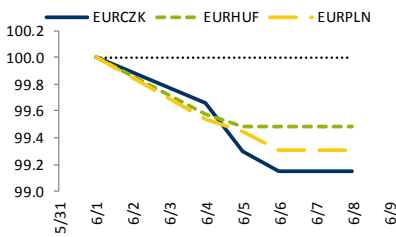




**Central Europe**  
Friday

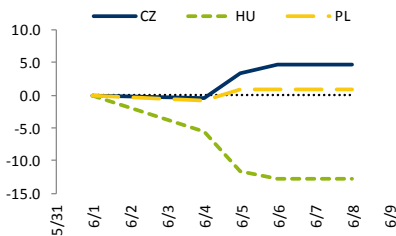
Friday, 08 June 2018

**Forex markets (index)**



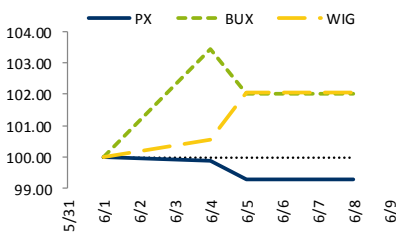
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.59	25.59	0.00
EURHUF	318.4	318.4	0.00
EURPLN	4.274	4.274	0.00

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.959	1.959	0.0
HUGB 10Y	2.98	2.98	0.0
PLGB 10Y	3.22	3.22	0.0

**Equity indices (index)**



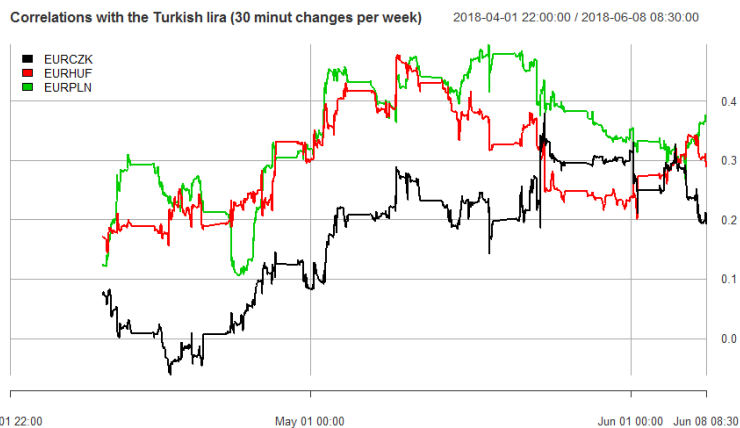
	LAST	PREVIOUS	CHANGE (%)
PX	1073.2	1073.2	0.00
BUX	36678	36678	0.00
WIG	59090	59090	0.00

**Regional insights**

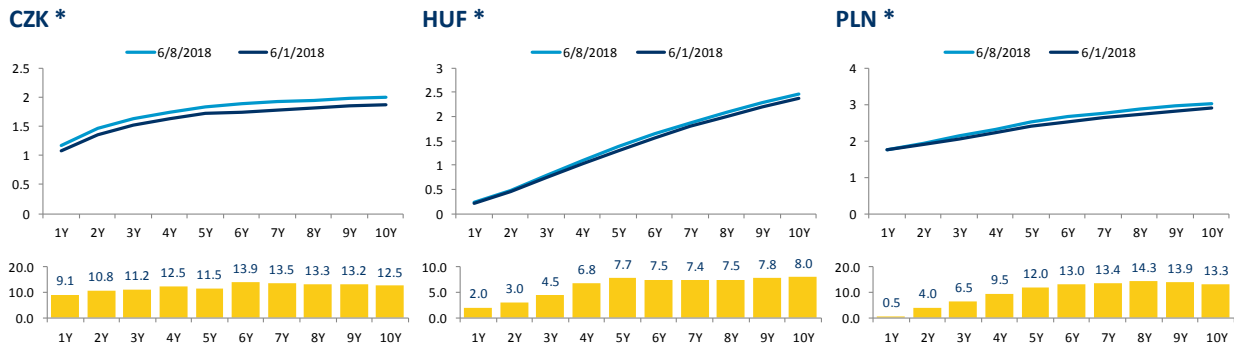
**The koruna fails to gain after hawkish comments**

Emerging markets returns to a risk-off mode as Brazil has appeared on investor's radar as potential next dominos to fall after Argentina and Turkey. Facing sell-off triggered by pre-election markets' fear the Brazil central bank stepped up efforts to stop the rod. Recall Brazil's Central bank chief Goldfajn held a surprise press conference yesterday after another failed attempt with currency swaps to strengthen its Réal. He stated that the central bank will continue to intervene as long as necessary to fend off attacks, with a \$380bn of FX reserves. However, the USD/BRL trades at 3.9, from 3.7 at the start of June. Hence, the Central European forex markets are facing a new wave of financial contagion, which puts regional currencies under new downward pressure. Still, we believe that the losses should not be too large since the CE economies are fundamentally in a much better shape than Brazil, Argentina or Turkey.

In this respect, even one takes into account the recent risk aversion environment in emerging markets and that the fact the Czech currency has been still overbought, the ongoing weakens of the koruna looks strange, because very hawkish signals from the Czech National Bank have been recently delivered. Recall that after a very hawkish comment sent from by vice-governor Hampl on Wednesday (who said he would vote for a rate hike in June), there was another one from another board member Mora yesterday. Nevertheless, the koruna has failed to strengthen after these hawkish shots. As a result **the currency still underperforms the CNB staff projection for the exchange rate, so it makes Czech financial conditions looser than the CNB anticipated in its latest Inflation projection report. All-in-all, the koruna behaviour makes the upcoming CNB's meeting scheduled for June 27<sup>th</sup> very interesting.**



## 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
HU	9:00	Trade balance	EUR M 04/2018 *P			536		763		567	
CZ	9:00	Unemployment rate 15-64	% 05/01/2018			3		3		3.2	
HU	9:00	CPI	% 05/01/2018			0.6	2.8	0.5	2.7	0.7	2.3
PL	17:00	Review rating - Fitch	A- 1st revision								

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