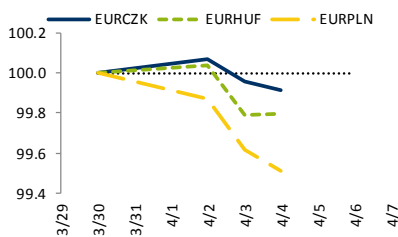
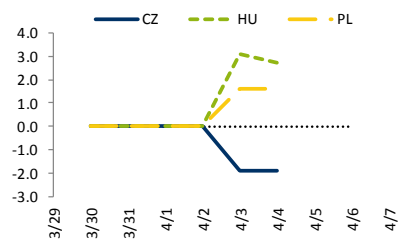




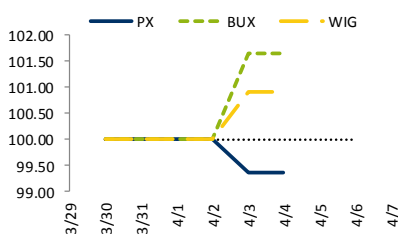
Wednesday, 04 April 2018

Forex markets (index)

| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.32 | 25.34 | -0.04 |
| EURHUF | 311.9 | 311.8 | 0.01 |
| EURPLN | 4.195 | 4.200 | -0.10 |

Gov. bonds 10 Y (bps change)

| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 1.822 | 1.822 | 0.0 |
| HUGB 10Y | 2.42 | 2.42 | -0.2 |
| PLGB 10Y | 3.18 | 3.18 | 0.0 |

Equity indices (index)

| | LAST | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX | 1116.7 | 1116.7 | 0.00 |
| BUX | 37868 | 37868 | 0.00 |
| WIG | 58902 | 58902 | 0.00 |

Our regional insights:**The Polish inflation collapses again in March**

The Polish inflation surprisingly extended its slide in March as the headline inflation dropped 0.1% month-on-month, which implies just 1.3% increase with the corresponding month of the previous year. While this is just a flash estimate, so we have only partial details, the surprising decline was concentrated to non-core components of the consumer basket (food, fuels and energy).

Nevertheless the fact that the Polish headline inflation disappointed again heavily on the downside means that its deviation from the NBP target (2.5%) and its inflation projection has widened further. As a result, the NBP might stay on hold for foreseeable future despite the ongoing tightening on the domestic labour market. Hence, the March low inflation is definitely great news for Polish government bonds, while the zloty should not like (at least in the short-run).

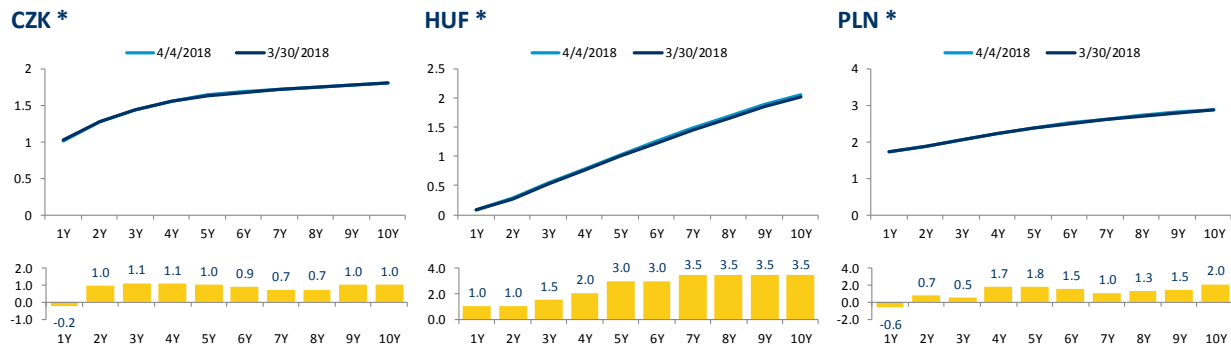
The koruna gradually firms after CNB's meeting

The Czech koruna opened the week after the Easter holiday in a bullish fashion. It is worth noting that although the CNB sent a number of dovish signals to the markets after Thursday's Bank Board meeting, the koruna could have liked Governor Rusnok's clear statement that, in the event of weaker Czech currency performance, official interest rates will go up faster. Thus, in principle, the EUR/CZK currency pair resigned itself to testing the 25.50 level and so the koruna opened up room for short-term profits.

The good news for the Czech currency might remain in place even during upcoming days. Besides a positive technical picture we should not ignore the rise of volatility on global stock markets. This might actually give the fundamentally-strong koruna another short-lived upbeat. Especially when taking into account a solid wave of Czech macro numbers headed by the domestic industry, which is expected to accelerate slightly in February. At the same time, we believe that, after the February fall, the Czech inflation should stabilize in March (to 1.8% y/y) and the actual figure will exceed the expectations of the markets.

Let us add that should the koruna extend its short-term profits, we see significant technical support levels at 25.29 and 25.10 EUR/CZK.

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 | | Period | Forecast | | Actual | | Consensus | | Previous | |
|---------|-------|------------------------|-------|------------|----------|------|--------|-----|-----------|-----|----------|-------|
| | | | | | m/m | y/y | m/m | y/y | m/m | y/y | m/m | y/y |
| PL | 10:00 | CPI | % | 03/2018 *P | | | -0.1 | 1.3 | 0.2 | 1.7 | -0.2 | 1.4 |
| HU | 9:00 | Retail sales | % | 02/01/2018 | | | | | 7.4 | | 7.5 | |
| CZ | 9:00 | Construction output | % | 02/01/2018 | | 12.0 | | | | | 33.6 | |
| CZ | 9:00 | Industrial output | % | 02/01/2018 | | 5.8 | | | | 5.9 | | 5.5 |
| CZ | 9:00 | Retail sales | % | 02/01/2018 | | 4.8 | | | | 5.6 | | 5.7 |
| HU | 9:00 | Industrial output | % | 02/01/2018 | | | | | 0.9 | 4.3 | 1.5 | 6.7 |
| CZ | 10:00 | FX reserves of the CNB | EUR B | 03/01/2018 | | | | | | | | 123.5 |

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