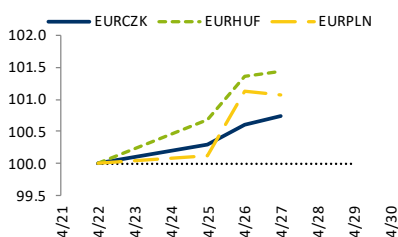




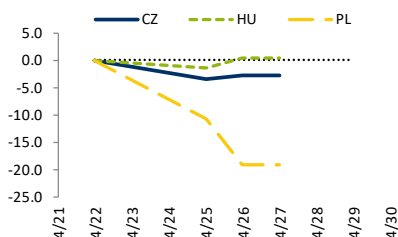
Wednesday, 27 April 2022

## Forex markets (index)



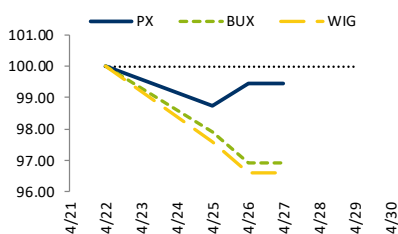
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 24.53 | 24.50    | 0.14       |
| EURHUF | 377.3 | 377.0    | 0.08       |
| EURPLN | 4.698 | 4.701    | -0.06      |

## Gov. bonds 10 Y (bps change)



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 4.219 | 4.219    | 0.0          |
| HUGB 10Y | 6.75  | 6.75     | 0.0          |
| PLGB 10Y | 6.09  | 6.09     | 0.0          |

## Equity indices (index)



|     | LAST   | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX  | 1372.1 | 1372.1   | 0.00       |
| BUX | 41849  | 41849    | 0.00       |
| WIG | 58836  | 58836    | 0.00       |

## Our regional insights:

## The NBH hiked yesterday and will again tomorrow

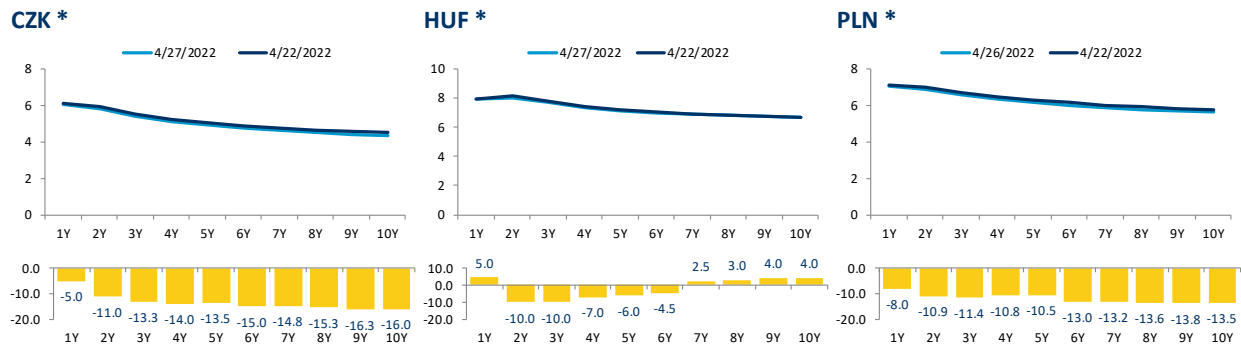
Yesterday, the National Bank of Hungary hiked the base rate by 100bps from 4.4% to 5.4% in line with the expectations. The overnight lending and deposit rates were increased by 100bps as well to 8.4% and 5.4% respectively.

The NBH statement was as hawkish as last month, highlighting that inflation may accelerate further in the coming months and it may return below 4% YoY level only in the 2nd half of 2023 and may reach the 3% target only during the first half of 2024. This inflation orbit fits into our expectation as we see the peak of the consumer price index around the end of 3Q22. Average inflation may be slightly above 9% YoY in 2022 and around 4.5% YoY in 2023.

The more interesting part of the rate setting meeting were the critics formulated and explained by the governor of NBH, Mr. Matolcsy. The National Bank started to work on a program about a necessary change of fiscal policy in order to solve the imbalance problems (high budget deficit and increasing current account deficit) and put back the economy on a balanced growth path. He added that these adjustments are necessary to fight inflation. The vice-governor, Mr. Virag identified four areas that will play the most important elements for the future decision making of the Monetary Council. 1) The development of inflation outlook, 2) restoring the budget and current account balance, 3) the developments in the debate on EU funds and 4) the Russian-Ukraine war and its effect on global risk-taking willingness.

The Monetary Council repeated its message that they will use all the available tools in order to push back inflation and highlighted that maintaining tighter monetary conditions for a longer period is warranted to manage increasing second-round inflation risks resulting from persistently negative supply effects. Mr. Virag emphasized that the Monetary Council will make its decision on a monthly basis and a flexible way, based on the available latest incoming data. He confirmed the previous message that the gap between the base rate and the one-week deposit rate will gradually be closed during the next months and **the NBH will make its next decision about the level of one-week deposit rate on this Thursday. We expect that the NBH may increase the one-week deposit rate by 30bps, from 6.15% to 6.45%. The gap between the two instruments might be closed by the end of June above 7%.** It is still difficult to see the end of the rate hike cycle as it highly depends on the external environment and the development of the EUR/HUF exchange rate, but we think that in normal circumstances the NBH may would like to stop the tightening around 7.5%, which might be maintained at least until the end of the year. An easing cycle might only start in the spring of 2023 once inflation will be clearly on a downward path and there will be a positive real interest rate. This might be reached first at the beginning of next year based on the current outlook.

## 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      | 04/28 | 9:00  | Unemployment rate     | %      | 03/01/2022 |      |        |     | 3.8       |      | 3.8      |          |
| HU      | 04/28 | 9:00  | One week deposit rate | %      | 04/01/2022 | 6.45 |        |     |           |      | 6.15     |          |
| CZ      | 04/29 | 9:00  | GDP                   | %      | 1Q/2022 *A | 0.3  | 4.2    |     | 0.4       | 4.3  | 0.8      | 3.6      |
| PL      | 04/29 | 10:00 | CPI                   | %      | 04/2022 *P |      |        |     |           | 11.2 | 3.3      | 11.0     |
| CZ      | 04/29 | 10:00 | Money supply M2       | %      | 03/01/2022 |      |        |     |           |      |          | 6.1      |
| PL      | 05/02 | 9:00  | PMI manufacturing     |        | 04/01/2022 |      |        |     |           |      |          | 53       |
| HU      | 05/02 | 9:00  | PMI manufacturing     |        | 04/01/2022 |      |        |     |           |      |          | 57.6     |
| HU      | 05/02 | 9:00  | Trade balance         | EUR M  | 02/2022 *F |      |        |     |           |      |          | -91.0    |
| HU      | 05/02 | 9:00  | PPI                   | %      | 03/01/2022 |      |        |     |           |      |          | 1.3 22.4 |

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