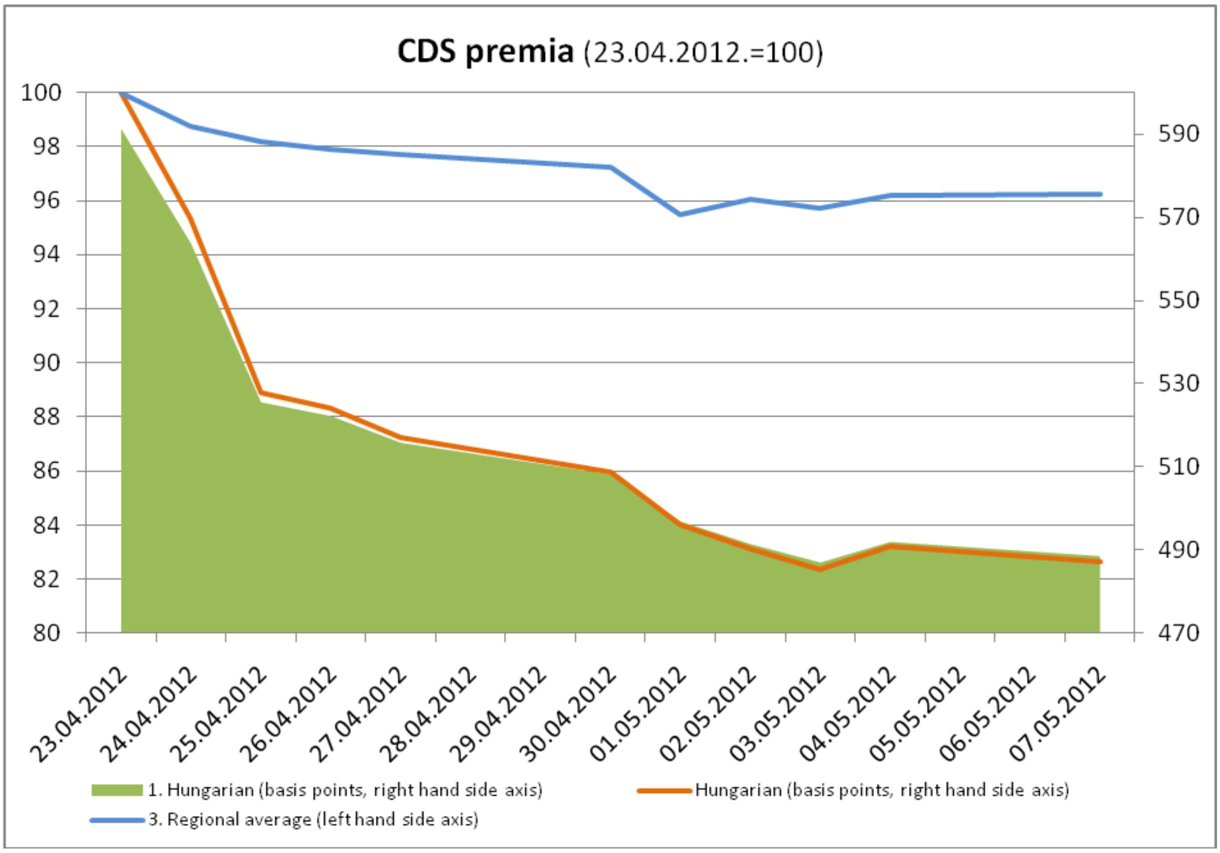
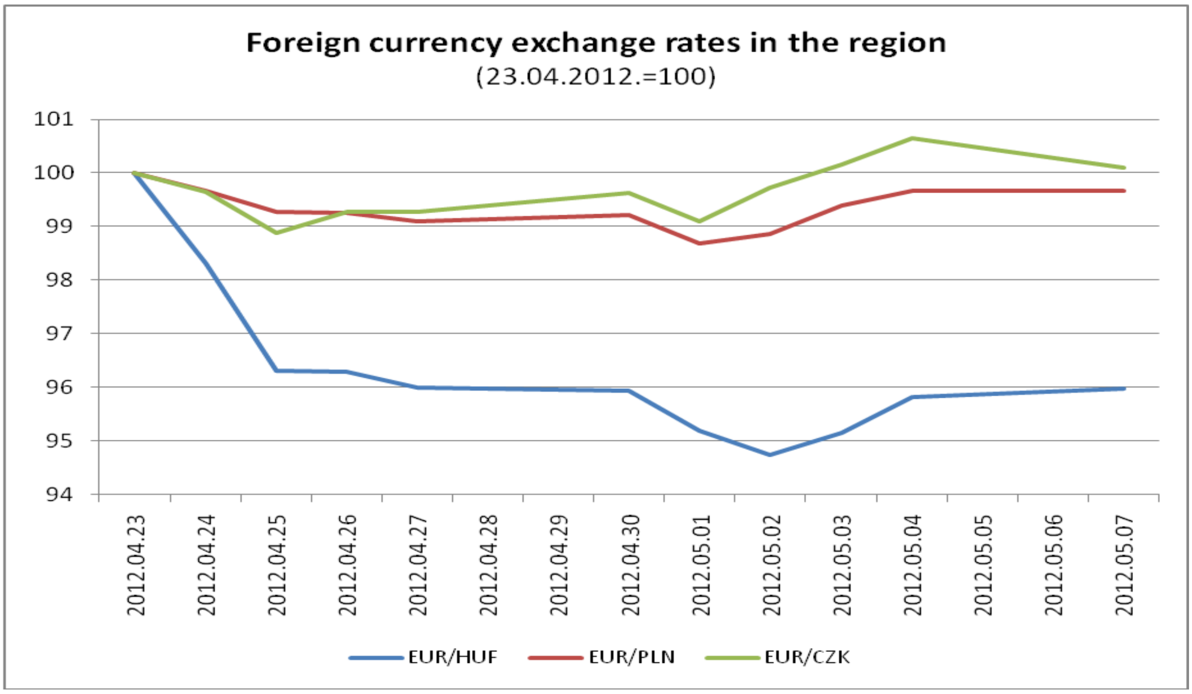
Money market figures indicate rising confidence

