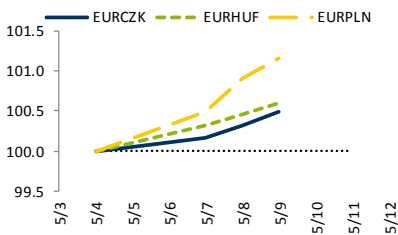




Central Europe
Wednesday

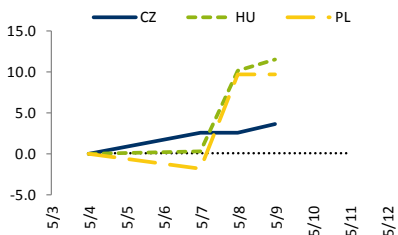
Wednesday, 09 May 2018

Forex markets (index)



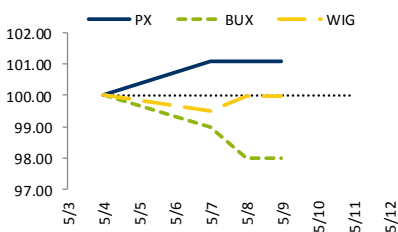
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.61	25.56	0.16
EURHUF	315.5	315.0	0.13
EURPLN	4.290	4.279	0.25

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.730	1.720	1.0
HUGB 10Y	2.70	2.69	0.5
PLGB 10Y	3.25	3.25	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1109.0	1109.0	0.00
BUX	37165	37165	0.00
WIG	58869	58869	0.00

Our regional insights:

Hungarian inflation ticks up. More to come...

The Hungarian consumer price index accelerated from 2% y/y in March to 2.3% y/y in April. It was in line with the expectations. The main driver of the rise was the fuel price (oil price went up and additionally the HUF weakened against USD), food price (unprocessed food) and market services price increase. On the other hand the imported inflation is still low, which is best reflected in the tradable goods price. The core inflation moderated slightly from 2.5% y/y to 2.4% y/y, which stuck around this level in the previous months.

Looking ahead we expect that the consumer price index may accelerate further in the coming quarters. We see the headline inflation around 2.5% y/y in June and around 3% y/y at the end of the year, which is the middle of inflation target band of NBH.

As the inflation is growing only gradually, we don't expect any change of NBH's monetary policy until the external environment won't change, namely until the imported inflation remains low. Although it is important to monitor how fast the domestic components (fast wage increase, strong domestic consumption etc.) translate into the inflation as it may reflect the overheating of the economy. We believe it won't be the case in this year, so we maintain our view that the NBH may only gradually moderate the stock of the foreign currency swaps, and the MIRS may be maintained till the end of the year. It means that the BUBOR (interbank) interest rates may increase to the level of base rate (0.9%) only in the middle of 2019, which might be followed by a base rate hike in 2H19.

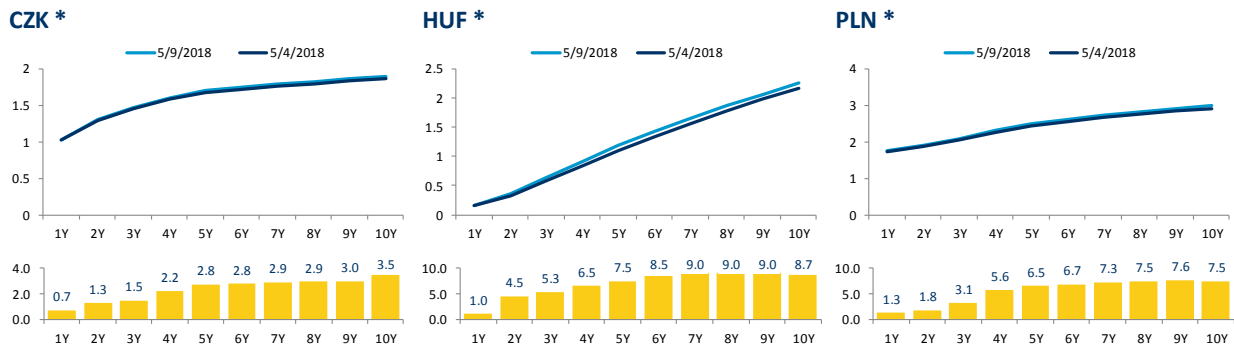
Nevertheless, the increasing inflation may affect mainly the medium and long end of the Hungarian yield curve, which means that the yield curve might steepen in the following months.

HU: Inflation



Zdroj: Thomson Reuters Datastream / Fathom Consulting

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
CZ	9:00	Trade balance (national)	CZK B 03/01/2018	18		18.7		21.3		18	
HU	9:00	CPI	% 04/01/2018			0.7	2.3	0.7	2.3	0.1	2
CZ	10:00	FX reserves of the CNB	EUR B 04/01/2018							121.7	
CZ	12:00	CZ bond auction 2015-2023, 0.45%	CZK B 05/01/2018					5			
CZ	12:00	CZ bond auction 2017-27, 0.25%	CZK B 05/01/2018					5			
CZ	12:00	CZ Bond auction 2006-2036, 4.20%	CZK B 05/01/2018					2			
CZ	0:00	Earnings CEZ	CZK 1Q/2018								
CZ	0:00	Earnings Moneta Money Bank	CZK 1Q/2018								
PL	0:00	Earnings Cyfrowy Polsat	PLN 1Q/2018								

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
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
Dublin Research			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		
Jan Cermak	+420 2 6135 3578		Prague (Equities)		+420 2 6135 3535
Petr Dufek	+420 2 6135 3560				+420 2 2142 4216
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

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

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 data of the report and are subject to change without notice.

