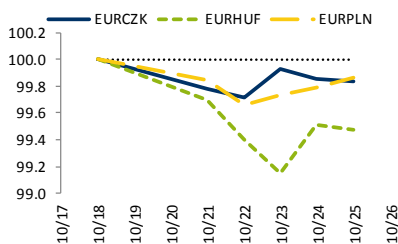




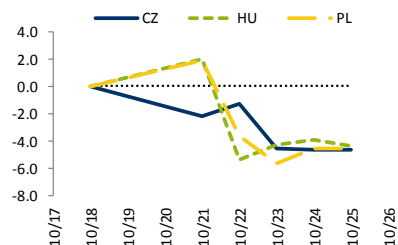
Friday, 25 October 2019

Forex markets (index)



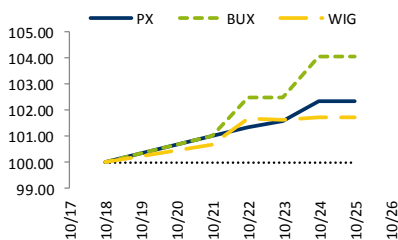
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.59	25.60	-0.02
EURHUF	329.2	329.4	-0.03
EURPLN	4.278	4.275	0.08

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.342	1.342	0.0
HUGB 10Y	1.97	1.97	-0.3
PLGB 10Y	1.97	1.97	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1067.1	1067.1	0.00
BUX	42476	42476	0.00
WIG	58013	58013	0.00

Regional insights

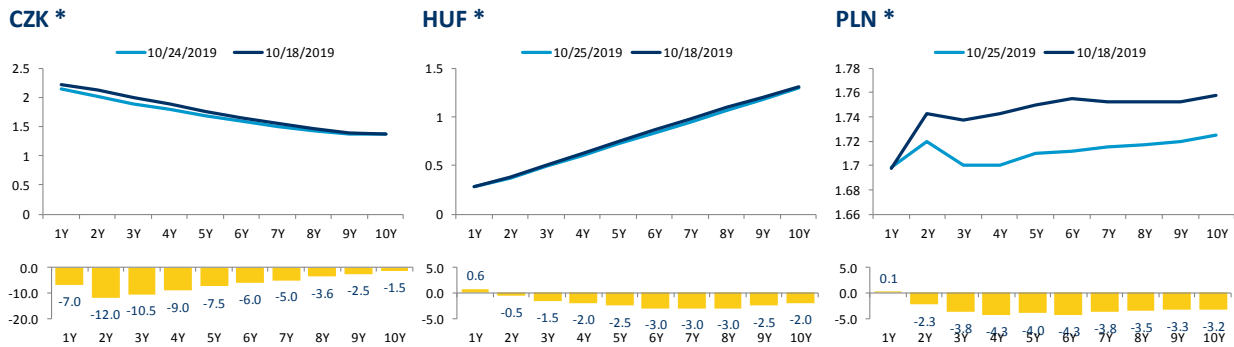
The forint is back in a sideways mode

Last weeks' strengthening phase of the Hungarian forint against the euro driven by external factors (soft Brexit hopes) seems coming to an end. The EUR/HUF pair tried to test the 328 level but it suddenly bounced back and moved back close to the 330 area. Hence effectively, the EUR/HUF is back in a sideways mode, while the forex volatility has been declining again in Central Europe.

Forint's regained stability can be also partly explained by the recent communication of the NBH, which has been neutral. Actually, Tuesday's NBH meeting confirmed our view that the wait and see approach may remain in the following quarters. Recall that although the forint strengthened back slightly below 330 against the euro in, it is still well above the levels we have seen in the first half of this year or even in 2018, which may have some modest second round spill over effect into inflation. Additionally, the Hungarian labour market is still tight, which suggests that the wage dynamic may remain also elevated in the next year. Although on the other hand the momentum of any monetary tightening is also faded away for the near future as the Hungarian economy may slow down in the coming quarters and the fiscal policy of the government is planned to be slightly tighter than in previous years.

All in all, however, we expect that both the core and headline inflation may remain above the target at least till 3Q2020, which limits the room for monetary policy easing. Only in a case the EUR/HUF pair would start to weaken substantially again may force out some modest (faster) monetary tightening. But this is not our baseline scenario for the forint exchange rate. So, we think that the current conditions of monetary policy may remain with us in 2020 and probably the next step might be the abolishment of negative interest rate in second half of 2021.

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

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