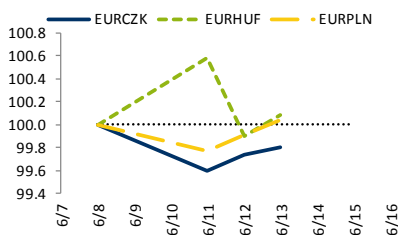




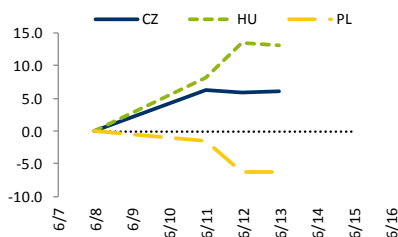
Wednesday, 13 June 2018

Forex markets (index)



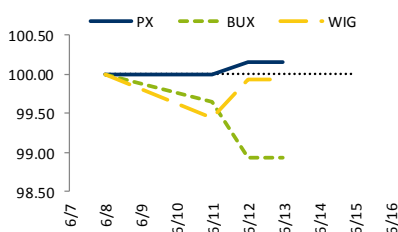
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.71	25.69	0.07
EURHUF	320.0	319.4	0.19
EURPLN	4.282	4.276	0.12

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.088	2.086	0.2
HUGB 10Y	3.29	3.29	-0.2
PLGB 10Y	3.23	3.23	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1078.9	1078.9	0.00
BUX	36348	36348	0.00
WIG	58976	58976	0.00

Our regional insights:

The CNB tightens credit conditions to cool the hot domestic housing market

The Czech National Bank continues to tighten credit conditions as it announced new restrictive measures including voluntary limits on new mortgages yesterday. The CNB, which is still very constrained by ECB's highly expansionary policy with negative official interest rates, said that Czech housing prices grew at the fastest pace in the entire European Union for most of 2017. Hence, ***the new tighter lending rules aim to cool the hot housing market in a situation when the CNB is not free to set its official interest rates as high as it would want (because it would bring strong appreciation of the Czech koruna).***

Hence, according to the CNB mortgage debt instalments shall not to exceed 45% of the net monthly income of the applicant and the total size of the debt should not exceed 9-times the annual income of the applicant. While the rules take form of non-obligatory recommendations, in practise commercial banks mostly comply with them. We think the new rules could affect up to 10% of the new mortgage market.

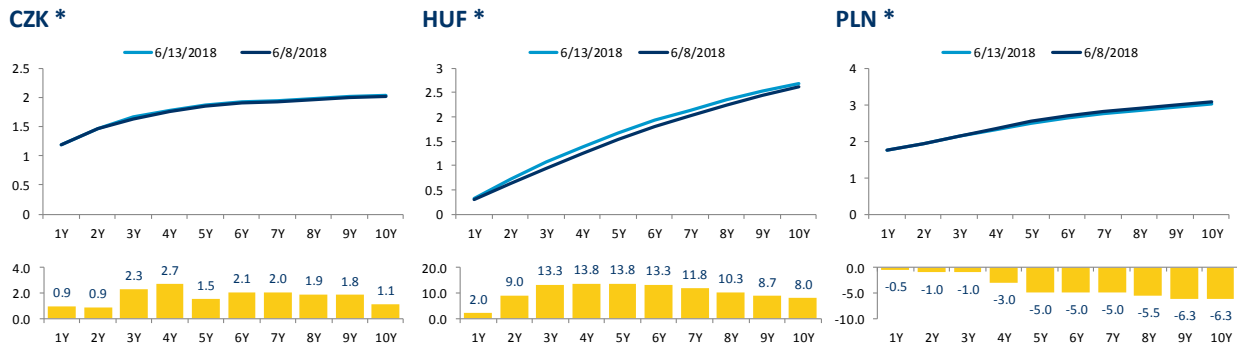
It is worth noting that the CNB has toughened the conditions on the mortgage market several times already. For the first time in the autumn of 2016 when it practically banned banks from providing mortgage loans for the whole price of the bought real estate. In April 2017, the CNB recommended to banks not to provide mortgage loans above 90% of the loan-to-value ratio and reduce also mortgage loans above 80% of the indicator. Banks can provide only 15% of the latter mortgage loans.

Beside new stricter rules for providing mortgages the CNB will also tighten credit conditions through hiking the so-called countercyclical buffer. It is scheduled to rise from current 0.5% to 1.0% on 1st July 2018, to 1.25% on 1st January 2019 and to 1.5% on 1st July 2019. According to CNB's Governor Rusnok, the level of countercyclical buffer may yet be increased or decreased, if conditions change. Let us add that the CNB has the authority to raise the countercyclical buffer up to 2.5% of banks' risk weighted assets.

While it is obvious that the above mentioned news will affect performance of Czech banks, it should not have immediate impact either on the Czech currency or on the Czech fixed-income market. In this respect today's FOMC meeting or tomorrow's ECB press conference should be much more important.

Jan Čermák, ČSOB

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	10:00	Current account	CZK B 04/01/2018					7.5		-5.55	
CZ	12:00	CZ bond auction 2007-2022, 4.70%	CZK B 06/01/2018					4			
CZ	12:00	CZ bond auction 2017-27, 0.25%	CZK B 06/01/2018					4			
CZ	12:00	CZ bond auction 2015-2030, 0.95%	CZK B 06/01/2018					4			
PL	14:00	Current account	EUR M 04/01/2018					-253		-982	
PL	14:00	Trade balance	EUR M 04/01/2018					-76		-317	
PL	14:00	CPI	% 05/2018 *F							0.1	1.7
PL	14:00	Core CPI	% 05/01/2018					0	0.6	0.5	0.6

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