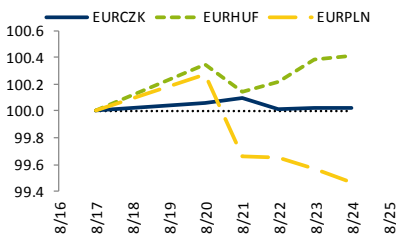




Central Europe
Friday

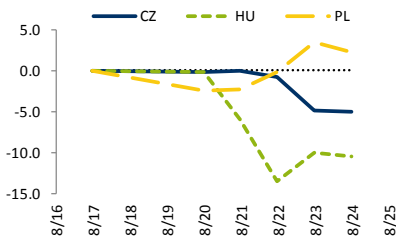
Friday, 24 August 2018

Forex markets (index)



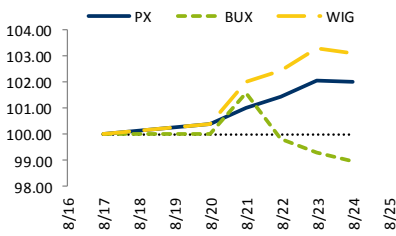
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.72	25.72	0.00
EURHUF	324.2	324.1	0.03
EURPLN	4.277	4.282	-0.11

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.100	2.101	-0.1
HUGB 10Y	3.35	3.35	-0.1
PLGB 10Y	3.17	3.18	-0.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1079.1	1079.9	-0.08
BUX	36067	36186	-0.33
WIG	59938	60044	-0.18

Regional insights

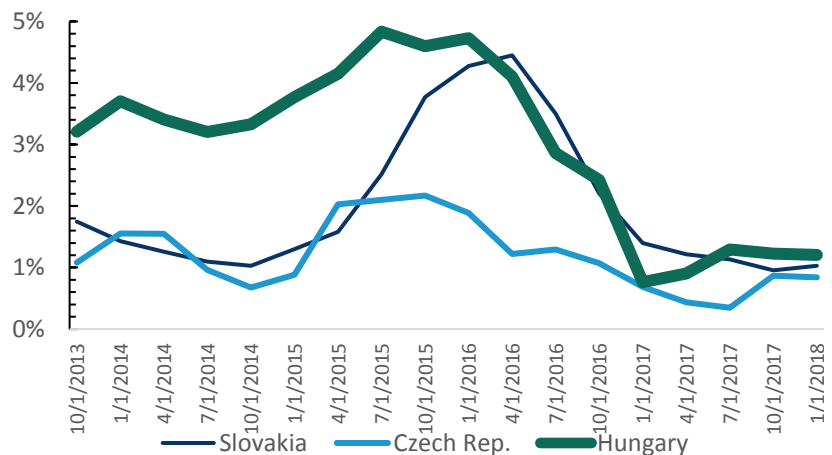
Sentiment in emerging markets remains fragile, while CE currencies reject contagion

While situation in many emerging markets remains fragile currencies in Central Europe holding their previous gains and they have been able to rule-out financial contagion from other weak markets. Let us remind us that it is not just the Turkish lira, which has been under selling pressure, but it can be also the Russian rouble, which could create negative spill-over effects. Recall that the Russian currency was hit by new US sanctions fears. Recall that the rouble has hit more than two-year lows against the US dollar yesterday.

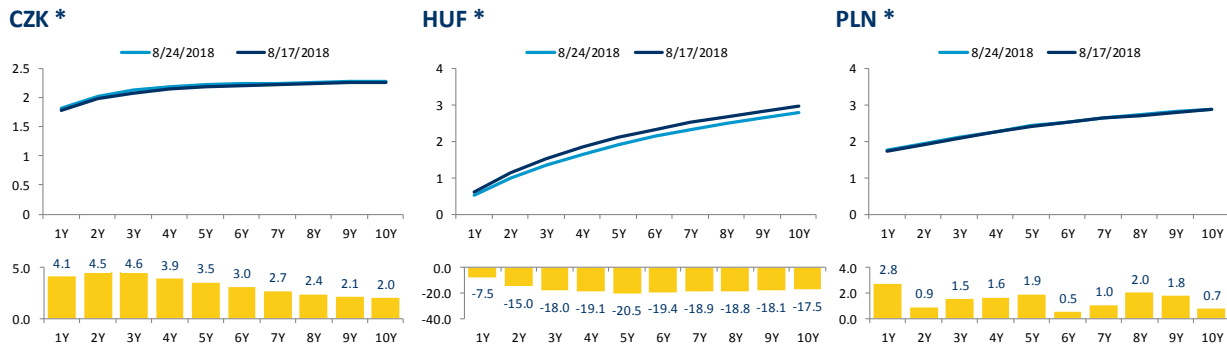
So far, however, the currency markets have been able to differentiate among emerging markets and they do not put CE currencies into one basket with the lira, or the rouble (or even the Brazilian real or the rand). Main reasons, which put currencies like the Czech koruna, the forint or even the zloty into a different group, are much better macro fundamentals – especially in terms of foreign indebtedness and balance-of-payments positions. These are strong, only because of current account surpluses, but also because of strong capital account positions. Recall that all CE countries are heavy receivers of money coming from EU structural funds. And although there have been some slowdown in drawing EU funds - the Czech, Hungarian and Polish external and currency fundamentals have been strongly supported by transfers of euros from EU structural funds in recent years (see the chart below).

Transfers to Central Europe from EU structural funds

(% of GDP – 12M rolling window, source: Eurostat/Macrobond)



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
PL	08/24	10:00	Unemployment rate	%	07/01/2018		5.9		5.9		5.9	
HU	08/29	9:00	Unemployment rate	%	07/01/2018						3.6	
CZ	08/31	9:00	GDP	%	2Q/2018 *P						0.5	2.3
HU	08/31	9:00	Trade balance	EUR M	06/2018 *F						1070	
HU	08/31	9:00	PPI	%	07/01/2018						1.9	7.5
PL	08/31	10:00	CPI	%	08/2018 *P				-0.3	2.0	-0.2	2
PL	08/31	10:00	GDP	%	2Q/2018 *F						0.9	5.1
CZ	08/31	10:00	Money supply M2	%	07/01/2018							5.4
HU	08/31	17:00	Review rating - Fitch		3BB- pos2nd revision							

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