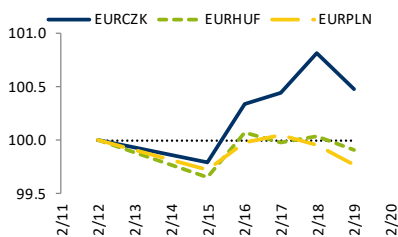




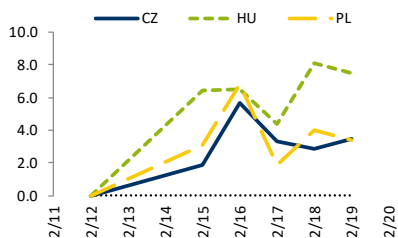
Friday, 19 February 2021

Forex markets (index)



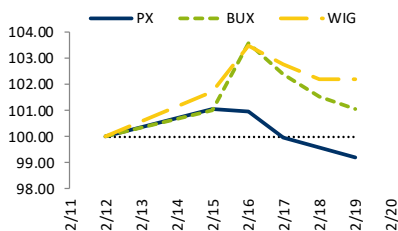
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.84	25.93	-0.34
EURHUF	358.4	358.8	-0.12
EURPLN	4.485	4.494	-0.19

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.512	1.506	0.6
HUGB 10Y	2.41	2.41	-0.2
PLGB 10Y	1.34	1.35	-0.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1051.9	1056.1	-0.40
BUX	43854	44047	-0.44
WIG	58691	58684	0.01

Regional insights

The NBH to stay on hold despite rate hike bets

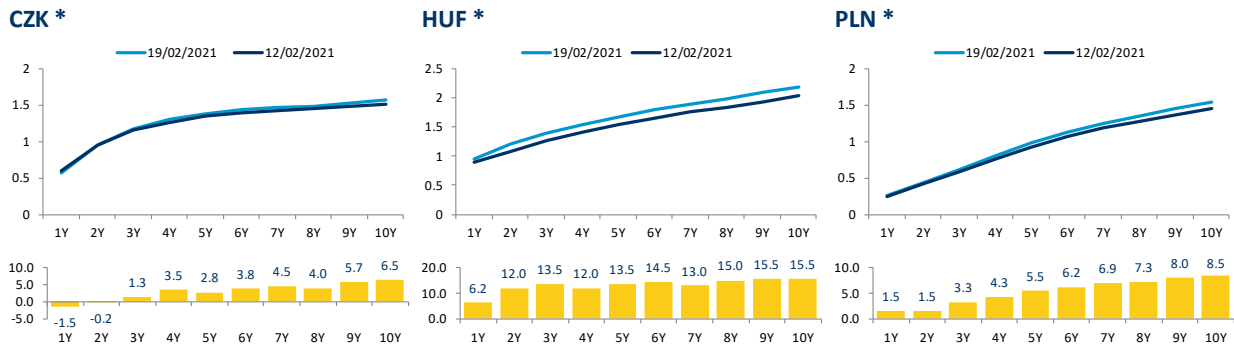
The National Bank of Hungary will hold a rate setting meeting on February 23rd. We don't expect any change of monetary policy – meaning that key reference rates may be kept unchanged and non-conventional tools like bond purchases, the funding for lending program, the corporate bond issuance program will be continued. So, the focus should be on the NBH statement again.

Although the Hungarian consumer price index remained at 2.7% YoY in January, which was fully in line with the expectations, the core inflation increased to 4.2% YoY, which is out of the tolerance range of the NBH. **The NBH focuses more on core inflation filtered for indirect tax changes however, which rose from 3.4% YoY in December to 3.5% YoY in January.** The excise duty hike of tobacco causes the main difference between the two figures. We think that the MPC's message regarding the inflation may remain the same as last month: there are both up- and downside risks and inflation may peak above 4% YoY in the second quarter because of base effects, but may moderate to their target in the coming 6-8 quarters.

In case of the government bond program, the NBH has started to buy shorter paper as well in the last weeks. We expect that the NBH may confirm that the program will be continued in the coming months. The question is the size of their purchasing, but probably we only get new forward guidance in March. The Debt Management Agency plans to cut back the bond issuance from the end of March (the government's deposits increased to HUF3000bn in January), so the NBH may moderate its purchasing as well from then on, as the main intention of NBH is to stabilize the government bond market.

All in all, we maintain our view that the cautiousness and wait-and-see approach will be maintained by the MPC. The EUR/HUF pair has been trading in a quite narrow range (between 355 and 360) in the last weeks, which is acceptable for the NBH and we still think that its flexibility towards some strengthening increased in the previous months. It is underpinned by the statement of vice governor, Mr. Virag, that the NBH doesn't want to take part in currency war. **Although the market has started to price-in a rate hike for the second half of the year (we think was driven more by the international sentiment – reflation trades – rather than the slightly increasing Hungarian core inflation), we don't expect such a move from the NBH, so in or view the short end of the curve may moderate back to the level of one-week deposit rate of 0.75%.**

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	02/19	10:00	Retail sales	%	01/01/2021			-24.6	-6.0	-23.4	-5.0	20.0	-0.8
PL	02/22	14:00	Money supply M3	%	01/01/2021								
CZ	02/23	9:00	PPI	%	01/01/2021						0.2	0.0	
PL	02/23	10:00	Unemployment rate	%	01/01/2021								
HU	02/23	14:00	NBH meeting	%	02/01/2021								
HU	02/23	14:00	Overnight deposit rate	%	02/01/2021								
CZ	02/24	12:00	CZ bond auction 2021-2024, 0.00%	CZK B	02/01/2021					6.00			
CZ	02/24	12:00	CZ bond auction 2013-2028, 2.50%	CZK B	02/01/2021					6.0			
CZ	02/24	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	02/01/2021					2			
HU	02/25	9:00	Wages	%, y td.	12/01/2020								
HU	02/25	11:50	One week deposit rate	%	02/01/2021								
HU	02/26	9:00	Unemployment rate	%	01/01/2021								
PL	02/26	10:00	GDP	%	4Q/2020 *F								
PL	02/26	15:00	Budget balance	PLN M	01/01/2021							-85014	

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