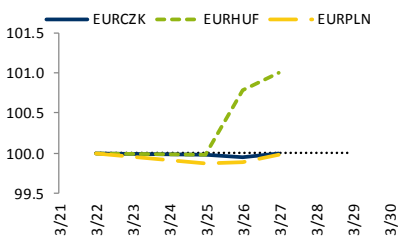




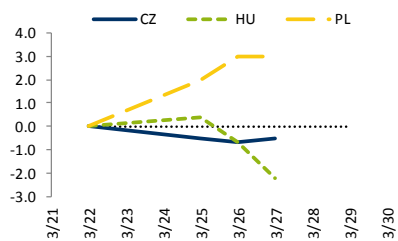
Wednesday, 27 March 2019

Forex markets (index)



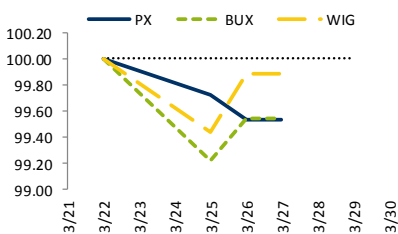
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.77	25.75	0.05
EURHUF	319.4	318.7	0.22
EURPLN	4.297	4.293	0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.888	1.886	0.2
HUGB 10Y	2.88	2.90	-0.5
PLGB 10Y	2.85	2.85	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1074.4	1074.4	0.00
BUX	41741	41741	0.00
WIG	60026	60026	0.00

Our regional insights:

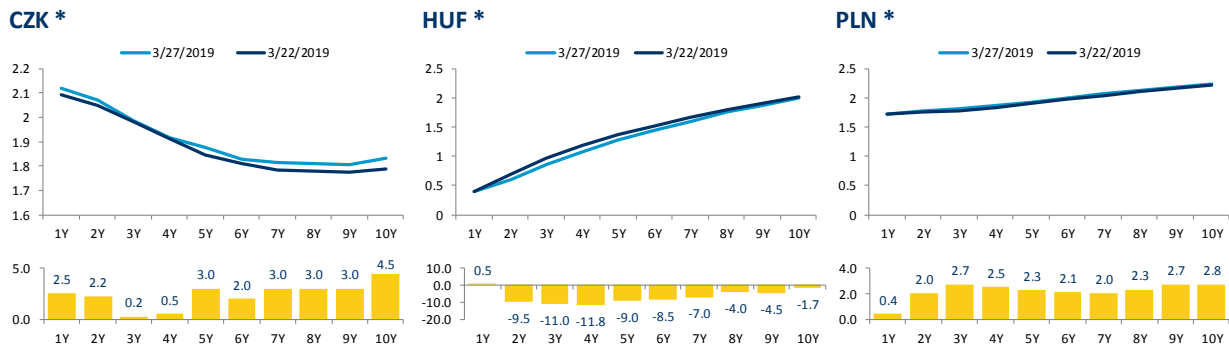
The NBH hikes its O/N depo, but it remains dovish

Yesterday, the NBH increased its O/N deposit rate from -15bp to -5bp and the average amount of liquidity crowded out has been moderated by HUF100bn to HUF300-500bn for the second quarter of 2019. Additionally the NBH introduces a new corporate bond purchasing program as well (HUF300bn amount) from 1st of July, which will be sterilized by the preferential deposit just like the new funding for lending program (which was introduced at the beginning of the year).

All above mentioned steps are rather symbolic and doesn't mean real monetary tightening, it may push up the very short end of the yield curve only by 5-10bp. Additionally on the press conference after the decision the governor of NBH highlighted that it was a one-off step and it did not mean a start of monetary tightening cycle. NBH's future decisions will depend on new data and the interpretation of the new data by the central bank. So, it suggests that main monetary policy changes might be done quarterly, when a new inflationary report is published as well. But it also looks like that the NBH has not concerns about the gradually increasing core inflation. They said that although the core inflation may increase further in the coming months there was no need for more aggressive monetary policy change as it might start to moderate next year. Hence, it looks like that the NBH looks trough the current increasing inflation pressure and they think that it is only temporary.

Overall, we believe that the NBH was as dovish as we expected to would be in 2Q19, so we maintain our view that the forint may depreciate in coming weeks and may move above 320 against the euro. Further steps of the NBH will highly depend on the ECB's and FED's statements and on the development of inflation in the coming months. We still expect some further tightening for the year, especially for the autumn time, but probably it might be slightly less than previously expected, so the O/N depo rate might increased only to around 25bp, and the 3-month Bubor might move up to around 50-60bp and not to 80-90bp 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	03/28	9:00	Unemployment rate	%	02/01/2019					3.7		3.7	
CZ	03/28	13:00	CNB meeting	%	03/01/2019	1.75				1.75		1.75	
HU	03/29	9:00	Wages	%, ytd.	01/01/2019					10.0		10.2	
HU	03/29	9:00	PPI	%	02/01/2019							-0.5	3.8
CZ	03/29	10:00	Money supply M2	%	02/01/2019								5.7
PL	03/29	10:00	CPI	%	03/2019 *P					0.2	1.6	0.4	1.2

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