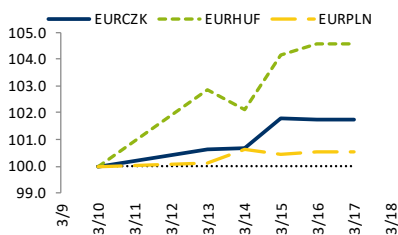
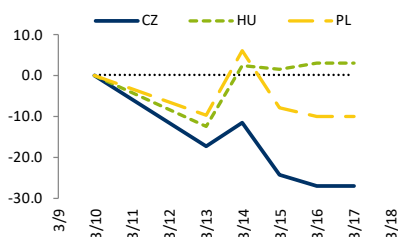


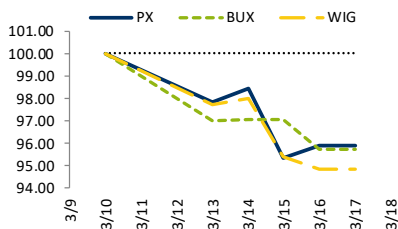
Friday, 17 March 2023

Forex markets (index)

	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.04	24.04	0.00
EURHUF	399.6	399.6	0.00
EURPLN	4.704	4.704	0.00

Gov. bonds 10 Y (bps change)

	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.485	4.485	0.0
HUGB 10Y	8.67	8.67	0.0
PLGB 10Y	6.00	6.00	0.0

Equity indices (index)

	LAST	PREVIOUS	CHANGE (%)
PX	1320.1	1320.1	0.00
BUX	41244	41244	0.00
WIG	56502	56502	0.00

Regional insights**A weaker forint might postpone NBH's cutting cycle**

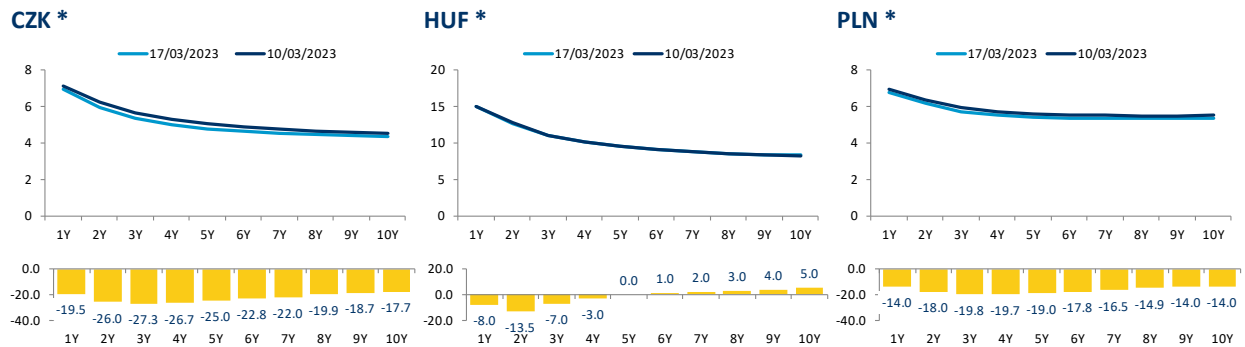
The Hungarian forint has the worst performing regional currency in March so far with its weakening of more than 5% despite of the 18% O/N deposit rate the National Bank of Hungary provided for the market. This pure performance of the currency raises that question that when can the NBH start to cut the official rates when the forint is still so sensitive on international sentiment and risk-taking appetite.

The interesting macro element recently is that the energy prices were fallen substantially during the last months, additionally the households and corporate energy consumption has dropped as well. Moreover, the household's general consumption is also decreasing and so the current account deficit is expected to improve substantially already in 1Q23.

In the light of the ECB's 50 basis point rate hike, and the expected 25bp move from the Fed (next Wednesday), it is quite evident now, that the NBH will have to maintain the recent hawkish monetary policy on its March meeting. The question is rather now: could the NBH start an easing cycle before June or not. Inflation, which moderated from 25.7% YoY in January to 25.4% YoY in February may show the turn of the inflation orbit. We expect that annual inflation can moderate to around 20% YoY level only in June. Additionally, it looks like that there are still ongoing debates among the Hungarian government and the EU, resulting further delay in agreement, which brings some uncertainty on the forint market as well. Although we had expected some correction of the forint for March-April period after the extraordinary rally in the first two months of the year, the HUF weakening was faster and more robust.

Still, **we maintain our view that the EUR/HUF may return into the range of 372-387 in the summer, which could also allow the NBH to start the new cutting cycle.** On the other hand, it is likely we will have to postpone our call about a close of the gap between the O/N deposit rate and base rate for the autumn. The March inflationary report will play key role in NBH's decision making, especially that there are some small sings towards the direction, that disinflation process in the coming months could be even slightly faster than earlier expected - especially in case of food products. So, all in all it seems that a chance has been increased towards a start of the NBH cutting to (only) May or June.

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	03/20	10:00	PPI	%	02/01/2023						0.8	18.5
PL	03/20	10:00	Industrial output	%	02/01/2023						-2.5	2.6
PL	03/20	10:00	Wages	%	02/01/2023						-6.1	13.5
PL	03/20	14:00	NBP minutes	NBP	03/01/2023							
PL	03/21	10:00	Retail sales	%	02/01/2023						-23.1	-0.3
CZ	03/22	12:00	CZ bond auction 2022-2028, 5.50%	CZK B	03/01/2023				7			
CZ	03/22	12:00	CZ bond auction 2022-2035, 2.50%	CZK B	03/01/2023				2			
PL	03/22	14:00	Money supply M3	%	02/01/2023						0.2	6.9
PL	03/23	10:00	Unemployment rate	%	02/01/2023						5.5	
HU	03/24	8:30	Unemployment rate	%	02/01/2023						3.9	

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Jan Bureš	+420 2 6135 3574				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

DISCOVER MORE ECONOMIC INSIGHTS AT WWW.KBCECONOMICS.COM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