On 23 April 2012 the Government of Hungary approved the *Széll Kálmán Plan 2.0* programme which has been highly appreciated by the EU and international market participants. The *Széll Kálmán Plan 2.0* secures fiscal sustainability for Hungary for the period it covers and thus for the first time in eight years the excessive deficit procedure against Hungary can be lifted. As a result of the above and the positive developments with regard to the IMF negotiations, risk perceptions concerning Hungary have improved significantly which money market indicators also signal. We analyze such indicators as follows:



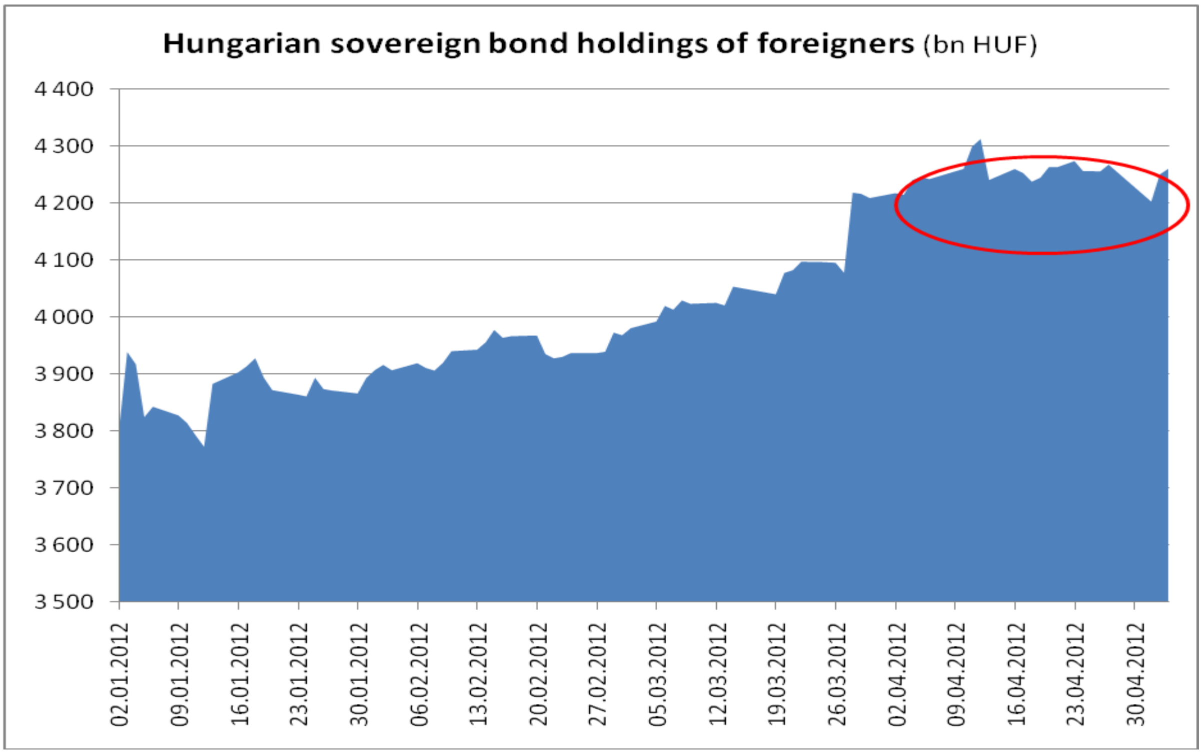
Source: Reuters

CDS premia which **indicate the financing risks of Hungarian sovereign bonds have declined substantially after the *Széll Kálmán Plan 2.0* was published** and the news about the **IMF talks** broke. CDS premium **declined by 28 basis points the day after the programme was published and by another 38 basis points in the couple of days after that**. Therefore, credit default swaps fell from **591 basis points on 23 April by more than 100 basis points to 489.** In comparison even to **the regional average** weighted by gross general government debt, risk perceptions with regard to Hungary have **improved significantly** in the surveyed period.



