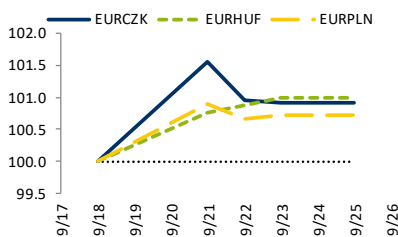




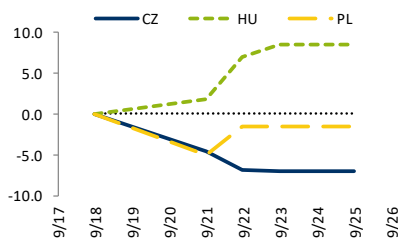
Friday, 25 September 2020

## Forex markets (index)



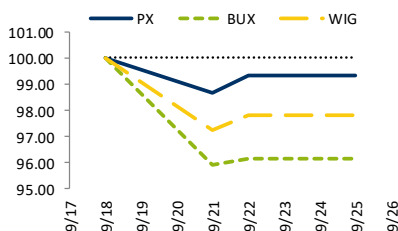
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.98	26.98	0.00
EURHUF	363.7	363.7	0.00
EURPLN	4.491	4.491	0.00

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.825	0.825	0.0
HUGB 10Y	2.45	2.45	0.0
PLGB 10Y	1.33	1.33	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	868.1	868.1	0.00
BUX	32297	32297	0.00
WIG	48741	48741	0.00

## Regional insights

## Forint's sell-off triggers NBH's rate hike

Yesterday, the National Bank of Hungary increased the one-week depo rate by 15bp from 0.6% to 0.75%. Although it was a slight surprise for the market we highlighted after Tuesday's rate setting meeting that the chance of such a move has increased because of the weakening HUF. The forint was the worst performer currency in the region since beginning of August (moving from 344 to 366 against EUR, depreciating by around 6%, while CZK of PLN weakened only by around 3%), because of jumping inflation, bigger than expected fall of GDP in 2Q and the rapid spread of the virus. The interest rate of the one week depo can be change every week within the interest rate corridor of -0.05% and 1.85%. In case the international sentiment remains unfavourable and the HUF underperforms other regional currencies we can not exclude further temporary increase of the rate.

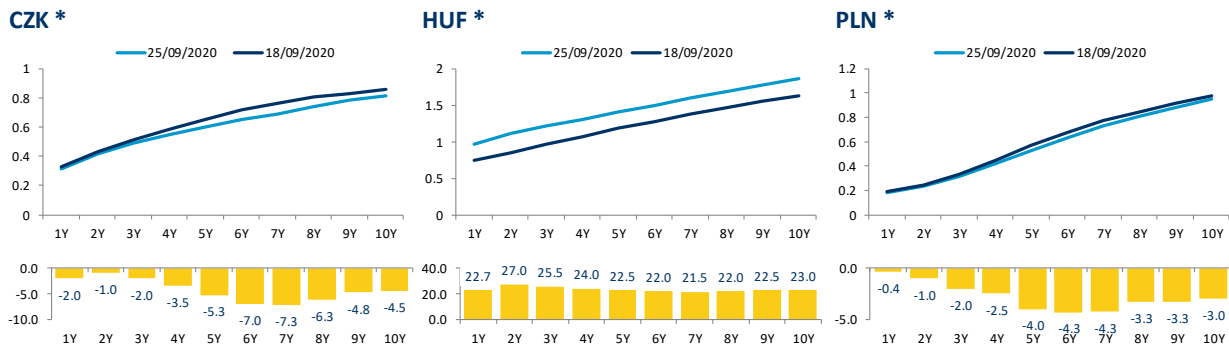
We may see clearer market picture from next Thursday as at the end of the quarters there are often market turbulences and higher volatilities on the forint market as many books are closing their positions. The NBH's move confirms our view that for them the comfortable range of the EUR/HUF is between 348 and 360, so we expect that the current stance and tightness may remain until the forint stabilizes in the above mentioned range. It is important to emphasize again that the inflation might remain around 4% YoY in September, but it may start to moderate from October, which might moderate the pressure on the NBH and on the HUF as well.

## Should the CZK ease significantly the CNB will act

The Czech koruna remains under pressure from the global sell-off of risky assets, which has also affected Central European foreign exchange markets. Due to the worst epidemiological situation in the region, the Czech koruna has even been weaker against the other currencies in Central Europe until Wednesday. The primary reason was the surge in new infections that led to the adoption of new quarantine measures in the country. Nevertheless, the Czech koruna managed to stabilise for a while, with the Wednesday meeting of the CNB also contributing to this.

It should be noted that the CNB kept the key interest rate unchanged at 0.25% on Wednesday, however, it signalled that it saw no immediate reason to further loosening is in the cards. As concerns the koruna, the CNB Governor Rusnok interestingly admitted, on the one hand, that the Czech koruna could help to ease the monetary conditions. On the other hand, he reiterated that the CNB does not want any significant sell-off of the Czech currency and, in such a case, would be willing to defend the Czech koruna (by selling some its vast FX reserves).

## 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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