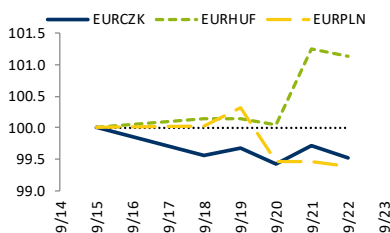


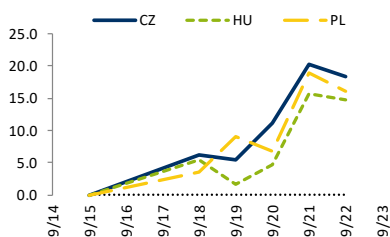
Friday, 22 September 2023

### Forex markets (index)



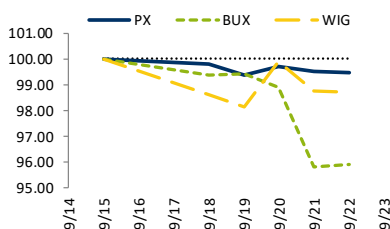
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.40	24.45	-0.20
EURHUF	387.5	387.9	-0.11
EURPLN	4.612	4.616	-0.07

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.632	4.650	-1.8
HUGB 10Y	7.04	7.05	-0.1
PLGB 10Y	5.75	5.78	-0.5

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1346.7	1347.4	-0.05
BUX	55653	55590	0.11
WIG	66493	66529	-0.05

## Regional insights

### The NBH ready for another cautious rate cut

Although the National Bank of Hungary will meet next Tuesday (26th September), its vice-governor, Mr Virag shared important information. He has already highlighted last month that the NBH would like to simplify the monetary policy toolbox, and now he has added the following: The NBH wants to move to a monetary toolbox that preserves continuity but is simpler and more neutral than the current one. He noted that the overnight deposit rate has been the central bank's main instrument so far, and that the NBH may continue to use a short-term overnight deposit rate as its main instrument, with a spread of +/- 100 basis points, in line with international practice.

We maintain our view that MPC may cut the O/N deposit tender rate by 100bps from 14% to 13% next week and so the gap between the base rate and the O/N deposit tender rate will be closed. The above-mentioned information suggests that **the (NBH) interest rate corridor could be changed in a way that the lower band of the corridor may decreased from 12.5% to 12% and the upper band from 16.5% to 14%.**

Mr Virag emphasized that the character of monetary policy will not change after the toolkit is simplified and tight monetary conditions are necessary. This statement underpins our view that the NBH may remain cautious and in the light of Fed's quite hawkish stance we expect that the NBH may deliver a strict message too. It may repeat that monetary policy will be data driven and that we are entering an era of positive real interest rates as inflation falls.

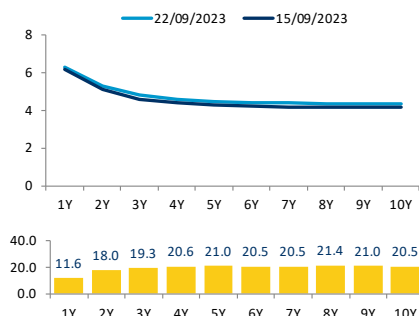
Monetary Council member, Mr Pleschinger also said that the Council was weighing "the possibility of a pause, if the market requires, but also continuing rate cuts with up to 100 bps. He added that the cuts could take the base rate to 10%-11% by the end of 2023.

Hence, we maintain our view that the NBH may slow the rate cut cycle to 50bps in October and November and in case inflation drops below 10% in November – which is our expectation – the NBH may revert to 100bps in December and so base rate might be at 11% at the end of the year.

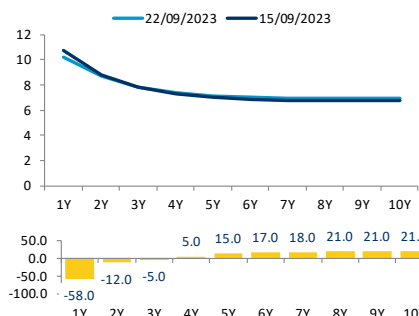
The forint depreciated by 1.3-1.5% after the Fed decision and possibly on the comments by Finance Minister. Mr Varga said that record bank profits may open the way to potentially higher levies on the financial sector, which was refused by the government quite soon after it. However, NBH's governor, Mr Matolcsy criticized the government because of the missing reforms, and highlighted that the number one enemy is inflation, which eats up Hungary's economic growth. Despite these statements we think that the main reason behind the forint weakening was the Fed's statement and some technical trades. Nevertheless, the EUR/HUF pair remains stuck in a very narrow range close to the 50- and 200-days moving averages. Not being able to break those levels, it bounced back on some negative news. So, we can stick to our view that the main trading range of EUR/HUF will remain between 380 and 393 for the following weeks.

## Interest-rate Swap Curves

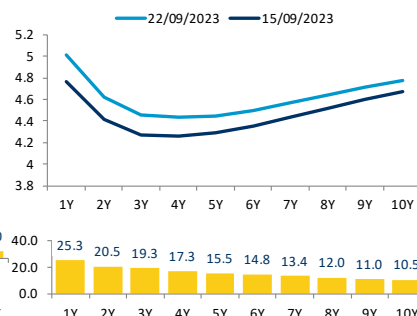
CZK \*



HUF \*



PLN \*



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday). Source for all market data: Bloomberg

## 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	09/22	14:00	Money supply M3	%	08/01/2023					0.6	7.1	0.7	8.0
HU	09/25	8:30	Wages	%, ytd.	07/01/2023								16.1
PL	09/25	10:00	Unemployment rate	%	08/01/2023							5.0	
HU	09/26	8:30	Current account	HUF B	2Q/2023							-598.0	
HU	09/26	14:00	NBH meeting	%	09/01/2023							13.0	
CZ	09/27	14:30	CNB meeting	%	09/01/2023							7.0	
HU	09/28	9:00	PPI	%	08/01/2023							0.9	1.3
HU	09/29	8:30	Unemployment rate	%	08/01/2023							3.9	
CZ	09/29	9:00	GDP	%	2Q/2023 *F							0.1	-0.4
PL	09/29	10:00	CPI	%	09/2023 *P							0.0	10.1
CZ	09/29	10:00	Money supply M2	%	08/01/2023								9.3

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