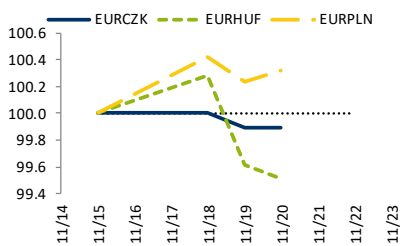




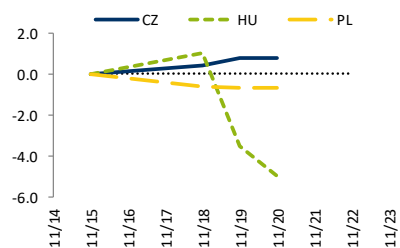
Wednesday, 20 November 2019

## Forex markets (index)



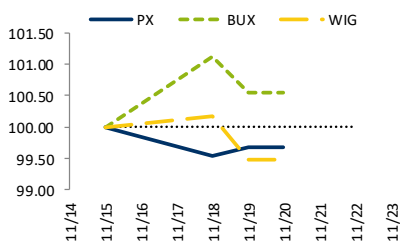
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.56	25.56	0.00
EURHUF	332.9	333.2	-0.10
EURPLN	4.290	4.286	0.08

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.444	1.444	0.0
HUGB 10Y	1.98	2.00	-0.8
PLGB 10Y	2.09	2.09	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1079.7	1079.7	0.00
BUX	43619	43619	0.00
WIG	58447	58447	0.00

## Our regional insights:

## The NBH keeps its dovish line despite a weak forint

Yesterday, the National Bank of Hungary left all the reference rates unchanged in line with the market expectations and there were not many changes in the statement either. Although the core inflation reached 4% YoY in October the MPC highlighted that they see more downward risks in the inflationary environment for the coming year, because of the deteriorating international economic environment, which may cool down the domestic driven price pressure. The council also emphasized that despite the gradual slowdown of the Hungarian economy in the next quarters, the convergence process may remain and the Hungarian growth may exceed the Eurozone one by 2%pt in the coming years.

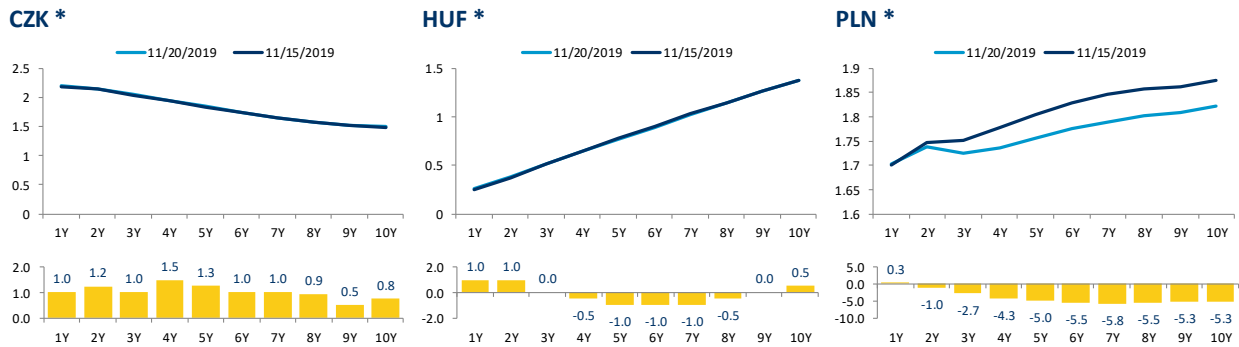
The members assessed the financial market environment positively, which was influenced by the trade policies, development of Brexit and central banks decisions. In case of the latter they expect that the loose monetary conditions may remain for a longer period of time and they saw a chance for even further monetary easing from global leading central banks.

The NBH's corporate bond issuance program is successful, the HUF300bn target of issuance may be reached already at the beginning of next year.

The statement was finished with the sentence: "In its monetary policy decisions, the Monetary Council applies a cautious approach, relying mainly on the incoming data and the projections in the quarterly published Inflation Report. Future developments in the outlook for inflation will be a decisive factor in the necessity of further measures."

The stance of the statement remained quite dovish in our view and it highlights rather the figures and news, which supports the maintenance of loose monetary conditions. It is interesting that the NBH speaks about a possible slowdown of wage dynamics, which may pull back the domestic consumption, while the government said a couple of days ago that they could accept even 10% YoY minimum wage increase for next year. Although we agree with the NBH that the slowing global conjuncture may moderate the Hungarian inflation, the gradual depreciation of the currency may partly eliminate these effects. The goal of the central bank is quite clear: maintain low interest environment in Hungary in order to boost the borrowing both in corporate and household segment, while the inflation has lower importance until it doesn't exceed substantially the upper edge the tolerance range of 4% YoY. **Although we don't expect any change of the NBH main reference rates for the next 12 months, we won't be surprised if the NBH may introduce new lending incentives in the coming quarters or at least renew the current ones. So it means that the quite loose monetary policy may remain with us for an extended period,** which won't support to break the weakening trend of the HUF in 2020, so we maintain our view that HUF may depreciate yearly roughly by 2%. It is still important to highlight that the NBH's policy highly depends also on the global central banks and especially on ECB's moves, so in case there is a substantial shift in the policy, the NBH may follow it, but now we expect wait and see approach from the NBH for the coming quarters.

## 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	11/21	10:00	Wages	%	10/01/2019				2.8	6.2	-0.8	6.6
PL	11/22	10:00	Industrial output	%	10/01/2019				6.5	2.6	10.7	5.6
PL	11/22	10:00	PPI	%	10/01/2019				0	0.4	0.4	0.9

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