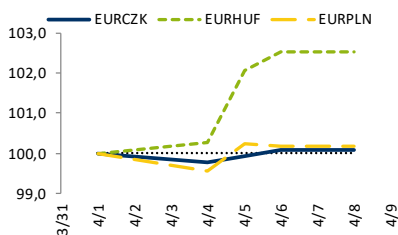




Central
Europe
Friday

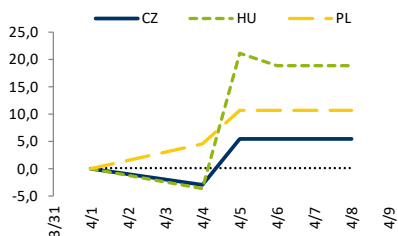
Friday, 08 April 2022

Forex markets (index)



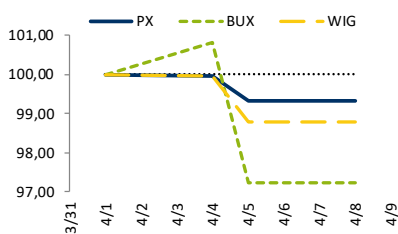
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24,40	24,40	0,00
EURHUF	377,2	377,2	0,00
EURPLN	4,648	4,648	0,00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3,819	3,819	0,0
HUGB 10Y	6,22	6,22	0,0
PLGB 10Y	5,44	5,44	0,0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1364,2	1364,2	0,00
BUX	43787	43787	0,00
WIG	64907	64907	0,00

Regional insights

NBP hikes aggressively, but Glapinski remains cautious

The April meeting of the National Bank of Poland brought another hawkish surprise in the region, as its base rate was raised by 100 bps (to 4.5%). Recall that the analysts' consensus was expecting only +50bps, while the money market did not count on such an aggressive step either.

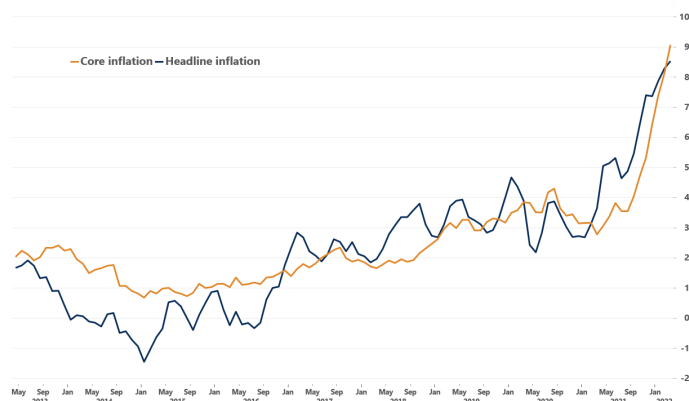
Thursday's subsequent press conference of NBP President Glapinski confirmed a relatively cautious stance to the current high inflation as he stressed it had been driven primarily by external factors (in Glapinski's view the war in Ukraine alone adds 4-5 percentage points to the headline inflation). In contrast, the NBP chief believes that the recovery remains very strong, and he expects robust GDP growth of 7% in Q1 (which is in fact the realistic expectation).

Regarding the outlook for policy rates, Glapinski said that on the one hand, the current level of official rates is not restrictive; on the other hand, he refused to give a terminal rate towards which it should converge. Moreover, after hearing Glapinski's rhetoric, it seems the NBP does not intend to follow a hawkish approach that we observe, for example, in the Czech case. Glapinski also noted that the (headline) inflation is expected to peak in June, while the NBP's base rate could already be falling before the end of 2023. This also signals that the NBP president does not believe in a story of persistent inflation (which, on the contrary, is suggested by the NBP's March inflation forecast).

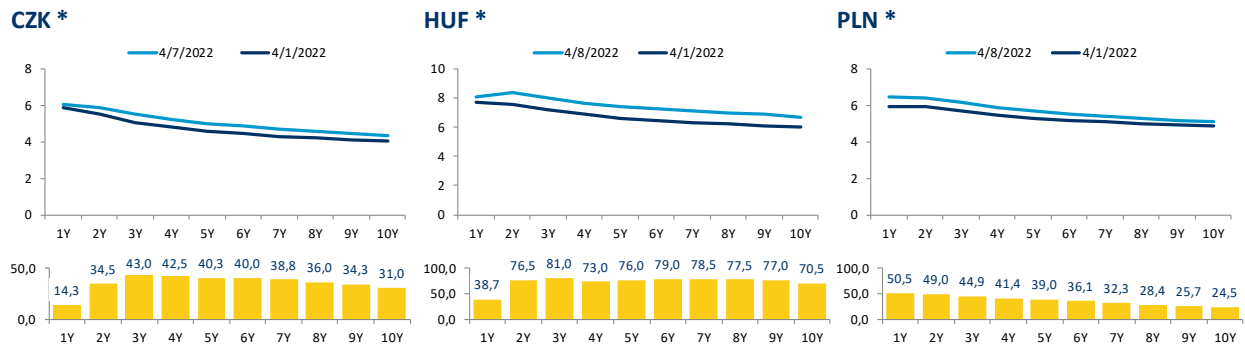
All in all, despite the relatively cautious statements by the NBP president, it is clear that the NBP's hiking cycle will continue - at least until the central bank is confident that it has seen the peak in inflation. In our view, this might imply to push the NBP's base rate up to 6% (or more), which may happen in two or three steps.

Hungary's core inflation above 9% in March

HU: Consumer Prices (YoY change in %)



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	04/08	9:00	CPI	%	03/01/2022		1,0	8,5	1,2	8,8	1,1	8,3
CZ	04/08	9:00	CNB minutes		03/01/2022							
CZ	04/08	9:00	Unemployment rate 15-64	%	03/01/2022		3,4				3,5	
HU	04/08	11:00	Budget balance	HUF B	03/01/2022						-1433,7	
PL	04/08	14:00	NBP minutes	NBP	04/01/2022							
CZ	04/11	9:00	CPI	%	03/01/2022						1,3	11,1
CZ	04/13	10:00	Current account	CZK B	02/01/2022						7,74	
PL	04/13	14:00	Current account	EUR M	02/01/2022						-64	
PL	04/13	14:00	Trade balance	EUR M	02/01/2022						-1186	
HU	04/14	9:00	One week deposit rate	%	04/01/2022						6,15	
PL	04/15	10:00	CPI	%	03/2022 *F					3,2	10,9	

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