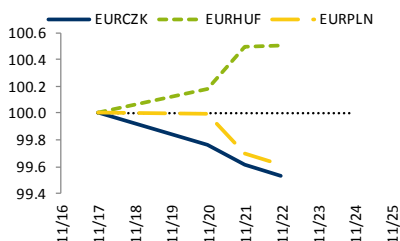




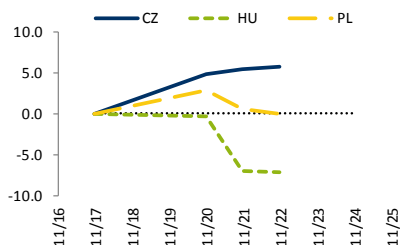
Wednesday, 22 November 2017

Forex markets (index)



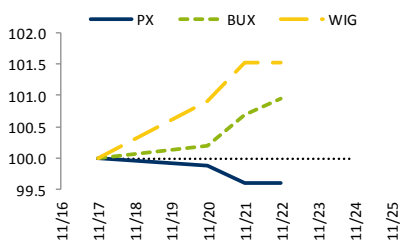
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.49	25.51	-0.08
EURHUF	313.5	313.4	0.02
EURPLN	4.217	4.220	-0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.912	1.910	0.2
HUGB 10Y	2.18	2.18	-0.1
PLGB 10Y	3.41	3.43	-0.6

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1050.6	1050.6	0.00
BUX	39650	39554	0.24
WIG	64011	64011	0.00

Our regional insights:

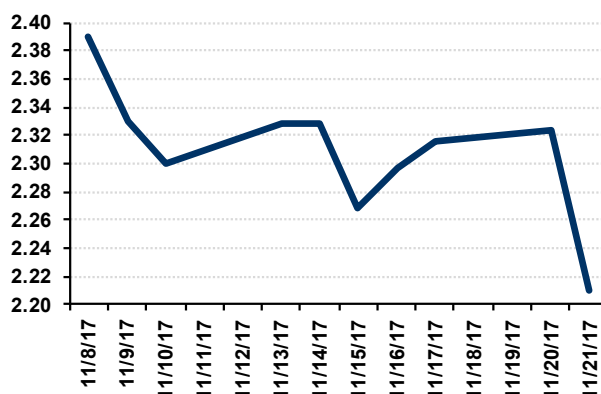
NBH's continues with its unconventional easing

As expected, the NBH left its official interest rate unchanged, but the central bank also announced in its announcement that it will introduce 5 to 10 year interest rate swaps from the beginning of next year and will buy mortgage bonds with a maturity of 3 years or more under a new program. According to the Monetary Council the new IRS facilities will be available for counterparty banks at regular tenders from the beginning of January 2018. The NBH make a decision on the operational details of the programmes in December 2017.

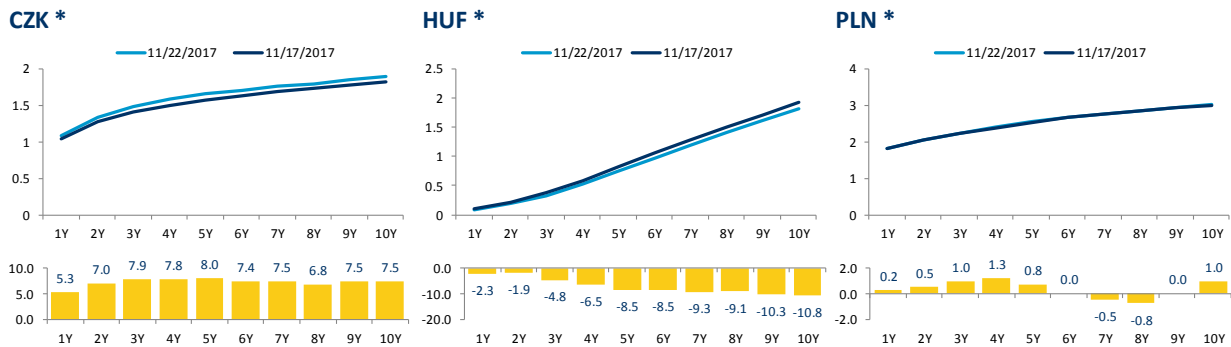
Hence, the NBH seeks to flatten the yield curve and to increase the rate of long-term fixed-rate loans, which could be consider as additional easing. No wonder that the forint does not like the NBH decision and it strongly underperforms the firming the Czech koruna and the Polish zloty (see the chart on left side).

Overall, it is obvious that the NBH keeps its very dovish stance. It still does not expect significant inflationary pressures before H2 2019. Moreover, the Council still think that there are more risks on the downside, despite massive wage increases and the gradually rising core inflation. The NBH still sees unused capacities in the economy, so the output gap may narrow only gradually in the coming quarters. The new element in the statement was the bigger focus on the steepness of the interest rate curve. The council thinks it is important to ensure that the low interest rate environment exerts its favourable effect as long as possible. To achieve this, it is necessary to reduce long-term yields and as a result the steepness of the yield curve, which will also promote the expansion of loans with long interest rate fixation. *We expect that the current (unconventional) dovish policy may remain in place till the spring parliamentary election.*

HU GB 10Y



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	Time	Indicator	Unit	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Wages	%, ytd.	09/01/2017				13.6		13.2		13.2
CZ	12:00	CZ bond auction 2017-2027, 0.25%		CZK B 11/01/2017						4		
CZ	12:00	CZ bond auction 2013-2028, 2.50%		CZK B 11/2017						4		
CZ	12:00	CZ Bond auction 2006-2036, 4.20%		CZK B 11/01/2017						2		
PL	14:00	Money supply M3	%	10/01/2017					0.7	5.5	0.5	5.4
PL	10:00	Unemployment rate	%	10/01/2017						6.7		6.8

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