

## FX: National Bank of Hungary plays the 'wait and see' game

Don't expect much change at the central bank's meeting today but keep your eyes peeled for the 'ready to take any action' stance



### USD: Bid against high yielders

Given the approaching all-important European Central Bank (ECB) October meeting on Thursday, we look for a range trading EUR/USD price action ahead of the event. However, given the risk of a less dovish form of the ECB QE tapering and the potential for higher core yields, we expect USD to remain bid against high yielders.

The go-to short in the [G10 FX space](#) seems to be the New Zealand Dollar (NZD) given its high yielding characteristics as well as the political change underway and its implications for the RBNZ. With [Abenomics 2.0 in full swing](#), the upside pressure to USD/JPY should remain in place.

[Read our G10 FX weed ahead in full here](#)

### EUR: Catalan woes impact on EUR remains limited

The negative effect of the Catalan woes on the EUR remain muted. Despite the rising tensions ahead of the potential vote in the Senate on Friday on constitutional powers such as removing the

Catalan President Puigdemont, EUR downside is shallow ahead of the ECB October meeting this Thursday. EUR/USD to stay around 1.1750.

## **CZK: Look through the politics and focus on the central bank**

EUR/CZK continues pushing lower and is reaching new multi-year lows on a daily basis, ignoring the post-parliamentary election uncertainty, mainly driven by the hawkish remarks of the Czech National Bank board members.

Yesterday, the CNB board member Mora indicated:

(a) The need for a rate hike in the 2nd November meeting as the data continues to surprise on the upside.

(b) His preference for an equally distributed tightening of monetary conditions via both the interest rates and the currency.

The latter is fully reflected in our positioning for larger than expected CNB rates hikes and a stronger Czech Koruna spot. EUR/CZK to break below 25.60 this week.

## **HUF: The NBH's wait and see mode after the big easing**

We expect the National Bank of Hungary to apply a 'wait and see' approach during its rate-setting meeting today given that EUR/HUF has remained in the 'comfort zone' following the last month's NBH easing package.

Although in the comfort zone, we now see NBH's negative impact on HUF as largely exhausted and expect HUF to re-start its strengthening trend towards the 302 level due to the solid HUF fundamentals such as a strong current account and growth dynamics.

We are short EUR/HUF via a 2-month leveraged put spread, yet acknowledge EUR/HUF is unlikely to break below the 302 level.