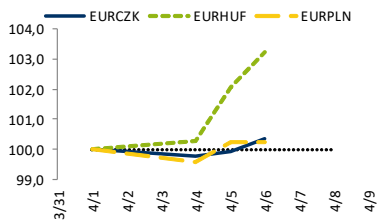




Central
Europe
Wednesday

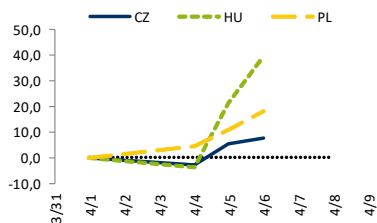
Wednesday, 06 April 2022

Forex markets (index)



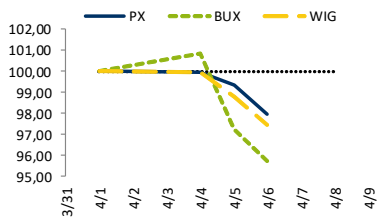
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24,47	24,36	0,43
EURHUF	379,7	375,4	1,12
EURPLN	4,652	4,652	0,00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3,839	3,819	2,0
HUGB 10Y	6,43	6,25	2,9
PLGB 10Y	5,52	5,44	1,4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1345,3	1364,2	-1,39
BUX	43115	43787	-1,53
WIG	64055	64907	-1,31

Our regional insights:

Forint faces perfect storm, NBH might hike again

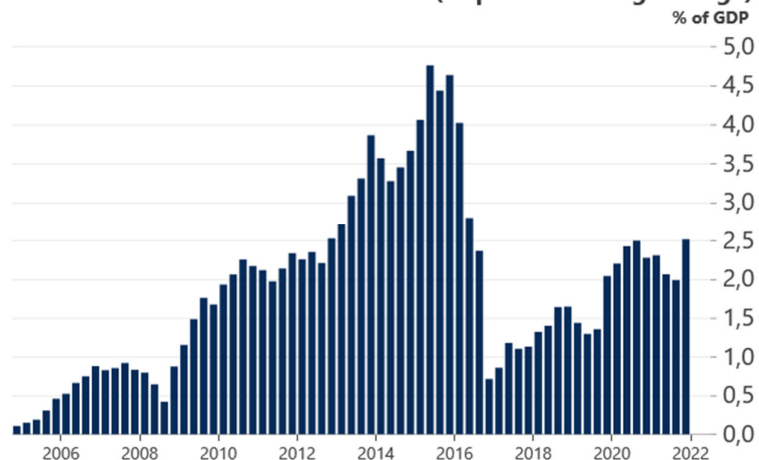
The forint started to weaken after Sunday's parliamentary elections (in which current PM Orbán and his FIDESZ scored an easy victory), but the real pressure came yesterday afternoon. The trigger was a statement made by European Commission President Ursula von der Leyen that Brussels would launch disciplinary proceedings against Hungary, accusing the country of failing to respect the rule of law. This could result in the suspension of Hungary's drawdown of EU funds, which is a considerable sum in the country's case. Hungary currently draws around 2.5% of its GDP a year from structural funds alone (see the chart below).

The forint's situation is further complicated by reports that Hungary is preparing to pay for Russian gas in roubles (however, the EU has so far followed a common approach on this issue and is paying gas invoices in euros). Let's add that the forint has depreciated by almost 3% in a week, which will very likely force the NBH to raise the one-week deposit rate significantly again. Let's add that the Monetary council will discuss this official rate (standing now 6.15%) tomorrow morning.

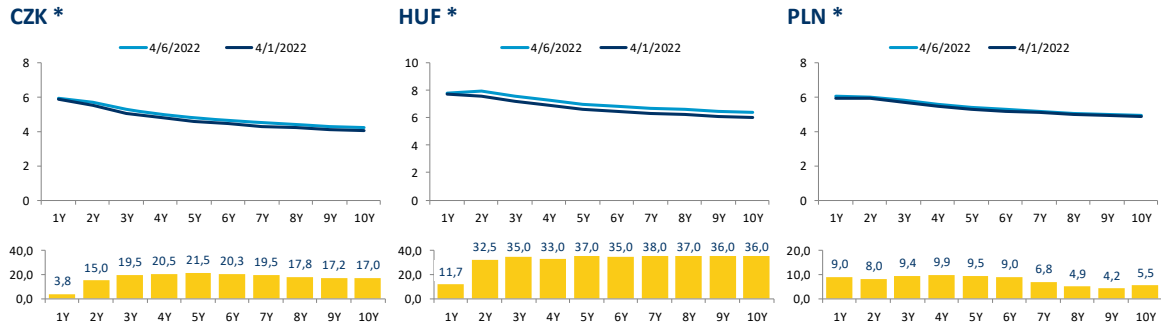
Will NBP stick to 75bps rate-hike pace?

The NBP is going to hike its official interest rate this afternoon and the only question is how aggressive the MPC will be. Initially, we had bet that the NBP would hike just by 50bps, but the March inflation, which heavily surprised on the upside (10.9% YoY), makes a case for more hawkish approach. In our view, if the MPC does not want to be 'behind the curve', it will increase its base rate from 3.50% to 4.25% (or to even higher level).

HU: inflows from EU structural funds (4-quarters rolling average)



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
CZ	04/06	9:00	Trade balance (national)	CZK B 02/01/2022				-4,4	6,0		6,2	
CZ	04/06	9:00	Industrial output	% 02/01/2022				-0,3	2,5		3,7	
CZ	04/06	9:00	Construction output	% 02/01/2022				18,9			6,4	
HU	04/06	9:00	Retail sales	% 02/01/2022				9,8	5,8		4,1	
CZ	04/06	12:00	CZ bond auction 2014-2025, 2.40%	CZK B 04/01/2022					4			
CZ	04/06	12:00	CZ bond auction 2021-2031, floating rate	CZK B 04/01/2022					3			
CZ	04/06	12:00	CZ bond auction 2022-2035, 2.50%	CZK B 04/01/2022					2			
HU	04/06	14:00	NBH minutes	03/01/2022								
PL	04/06	16:00	NBP meeting	% 04/01/2022	4,25				4,00		3,50	

Contacts

Brussels Research (KBC)		Global Sales Force	
Mathias van der Jeugt	+32 2 417 51 94	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95	Institutional Desk	+32 2 417 46 25
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
Dublin Research		Prague	
Austin Hughes	+353 1 664 6889	Prague (Equities)	+420 2 6135 3535
Shawn Britton	+353 1 664 6892		+420 2 2142 4216
Prague Research (CSOB)		Bratislava	
Jan Čermák	+420 2 6135 3578	Bratislava	+421 2 5966 8820
Jan Bureš	+420 2 6135 3574		
Bratislava Research (CSOB)		Budapest	
Marek Gabris	+421 2 5966 8809	Budapest	+36 1 328 99 85
Budapest Research			
David Nemeth	+36 1 328 9989		

DISCOVER MORE ECONOMIC INSIGHTS AT WWW.KBCECONOMICS.COM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

