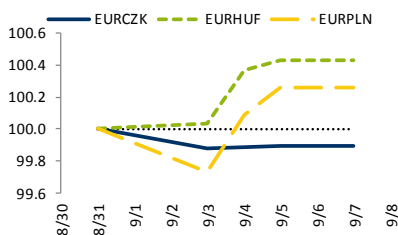




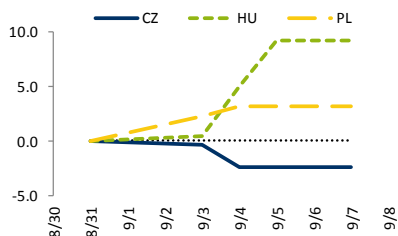
Friday, 07 September 2018

Forex markets (index)



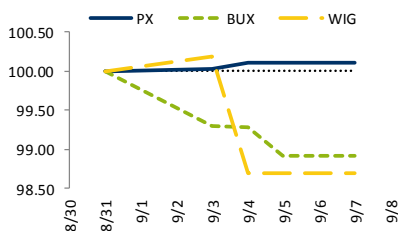
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.74	25.74	0.00
EURHUF	328.1	328.1	0.00
EURPLN	4.315	4.315	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.053	2.053	0.0
HUGB 10Y	3.55	3.55	0.0
PLGB 10Y	3.21	3.21	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1073.9	1073.9	0.00
BUX	36830	36830	0.00
WIG	59418	59418	0.00

Regional insights

Currencies in Central Europe resist contagion fears as their macro fundamentals remain strong

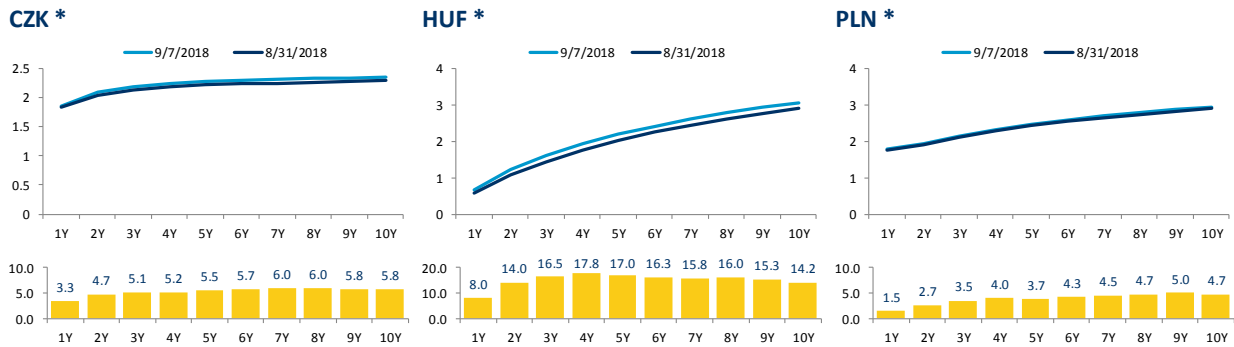
Despite ongoing weakness in some emerging markets' currencies, the Central European currencies remain calm, including the most liquid currency - the Polish zloty. It seems that the financial contagion has been very limited this time, as investors can differentiate between respective markets. Recall that Central European economies have incomparably better macro fundamentals than countries such as Turkey or South Africa - especially in terms of external balance and external debt in foreign currencies. **Unlike Turkey, Argentina or South Africa, the CE countries in have surpluses in the current account of the balance of payments and (net) foreign debt in foreign currencies is absolutely minimal.**

The good example of a good economic fundamental has been today's release of the Hungarian foreign trade figures. The trade balance delivered quite a positive surprise as the growth rate of export and import were both at 11% Y/Y and the trade surplus was also higher than a year before in July. And it is especially positive in the light of that trade figures were already strong in June as well, so it raises the question that does the deteriorating trend of trade balance stopped in May or it is only a temporary stop of decreasing trade surplus. Based on the view that the domestic demand might remain the biggest contributors to the growth it is more likely that the increase of import might exceed the export, the trade surplus may start to moderate again in the coming months.

Hence, no wonder that the forint has been experiencing some positive correction as the EUR/HUF pair has slipped back below the 326 level. Although the Hungarian currency can be driven by international sentiment in upcoming days and we expect the EUR/HUF will stay in a trading in the range of 322 and 330.

However, it is worth noting that **there is a specific Hungarian event next week as well. The European parliament will have a debate about Hungarian policies and about potential sanctions, which might put weakening pressure on the currency.** Also the August inflation figure will be published, but we expect that the inflation may remain around 3.4% Y/Y, so it may not increase further the pressure on the NBH to tight its monetary policy.

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	09/07	9:00	Trade balance	EUR M 07/2018 *P			373					1024
CZ	09/07	10:00	FX reserves of the CNB	EUR B 08/01/2018								123.2
HU	09/07	11:00	Budget balance	HUF B 08/01/2018								-1491

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