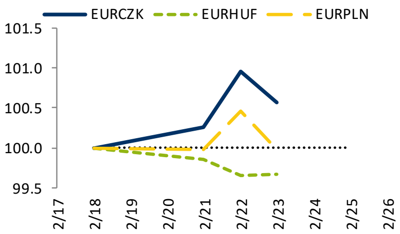
Written by ČSOB Prague and K&H Budapest

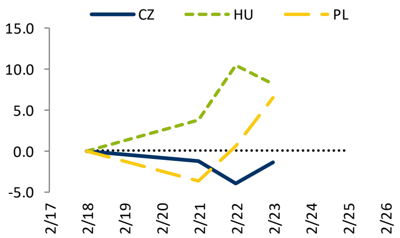
Wednesday, 23 February 2022

Forex markets (index)



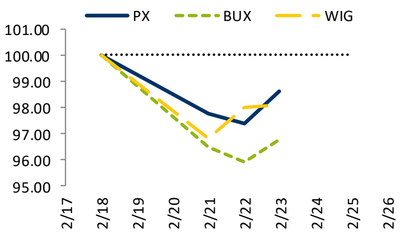
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.47	24.56	-0.37
EURHUF	356.0	355.9	0.01
EURPLN	4.532	4.554	-0.48

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.923	2.897	2.6
HUGB 10Y	4.88	4.90	-0.4
PLGB 10Y	3.94	3.88	1.5

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1414.9	1397.0	1.28
BUX	48628	48177	0.94
WIG	64444	64384	0.09

Our regional insights:

CE currencies shrugs-off Russia's move to Ukraine

Although regional currencies reacted negatively to the Russian move into the Ukraine territory their losses were only short-lived and very limited (basically up to 1%). One explanation could be that despite the whole Central Europe will face another external shock – this time the consequences will be clearly pro-inflationary as higher commodity prices will keep inflation figures elevated longer (and higher) than in other circumstances.

Externally-driven price pressures will include not only energy prices, but this time the food-price inflation might become a problem too. Ukraine and Russia are both huge global suppliers of key soft commodities like wheat, barley and corn. Moreover, fertilizers, which need a lot of gas for their production, have been facing price pressures too. So, given quite heavy weight of food in the consumer price baskets in CE economies (around 20%), one could expect that the headline inflation figures will stay high, which will leave markets and central banks wonder whether it is time be less aggressive in respective tightening cycles.

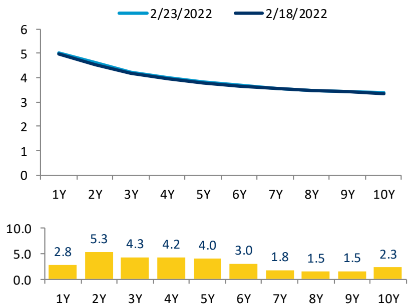
NBH hiked as expected, more to come on Thursday

The national Bank of Hungary increased its base interest rate as expected by 50bps (to 3.40%) yesterday. The NBH clearly signal that it was ready to continue in its hiking cycle, which might happen already on Thursday as another 30bps rate hike of the one-week deposit rate is expected too.

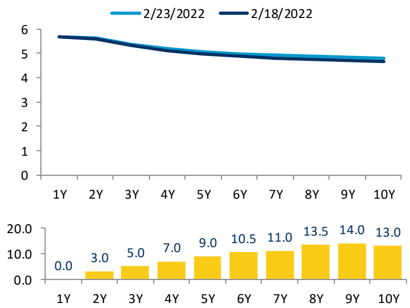
In this respect it is worth to add that the NBH repeated its desire to manage the convergence between the two policy rates. Hence, the NBH statemen explicitly says that the base rate (3.40%) will catch up gradually to the one-week deposit rate (4.30% now, but at 4.60% by tomorrow) evolving in the coming months.

Interest-rate Swap Curves

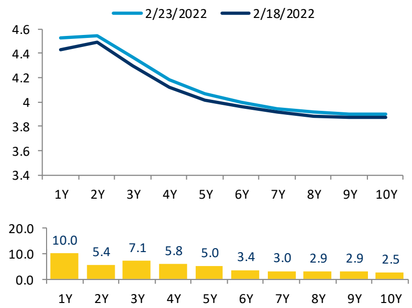
CZK *



HUF *



PLN *



* 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	02/23	9:00	PPI	%	01/01/2022					1.3	13.2	-0.1	13.2
HU	02/23	9:00	Wages	%, ytd.	12/01/2021						10.2		10.1
PL	02/23	10:00	Unemployment rate	%	01/01/2022					5.6		5.4	
PL	02/23	10:00	Unemployment rate	%	4Q/2021					2.9		3.0	
CZ	02/23	12:00	CZ bond auction 2018-2029, 2,75%	CZK B	02/01/2022					4			
CZ	02/23	12:00	CZ bond auction 2022-2035, x.xx%	CZK B	02/01/2022					6			
CZ	02/23	12:00	CZ bond auction 2007-2057, 4.85%	CZK B	02/01/2022					0.5			
HU	02/24	9:30	One week deposit rate	%	02/01/2022	4.6				4.60		4.30	
HU	02/25	9:00	Unemployment rate	%	01/01/2022					3.7		3.7	

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