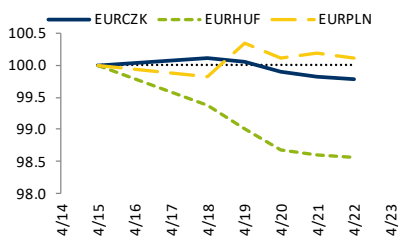




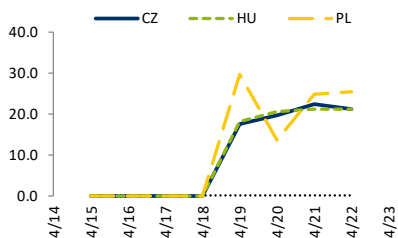
Friday, 22 April 2022

Forex markets (index)



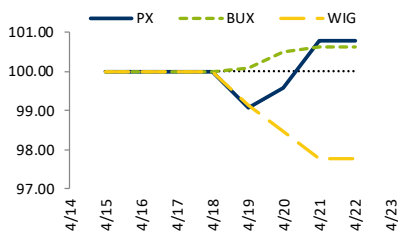
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.36	24.37	-0.02
EURHUF	370.3	370.4	-0.04
EURPLN	4.635	4.639	-0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.243	4.254	-1.1
HUGB 10Y	6.70	6.70	0.0
PLGB 10Y	6.19	6.18	0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1386.5	1386.5	0.00
BUX	43266	43266	0.00
WIG	62332	62332	0.00

Regional insights

Another NBH's hiking week ahead

There are lots of uncertainties that are surrounding this year's inflation outlook in Hungary. Based on the statements the government delivered so far since the election, the previously introduced price stops (energy, fuel and food price) are important for them, which confirms our view that market prices may be only gradually and partly passed on consumer prices. Even extra sectoral taxes cannot be ruled out in order to maintain the price caps. Of course, the war and the possible future sanctions against Russia increases the uncertainty of inflation development.

The last months, industrial products and food prices accelerated faster than market services prices, but it will be interesting see once the holiday season starts in June, we will see the same jump of prices as we have experienced since the Covid-19 pandemic. All in all, we still see upside risks for the Hungarian inflation for the coming months and the consumer price index may peak only at the end of 3Q22 most likely above 10% YoY level.

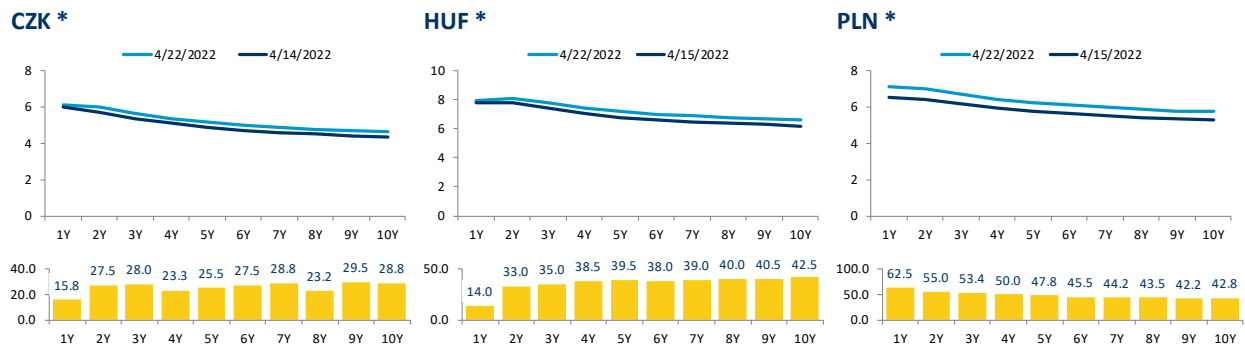
So, the main question is not if NBH may continue the rate hike cycle next week or not, but what the size of the tightening will be. We think that the Monetary Council would like to create themselves manoeuvring room to be able to react flexibly on the inflationary and international developments. The forint exchange rate might be still important for them, as it is one of the main transmission channels through which they can influence CPI. As the forint has strengthened during the last weeks to around 370 against the euro, **we expect that the NBH may deliver 75bps base rate hike (from 4.4% to 5.15%) on next Tuesday (April 26th) followed by 30bps hike of one-week deposit rate (from 6.15% to 6.45%) next Thursday (April 28th).**

The Monetary Council's future steps also depend on the moves of FED and ECB during the year and how it affects the Hungarian market. The NBH highlighted several times that Hungarian reference rate may have to increase more than in Czech Republic or in Poland because Hungary's sovereign rating is worse, which may require a higher risk premium in the recent international environment. So, the behaviour of other regional central banks (the CNB and the NBP) will be also important for the NBH. **We maintain our view that the peak of the rate hike cycle might be between 7% and 7.5%**, but there are upside risks recently and we expect the start of the interest rate normalization only for next year, when inflation starts to drop below the reference rate. Hence, the NBH statement might remain hawkish, highlighting that the central bank will use all the instruments in order to achieve price stability and repeating that maintaining tighter monetary conditions for a longer period is warranted to manage increasing second-round inflation risks resulting from persistently negative supply effects.

Polish real retail sales grew by 10% YoY in March

The Polish retail trade skyrocketed in March probably supported by spending related to refugees from Ukraine. Retail sales at constant prices were higher by 9.6% YoY and 1.4% MoM last month. These data just confirm the perception that **Polish GDP growth will be very high in 2022Q1 – probably north of 7% YoY.**

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	04/22	10:00	Retail sales	%	03/01/2022		16.4	9.6	15.7	8.8	1.8	8.1
PL	04/25	14:00	Money supply M3	%	03/01/2022				8.0		1.2	8.0
HU	04/26	9:00	Wages	%, y td.	02/01/2022							13.7
PL	04/26	10:00	Unemployment rate	%	03/01/2022				5.4		5.5	
HU	04/26	14:00	NBH meeting	%	04/01/2022				5.40		4.40	
HU	04/28	9:00	Unemployment rate	%	03/01/2022				3.8		3.8	
HU	04/28	9:00	One week deposit rate	%	04/01/2022						6.15	
CZ	04/29	9:00	GDP	%	1Q/2022 *A				0.5	4.3	0.8	3.6
PL	04/29	10:00	CPI	%	04/2022 *P				11.3		3.3	11.0
CZ	04/29	10:00	Money supply M2	%	03/01/2022							6.1
PL	04/29	15:00	Budget balance	PLN M	03/01/2022							11264

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