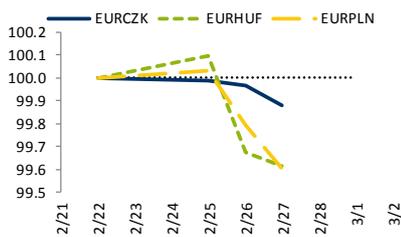




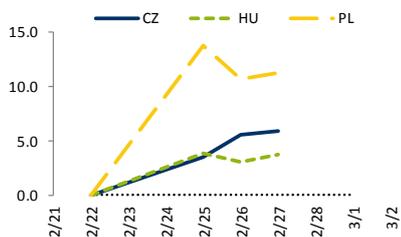
Wednesday, 27 February 2019

## Forex markets (index)



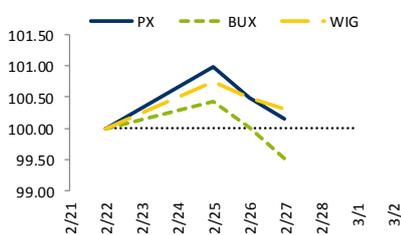
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.63	25.65	-0.09
EURHUF	316.4	316.6	-0.06
EURPLN	4.319	4.327	-0.19

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.942	1.938	0.4
HUGB 10Y	2.67	2.66	0.3
PLGB 10Y	2.85	2.85	0.2

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1061.9	1065.4	-0.33
BUX	40617	40819	-0.49
WIG	60457	60565	-0.18

## Our regional insights:

**The NBH leaves its policy unchanged. At least for now...**

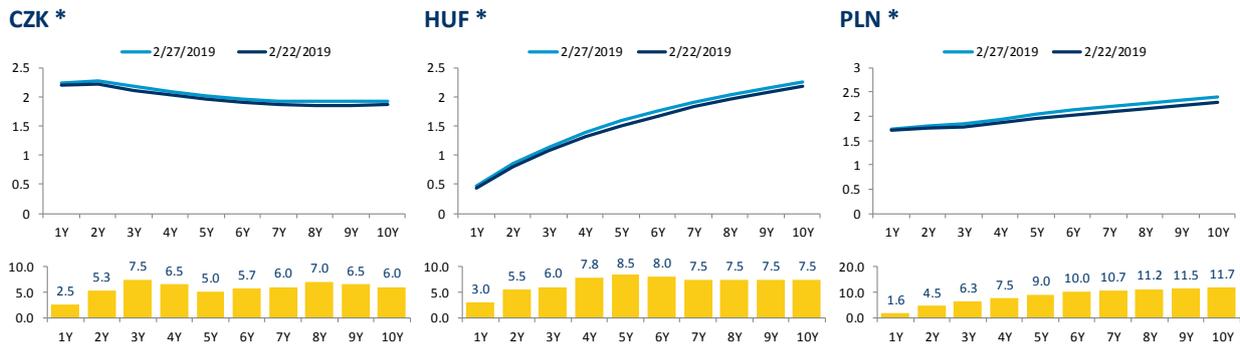
The National Bank of Hungary (NBH) left all the reference rates unchanged in line with the expectation, so none of the monetary conditions were changed yesterday. The NBH statement was also quite similar compared to the previous two ones, mainly assessment of the current market environment was changed month by month. It highlighted this time that the world's leading central banks have taken a more cautious approach, so their loose monetary conditions may remain for an expanded period of time than earlier expected. Additionally the deteriorating global economic outlook may cause a downward pressure on the external inflationary environment.

The most important part of the statement that the council highlighted that their focus is more on the Hungarian inflationary development than on global environment, but in the meantime it also emphasized that the decisions requires some cautious approach. It means that they want to collect more data and information about the current inflationary trends, so although they expect that the core inflation adjusted from indirect tax changes may continue to increase in the next month, it doesn't mean automatically monetary tightening.

The statement was finished with the same frame as last time: *"The Monetary Council is prepared for the gradual and cautious normalization of monetary policy, which will begin depending on persistent inflationary developments. Core inflation excluding indirect tax effects is likely to continue to rise in the coming quarters, which the Council will assess in terms of the sustainable achievement of the inflation target. In the period ahead, therefore, incoming data will be of key relevance. The Monetary Council closely monitors incoming macroeconomic data and will decide to adjust monetary conditions depending on their outcome."*

Based on this statement we maintain our view that the NBH may start some tiny monetary adjustment during spring, most likely in April-May time, but the real tightening may be started only in 2H19, mainly in the autumn time. We still think that the NBH is rather happy with EUR/HUF levels around 318 and 322 and they don't want to push it down to around 310 levels. It is also important that NBH would like to keep the short rates (3m Bubor) close to zero percent as many of the households are still having variable interest rate mortgage loans, and the central bank would like to switch them into fixed ones, which we expect may happen during this year. The first step of monetary adjustment may be the deduction of the stock of EUR/HUF swap, followed by the increase of overnight deposit rate from -15bp to zero percent. We don't expect the increase of base rate for this year, but the interest rate corridor might be pushed upward to around 0.5% and 1.5% and so the 3-month Bubor might move up to around 0.9% till the end of the year.

## 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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	02/27	9:00	Unemployment rate	%	01/01/2019			3.7		3.7		3.6	
CZ	02/27	12:00	CZ bond auction 2018-2029, 2.75%		CZK B 02/01/2019					5			
CZ	02/27	12:00	CZ bond auction 2015-2030, 0.95%		CZK B 02/01/2019					5			
CZ	02/27	12:00	CZ Bond auction 2006-2036, 4.20%		CZK B 02/01/2019					2			
HU	02/28	9:00	PPI	%	01/01/2019							-0.4	4.7
CZ	02/28	10:00	Money supply M2	%	01/01/2019								5.5
PL	02/28	10:00	GDP	%	4Q/2018 *F							0.5	4.9
PL	02/28	15:00	Budget balance	PLN M	01/01/2019							-10418	
CZ	03/01	9:00	GDP	%	4Q/2019 *P					1	2.9	1	2.9

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