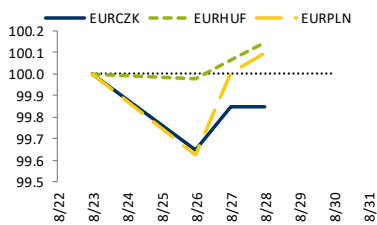




Central
Europe
Wednesday

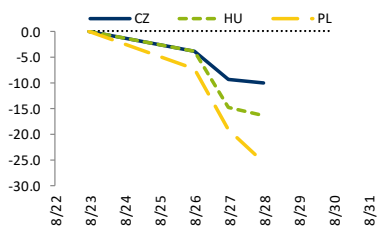
Wednesday, 28 August 2019

Forex markets (index)



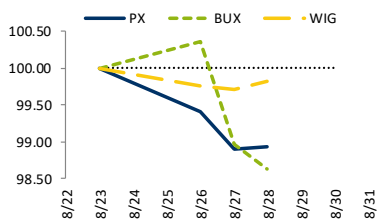
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.84	25.84	0.00
EURHUF	329.8	329.5	0.08
EURPLN	4.380	4.376	0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.973	0.980	-0.7
HUGB 10Y	1.74	1.76	-0.8
PLGB 10Y	1.75	1.81	-3.5

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1034.5	1034.1	0.03
BUX	38982	39108	-0.32
WIG	55946	55882	0.11

Our regional insights:

The NBH firmly on hold as expected

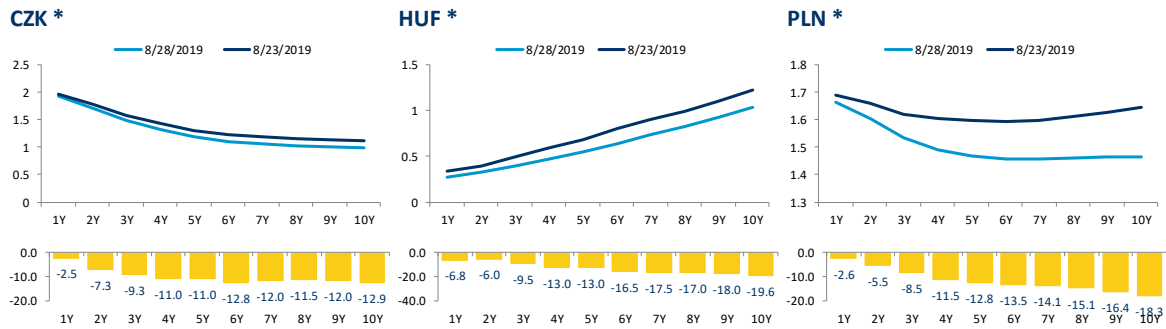
Yesterday, the National Bank of Hungary (NBH) left all its monetary policy tools unchanged in line with the expectations. The statement was quite balanced although its stance was rather slightly dovish. The council highlighted that the external environment deteriorated, which may slow down the Hungarian economy growth as well in next year. They emphasized that the inflation started to moderate in the last months as they forecasted in their latest inflationary report and they expect that the core inflation will meet their 3% inflation target from next year. The main reason is that the external environment may cool down the Hungarian inflationary developments. They added that the new government retail bonds are increasing the savings willingness of the households and additionally the government has a fiscal tightening based on the budgetary plans, which are also slowing the Hungarian growth and so the domestic inflationary pressure as well.

The Monetary Council highlighted on the other hand that the NBH's new programs (funding for lending and corporate bond program) are supporting the economic growth.

The MPC highlighted that the monetary policy will be cautious and it will monitor closely the inflationary developments in the second half of the year. They emphasized again that the tone of the statements of the global leader central banks became looser. The statement was finished with the following sentence: "The future developments in the outlook for inflation will be a decisive factor in the necessity of further measures".

Based on the statement we maintain our view what we said a month ago namely we don't expect any monetary policy change for September. Although we see inflation to remain well above 3% YoY at least till middle of next year, we expect that the NBH may remain on wait and see approach in the coming quarters and until there is no monetary tightening is coming from the global leader central banks, the NBH maintains its loose approach as well. As the economy may start to slow down in next year the pressure on NBH towards monetary tightening may fade away as well. The main risk is what might be the reaction of NBH in case there is a substantial shock on the market and the HUF weakened significantly, which is not our base case scenario at the moment. So we think that there might be no monetary policy adjustment in this year and the next tightening step might be postponed even to 2021. The NBH may fine-tune its monetary policy with foreign currency swaps as it did it in the previous weeks as well.

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	08/28	9:00	Unemployment rate	% 07/01/2019			3.4		3.3		3.3	
CZ	08/28	12:00	CZ bond auction 2015-2023, 0.45%	CZK B 08/01/2019					2			
CZ	08/28	12:00	CZ bond auction 2017-2033, 2.00%	CZK B 08/01/2019					4			
CZ	08/30	9:00	GDP	% 2Q/2019 *P					0.6	2.7	0.6	2.7
HU	08/30	9:00	Wages	%, ytd. 06/01/2019								11.2
HU	08/30	9:00	GDP	% 2Q/2019 *F					4.9		1.1	4.9
PL	08/30	10:00	GDP	% 2Q/2019 *F							0.8	4.4
PL	08/30	10:00	CPI	% 08/2019 *P					-0.2	2.8	0	2.9
CZ	08/30	10:00	Money supply M2	% 07/01/2019								7.0

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