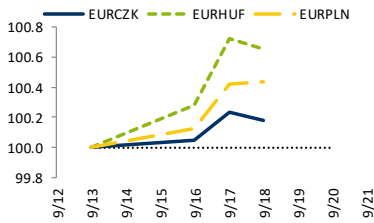




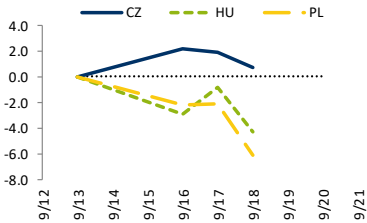
Wednesday, 18 September 2019

Forex markets (index)



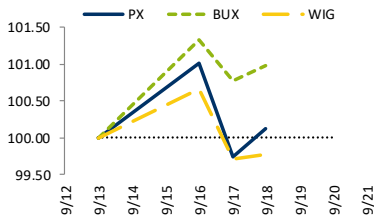
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.89	25.90	-0.06
EURHUF	333.3	333.5	-0.07
EURPLN	4.342	4.341	0.01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.351	1.363	-1.2
HUGB 10Y	2.03	2.07	-1.7
PLGB 10Y	2.08	2.12	-1.9

Equity indices (index)



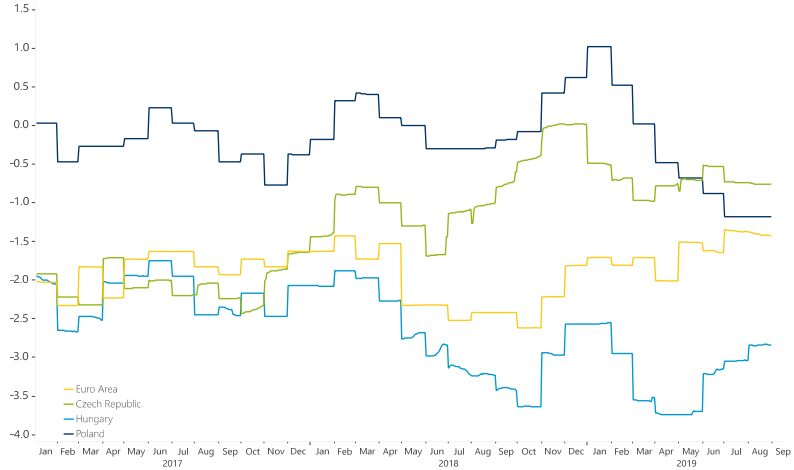
	LAST	PREVIOUS	CHANGE (%)
PX	1051.5	1047.5	0.38
BUX	40677	40597	0.20
WIG	58014	57980	0.06

Our regional insights:

The forint hits fresh all-time lows as Hungary's deeply negative interest rates bite

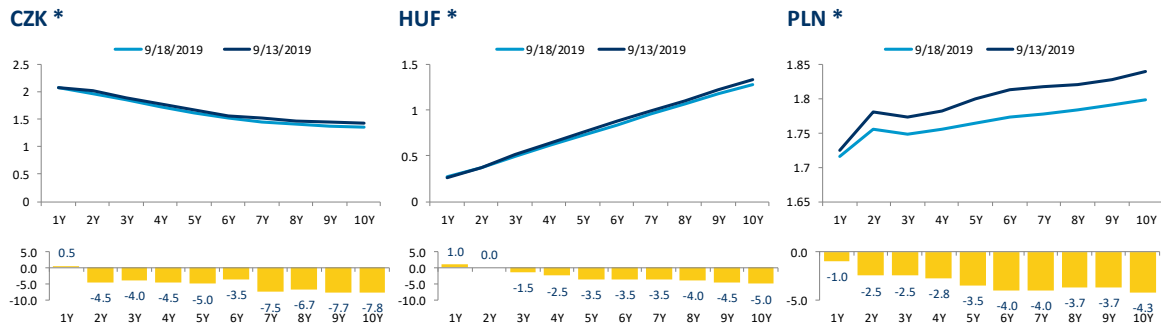
The Hungarian forint hit fresh all-time lows as the EUR/HUF was traded above 334 level yesterday. It seems that the Hungarian currency still suffers from extremely dovish NBH's policy, which will not be changed anytime soon. This feeling was confirmed by central bank Governor Gyorgy Matolcsy, who according to Bloomberg, said that 'low interest rates would remain with us for a long period of time'. Hence, the market can be pretty sure that Hungary's real interest rates will stay not only negative, but they will be even lower compared to other countries including the Euroarea (see the chart below). Hence, although the Hungarian economy is still fundamentally strong (recall very strong growth and still slightly positive current account), its currency becomes unattractive on portfolio basis. Moreover, as we see the Hungarian headline inflation remaining well above 3% yoy at least until the middle of next year and we also expect that the NBH may remain in a wait-and-see mode in the coming quarters this situation will prevail longer time. Hence, the forint will probably remain vulnerable in a mid-term horizon – especially, if market interest rates in core markets move higher.

Real interest rates (3M money-market rate less annual inflation, in %)



Source: IPIF, Bloomberg, IHS, HNB, NBH, NBS, CSOB, ECB, EBR, FIC, Eurostat

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
PL	09/18	10:00	Wages	% 08/01/2019			-1.1	6.8	-1.2	6.8	1.5	7.4
PL	09/19	10:00	Industrial output	% 08/01/2019					-3.8	1.4	2.8	5.8
PL	09/19	10:00	PPI	% 08/01/2019					0.3	0.8	0.1	0.6
HU	09/20	8:30	Current account	HUF B 2Q/2019							329	
PL	09/20	10:00	Retail sales	% 08/01/2019					-0.1	6.5	1.7	7.4

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