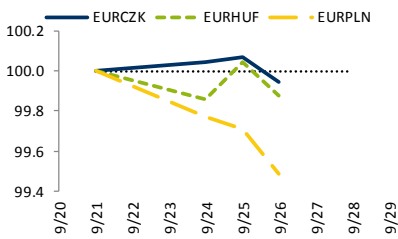




**Central Europe**  
Wednesday

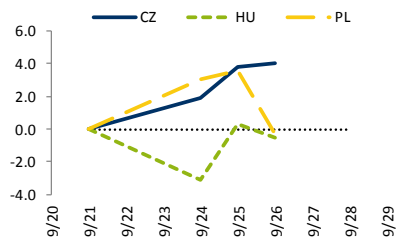
Wednesday, 26 September 2018

**Forex markets (index)**



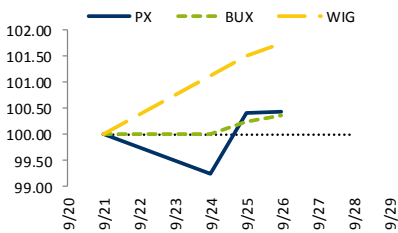
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.59 | 25.62    | -0.12      |
| EURHUF | 323.6 | 324.2    | -0.16      |
| EURPLN | 4.282 | 4.292    | -0.22      |

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



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 2.203 | 2.201    | 0.2          |
| HUGB 10Y | 3.60  | 3.61     | -0.2         |
| PLGB 10Y | 3.22  | 3.26     | -1.2         |

**Equity indices (index)**



|     | LAST   | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX  | 1106.4 | 1106.3   | 0.00       |
| BUX | 35912  | 35869    | 0.12       |
| WIG | 59248  | 59106    | 0.24       |

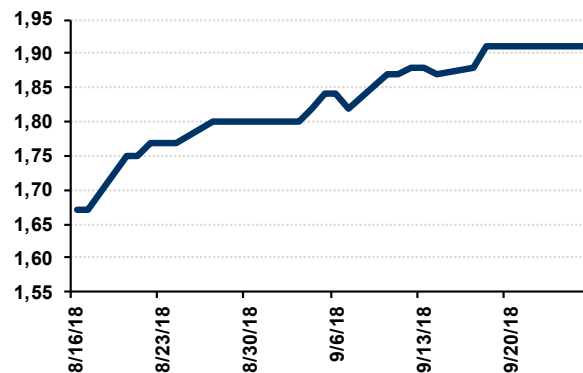
**Our regional insights:**

**The CNB ready to deliver another 25bps rate hike**

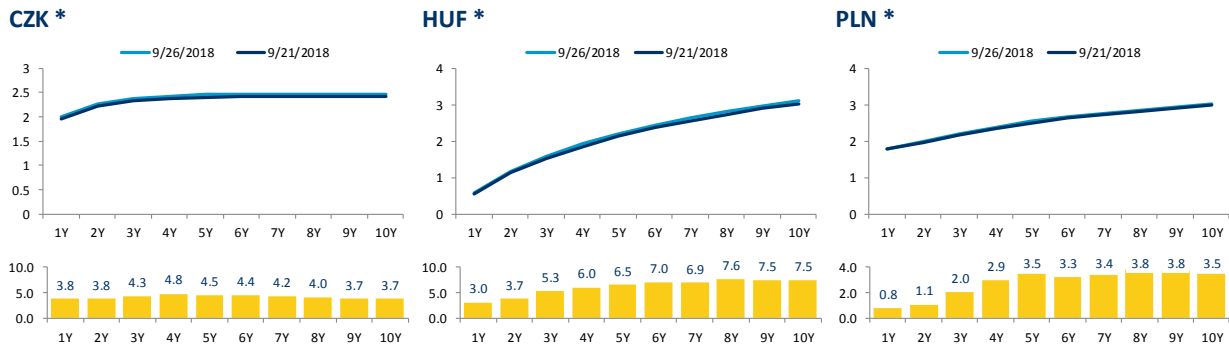
Towards the end of the week, the Czech koruna found itself under pressure and the EUR/CZK pair reverted to the 25.60 level. Surprisingly enough, this happened at a moment of improving global market sentiment when emerging markets had calmed down as well. Moreover, the koruna is facing an important meeting of **CNB Bank Board which is expected to pass another 25bps rate hike, the repo rate is going to land at the 1.50%**. Theoretically, the koruna could carry a positive tune generating even more gains. However, in our opinion this bull scenario is not on today's agenda, because the rate hike has already been priced in and the market has rather hawkish expectations for the rest of the year. We doubt that besides the expected rate hike, the Czech currency can receive any other positive impulses either from CNB's (post-meeting) statement or Governor's comments.

Although in his latest interview, the CNB Governor, Mr. Rusnok, unintentionally encouraged the money markets to bet on the central bank's ambition to increase interest rates twice by the end of the year, we believe that the relatively aggressive hawk statements primarily reflected "merely" the intention of preparing the financial markets for today's interest rate hike (rather than for another one scheduled for November). Let us add that we are more aggressive in our rate estimates than the level implied by the latest CNB staff projection; nevertheless, after today's increase, we envisage another increase no sooner than February 2019. If Governor Rusnok's comments at his press conference this afternoon follow this cautious course, the Czech koruna will hardly start another wave of appreciation.

**CZK FRA 3x6**



## 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         | Unit  | Period     | Forecast |     | Actual |     | Consensus |     | Previous |      |
|---------|-------|-------|-------------------|-------|------------|----------|-----|--------|-----|-----------|-----|----------|------|
|         |       |       |                   |       |            | m/m      | y/y | m/m    | y/y | m/m       | y/y | m/m      | y/y  |
| CZ      | 09/26 | 13:00 | CNB meeting       | %     | 09/01/2018 | 1.5      |     | 1.5    |     | 1.5       |     | 1.25     |      |
| HU      | 09/27 | 9:00  | Unemployment rate | %     | 08/01/2018 |          |     |        |     | 3.5       |     | 3.6      |      |
| CZ      | 09/27 | 10:00 | Money supply M2   | %     | 08/01/2018 |          |     |        |     |           |     |          | 4.9  |
| HU      | 09/28 | 9:00  | PPI               | %     | 08/01/2018 |          |     |        |     |           |     | 0.2      | 8.4  |
| PL      | 09/28 | 15:00 | Budget balance    | PLN M | 08/01/2018 |          |     |        |     |           |     |          | -859 |

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