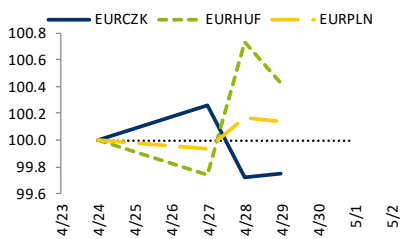




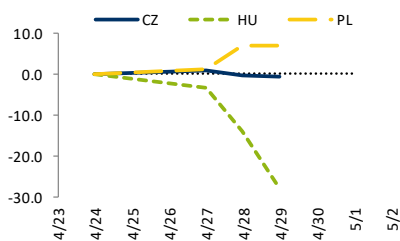
Wednesday, 29 April 2020

Forex markets (index)



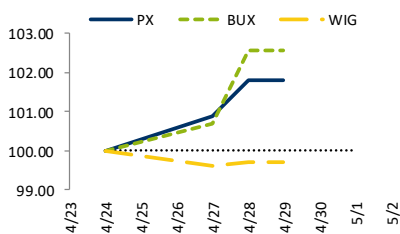
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.19	27.18	0.03
EURHUF	357.7	358.8	-0.30
EURPLN	4,547	4,548	-0.03

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.220	1.223	-0.3
HUGB 10Y	2.14	2.28	-6.1
PLGB 10Y	1.42	1.42	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	867.2	867.2	0.00
BUX	33808	33808	0.00
WIG	44754	44754	0.00

Our regional insights:

The NBH to launch its QE on May 4th

The National Bank of Hungary (NBH) will start its quantitative easing program the 4th of May. **The NBH will buy forint denominated government bonds and mortgage bonds, the former only on the secondary market, the latter both on the primary and secondary market.** There will be weekly auctions in case of the government bonds, but there will be also direct purchases from banks and funds from which the central bank publishes the figure once a week. **Just like in case of the ECB's QE policy, there is a 33% of stock outstanding limitation which cannot be exceeded by any of the series.** The central bank didn't set a total amount for the programs, but they will monitor the developments and there will be a technical revision when the government bond purchase reaches HUF1000bn and the mortgage bond HUF300bn.

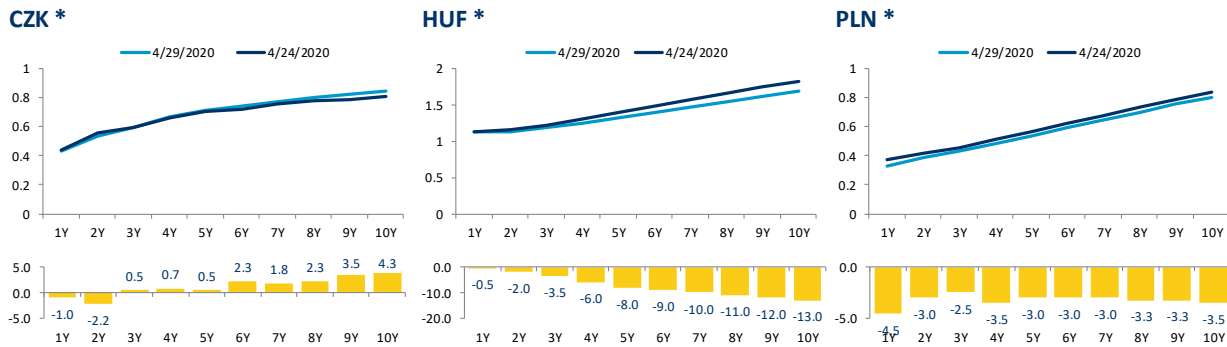
The statement of the Council focused on the measures the NBH has introduced in the last four weeks, highlighting that these programs provide appropriate liquidity for the market participants, ensure stable domestic financial market developments and increase the manoeuvring room of monetary policy as it is able to give quick responses on the extraordinary market developments.

In case of the inflation, the Council maintained its view. The core inflation filtered for indirect tax changes (latest figure was 3.9% YoY) may gradually return to 3% YoY, with an average level between 3.2% and 3.5% YoY in 2020.

The statement also highlighted that the fundamentals of the economy are strong. The net external deficit was at historic low level at 8% of GDP, both the household and corporate sector saving rate stabilized at high level and the net financing capability of the country may remain in positive territory.

The stance of the statement on a certain point was slightly hawkish as the Council highlighted that the one-week deposit rate can be increased even to 1.85% if it is necessary (current level is 0.9%), but other parts were rather dovish for example the inflation expectations or the QE program (no limit has been set). As we expected earlier, **the QE program can support the medium and the long end of the curve, while the quite weak HUF keeps the short end of the curve relatively elevated.** We expect that the NBH will accept all the offers the banks would like to place into one-week deposit in the following weeks, and we expect the rise of its interest rate in case HUF starts to deviate from the region and weakens against euro. In medium term, once the economic outlook improves, the volatility on the markets moderates and EURHUF starts to move well below 350, NBH may first gradually decrease the amount the banks can place into one-week deposit.

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	04/29	9:00	PPI	% , ytd. 03/01/2020			0.5	4.3			-0.2	3.8
HU	04/30	9:00	Wages	% , ytd. 02/01/2020					8.5			9.2
HU	04/30	9:00	Trade balance	EUR M 02/2020 *F							1118	
CZ	04/30	10:00	Money supply M2	% 03/01/2020								7.9
PL	04/30	15:00	Budget balance	PLN M 03/01/2020							-3312	
CZ	05/01	14:00	Budget balance	CZK B 04/01/2020							-44.7	

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