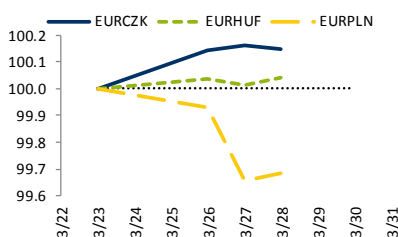




Wednesday, 28 March 2018

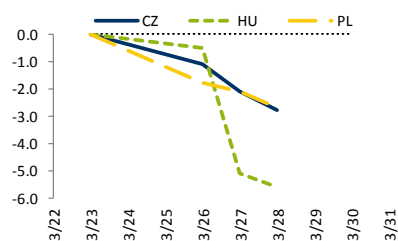
Dear readers, please note that because of Easter holidays the next daily report will be released on April 4th.

## Forex markets (index)



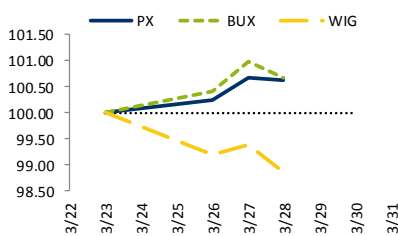
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.47	25.47	-0.01
EURHUF	312.9	312.9	0.03
EURPLN	4.212	4.211	0.03

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.868	1.875	-0.7
HUGB 10Y	2.44	2.45	-0.2
PLGB 10Y	3.21	3.22	-0.2

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1114.5	1115.1	-0.05
BUX	37189	37301	-0.30
WIG	58759	59078	-0.54

## Our regional insights:

## The NBH on hold, but it upgrades its growth outlook

In line with expectations, the NBH did not change benchmark interest rates and overall stance of its monetary policy yesterday. According to NBH's statement the Monetary Council set the maximum stock of monetary policy interest rate swaps in the first half of 2018 at HUF 600 billion. The Council's aim is that the loose monetary conditions have their effect not only at the short but also at the longer end of the yield curve. To ensure this, the NBH will continue mortgage bond purchases and the monetary policy interest rate swap facility as programmes, continuously and for a prolonged period. These targets will be revised in June 2018.

On the other hand, the NBH has also raised GDP of 2018 projection to 4.2% y/y, with no change in its inflation projection. It still counts with 2.5% this year, while it may reach the 3% inflation target next year.

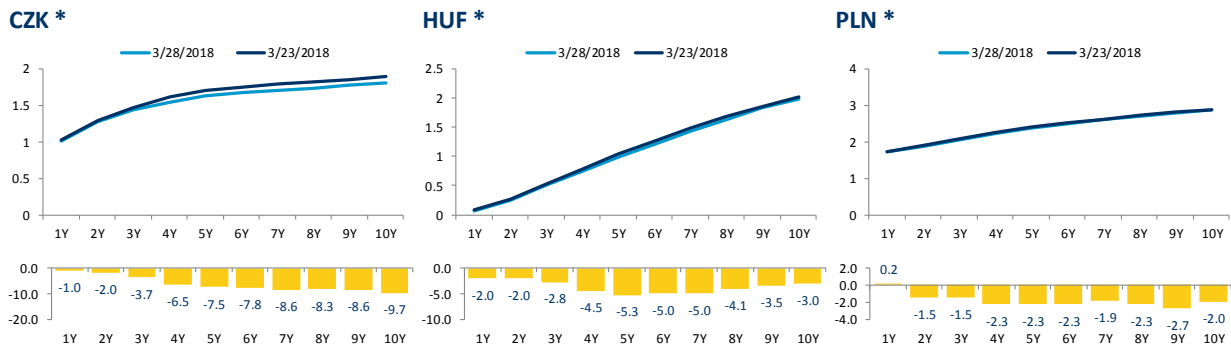
The forint's quotations against euro did not move substantially from 312.50-313.00 levels after NBH's decision or the announcement.

## The Czech koruna eyes CNB's Bank Board meeting

While the Czech koruna now cautiously awaits tomorrow's CNB Bank Board meeting as the EUR/CZK hovers below the 25.50 level, Czech government bond yields have followed core bond markets lower. Recall the Czech money market has already priced-out any (further) rate hikes from the Czech central bank until the third quarter of this year.

As concerns tomorrow's CNB meeting we do not expect any change in the monetary policy settings. The Bank Board is most likely to be satisfied with the current economic development and the current inflation deviation from the forecast will not be considered as a major reason for changing the outlook. The main obstacle to the continuation of normalization of interest rates in the Czech Republic remains the extremely relaxed policy of the ECB. Nevertheless because of strong growth of Czech wages, we are still expecting another interest rate increase this year, which the CNB could adopt in the second half 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).

## Calendar

Country	Time	Indicator	Unit	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Unemployment rate	%	02/01/2018			3.8		3.9		3.8	
HU	9:00	Trade balance	EUR M	01/2018 *F							676	
HU	9:00	PPI	%	02/01/2018							0.3	3.3
CZ	10:00	Money supply M2	%	02/01/2018								7.7
CZ	13:00	CNB meeting	%	03/01/2018	0.75				0.75		0.75	
PL	15:00	Budget balance	PLN M	02/01/2018							8562	

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