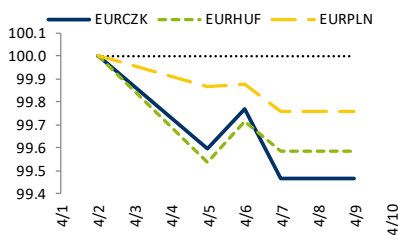




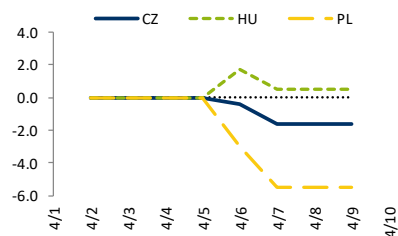
Friday, 09 April 2021

Forex markets (index)



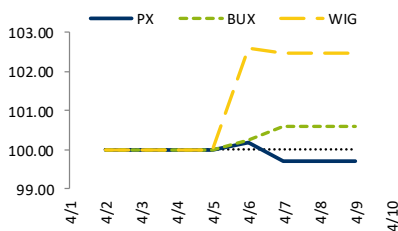
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.95	25.95	0.00
EURHUF	360.4	360.4	0.00
EURPLN	4.588	4.588	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.927	1.927	0.0
HUGB 10Y	2.71	2.71	0.0
PLGB 10Y	1.54	1.54	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1088.8	1088.8	0.00
BUX	44512	44512	0.00
WIG	59957	59957	0.00

Regional insights

Hungary's core inflation moderated in March

Inflation readings, which have been delivered this morning delivered, have showed that the Hungarian consumer price index increased from 3.1% YoY in February to 3.7% YoY in March – just in line with the market expectations.

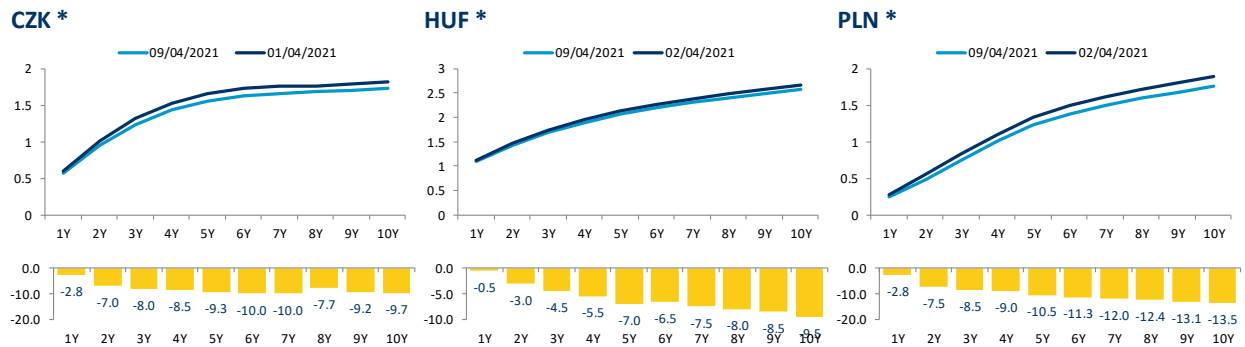
The main drivers of the jumping inflation were fuel prices, which went up by 6.6% MoM and tobacco prices (up by 2.1% MoM). Inflation would be 0.5ppt lower without these two groups price increase. The core inflation moderated from 4.1% YoY in February to 3.9% YoY in March, which was also in line with our expectation. Both Processed food and market services price increase were smaller than a year ago. In case of the former price jump last year when the first lockdowns were announced, so the basis was quite high, while in the case of the latter one, new lockdown measures (affecting the service sector) were introduced in this March in order to stop the third wave of pandemic, which kept the prices more or less unchanged.

Looking ahead the headline inflation may accelerate further due to base effect and relatively high oil price. We expect that the peak might be around 4.7% YoY in May, but it highly depends on the development of global oil price and also on the reopening of the economy. We maintain our view that inflation may moderate back to around 3.5% YoY in the third quarter followed by some acceleration (slightly above 4% YoY) till the end of the year and so the average inflation may be around 3.8% YoY in 2021.

The National Bank of Hungary will focus on the permanent element of the inflation, so they may not react on the jumping headline figure as they highlighted in their last MPC statement. **The core inflation adjusted form indirect tax changes moderated from 3.4% YoY in February to 3.1% YoY in March, so it is very close to the inflation target.** This figure confirms the view so far, that the rising inflation is only temporary and it does not endangers the price stability. It also means that the NBH may continue its wait and see approach in the coming months. As the NBH may have limited new information about the development of underlying inflation after the reopening of the economy, we think that the general view won't be changed in the June inflationary report either and the September's one might be more interesting. **We confirm our view that the base rate (0.6%) and the one-week deposit rate (0.75%) might be kept unchanged in the following months.**

Dávid Németh, K&H

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	04/09	9:00	Retail sales	%	02/01/2021			-5.9		-2.2		-1.8
HU	04/09	9:00	CPI	%	03/01/2021		0.7	3.7	0.8	3.7	0.7	3.1
HU	04/09	11:00	Budget balance	HUF B	03/01/2021							-539.7
PL	04/09	14:00	NBP minutes		04/01/2021							
CZ	04/13	9:00	CPI	%	03/01/2021						0.2	2.1
CZ	04/13	10:00	Current account	CZK B	02/01/2021							28.7
PL	04/13	14:00	Current account	EUR M	02/01/2021							3258
PL	04/13	14:00	Trade balance	EUR M	02/01/2021							845
CZ	04/14	12:00	CZ bond auction 2014-2027, floating rate	CZK B	04/01/2021					6		
CZ	04/14	12:00	CZ bond auction 2020-2031, 1.20%	CZK B	04/01/2021					6		
CZ	04/14	12:00	CZ Bond auction 2006-2036, 4.20%	CZK B	04/01/2021					2		
PL	04/15	10:00	CPI	%	03/2021 *F						1.0	3.2
HU	04/15	11:50	One week deposit rate	%	04/01/2021							0.75
PL	04/16	14:00	Core CPI	%	03/01/2021							0.4 3.7

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