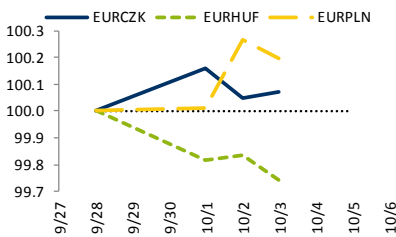




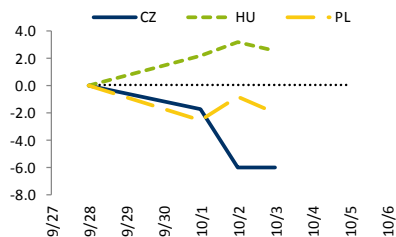
Wednesday, 03 October 2018

Forex markets (index)



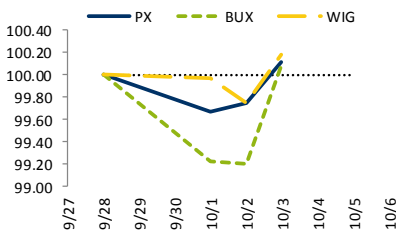
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.80	25.79	0.02
EURHUF	322.8	323.1	-0.10
EURPLN	4.291	4.294	-0.07

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.087	2.087	0.0
HUGB 10Y	3.57	3.58	-0.2
PLGB 10Y	3.21	3.22	-0.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1103.1	1099.1	0.36
BUX	37199	36877	0.87
WIG	59082	58824	0.44

Our regional insights:

The koruna again under pressure after a rate hike

Despite another 25bps rate hike delivered by the CNB, the Czech koruna has come under mild pressure again as the EUR/CZK trades above 25.80. In our view, the koruna weakening is not much of a surprise. While CNB’s Governor Jiri Rusnok unambiguously confirmed the Czech Central Bank’s determination to raise official rates towards long-term equilibrium levels (2.5-3%), there was no clear guarantees for further tightening in upcoming months. Thus, Rusnok left a certain level of uncertainty in the Czech financial markets or in other words, the Governor actually softened his previous hawkish statements.

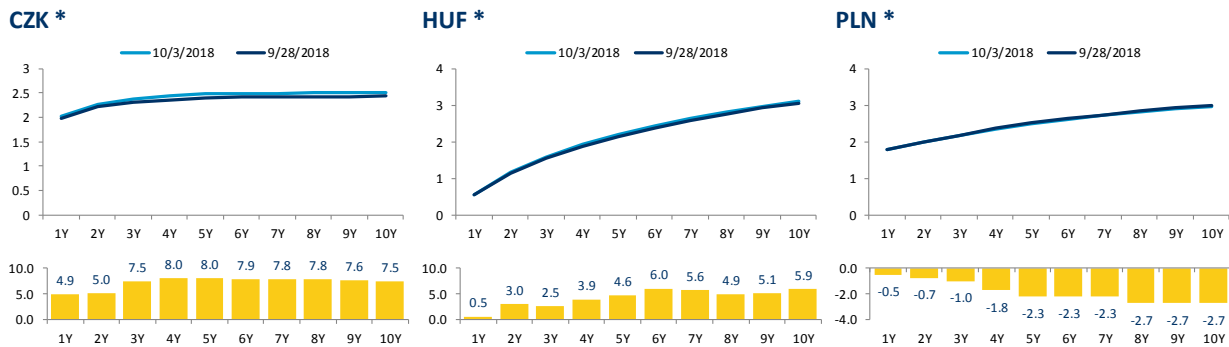
Hence, the next CNB Bank Board meeting scheduled for November will carry a lot of significance for the koruna, not only because the meeting will decide on interest rates. The central bank is going to disclose its new staff projection along with the updated (model) outlook for the koruna exchange rates for coming quarters. This (model-based projection) acts as a reference anchor which the foreign exchange market must take into account (given the past experience with FX interventions).

In the next two weeks, however, the koruna could be still influenced by the Czech macroeconomic reading. From this perspective, the most significant result will be the September inflation which should accelerate slightly to 2.6% year-on-year – this time in line with the CNB projection.

Don’t expect anything from the NBP today

Since both headline and core inflation have remained below the target, the MPC has no reason to change its policy and NBP’s president Glapinsky can repeat his mantra that officially rates will not be changed until the end of next year.

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
HU	10/03	9:00	Retail sales	%	08/01/2018					5.7		5.3	
PL	10/03	14:00	NBP meeting	%	10/01/2018	1.5		1.5		1.5		1.5	
HU	10/05	9:00	Industrial output	%	08/01/2018					3.8	3.5	2	3.9
CZ	10/05	9:00	CNB minutes		CNB								

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