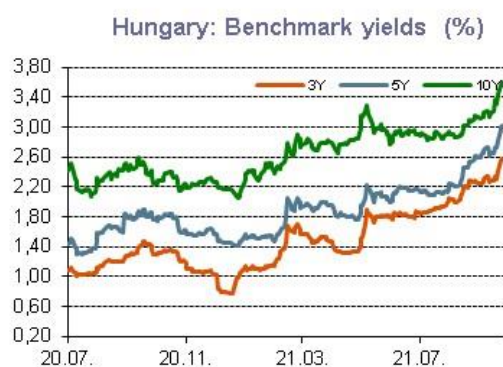


Source:CSO, Reuters

## HUF remains fragile, long yields jump

The fluctuation of the forint in the first part of October clearly reflected market uncertainty, both that of the domestic and the external economic environment. The favourable development about the RRF funds and the hawkish comment from NBH last Friday gave a new impetus to the Hungarian unit thus the EUR/HUF exchange rate headed south in the first part of the week, close to the level of 355. However, the deep European energy crisis, the surprise Polish rate hike and the appreciation of the US dollar put the domestic currency under some pressure. As a result, EUR/HUF is moving in the 358-359 range on Friday in the first half of the trading session, while the USD/HUF exchange rate hardly changed compared to previous week's level. In regional comparison, HUF practically moved together with the Czech koruna in the week behind us, while it depreciated against the zloty mainly thanks to the unexpected Polish monetary tightening step.

Yields increased along the entire yield curve by 15-25 bps on a weekly basis. As a result, the 10-years benchmark yield has risen above 3.50%, for the first time in almost three years. Meanwhile the 3M BUBOR rose only moderately, moving 5 basis points higher to 181 bps.



### CE3 GOVERNMENT BOND YIELDS

	HU		PL		CZ		EU
<b>SPOT (bid)</b>	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
<b>1Y</b>	<b>1,56</b>	223	<b>1,39</b>	205	<b>1,97</b>	263	<b>-0,67</b>
<b>3Y</b>	<b>2,57</b>	329	<b>1,53</b>	225	<b>2,06</b>	277	<b>-0,72</b>
<b>5Y</b>	<b>2,99</b>	354	<b>0,00</b>	55	<b>2,11</b>	266	<b>-0,55</b>
<b>10Y</b>	<b>3,57</b>	374	<b>0,00</b>	17	<b>2,11</b>	228	<b>-0,17</b>
<b>60-DAY AVG</b>	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
<b>1Y</b>	<b>1,23</b>	189	<b>0,57</b>	123	<b>1,31</b>	197	<b>-0,66</b>
<b>3Y</b>	<b>2,13</b>	290	<b>0,79</b>	156	<b>1,61</b>	237	<b>-0,77</b>
<b>5Y</b>	<b>2,41</b>	308	<b>1,28</b>	195	<b>1,82</b>	248	<b>-0,67</b>
<b>10Y</b>	<b>3,05</b>	342	<b>1,73</b>	210	<b>1,88</b>	225	<b>-0,37</b>



## 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	6,8	5,0
GDP growth, y/y - Market consensus	%	-	-	-	-6,0	6,4	5,0
Industrial production, y/y	%	4,6	3,5	5,6	-6,1	13,1	7,5
CPI, y/y, average - CIB forecast	%	2,4	2,8	3,4	3,3	4,6	3,3
CPI, y/y, average - Market consensus	%	-	-	-	3,4	4,4	3,5
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	2,7	4,9	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	%	3,8	3,6	3,5	4,4	4,2	3,9

EXCHANGE RATES, QUARTERLY AVERAGE						
	2020 Q2	2020 Q4	2021Q2	2021 Q4	2022Q2	2022Q4
EUR/HUF	352	361	355	351	352	350
CHF/HUF	331	335	323	315	309	321
USD/HUF	320	303	294	301	294	289
EUR/CHF	1,06	1,08	1,10	1,11	1,14	1,14
EUR/USD	1,10	1,19	1,21	1,16	1,20	1,21
GBP/USD	1,24	1,32	1,40	1,38	1,43	1,45
GBP/HUF	397	399	412	416	418	418

