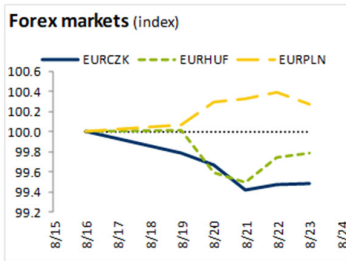
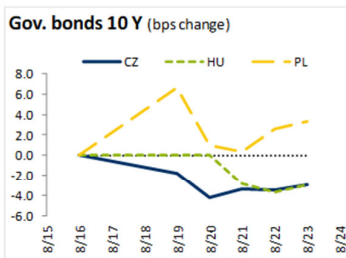


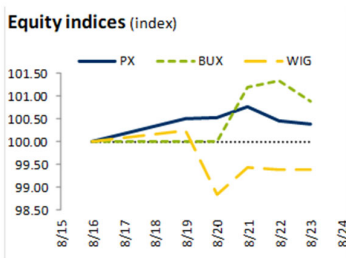
Friday, 23 August 2024



	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.08	25.08	0.00
EURHUF	393.6	393.5	0.04
EURPLN	4.277	4.282	-0.12



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.779	3.774	0.5
HUGB 10Y	6.32	6.31	0.1
PLGB 10Y	5.35	5.34	0.1



	LAST	PREVIOUS	CHANGE (%)
PX	1580.2	1581.3	-0.07
BUX	72912	73240	-0.45
WIG	84172	84170	0.00

Regional insights

The NBH will probably stay on hold next week

Mixed macroeconomic figures were published in Hungary during the last weeks. Inflation accelerated from 3.7% YoY in June to 4.1% YoY in July with core inflation jumping from 4.1% YoY to 4.7% YoY respectively. Although the increase of inflation was expected, there are surprise elements in the details as well. The market services inflation remains elevated, running between 9-10% YoY, which suggests that inflationary risks are still existing. Food prices went up by 0.6% MoM and excluding seasonal food, food prices rose by 1.2% MoM on average. It's partly because the price cap on some foods (like milk, flour, eggs etc.) has been finally abolished by the government, but also the processed food prices rose which pushed up the core inflation. Looking ahead, headline inflation may moderate back below 4% YoY in August and September, but we maintain our view that we might see inflation between 4.5-5% YoY at the end of the year as core inflation is elevated and while the slowly reviving domestic consumption may also maintain some inflationary pressure.

The economic performance was poor in the second quarter: GDP fell by 0.2% QoQ. One of the main reasons behind the decrease is the free fall of investment, which dropped by 7% QoQ and by 14.5% YoY. Investment is at its 2018 level on fixed based indexation.

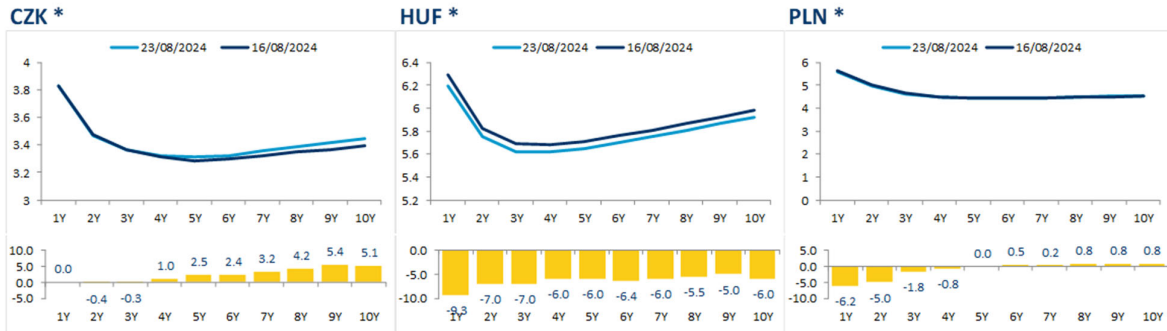
The exchange rate was relatively stable during the last weeks, fluctuating between 392 and 398 against the euro, but we can see that the forint is less and less able to strengthen since May (its strongest point was around 383 at that time).

The market is divided about the expected move from the NBH. Roughly 50-50% chance is given for a 25 bps cut and no change for the August meeting. The NBH's statement highlighted in July that cautiousness is still required, and that decision makers can't sit back. This suggests that the NBH may pause in its easing cycle this time and cut by 25 bps only in September.

The NBH vice-governor, Mr. Virág said previously that a 6.25-6.5% base rate at the end of the year looks to be feasible based on current information, but the NBH is in data driven mood and it focuses also on the leading central banks decisions.

So, it is a close call now, **but we maintain our view that the NBH may keep its base rate on hold at 6.75% this time** mainly because of the substantial jump in core inflation. They may cut the base rate by 25bps to 6.5% in September, after ECB and Fed are most likely to cut interest rate by 25bps each. We maintain our year-end view as well, namely that the NBH may cut base rate to 6.25%.

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	08/23	8:30	Unemployment rate	%	07/2024							4.2
PL	08/23	14:00	Money supply M3	%	07/2024							0.4 8.4
HU	08/28	8:30	Wages	%, ytd.	08/2024							14.9
PL	08/28	10:00	Unemployment rate	%	07/2024							4.9
HU	08/27	14:00	Policy rate	NBH	08/2024	6.8			6.8			6.8

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