

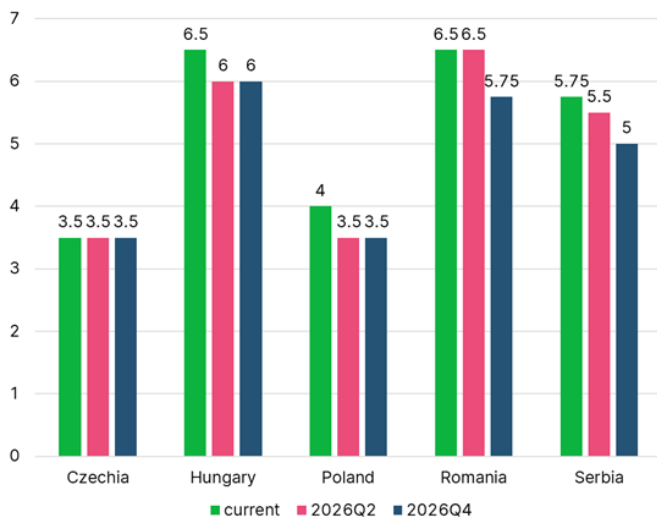
CEE MACRO AND FI DAILY

Rate cut in Hungary a matter of time, while Romania postpones

On the Radar

- Today, retail sales will be released in Poland at 10 AM CET.
- Slovenia to publish unemployment rate at 10.30 AM CET.
- At noon CET, Serbia will release producer prices.

Key policy rate outlook, %

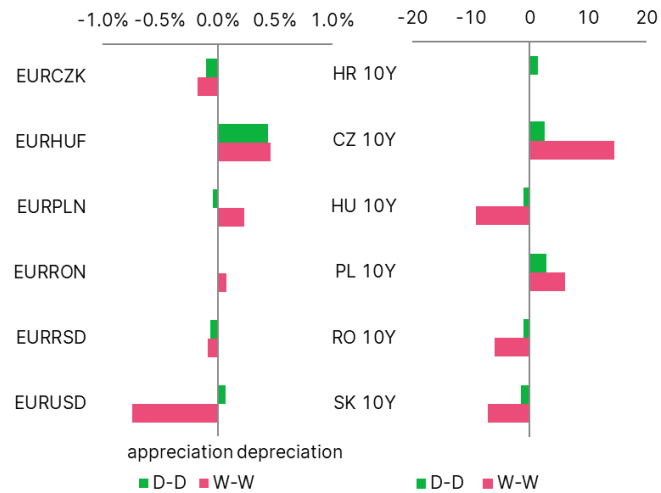


Source: Erste Group Research

Economic developments

We begin the week looking into monetary policy in the region. First of all, Hungarian central bank holds a rate setting meeting on Tuesday. Although we stick to stability of rates at the upcoming meeting, we would not be surprised if monetary easing is restored already in February as inflation development supports such scenario. Exchange rate development will also be an important factor for the interest rate decision in February or in the months to come. All in all, we see interest rate cuts as a matter of time in Hungary. Second, we adjust our monetary policy outlook in Romania. The press conference of Romania's central bank Governor offered quite direct forward guidance: the central bank is not willing to risk its inflation fighting credential until the inflation collapse is printed in the readings/headlines. We thus move our expectations for interest rates cut from May to August and see key policy rate at 5.75% at the end of the year instead of 5.25% expected previously. As far as other central banks are concerned, Poland is expected to lower policy rate at the beginning of March, Czechia will stick to 3.5% interest rate unless core inflation eases and finally Serbia should ease monetary conditions in the course of the year.

Market performance



Source: Erste Group Research

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Market developments

The FX market was stable overall last week. EURCZK is at 24.23, EURPLN touched 4.22 while EURHUF is under some pressure moving up toward 380. We associate it with uncertainty regarding the outcome of the upcoming meeting. Long-term yields remain low. In Hungary, expectation for monetary easing help 10Y yields to decline. In Romania, pledge for more reforms after Constitutional Court ruling supporting the judicial pension reform could be a factor supporting lower long-term yields. In Serbia, the license for the NIS was extended by the US allowing it to continue to supply fuel. Serbia's central bank Governor also commented on inflation saying it is expected to rise at the end of the year.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
23. Feb	10:00	PL	Retail Sales (y/y)	Jan			5.0%
	12:00	RS	PPI (y/y)	Jan			1.7%
24. Feb	10:00	PL	Unemployment Rate	Jan			5.7%
	11:00	HR	CPI (y/y)	Jan F			3.4%
	11:00	HR	CPI (m/m)	Jan F			0.3%
	14:00	HU	Central Bank Rate	Feb 26		6.5%	6.5%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.19	-0.1	-0.2
EUR/HUF	380.35	0.4	0.5
EUR/PLN	4.22	0.0	0.2
EUR/RON	5.09	0.0	0.1
EUR/RSD	117.16	-0.1	-0.1
EUR/USD	1.18	0.1	-0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.48	0	0
HUF	6.27	0	-4
PLN	3.85	0	-2
RON	5.78	-1	-5
RSD	4.68	0	0
EUR	2.02	0	2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.39	3	14
HU 10Y	6.46	-1	-9
PL 10Y	4.94	3	6
RO 10Y	6.35	-1	-6
HR 10Y	3.22	1	0
SK 10Y	3.20	-2	-7

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