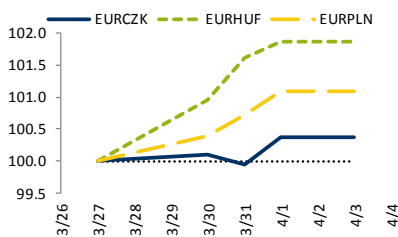




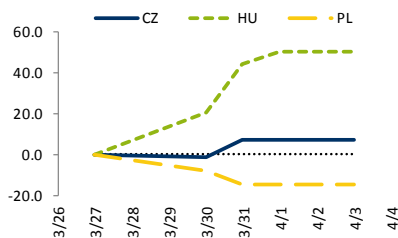
Friday, 03 April 2020

Forex markets (index)



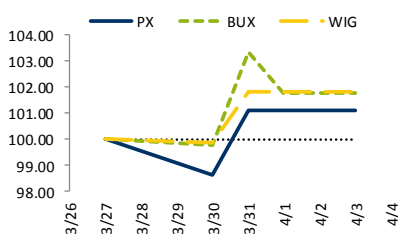
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.46	27.46	0.00
EURHUF	362.4	362.4	0.00
EURPLN	4.577	4.577	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.347	1.347	0.0
HUGB 10Y	2.77	2.77	0.0
PLGB 10Y	1.65	1.65	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	789.9	789.9	0.00
BUX	32633	32633	0.00
WIG	41625	41625	0.00

Regional insights

The forint finds some ground after new NBH's measures

The Hungarian forint has experienced an extremely volatile week as the EUR/HUF pair has hit fresh all-time lows above the 369. The Hungarian currency then finds some ground as the Hungarian National Bank (NBH) has stepped in.

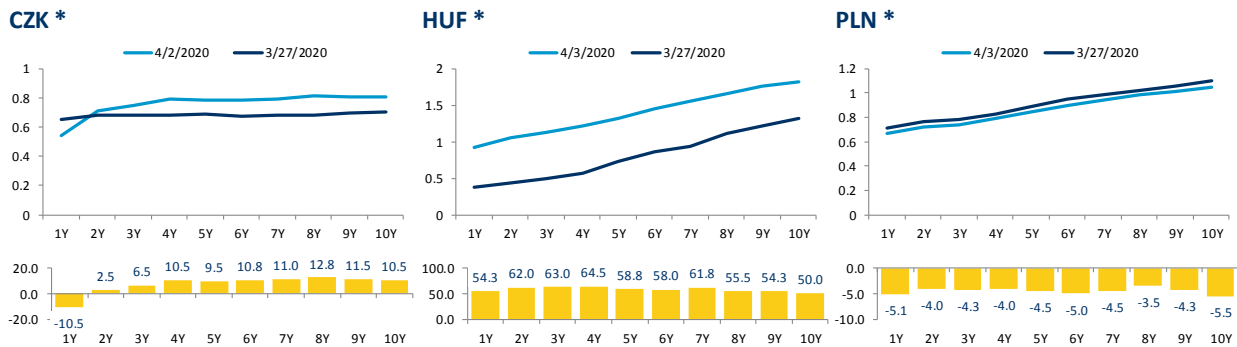
Recall that on Wednesday, the NBH had to introduce the one-week deposit facility, which imply indirect tightening of its policy. There will be a tender every Thursday, the banks are taking part on this tender with the amount they want to place into the one-week depo. The NBH pays 0.9% interest on this depo (so it is fixed and it is always the base rate) and although there is no limitation on the amount a bank can place into this one-week depo, the NBH makes weekly the decision what they want to accept. It depend on the market liquidity according to the NBH. So the change is that till now the banks could place their additional HUF liquidity in overnight deposit, where the interest rate was -0.05%, but from today they can place it also into 1-week deposit at 0.9%. Of course we don't know that will the NBH accept all the money the banks would like to place into one-week deposit, but we think that at the beginning NBH may accept all, because they would like to stabilize the exchange rate. So it means rate hike, and now technically most of the NBH instruments are available at 0.9% (overnight lending rate is 0.9%, collateralized loans are also available at 0.9%), but for example the funding for lending program for SMEs are at 0% rate.

So it means that technically Hungary will have almost the same base rate as Poland and Czech Republic have (only 10bp difference).

It is quite likely that this instrument was introduced because of the sudden and massive depreciation of the HUF, so it also suggest, that in case HUF substantially deviates from other currencies in the region further steps may come from NBH.

It will be quite interesting also that what kind of fiscal policy decisions will come next week in order to boost the economy and mitigate somewhat the negative effects of the virus. And additionally it will be also important, that what kind of regulation will be introduced in the next weeks, because Hungary is now a little bit more sensitive on political issues, but we think that the government would like to avoid also the further massive weakening of the forint.

Interest-rate Swap Curves



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	04/03	9:00	Retail sales	%					11.3	6.3		7.6

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