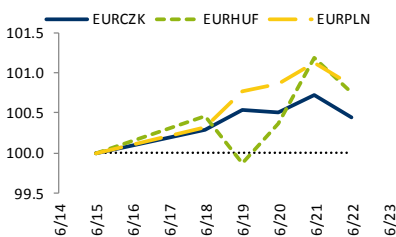




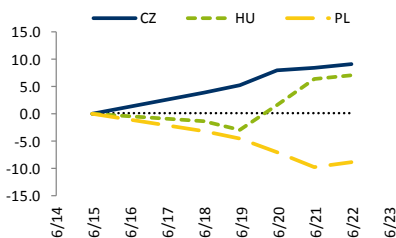
Friday, 22 June 2018

**Forex markets (index)**



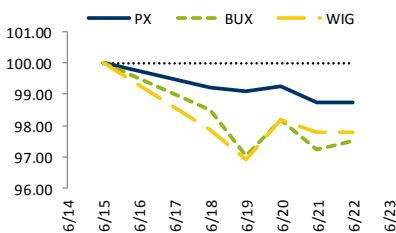
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.82	25.89	-0.28
EURHUF	324.9	326.3	-0.44
EURPLN	4.319	4.331	-0.27

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.172	2.165	0.7
HUGB 10Y	3.53	3.52	0.2
PLGB 10Y	3.15	3.14	0.3

**Equity indices (index)**



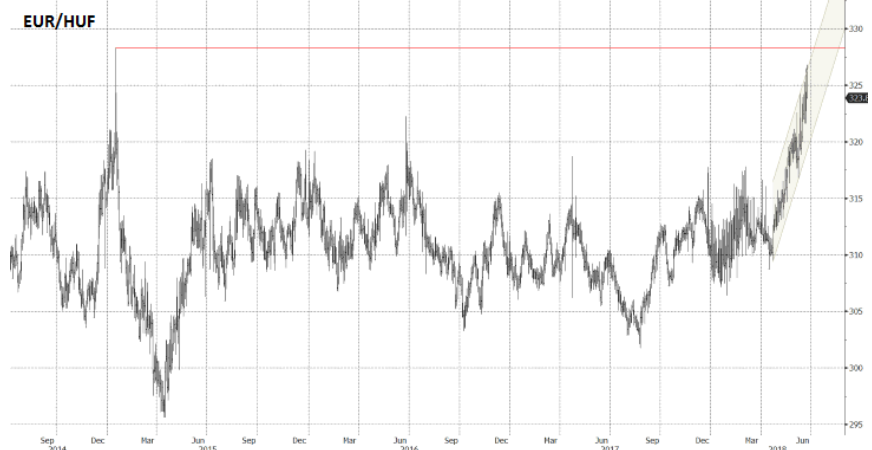
	LAST	PREVIOUS	CHANGE (%)
PX	1064.4	1064.4	0.00
BUX	35141	35050	0.26
WIG	56425	56425	0.00

**Regional insights**

**The forint has escaped all-time-lows territory**

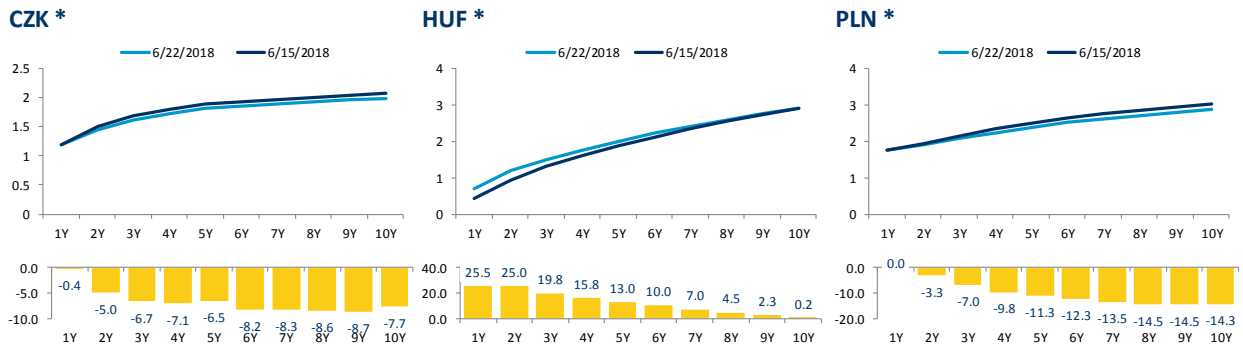
Yesterday, the Hungarian forint hit three-year lows against the euro, while domestic government securities yields also rose. The NBH also confirmed in its inflation report yesterday that it does not expect an excessive sustained rise in inflation (although new inflation projection has risen to 2.8% in 2018, 3.1% in 2019 compared to previous 2.5% and 2.9% expected). Rise in oil prices is only seen as a temporary inflation enhancing factor by the NBH, while weakening of forint's exchange rate is not considered to be dangerous for inflation target. The also NBH concluded 50 billion worth deals with banks on its MIRS tender.

Evolution of forint's exchange rate may be influenced by next steps of the NBH non-conventional assets policies and by risk sentiment in emerging markets (Turkey?). Today, however, the forint – like other regional currencies – have finally found some ground and we see a positive correction. Hence, the all-time high for the EUR/HUF pair, which is standing at the 327 level, has survived for now. Still, the forint and regional currencies are not out of the woods. The next week could be interesting and dangerous for CE forex markets. This time, however, it could be the zloty and the koruna, which will generate the volatility. Recall that the zloty can be nervous because at a meeting next week of the EU's General Affairs Council, ministers from member countries will hear the Polish government's arguments defending of its controversial justice reforms. It is worth noting that according to the European Commission reforms undermine the independence of the judiciary and that's is why the Commission initiated the procedure, which could in theory lead to suspension of Poland's voting rights in the EU. Let us add that the next week will be also very crucial for the Czech currency, because there is a regular CNB's Board meeting and a rate hike should be delivered (but it's not certain).



Source: Bloomberg

## 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	14:00	Money supply M3	% 05/01/2018					0.7	5.9	0.2	5.7

## Contacts

Brussels Research (KBC)		Global Sales Force	
Mathias van der Jeugt	+32 2 417 51 94	<b>Brussels</b>	
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
<b>Dublin Research</b>		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
<b>Prague Research (CSOB)</b>		Prague	+420 2 6135 3535
Jan Cermak	+420 2 6135 3578	Prague (Equities)	+420 2 2142 4216
Petr Dufek	+420 2 6135 3560		
<b>Bratislava Research (CSOB)</b>		Bratislava	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
<b>Budapest Research</b>		Budapest	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

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