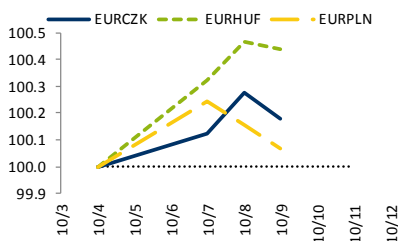




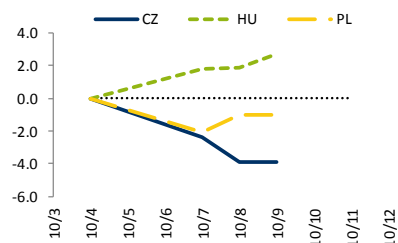
Wednesday, 09 October 2019

Forex markets (index)



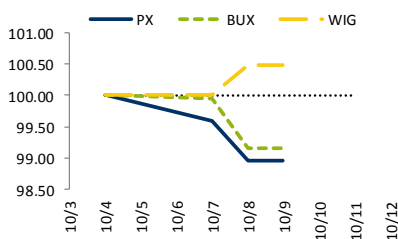
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.79	25.81	-0.10
EURHUF	334.0	334.1	-0.03
EURPLN	4.323	4.327	-0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.199	1.199	0.0
HUGB 10Y	1.83	1.82	0.4
PLGB 10Y	1.89	1.89	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	994.1	994.1	0.00
BUX	39492	39492	0.00
WIG	56248	56248	0.00

Our regional insights:

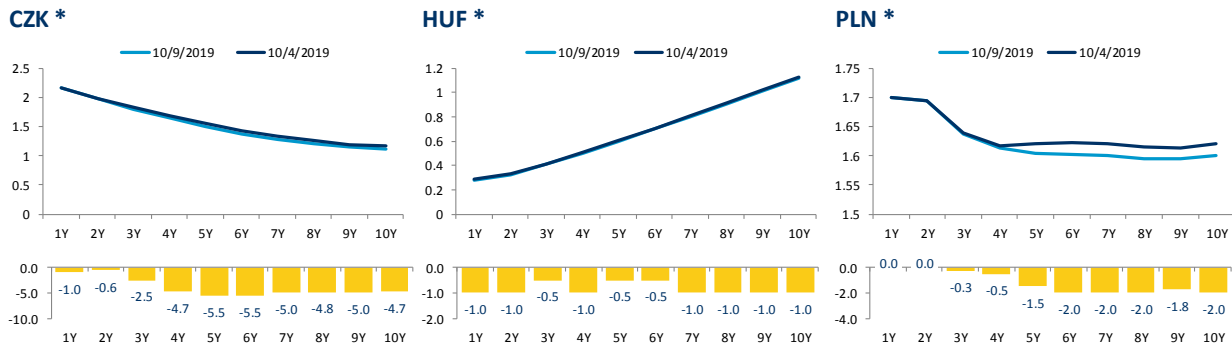
Hungarian trade and inflation dynamic slow

The Hungarian forint has continued to trade side-ways, while the Hungarian Central Statistical Office has released some fresh macro figures.

Today, the Hungarian trade balance showed EUR37m in August, which is slightly better than a year ago, but both the import and export dynamic was quite weak, the former grew by 1.3% YoY, while the latter by 2.6% YoY. In the first eight months the import increased by 5.5% YoY, while the export were up by 3.7% YoY. The YTD surplus moderated to EUR3.3bn in 2019 from EUR4.3bn in 2018 and from EUR6.7bn in 2016. Looking on these figures the main question is that the slow dynamic of trade is due to the global slow down or it is rather temporary and is influenced by the week figure of industrial production, which was driven by holiday effect. We expect some rebound of the dynamic for September, but we think that the import may exceed again the export and so the trade balance may deteriorate further as the domestic demand is still very strong, while the weakening global environment may keep the export growth low.

Yesterday, another release showed the Hungarian headline inflation slowed further in September to 2.8% YoY from 3.1% YoY in August, though the core inflation increased from 3.7% YoY to 3.9% YoY. The main two drivers of the headline CPI moderation was driven by lower energy (mainly oil) price and unprocessed food prices. Despite the CPI moved below the inflation target we think that the price pressure from domestic side still remained. The market services prices are elevated due to the fast wage dynamic and the strong domestic demand and we expect that this pressure may remain in the following quarters as well. The main question now that will we see some spill over effect of the weaker HUF into the price in the following months or not? Last year we could identify the biggest pass through effect in case of the vehicles and fuel prices, but the majority of tradeable products were not affected substantially. As the imported inflation is still very low this year, we expect that inflation pressure coming from HUF depreciation may be limited in this year as well. We forecast CPI acceleration till the end of the year mainly due to base effect, and we see next year average inflation around 3.5% YoY, which is still well above the inflation target of the NBH. Despite the NBH may miss its target in 2020 and probably also in 2021, we think that it won't affect its monetary policy so the quite loose monetary conditions may be maintained in the coming quarters. The main risk is that how may react the NBH on the situation if the imported products prices start to accelerate due to the HUF depreciation and inflation (the filtered figures calculated by NBH) moves above 4% YoY which is out of its tolerance range. We think that until the central banks behaviour on core markets are not shifting from easing stance at least to neutral, NBH may not turn towards monetary tightening so we expect no monetary policy change at least till end of 2020.

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	10/09	9:00	Trade balance	EUR M 08/2019 *P			37		-50		204	
CZ	10/09	12:00	CZ bond auction 2017-2027, 0.25%	CZK B 10/01/2019					4			
CZ	10/09	12:00	CZ bond auction 2017-2033, 2.00%	CZK B 10/01/2019					4			
CZ	10/10	9:00	CPI	% 09/01/2019	-0.2	3.0			-0.4	2.9	0.1	2.9

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
Dublin Research			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		+420 2 6135 3535
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Bratislava		+421 2 5966 8820
Marek Gabris	+421 2 5966 8809				
Budapest Research			Budapest		+36 1 328 99 85
David Nemeth	+36 1 328 9989				

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

