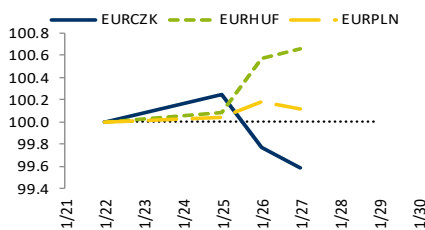




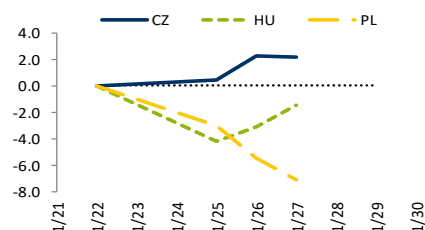
Wednesday, 27 January 2021

Forex markets (index)



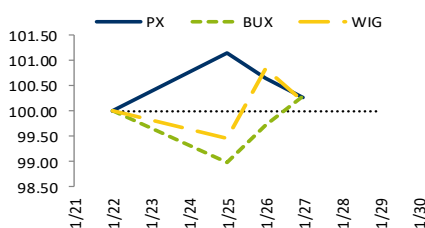
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.00	26.05	-0.19
EURHUF	359.8	359.4	0.09
EURPLN	4.545	4.548	-0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.292	1.293	-0.1
HUGB 10Y	2.24	2.23	0.7
PLGB 10Y	1.13	1.15	-1.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1051.8	1055.8	-0.38
BUX	43752	43507	0.56
WIG	57421	57785	-0.63

Our regional insights:

The NBH slightly increases its bond purchases

As expected, the National Bank of Hungary (NBH) left the base rate at 0.6% and other reference rates unchanged yesterday, but there was some change in its unconventional tools.

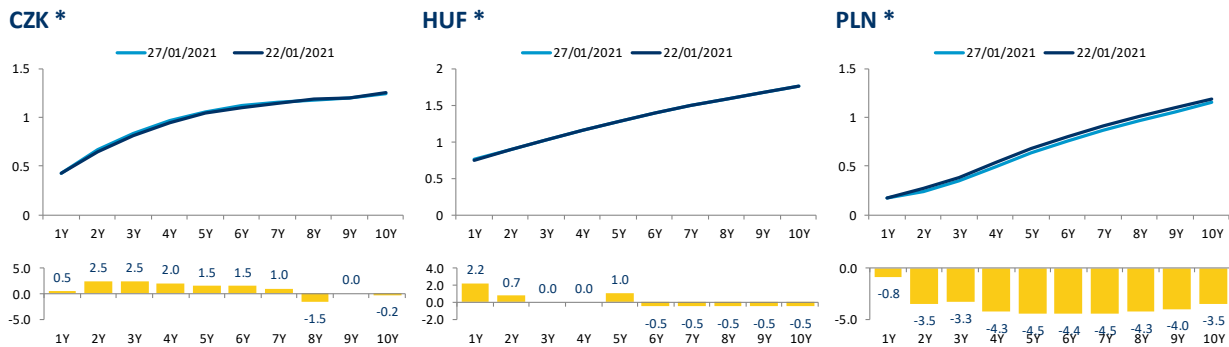
Regarding the macroeconomic outlook the Monetary Council highlighted that the latest figures are in line with their projections published in December in their quarterly inflationary report. In case of the inflation the Council sees both upside and downside risks as well and they expect that the consumer inflation may return to the target in 2022. There was some smooth changes in the risks assessment in case of the inflation in the last months: while previously the downside risks were more highlighted, now the risks looks to be more balanced and NBH highlighted that they will monitor closely the development of the underlying inflation.

There were two main changes in the monetary policy. First, the total amount of the Bond Funding for Growth Scheme was increased from HUF750bn to HUF1150bn (since the beginning of the program nearly HUF900bn was issued and there is still ongoing interest from companies for this funding). Secondly, the NBH statement highlighted that in case of the government securities purchase program the NBH will reallocate liquidity provided under its individual programmes from the collateralized lending facility towards government securities purchases while keeping its monetary policy stance unchanged. In addition, the central bank will be ready to extend its government securities purchases to include government securities with maturities of less than ten years while it will increase its direct purchases on the secondary market relatively to the past (when the weekly auctions were more in the focus).

In case of the one-week deposit rate, the NBH indicated it may differ from the base interest rate (0.60%) as long as it will be warranted by inflationary risks. Although we still expect that the level of one-week depo rate depends highly on the EUR/HUF volatility, it looks like that the NBH may maintain the current difference for an extended period. However, as the inflation may jump above 4% YoY starting from April, the chance for the cut of one-week deposit rate from 0.75% will be decreasing week-by-week.

All-in-all, It suggests that the short-end of the Hungarian yield curve may remain quite stable in the following weeks, while the medium and long part of the curve may highly depend on the international sentiment and on the NBH's bond purchasing. On the other hand, the Debt Management Agency will maintain its heavy issuance in the next two months, which put some upward pressure on the long end of the curve and as the NBH's room to purchase government bonds above ten year duration are quite limited (they already reach 50% of holding of the outstanding amount). At the same time the NBH should continue to buy shorter papers, which may further steepen the yield curve in the following weeks..

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	01/27	10:00	Unemployment rate	%					6.2		6.1	
CZ	01/27	12:00	CZ bond auction 2020-2029, 0.05%	CZK B	01/01/2021				6			
CZ	01/27	12:00	CZ bond auction 2013-2028, 2.50%	CZK B	01/01/2021				6			
CZ	01/27	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	01/01/2021				2			
HU	01/28	9:00	Unemployment rate	%					4.5		4.4	
HU	01/29	9:00	Wages	%, ytd.						7.2		8.8
CZ	01/29	10:00	Money supply M2	%								10.7
PL	01/29	10:00	GDP	%						-2.6		4.5
HU	02/01	9:00	PMI manufacturing									51.1

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