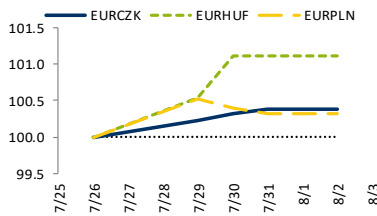


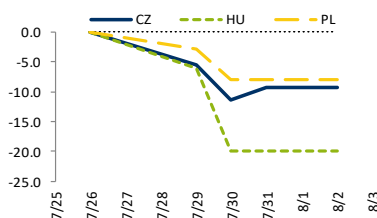
Friday, 02 August 2024

**Forex markets (index)**



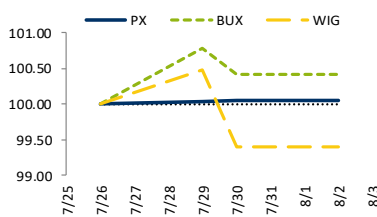
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.44	25.44	0.00
EURHUF	395.2	395.2	0.00
EURPLN	4.287	4.287	0.00

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.771	3.771	0.0
HUGB 10Y	6.33	6.33	0.0
PLGB 10Y	5.54	5.54	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1598.7	1598.7	0.00
BUX	73476	73476	0.00
WIG	83212	83212	0.00

## Regional insights

### CNB: hawkish rate cut

The CNB cut its key interest rate by 25bps to 4.5% in line with our expectations. All seven board members voted in favour of the decision. The central bank has thus slowed the pace of monetary easing and with interest rates closer to neutral, it is now entering the fine-tuning phase.

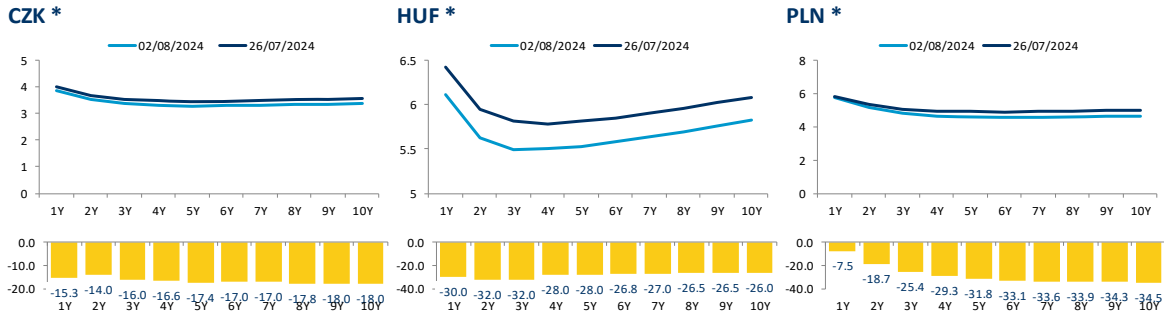
The decision was based on a new macroeconomic forecast which is hawkish, at least in terms of the implied interest rate path, with only a slight downward revision to 4.4% (3M PRIBOR) by the end of the year. As expected, the updated forecast slightly lowers the GDP growth outlook for this year from 1.4% to 1.2% and raises it for 2025 from 2.7% to 2.8%. According to the CNB, the Czech koruna should remain at a slightly weaker level (above 25 EUR/CZK until mid-2025) compared to the spring forecast.

There was a very cautious tone to the accompanying communication and, in particular, to Ales Michl's press conference. In the words of Governor Michl, the CNB delivered hawkish rate cut, which underlines the caution in the calibration of monetary policy. This should also apply in the future. However, the Governor declined to provide any forward guidance. The hawkish tone of the press conference was underlined by Governor Michl's comments on inflation - a slight undershooting of inflation would not only not bother the central bank but would even be somewhat welcome.

In terms of risks, the Bank Board now assesses the risks to inflation as balanced, with the upside risks coming from stronger wage dynamics, sticky inflation in services and, in the longer term, higher credit activity in the housing market. Downside risks to inflation are mainly associated with the weaker performance of the Czech economy.

All in all, the CNB cut rates but played the hawkish card. Given the constructive inflation outlook and the weak performance of the Czech economy, we expect the CNB to continue cutting rates by 25bps, bringing the repo rate to 3.75% by the end of the year. However, the central bank's surprisingly hawkish rhetoric poses a risk of a more gradual rate cut and a possible tactical pause at the end of the year.

## Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday). Source for all market data: Bloomberg

## Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous		
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y	
HU	08/05	8:30	Trade balance	EUR M	06/2024 *P							1001	
CZ	08/05	9:00	Retail sales	%	06/2024	3.8						4.4	
HU	08/06	8:30	Retail sales	%	06/2024							3.6	
CZ	08/06	9:00	Construction output	%	06/2024							-6.8	
CZ	08/06	9:00	Industrial output	%	06/2024	-6.9						-3.2	
CZ	08/06	9:00	Trade balance (national)	CZK B	06/2024							13.6	
HU	08/07	8:30	Industrial output	%	06/2024							-1.1	-4.9
CZ	08/07	10:00	FX reserves of the CNB	EUR B	07/2024							136.9	
CZ	08/07	12:00	CZ Bond auction 2023-2032, 4.50%	CZK B	08/2024				3				
CZ	08/07	12:00	CZ bond auction 2023-2034, 4.90%	CZK B	08/2024				3				
CZ	08/07	12:00	CZ bond auction 2024-2036, 3.60%	CZK B	08/2024				5				
HU	08/07	14:00	Minutes of the monetary policy meeting	NBH	07/2024								
HU	08/08	8:30	CPI	%	07/2024						0	3.7	
CZ	08/08	9:00	Unemployment rate	%	07/2024	3.4					3.6		
HU	08/08	11:00	Budget balance	HUF B	07/2024							-2656.4	

## Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		<b>Brussels</b>		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Jan Bureš	+420 2 6135 3574				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

DISCOVER MORE ECONOMIC INSIGHTS AT [WWW.KBCECONOMICS.COM](http://WWW.KBCECONOMICS.COM)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

