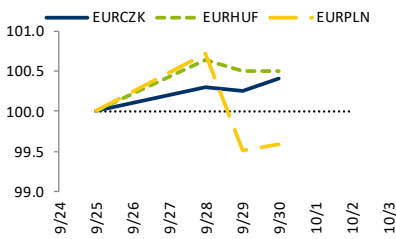




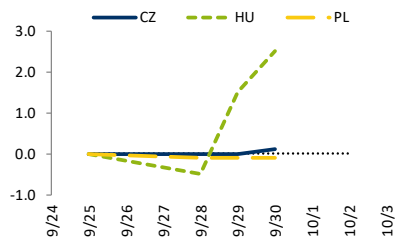
Wednesday, 30 September 2020

Forex markets (index)



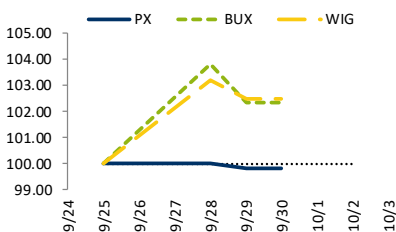
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.23	27.19	0.15
EURHUF	365.3	365.3	0.01
EURPLN	4,534	4,531	0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.812	0.811	0.1
HUGB 10Y	2.44	2.43	0.4
PLGB 10Y	1.30	1.30	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	862.3	862.3	0.00
BUX	32678	32678	0.00
WIG	49499	49499	0.00

Our regional insights:

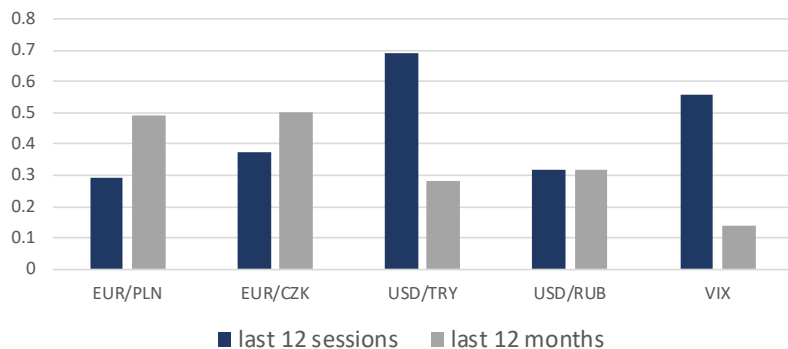
Should the HUF and the TRY be in one trading basket?

Despite some gains yesterday and today, Central European currencies did not do well in September. In parity with the euro, they lost about three percent in the last month. The blame for the sell-off of the regional currencies may be laid on the vaguely defined increase of global risk aversion as well as on specific local and regional factors - namely the second pandemic wave and also partially possible contagion from other forex emerging markets.

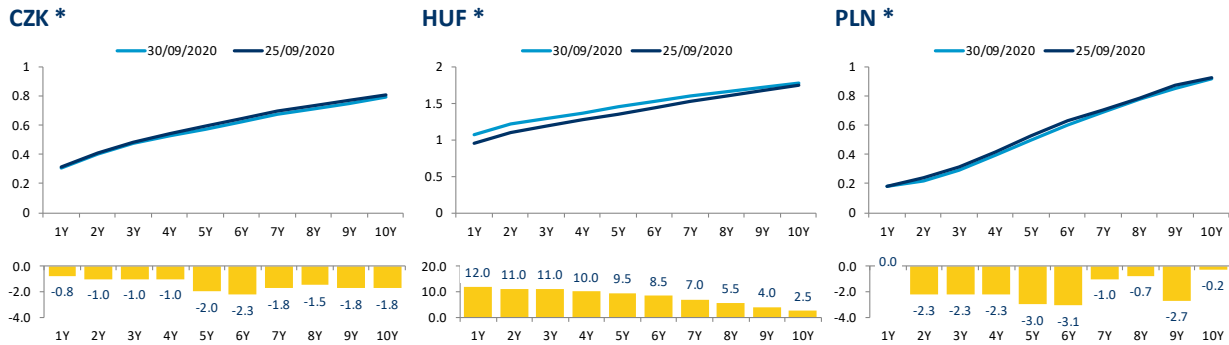
The latter bearish factor bared itself nicely earlier this week, when global stock markets strengthened sharply on Monday while Central European currencies clearly lost. The underlying reason was perhaps the sell-off of the Turkish lira and the Russian rouble, which most likely passed on a financial contagion to the forex markets in Central Europe. It should be noted that the Turkish and Russian governments, through their (so far only diplomatic) involvement in the renewed regional war conflict in Nagorno-Karabakh, put their currencies under even greater pressure than otherwise under the same circumstances.

Recall that in particular the Hungarian forint has been showing an increased (or above-average) degree of correlation with the Turkish lira over the past few weeks, which may imply transmission of contagion from these vulnerable emerging markets. Of course, correlation does not mean causality. However, having a look at the correlation coefficient of the one-day percentage changes (0.7 – see the chart below), we can see it is really very high, especially between the lira and the forint. We can hardly expect that such a high correlation will last in the future – not only because the Armenian-Azerbaijani border is far away from Budapest, but also because the Hungarian and the Turkish economies are fundamentally very different.

EUR/HUF correlations - daily % changes (VIX only changes)



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	09/30	9:00	Wages	% , ytd.	07/01/2020			10.8		14.1		15.6
HU	09/30	9:00	PPI	%	08/01/2020		0.7	3.6			0.7	3.4
CZ	09/30	10:00	Money supply M2	%	08/01/2020							10.0
CZ	09/30	12:00	CZ bond auction 2020-2029, 0.05%	CZK B	09/01/2020					3		
CZ	09/30	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	09/01/2020					2		
HU	10/01	9:00	PMI manufacturing		09/01/2020							52.8
PL	10/01	9:00	PMI manufacturing		09/01/2020							50.6
CZ	10/01	9:30	PMI manufacturing		09/01/2020					51.0		49.1
PL	10/01	10:00	CPI	%	09/2020 *P					3.0	-0.1	2.9

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