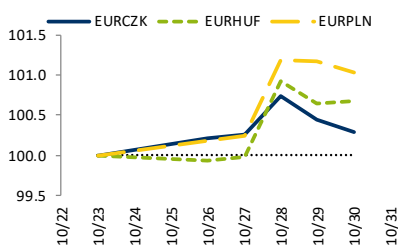




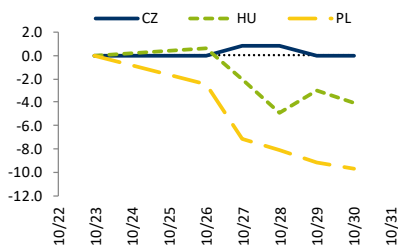
Friday, 30 October 2020

## Forex markets (index)



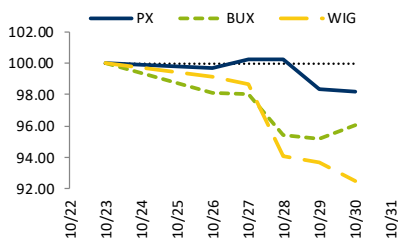
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.31	27.35	-0.16
EURHUF	367.8	367.7	0.03
EURPLN	4.619	4.625	-0.14

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.019	1.019	0.0
HUGB 10Y	2.27	2.28	-0.5
PLGB 10Y	1.14	1.14	-0.4

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	847.7	848.9	-0.13
BUX	32321	32048	0.85
WIG	44247	44841	-1.32

## Regional insights

## Czech GDP surprises on upside in 2020Q3

According to a preliminary flash estimate, the Czech economy grew by 6.2% QoQ the third quarter. Although the details are not yet known, it is likely that the main contributor to this positive turnaround came from industry and services, which were most affected by the negative developments in the pandemic. Hence, it would be a nice start to fine recovery if it weren't for the autumn wave of the pandemic (with a new semi-lockdown), which will probably bring a fresh decline in GDP at the end of the year.

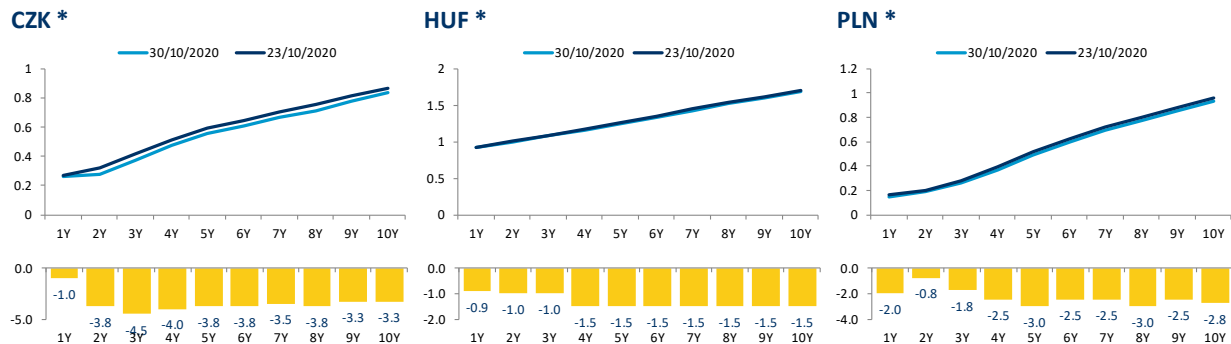
All-in-all, despite a better-than-expected result of the Czech GDP for the third quarter, our annual forecast for this year (-7%) is still rather under a downward revision.

## NBH leaves one-week depo unchanged, watching HUF

Meanwhile, the Hungarian forint neared its all-time peak against the euro in the last days due to the worsening international sentiment and the fast spreading of the Covid-19 virus. HUF moved mainly with its regional peers, so the depreciation wasn't a Hungarian phenomenon.

Now the main question is in which direction the EUR/HUF might break out. We maintain our view that the National Bank of Hungary may not tighten its monetary policy until HUF is not traded above 370 for a longer period or until the speed of the depreciation is not accelerating (*recall that yesterday the NBH left the one-week deposit rate at 0.75% in line with the expectations*). The Council emphasized that they don't want to change the rate of the one-week deposit too frequently. As the inflation started to moderate in September the manoeuvring room increased for NBH. Lots of important information will be available in the next two weeks (result of US election, Fed decision, Hungarian inflation for October and 3Q GDP growth), which can change the current situation substantially. We expect that the NBH would like to have all this information before they make any change of the one-week deposit rate. So in short-term the risk is still there that EUR/HUF may temporarily break the all-time peak, but we maintain our view that EUR/HUF may move back below 360 till the end of the year. Beside possible actions of the NBH, the main reasons which are supporting HUF strengthening are the incoming EU funds money and the moderating inflation.

## 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
CZ	10/30	9:00	GDP	% 3Q/2020 *A	4.4	-7.3	6.2	-5.8	5.0	-6.7	-8.7	-10.9
HU	10/30	9:00	Wages	%, ytd. 08/01/2020				9.1		10.4		10.8
HU	10/30	9:00	Trade balance	EUR M 08/2020 *F			272					251
CZ	10/30	10:00	Money supply M2	% 09/01/2020								9.8
PL	10/30	10:00	CPI	% 10/2020 *P			0.1	3	0.2	3.1	0.2	3.2
HU	11/02	9:00	PMI manufacturing	10/01/2020								48.8
PL	11/02	9:00	PMI manufacturing	10/01/2020								50.8
HU	11/02	9:00	PPI	% 09/01/2020							0.7	3.6
CZ	11/02	9:30	PMI manufacturing	10/01/2020								50.7
CZ	11/02	14:00	Budget balance	CZK B 10/01/2020								-252.7
PL	11/04	14:00	NBP meeting	% 11/01/2020							0.1	
CZ	11/05	9:00	Retail sales	% 09/01/2020								-2.6
HU	11/05	9:00	Retail sales	% 09/01/2020								-0.7
HU	11/05	11:50	One week deposit rate	% 11/01/2020								
CZ	11/05	14:30	CNB meeting	% 11/01/2020							0.25	

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