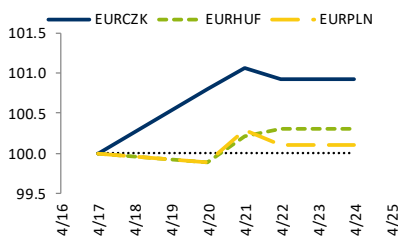




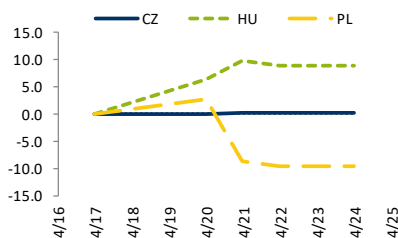
Friday, 24 April 2020

Forex markets (index)



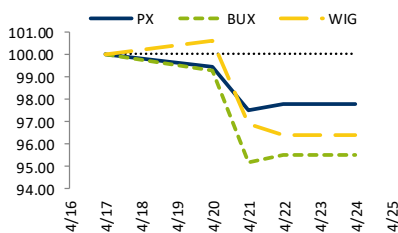
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.47	27.47	0.00
EURHUF	354.2	354.2	0.00
EURPLN	4.529	4.529	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.244	1.244	0.0
HUGB 10Y	2.44	2.44	0.0
PLGB 10Y	1.31	1.31	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	832.7	832.7	0.00
BUX	31690	31690	0.00
WIG	43719	43719	0.00

Regional insights

The NBH policy now in a wait-and-see mode

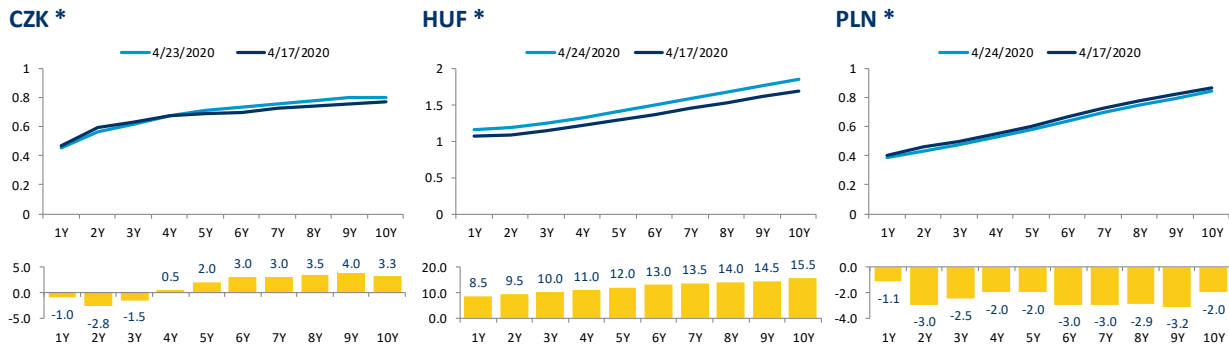
The National Bank of Hungary (NBH) will hold its official rate setting meeting on next Tuesday, but we don't expect any change at this time as lots of measures were taken in the last weeks. It will be quite interesting how the council evaluates the inflationary developments as both the headline and the core inflation were above the central bank's forecast in March. The falling oil price and so the dropping fuel price (17% MoM decline has 1.2%pt effect on inflation) will push down the headline consumer price index in April, but the core inflation may remain around 4% YoY. The processed food prices and some tradeable goods prices (due to the weakening HUF) may keep the core inflation at a high level, but the falling demand may moderate it gradually in the coming months, although we don't expect it below 3% YoY in this year.

The council's statement may highlight the importance of the new measures that were introduced in the last weeks and may leave the door open for further steps if necessary. The NBH may continue its dual monetary policy meaning: the short end of the curve may keep relatively high, while loose stance may be maintained via unconventional tools. The central bank introduced collateralized loans, the required reserve ratio was moderated to 0%, quantitative easing will start from May and the counter-cyclical capital buffer will be cut to 0% temporarily from July.

The National Bank of Hungary can influence the short end of the curve weekly as there is 1-week deposit tender on every Thursday. The central bank sets the interest rate of this deposit every time (which can be anywhere within the interest rate corridor between -0.05% and 1.85%) and decides what amount they accept. The NBH set the rate at 0.9% and accepted all the money the banks offered every time since it was introduced. We expect that level may remain as long as the international environment remains uncertain and the HUF volatility is high, but once the EUR/HUF moves below 350 and stabilizes around that level, the NBH may not accept all the offers or even start to moderate the rate of the 1-week deposit gradually. In case HUF becomes under downward pressure again, the 1-week deposit rate may be increased temporarily in order to stop HUF depreciation.

Although the NBH's actions (like collateralized loans and QE programs) help the financing of the public debt, Debt Management Agency (AKK) issued EUR2bn bond (EUR1bn 6-year and EUR1bn 12-year bond) yesterday. The main reason is that the AKK re-planned its financing plan, because the retail bond demand moderated substantially in last weeks and the budget deficit will be significantly higher than it was planned originally. It means that there is an extra roughly HUF2000bn financing need, which is planned to be covered from EUR4bn foreign currency denominated bond issuance (EUR2bn was done yesterday) and from more 3 and 5-year forint bond issuance (there are weekly auctions from these bonds, where the demand is supported by the NBH's collateralized loan program). It is also important that the EU accelerates the payments of the funds money (via Hungary may receive HUF1300bn this year) and the government has close to HUF1000bn deposit at the central bank, so we think that the financing of the debt is comfortably manageable.

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	04/24	10:00	Unemployment rate	%			5.4		5.6		5.5	

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