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HUNGARY'S CREDIT RATING CUT AT MOODY'S

Fund managers from Budapest to London have said that Hungary must redouble efforts to obtain International Monetary Fund aid and the central bank should raise rates to ease financing risks after Moody's Investors Service cut the country's credit grade to junk. Prime Minister Viktor Orban, who shunned any who were seeking an IMF loan since he came into power last year until the forint fell to a record against the euro this month, may need to accelerate talks with the Washington-based lender to bolster investor confidence, fund managers at the Aegon Fund Management, Aberdeen Asset Management (ADN), and K&H Fund Management has said. ''They'll either have to strike a quick deal with the IMF or the market will force them to,'' said Viktor Szabo, who is a London-based portfolio manager at Aberdeen, and who also helps manage about $7 billion in emerging-market debt, in a telephone telephone interview. ''Hungary may stay one of the worst-performing markets if Europe's crisis continues.'' Today, the forint weakened 1.5 percent and traded at 316.11 per euro at 7:15 p.m. in Budapest. It lost 16 percent since June 30, thus making it the worst-performing currency in the world. The government's 10-year bonds fell, lifting the yield above 9 percent for the first time since 2009. The credit-default swaps rose to 646 basis points, a new record high. Hungary's currency, bonds and the credit-default swaps are under a ''speculative attack'' and the downgrade by Moody's is not justified by the economy's ''strong fundamentals,'' said Economy Minister Gyorgy Matolcsy at a press confidence in Budapest. He said that the government must reach an agreement with the IMF on a credit line, adding that Hungary does not plan to use any aid and wants to continue financing debt from the markets. ''Hungary would like a flexible credit line, which, as its name suggests, is the most flexible one,'' said Matolcsy. ''It doesn't look like we would be eligible for this so we would like a precautionary credit line or a precautionary standby agreement.'' According to the median estimate of 10 economists in a Bloomberg survey taken after the downgrade, the central bank will probably raise the benchmark two-week deposit rate to 6.5 percent from 6 percent on Nov. 29 after holding the two-week deposit rate unchanged since January. Hungary, which is actually seeking to reach an UMF agreement in the ''first months'' of next year, lost its investment-grade rating at Moody's after 15 years as the debt evaluator cited risks to budget-deficit and public debt targets. The company said in a statement yesterday that the foreign- and local-currency bond ratings were cut one step to Ba1 from Baa3. Moody's assigned a very negative outlook. The country is rated the lowest investment grade at Standard & Poor's and Fitch Ratings. Hungary's foreign-currency debt maturing next year will soar to 1.37 trillion forint ($5.8 billion), a 48 percent addition from this year. That will increase to 1.48 trillion forint in 2013 and peak at 1.65 trillion forint in 2014 as Hungary repays the 20 billion-euro ($26.5 billion) bailout. According to Bloomberg data, Hungary had $51.3 billion in foreign-exchange reserves at the end of September.