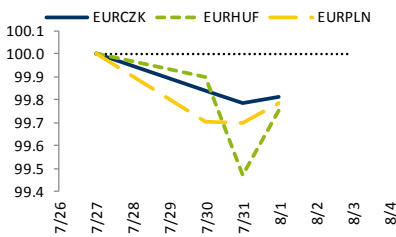




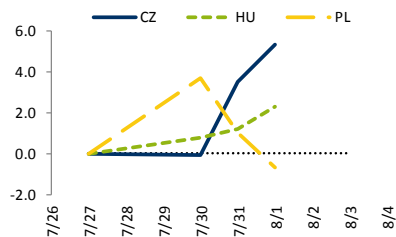
Wednesday, 01 August 2018

Forex markets (index)



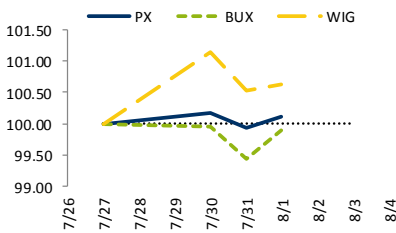
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.59	25.59	0.03
EURHUF	321.3	320.3	0.29
EURPLN	4.274	4.270	0.09

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.179	2.161	1.8
HUGB 10Y	3.25	3.24	0.3
PLGB 10Y	3.14	3.16	-0.5

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1094.4	1092.3	0.18
BUX	35909	35742	0.47
WIG	60023	59964	0.10

Our regional insights:

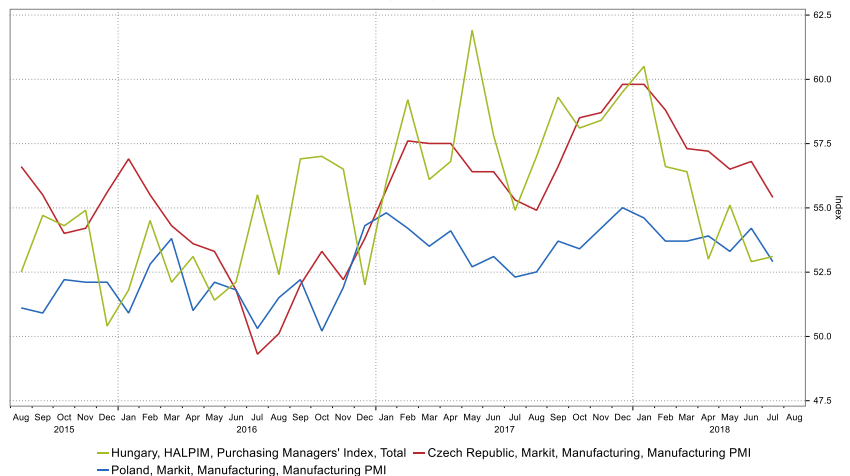
The Polish core inflation still muted

The Polish Statistical Office released a flash estimate of the August inflation, which implied that the core inflation remained probably flat at very low levels. The core inflation stood probably at the 0.6% in year-on-year terms. This suggest that despite a weaker zloty and strong wage growth underlying inflation pressure have remained relatively weak in Poland. We still believe that this will change in upcoming months and Polish core inflation will join regional trends and it will move gradually higher. On the other hand we admit that the Phillips curve works poorly even in Poland.

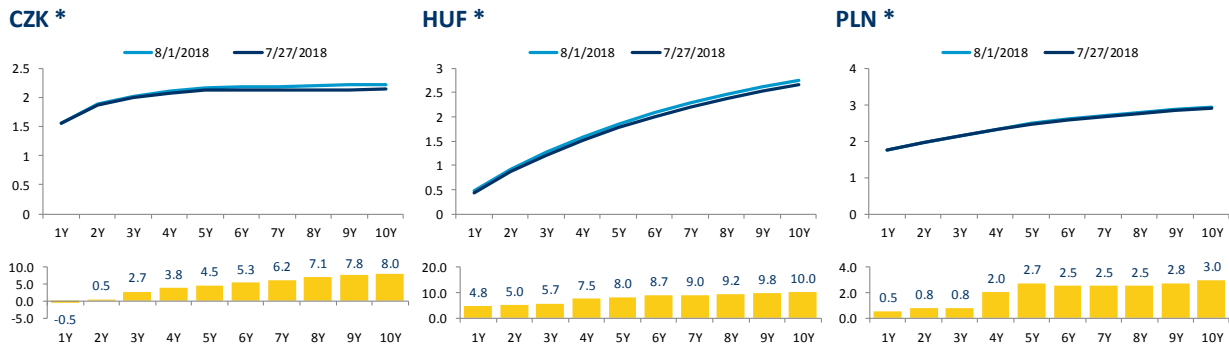
Czech and Polish PMIs fall to one-year lows

Business sentiment in Czech and Polish manufacturing signals some slowdown of economic activity as PMI indices dropped to 11-month lows in August. We should, however, add that both regional indices comfortably hover above the key 50 level and their long-run averages. Importantly, both countries reported that new export orders also increased at a weaker rate (the slowest since November 2016 in the case of the Czech Republic). We do not draw strong conclusions from the above mentioned reports as deterioration in regional business sentiment clearly matches the behaviour of the German Ifo index (or EMU PMI respectively). Still, we should expect that hard data form the Czech and Polish industry might be slightly worse in the third quarter.

Business Sentiment in Manufacturing (PMI)



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	08/01	9:00	PMI	07/01/2018			53.1				53	
PL	08/01	9:00	PMI	07/01/2018			52.9		54.1		54.2	
CZ	08/01	9:30	PMI	07/01/2018			55.4		56.4			
CZ	08/02	13:00	CNB Repo Rate	% 08/01/2018		1.3			1.3		1	
HU	08/03	9:00	Retail sales	% 06/01/2018					0.4	1.4	0	1.4

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