

# Flash Comment

31 March, 2008

Lars Christensen, Chief Analyst, +45 4512 8530, larch@danskebank.dk

Lars Rasmussen, Analyst, +45 4512 8534, laras@danskebank.dk

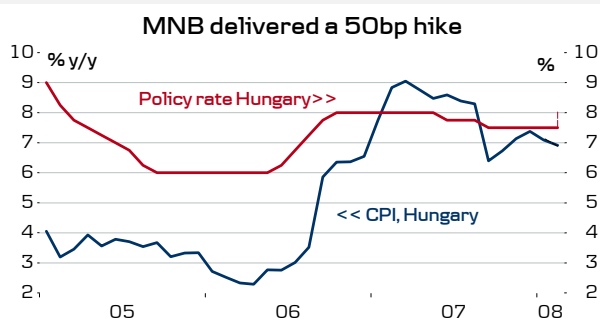
## Hungary: MNB worried about global environment

At the monetary council meeting today, the Hungarian central bank (MNB) decided to hike its leading interest rate by 50bp to 8.00%. We had only expected a 25bp hike and the consensus expectation was split between a 25bp and a 50bp hike. The MNB had discussed both of the latter possibilities, as well as unchanged rates.

The statement following the decision included worries of inflation being permanently above the medium-term target of 3% y/y, and concerns over the global sentiment, which have led to increased risk premiums in the Hungarian markets.

By commenting on the latter, the MNB shows its willingness to provide protection for the Hungarian forint in the current environment – something the Romanian central bank also noted at its rate meeting last week – *Flash Comment - Romania: NBR delivered another hike, 26 March*. Today's decision to bring the rate up by 50bp will further add to the slowing of the Hungarian economy.

Even though we are not forecasting more rate hikes from Hungary, we cannot rule out that the MNB will deliver more hikes, especially if EUR/HUF moves significantly higher. This morning, EUR/HUF moved to almost 261 on political tensions, but the MNB's hawkish rate decision eased the pressure on the forint and EUR/HUF moved to almost circa 259. Rates and yields are up markedly across the curve.



*This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority.*

*Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the Danske Bank Research Policy. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and to the Compliance Officer. Danske Bank Research departments are organised independently from and do not report to other Danske Bank business areas. Research analysts are remunerated in part based on the over-all profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.*

*Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommendations of the Danish and Norwegian Securities Dealers Association.*

**Financial models and/or methodology used in this report**

*Calculations and presentations in this report are based on standard econometric tools and methodology. Documentation can be obtained from the above named authors upon request.*

**Risk warning**

*Major risks connected with recommendations or opinions in this report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.*

**First date of publication**

*Please see the front page of this research report.*

**Disclaimer**

*This publication has been prepared by Danske Markets for information purposes only. It is not an offer or solicitation of any offer to purchase or sell any financial instrument. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Danske Bank, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein. Danske Markets' research analysts are not permitted to invest in securities under coverage in their research sector. This publication is not intended for retail customers in the UK or any person in the US. Danske Markets is a division of Danske Bank A/S, which is regulated by FSA for the conduct of designated investment business in the UK and is a member of the London Stock Exchange. Copyright (©) Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.*