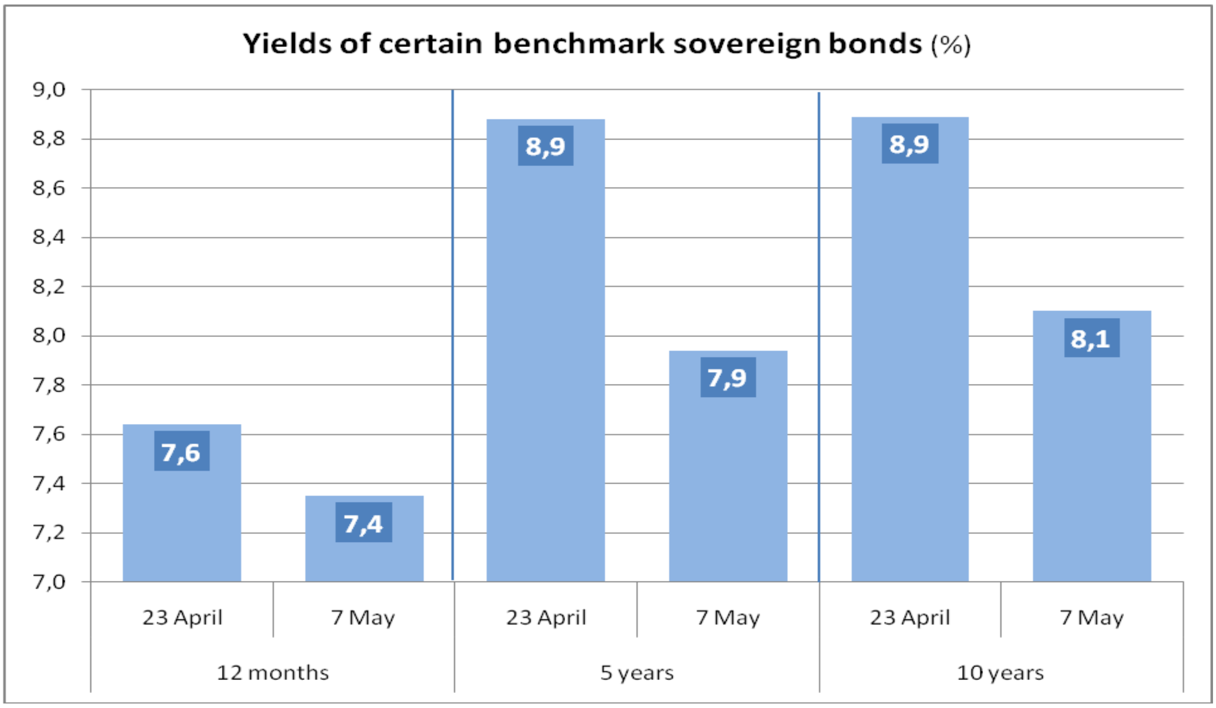
Source: Reuters

Positive sentiment of international markets and **stronger confidence in Hungary** has also been reflected by **forex market moves.** Compared to **regional peers**, the exchange rate of Hungarian forint has **strengthened against the euro to a much greater extent** in the past two weeks. Since 23 April the **EUR/HUF exchange rate** depreciated by 4 percent, from about 300 to 286.51 by 7 May. On 2 May forint vs. the common currency changed hands at a rate of **282.8** EUR/HUF.



Source: ÁKK

The increasing stock of **Hungarian government securities owned by foreigners**, which was at a **record high of 4 313bn HUF on 12 April 2012,** also signals **favourable market sentiment.** An indicator of a positive confidence trend is that this stock has been constantly above the level of 4 200bn HUF since the end of March.



Source: ÁKK

The **financing costs** of Hungarian general government debt have declined significantly after the ***Széll Kálmán Plan 2.0*** was published and the positive developments about the **IMF** negotiations were announced. As far as benchmark maturities are concerned, secondary market yields for longer maturities have fallen sharply within a short period of time and appear to be stabile at lower levels. Yields on 7 May were **1** and **0.8** percentage points lower for government securities with maturity of **5 years** and **10 years**, respectively, than on 23 April.