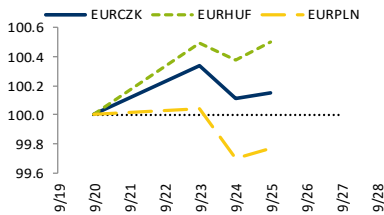


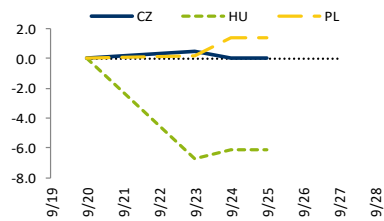
Wednesday, 25 September 2024

Forex markets (index)



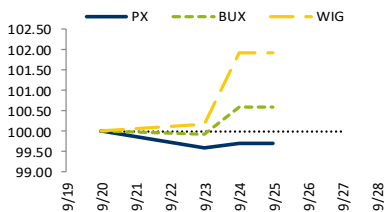
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.10	25.09	0.04
EURHUF	395.0	394.5	0.13
EURPLN	4.260	4.258	0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.792	3.787	0.5
HUGB 10Y	6.25	6.25	0.0
PLGB 10Y	5.37	5.37	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1582.8	1582.8	0.00
BUX	73558	73558	0.00
WIG	83325	83325	0.00

Our regional insights:

The NBH cuts and is ready to ease further

The National Bank of Hungary cut its base rate yesterday by 25 bps, from 6.75% to 6.5% in an unanimous decision which was in line with expectations. According to the Monetary Council, there was a positive improvement in all four conditions set out at the August meeting: 1) continuous disinflation, 2) developed market interest rate cuts, 3) a slight improvement in Hungary’s risk perception and 4) gradually strengthening economic/business confidence.

New growth and inflation forecasts showed a substantial deterioration of the GDP outlook: from 2-3% YoY to 1-1.8% YoY for 2024 and from 3.5-4.5% YoY to 2.7-3.7% YoY for 2025. The inflation outlook was almost unchanged with the NBH expecting 3.5-3.9% YoY inflation for this year and 2.7-3.6% YoY for next year. The small upward revision was due to the increase of the transaction tax which has no effect on the medium-term inflation evolution. The NBH maintained its view that the inflation target will be reached in 2025 in a sustainable manner.

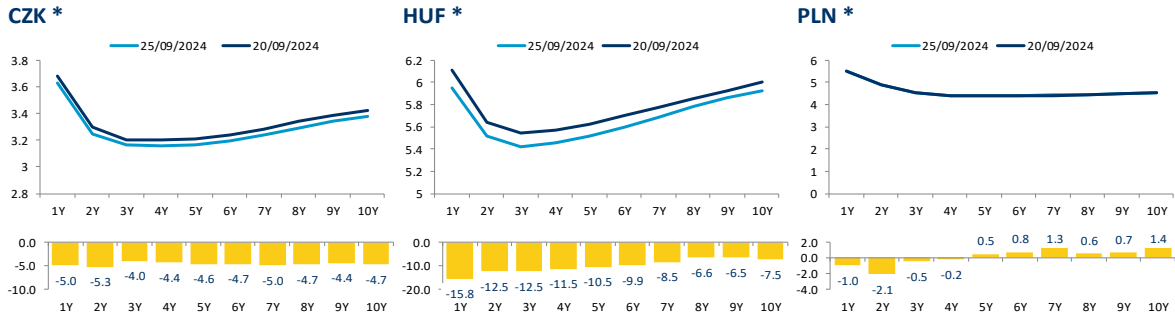
Vice-governor Virág said at the press conference that the big question is whether the global interest rate cuts by the major central banks will be coupled with a recessionary environment, which we do not know at the moment. Geopolitical risks are still there and there is a need to anchor inflation expectations. The central bank will pay special attention to price developments in the services sector. In addition, the perception of country risk and the achievement of financial market stability will also play an important role in the decisions. According to Mr Virág, this will require continued positive real interest rates. Globally, the era of positive real interest rates is back, and everyone needs to adapt. There was no substantial change in the forward guidance: the central bank makes a decision month-by-month, and every month there will be two options on the table: either to keep interest rates unchanged or to cut them by 25 bps. Mr Virág emphasized that the Fed’s 50 basis point rate cut should not be overinterpreted and that the NBH at the moment is not in a position to make any changes in communication. It is impossible to judge what decisions will be taken in October, November and December as they will depend on inflation and changes in the external interest rate environment.

The statements and the new prognoses from the NBH confirm our view formulated after last week Fed’s rate cut. They pave the way for more rate cuts by the NBH this year. One month ago, Mr Virág suggested that there could be one or two 25bps rate cuts this year, reaching a 6.25-6.5% base rate by the end of the year. This time, he only highlighted that every month is a new decision and two options will be on the table. So, we maintain our view that the NBH might cut its base rate two more times this year, reaching 6% at the end of 2024. The evolution of the FX rate and bond yields play an important role in the timing of the rate cuts. From an inflation perspective, we cannot rule out a cut in October as September inflation is expected to be lower than it was in August although core inflation might increase slightly.

The CNB to deliver another 25bps rate-cut

The Czech National Bank will cut interest rates for the seventh time in a row today. Following a slowdown in the pace of the easing cycle in August, we expect rates to fall by a standard quarter of a percentage point to 4.25%. The CZK money market is pricing in a similar scenario.

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). 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
HU	09/25	8:30	Current account	HUF B	2Q/2024		1953	1832			1860	
CZ	09/25	14:30	Repo rate	CNB	09/2024	4.25		4.25		4.50		
HU	09/27	8:30	Unemployment rate	%	08/2024			4.2		4.2		
HU	09/30	8:30	PPI	%	08/2024					0.7	2.5	
PL	09/30	10:00	CPI	%	08/2024 *P					0.1	4.3	
CZ	09/30	10:00	Money supply M2	%	08/2024						5.3	
HU	10/01	8:30	Trade balance	EUR M	07/2024 *F					203		
CZ	10/01	9:00	GDP	%	2Q/2024 *F					0.3	0.6	
HU	10/01	9:00	PMI manufacturing		09/2024					47.6		

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