



# Central European Daily

Wednesday, 25 November 2015

## Headlines

### Hungarian forint on the road to weaker levels

#### NBH ready to dampen excessive fall by FX intervention

The EURHUF bounced back again from the levels around 309 (the 200-day moving average is there) and moved into the middle of the trading range (between 309 and 315) of the last 3 months. The trigger was the missing upgrade of Hungarian credit rating into investment grade by Fitch on Friday. The increasing geopolitical risks are also not supportive for HUF strengthening. The conflict between Russia and Turkey and especially between Russia and Ukraine (because of Crimean Peninsula) may have some negative effect on Hungary. The electricity shutdown in Crimean and the expansion of Russian sanctions by 6 months might lead to gas supply problem in the coming months. The situation may cause less risk taking awareness in the region, but the direct effect of this conflict on Hungary is very limited from economic point of view as Hungary's trade to these countries plays a small role. The biggest risk as always in case of Russia is the energy supply to Hungary.

Adding to it the more likely FED hike in December, the outlook is not supportive for HUF. Looking ahead, the National Bank of Hungary would like to decrease its foreign currency reserves by more than USD10bn in the next year, partly due to the FC government redemption (refinanced by HUF and converted at NBH), the redemption of the FC swaps (remaining from FC loans of the households) and probably some direct sell on the market (at least the new EU funds money inflow).

In short term we expect that EURHUF may remain in the range of 309 and 315, but the risk is rather on the upside, so HUF might break this band on the weak side in the following months. Although the NBH's tolerance for a weak currency is substantially bigger than a year ago, but we think that above 315, especially around 320 NBH may step into the market and may use the opportunity to sell some of its FC reserves, which may limit the weakening of the HUF.

Currencies		% chng
EUR/CZK	27.02	0.0
EUR/HUF	311.9	0.1
EUR/PLN	4.26	0.2
EUR/USD	1.06	0.1
EUR/CHF	1.08	-0.1

#### FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.21	0.04	0.19	-0.10
EUR/PLN		0.19	0.00	-0.08
EUR/HUF			0.08	0.03
EUR/USD				0.32

correlations of 30 min changes  
over past 5 sessions

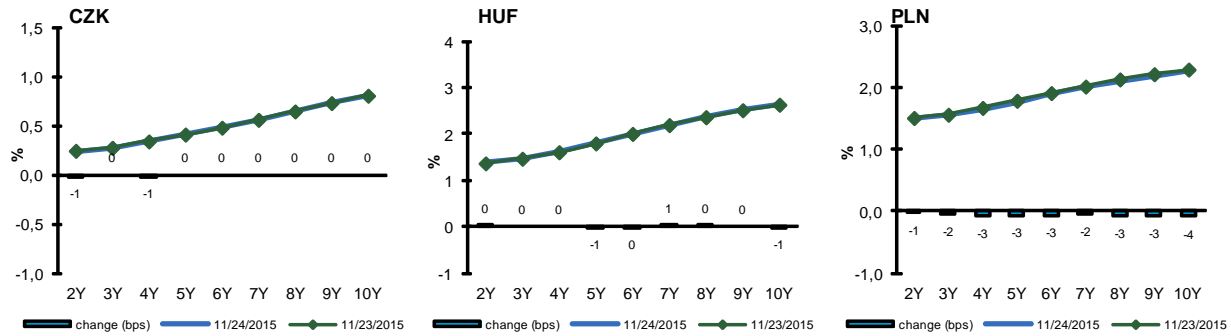
FRA 3x6	%	bps chng
CZK	0.23	0
HUF	1.36	1
PLN	1.62	0
EUR	-0.19	2

GB	%	bps chng
Czech Rep. 10Y	0.50	0
Hungary 10Y	3.31	3
Poland 10Y	2.68	-8
Slovakia 10Y	0.77	-2

CDS 5Y	%	bps chng
Czech Rep.	51	0
Hungary	158	0
Poland	72	0
Slovakia	51	0

Source: Reuters

# Interest-rate Swap Curves



# Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
PL	10:00	Unemployment rate	% 10/01/2015			9.6		9.6		9.7	
CZ	12:00	CZ bond auction 2014-2027, floating rate	CZK B 11/01/2015								
CZ	12:00	CZ bond auction 2015-2017, 0.00%	CZK B 11/2015								
CZ	12:00	CZ bond auction 2005-2020, 2.75%	CZK B 11/01/2015								

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