

How Orbán has hung out the EU to dry

In view of the interminable attention given to the UK's "hokey-cokey Brexit", I'm amazed "Hungout", has not more stood out. For surely, you've noticed how Orbán has engineered the best of all possible deals for his country. A Hungout coming without the penalties thrown at the UK with Brexit. Orbán has in effect, allowed Hungary to have its EU cake, and eat it.

What of Orbán?

Having been PM between 1998 and 2002, he returned in May 2010; re-elected in 2014, 2018 and 2022. That Hungary's accession to the EU in May 2004 came when Orbán was in opposition, is testament to his stand towards European federalism. For Orbán is staunchly a MAGyAr First Man.

But what of Hungarians writ large?

Let's consider the facts behind its referendum in April 2003. True, the result was a resounding 83.8% FOR accession. There is however this detail: turnout was a mere 45.6%. For context until 1997, Hungary's constitution demanded a plebiscite could not be considered legitimate without at least a 50% turnover. In 1997 this was lowered to 25%, yes one year before Orbán first assumed the premiership.

To say Orbán's approach to the EU is entirely opportunistic is classic pure understatement. He has taken all the nice bits of being a rusticated member of the EU, whilst declaring Hungary exempt from all the elements he dislikes.

Let's consider where Orbán has placed Hungary in relation to Russia.

Whilst the EU has taken a decidedly cold turn towards Putin's Russia, Hungary has continued to be very warmed by its energy; Vik on very good terms with Vlad. Friendly terms despite Russia's embattlement of Ukraine, one the 7 nations Hungary shares a border.

Of Hungary's other neighbours, 5 are 'fellow' EU'ers; putting it very much at the centre of Europe. Yet, if one were seeking a single piece of evidence to prove Orbán has distanced Hungary from the EU/EZ to in effect "beggar its neighbours", it should be FX'in clear what this is.

Looking at the forint against the euro we see that since Orbán returned to office, it has devalued by 1/3. For context, the £ is presently broadly where it stood against the € in 2010; despite the intervening years seeing the UK perform the Brexit "hokey-cokey".

The simple truth is that when (not if) Hungary's central bank begins to aggressively cut the interest rate from its lofty 6.5%, the forint could easily fall far and fast.

True, the fall thus far in the forint against the €, has been nothing close to that of Turkey's lira or Ukraine's hryvnia, but weaken it most certainly has.

That its € neighbours of Austria, Slovakia, Slovenia and Croatia, or €-hugging Romania, have not cried foul of the forint is to me at least very surprising, given the competitive disadvantage it has put them.

Let me close with some controversy.

Rather than see feral Hungary "pulled-back" into the federal EU fold, I expect others within it to take the nationalist lead from Hungout.

That the UK will get back closer to the EU, as others carve themselves out, is classic British irony.

PS In the body above I claimed Orbán has in effect, allowed Hungary to have its EU cake and eat it. With that in mind, one could say that in the revolving door of Brexit ministers trying desperately to do a deal with the EU, the man who SHOULD have been called in, "to GET the softest of Brexit's DONE" was Orbán. After all, if England's football team can have a 'foreigner' manager, why not one managing Brexit?

Chart 1: 100 Hungarian florint in €



Chart 2: 100 Hungarian florint in Polish zloti



Source: Magyar Nemzeti Bank

Chart 3: 100 Hungarian florint in Czech koruna



Chart 4: 100 Hungarian florint in Romanian leu



Source: Magyar Nemzeti Bank

Chart 5: 100 Hungarian florint in £



Chart 6: 100 Hungarian florint in Ukrainian hryvnia



Source: Magyar Nemzeti Bank

Research Disclaimer:

Important Disclosure Statement from QuantMetriks Research

This document is issued by QuantMetriks Research Limited solely for its clients. It may not be reproduced, redistributed or passed to any other person in whole or in part for any purpose without written consent of QuantMetriks Research. The material in this document is not intended for distribution or use outside the United Kingdom. This material is not directed at you if QuantMetriks Research is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you.

This document is provided for information purposes only and should not be regarded as an offer, solicitation, invitation, inducement or recommendation relating to the subscription, purchase or sale of any security or other financial instrument. This document does not constitute, and should not be interpreted as, investment advice. It is accordingly recommended that you should seek independent advice from a suitably qualified professional advisor before taking any decisions in relation to the investments detailed herein. All expressions of opinions and estimates constitute a judgement and, unless otherwise stated, are those of the author and the research department of QuantMetriks Research only, and are subject to change without notice. QuantMetriks Research is under no obligation to update the information contained herein. Whilst QuantMetriks Research has taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, QuantMetriks Research cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. This document is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to herein. No representation or warranty either expressed or implied is made, nor responsibility of any kind is accepted, by QuantMetriks Research or any of its respective directors, officers, employees or analysts either as to the accuracy or completeness of any information contained in this document nor should it be relied on as such. No liability whatsoever is accepted by QuantMetriks Research or any of its respective directors, officers, employees or analysts for any loss, whether direct or consequential, arising whether directly or indirectly as a result of the recipient acting on the content of this document, including, without limitation, lost profits arising from the use of this document or any of its contents.

This document is provided with the understanding that QuantMetriks Research is not acting in a fiduciary capacity and it is not a personal recommendation to you. Investing in securities entails risks. Past performance is not necessarily a guide to future performance. The value of and the income produced by products may fluctuate, so that an investor may get back less than he invested. Investments in the entities and/or the securities or other financial instruments referred to are not suitable for all investors and this document should not be relied upon in substitution for the exercise of independent judgment in relation to any such investment. The stated price of any securities mentioned herein will generally be the closing price at the end of any of the three business days immediately prior to the publication date on this document. This stated price is not a representation that any transaction can be effected at this price.

QuantMetriks Research and its respective analysts are remunerated for providing investment research to professional investors, corporations, other research institutions and consultancy houses. QuantMetriks Research, or its respective directors, officers, employees and clients may have or take positions in the securities or entities mentioned in this document. Any of these circumstances could create, or be perceived as creating, conflicts of interest. QuantMetriks Research analysts are not censored in any way and are free to express their personal opinions. As a result, QuantMetriks Research may have issued other documents that are inconsistent with and reach different conclusions from, the information contained in this document. Those documents reflect the different assumptions, views and analytical methods of their authors. No director, officer or employee of QuantMetriks Research is on the board of directors of any company referenced herein and no one at any such referenced company is on the board of directors of QuantMetriks Research.

QuantMetriks Research is an appointed representative of Messels Ltd which is authorised and regulated by the Financial Conduct Authority.

Residents of the United Kingdom should seek specific professional financial and investment advice from a stockbroker, banker, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000. This report is intended only for investors who are 'professional clients' as defined by the FCA, and may not, therefore, be redistributed to other classes of investors.

The content of this report is covered by our Policy of Independence which may be viewed at www.QuantMetriks.com

The performance history of research recommendations over the last 12 months is available to clients on request.

Analysts' Certification

The analysts involved in the production of this document hereby certify that the views expressed in this document accurately reflect their personal views about the securities mentioned herein. The analysts point out that they may buy, sell or already have taken positions in the securities, and related financial instruments, mentioned in this document.