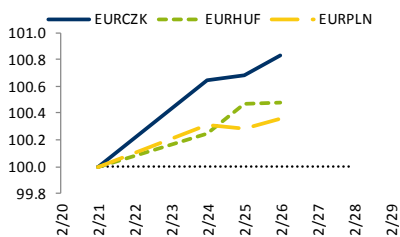




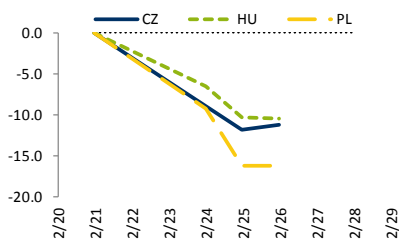
Wednesday, 26 February 2020

## Forex markets (index)



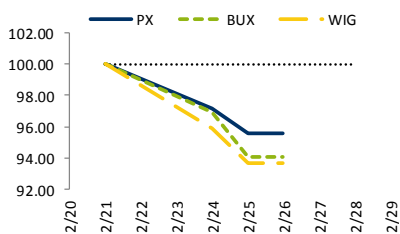
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.28	25.24	0.15
EURHUF	338.7	338.7	0.01
EURPLN	4.306	4.303	0.07

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.364	1.358	0.6
HUGB 10Y	2.10	2.11	-0.1
PLGB 10Y	1.89	1.89	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1041.4	1041.4	0.00
BUX	43075	43075	0.00
WIG	53781	53781	0.00

## Our regional insights:

## Has the NBH opened the door for March's rate hike?

Yesterday, the National Bank of Hungary (NBH) left its monetary policy unchanged in line with the market expectations. We couldn't identify radical change in the MPC's statement, but there were important minor modification in the stance.

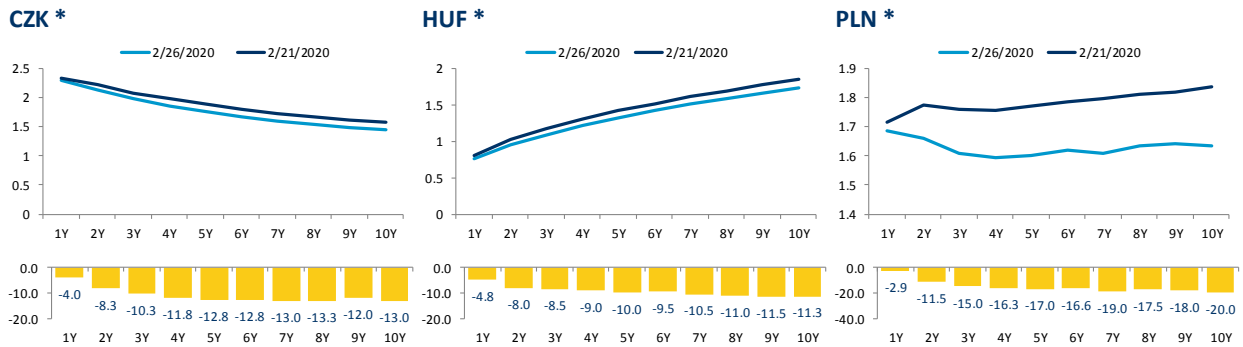
The Monetary Council (MPC) talks about upward and downward effects regarding the inflation: the external environment cools, while the domestic components heat the inflation pressure. What is missing compared to the previous statements that the MPC didn't talk about the size of these risks (there were asymmetric risks on the downside till December, which was modified on symmetric risks).

The other change of the statement was in the last paragraph: *"On the next occasion, the Monetary Council will carry out a comprehensive assessment of macroeconomic developments in the March Inflation Report. Based on this, it will determine the extent of step necessary to achieve the inflation target. If a sustained change in the outlook for inflation warrants it, the Monetary Council will be ready to use every instrument at its disposal."* These words were first mentioned after the sudden jump of January inflation (4.7% YoY), which definitely more hawkish than it was in the last months. As the January consumer price index was also above the NBH's forecast, the main question is that may the NBH interpret the surprise factor only as a temporary element or not? The weak exchange rate, the still strong domestic consumption, the high wage dynamic and the core inflation suggests that the inflation report might be slightly less optimistic how fast the inflation can return to the level of NBH's target. **We maintain our view that the chance of a monetary tightening increased and so the most likely scenario that the NBH may hike its overnight deposit rate from -0.05% by 10-15bps** (probably in March). We still think that the NBH may would like to maintain a supportive environment for economic growth, so we don't expect further steps from the MPC for this year.

One more thing, which is important to highlight, that the Council emphasized that the HUF liquidity on the market will decrease in the coming weeks also in a case if the central bank maintain the stock level of foreign currency swap. It suggest that the NBH will renew all the redemption of FC swap on every Monday in the coming weeks.

David Németh, K&amp;H

## 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	02/26	9:00	Wages	% , ytd. 12/01/2019				13.1		13.3		13.9
CZ	02/26	12:00	CZ bond auction 2020-2025, 1.25%	CZK B 02/01/2020					5			
CZ	02/26	12:00	CZ bond auction 2017-2027, 0.25%	CZK B 02/01/2020					3			
HU	02/27	9:00	Unemployment rate	% 01/01/2020								3
HU	02/28	9:00	GDP	% 4Q/2019 *F							1	4.5
PL	02/28	10:00	GDP	% 4Q/2019 *F							0.2	3.1
CZ	02/28	10:00	Money supply M2	% 01/01/2020								7.1
PL	02/28	15:00	Budget balance	PLN M 01/01/2020								-13666

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