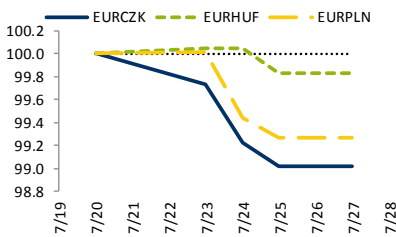




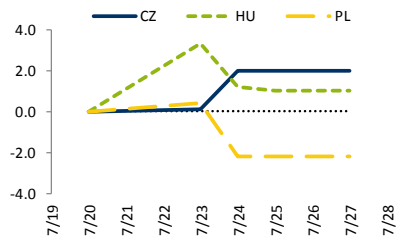
Friday, 27 July 2018

**Forex markets (index)**



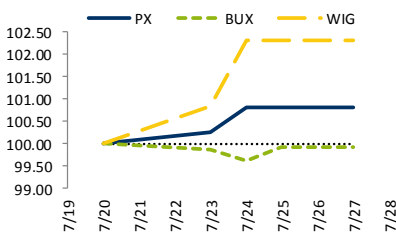
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.64 | 25.64    | 0.00       |
| EURHUF | 325.3 | 325.3    | 0.00       |
| EURPLN | 4.296 | 4.296    | 0.00       |

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



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 2.076 | 2.076    | 0.0          |
| HUGB 10Y | 3.37  | 3.37     | 0.0          |
| PLGB 10Y | 3.15  | 3.15     | 0.0          |

**Equity indices (index)**



|     | LAST   | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX  | 1093.9 | 1093.9   | 0.00       |
| BUX | 35164  | 35164    | 0.00       |
| WIG | 58630  | 58630    | 0.00       |

**Regional insights**

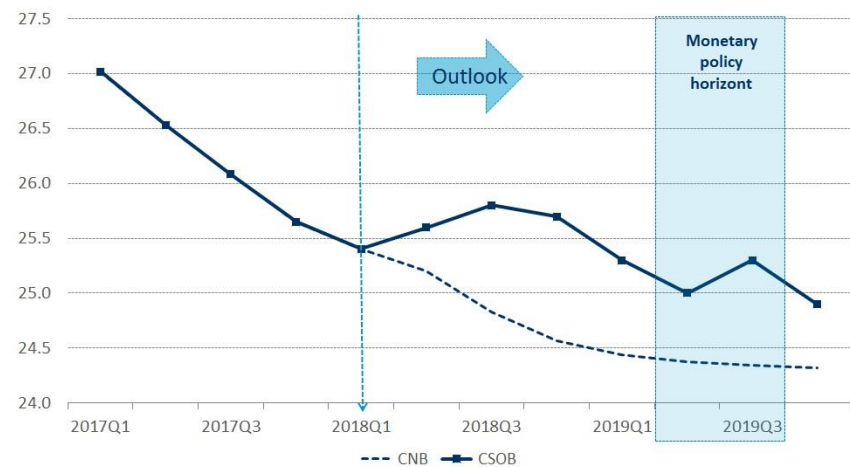
**The CNB prepares market for rate hike**

Czech central bankers have been supplying the market with hawkish comments over the past two weeks that cannot be explained in any other way than that the likelihood of an August increase in interest rates has risen above 50%. After Vice-governor Hampl comments, Vojtěch Benda joined the hawks' side as well. Moreover, the chief economist of the CNB, in charge of a new forecast, also suggested faster normalisation of the interest rates. And according to partial information, the CNB's new rates forecast should be much more hawkish than the present one.

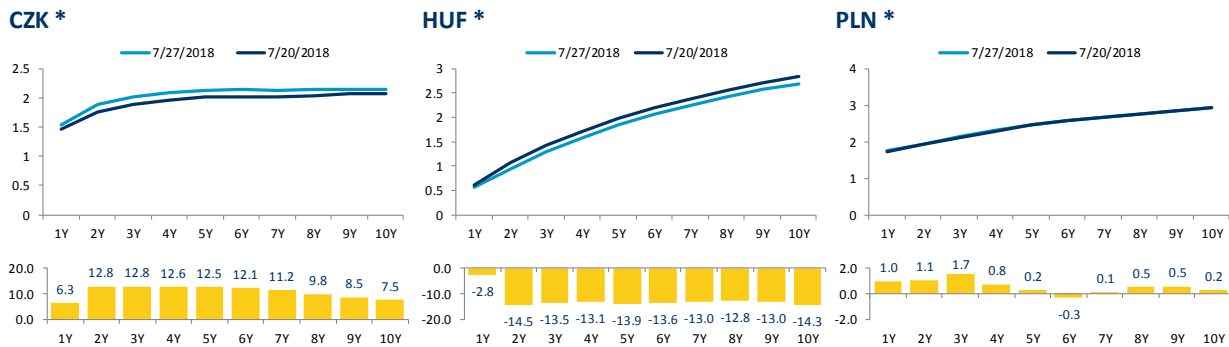
Indeed, the central bank has room to tighten the monetary policy, especially when inflation is significantly outstripping the target, and as yet there is nothing to suggest that it should be coming back under it soon. In addition, the weaker koruna also speaks for rising rates, even though it responded with a slight strengthening to the hawkish comments. The truth is that it is still considerably lagging behind the central bank's expectations. Therefore, an August rate hike may not be the last one for this year. If the koruna does not start to strengthen quickly, we can expect another rate hike at the end of this year. As a result, the CNB's key interest rate could easily reach 2% in 2019.

**EUR/CZK**

(Source: CNB, CSOB)



## 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 | Date  | Time | Indicator         | Period | Forecast |     | Actual |     | Consensus |     | Previous |     |
|---------|-------|------|-------------------|--------|----------|-----|--------|-----|-----------|-----|----------|-----|
|         |       |      |                   |        | m/m      | y/y | m/m    | y/y | m/m       | y/y | m/m      | y/y |
| HU      | 07/27 | 9:00 | Unemployment rate | %      |          |     |        |     |           |     |          | 3.7 |

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