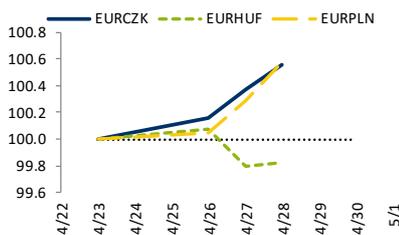




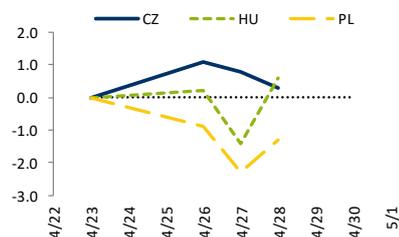
Wednesday, 28 April 2021

Forex markets (index)



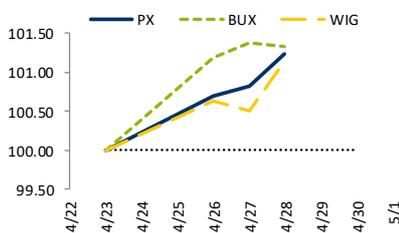
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.97	25.92	0.19
EURHUF	362.7	362.6	0.02
EURPLN	4.582	4.569	0.29

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.810	1.815	-0.5
HUGB 10Y	2.70	2.68	0.7
PLGB 10Y	1.54	1.53	0.7

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1101.0	1096.4	0.41
BUX	43342	43357	-0.03
WIG	60033	59654	0.63

Our regional insights:

The NBH in a wait-and-see mode

Yesterday, The National Bank of Hungary (NBH) left the key reference rates unchanged (base rate 0.6%, O/N deposit rate -0.05%, O/N lending rate 1.85%) in line with the expectations.

The statement confirmed the NBH's inflation outlook: consumer price index may get close to 5% YoY in the coming months mainly due to base effect and indirect tax hike. CPI is expected to moderate between 3% and 4% YoY during the summer and the average inflation may be at 3.8-3.9% YoY in 2021. This inflation orbit is more or less in line with our forecast. The main difference is that the statement says that the inflation may remain in the tolerance range of 3% and 4% YoY, while we expect a slightly above 4% YoY CPI for December. The Council highlighted that they don't calculate with second round effect of inflation, so they confirmed their previous view that the consumer price index may stabilize around their inflation target (3% YoY) in 2022. We expect also a moderation of the headline inflation for next year, but the average inflation may be around 3.5% YoY, which is still within the tolerance range of the NBH.

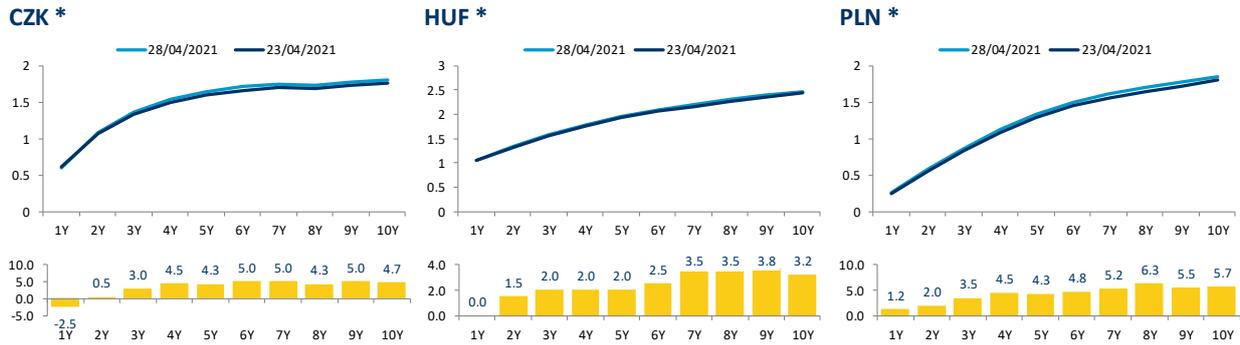
The Council will continue its ongoing programs in the coming months. They will support the economy via targeted instruments just like in the previous quarters. The government bond purchasing program will be continued as well on a flexible way. The NBH's activity on the secondary market depends on the circumstances so there is no target set for the program. The next revision will be made when stocks reach HUF3000bn.

The statement repeated the economy outlook (4-6% YoY growth) for this and (5-6% YoY growth) for next year and highlighted that the international environment is still vulnerable.

We assess the stance of the statement slightly more hawkish than in previous month, because it emphasizes more strongly that the NBH monitors very closely the possible second round effects of inflation and developments of risk appetite on the emerging market. The council confirmed that the difference between the base rate and the one-week deposit rate will be maintained as long as warranted by inflationary risks and the statement was finished with the sentence: "The Monetary Council reiterates that if warranted by an increase in upside risks to inflation, the MNB will be ready to use the appropriate instruments."

We maintain our view that the wait and see approach will be continued in the coming months. ***We don't expect significant change in NBH's view in the June inflationary report as there will be only limited information available about the inflationary effect of the reopening of the economy. From that perspective the inflationary report published in September might be more crucial. In the coming months the focus may be on the development of core inflation filtered from indirect tax changes, which may start to increase from 3.1% YoY in March, but it may remain in the tolerance range of the NBH.***

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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	04/28	9:00	Unemployment rate	%	03/01/2021			4.5		4.7		4.5	
CZ	04/28	12:00	CZ bond auction 2013-2028, 2.50%		CZK B 04/01/2021					6			
CZ	04/28	12:00	CZ bond auction 2021-2031, floating rate		CZK B 04/01/2021					6			
CZ	04/28	12:00	CZ bond auction 2017-2033, 2.00%		CZK B 04/01/2021					2			
HU	04/29	9:00	Wages	%, ytd.	02/01/2021								9.5
HU	04/29	9:00	Trade balance	EUR M	02/2021 *F								856
HU	04/29	11:50	One week deposit rate	%	04/01/2021								0.75
CZ	04/30	9:00	GDP	%	1Q/2021 *A	-0.5	-2.1			-1.2	-2.9	0.6	-4.8
HU	04/30	9:00	PPI	%	03/01/2021							1.2	8.1

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