INTEREST RATE FORECASTS						
(eop)	2020.06	2020.12	2021.06	2021.12	2022.06	2022.12
NHB base rate	0,75%	0,60%	0,90%	2,00%	2,00%	2,00%
HU 3M BUBOR	0,74%	0,75%	0,96%	2,05%	2,05%	2,05%
Fed Funds rate	0,25%	0,25%	0,25%	0,25%	0,25%	0,25%
ECB refi rate	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
SNB 3M Libor target	-0,75%	-0,75%	-0,75%	-0,75%	-0,75%	-0,75%



CIB BANK

October 8, 2021 | [www.ebroker.hu](http://www.ebroker.hu)

MONDAY 10/11/2021						
Country	Time	Data	Period	Previous	Forecast	Result
		No major data release				
TUESDAY 10/12/2021						
Country	Time	Data	Period	Previous	Forecast	Result
DE	11:00	ZEW index	October	26,5		
AUKCIÓK						
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	1,21%		
WEDNESDAY 10/13/2021						
Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	HICP, y/y, final	September	4,1%	4,2%	
DE	8:00	HICP, m/m, final	September	0,0%	0,0%	
US	14:30	CPI, y/y	September	5,3%	5,3%	
US	14:30	CPI, m/m	September	0,3%	0,3%	
AUKCIÓK						
			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	1,53%		
THURSDAY 10/14/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Initial jobless claims, thousands	weekly			
US	14:30	PPI, y/y	September	8,3%		
US	14:30	PPI, m/m	September	0,7%	0,5%	
FRIDAY 10/15/2021						
Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Trade balance, prelim., EUR m	August	20,7		
US	14:30	Retail sales, m/m	September	0,7%	-0,2%	



MONDAY 10/04/2021							
Country	Time	Data	Period	Previous	Forecast	Result	
US	16:00	Industrial orders, m/m	August	0,4%	1,0%	1,2%	
TUESDAY 10/05/2021							
Country	Time	Data	Period	Previous	Forecast	Result	
EZ	11:00	PPI, y/y	August	12,1%		13,4%	
EZ	11:00	PPI, m/m	August	2,3%		1,1%	
AUKCIÓK							
			Amount	Previous	Forecast	Result	
HU	11:30	3M T-bill	HUF 15 bln	1,16%		1,21%	
WEDNESDAY 10/06/2021							
Country	Time	Data	Period	Previous	Forecast	Result	
DE	8:00	Industrial orders, m/m	August	3,4%	-1,3%	-7,7	
HU	9:00	Retail sales, y/y	August	3,0%		4,1%	
HU	9:00	IP, prelim., y/y	August	10,2%		0,6%	
HU	9:00	IP, prelim., m/m	August	-0,5%		-2,7%	
EZ	11:00	Retail sales, y/y	August	3,1%		0,0%	
EZ	11:00	Retail sales, m/m	August	-2,3%	0,5%	0,3%	
US	14:30	ADP, change in private sector employment, thousands	September	374	475	568	
THURSDAY 10/07/2021							
Country	Time	Data	Period	Previous	Forecast	Result	
DE	8:00	IP, prelim., y/y	August	5,7%		1,7%	
DE	8:00	IP, prelim., m/m	August	1,0%	-0,1%	-4,0%	
US	14:30	Initial jobless claims, thousands	weekly	362		326	
AUCTIONS							
			Amount	Previous	Forecast	Result	
HU	11:30	5Y T-bond	HUF 20 bln	2,53%		2,91%	
HU	11:30	10Y T-bond	HUF 20 bln	3,05%		3,50%	
HU	11:30	20Y T-bond	HUF 15 bln	3,56%		3,99%	
FRIDAY 10/08/2021							
Country	Time	Data	Period	Previous	Forecast	Result	
DE	8:00	Trade balance, prelim., EUR m	August	18,1		10,7	
HU	9:00	Trade balance, prelim., EUR m	August	-193		-467	
HU	9:00	CPI, y/y	September	4,9%		5,5%	
HU	9:00	CPI, m/m	September	0,2%		0,2%	
HU	11:00	Budget balance, HUF bln	September	-1900,7		-2292	
US	14:30	Unemployment rate	September	5,2%	5,0%		





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