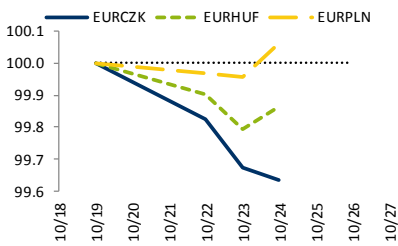




Central Europe
Wednesday

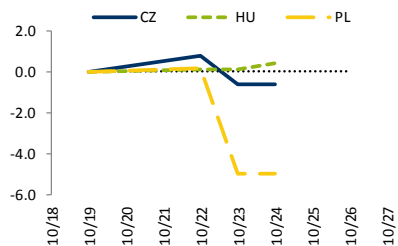
Wednesday, 24 October 2018

Forex markets (index)



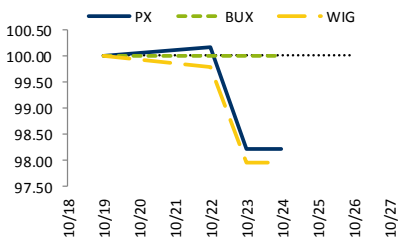
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.78	25.79	-0.04
EURHUF	322.7	322.5	0.07
EURPLN	4.296	4.292	0.10

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.120	2.120	0.0
HUGB 10Y	3.81	3.81	0.1
PLGB 10Y	3.20	3.20	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1060.2	1060.2	0.00
BUX	37186	37186	0.00
WIG	55490	55490	0.00

Our regional insights:

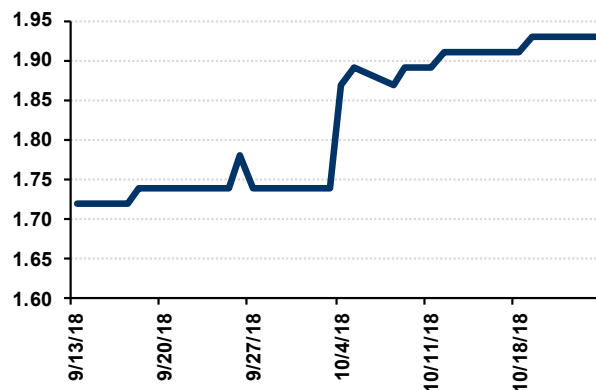
Countdown begins for the next CNB meeting

The upcoming Bank Board meeting of the Czech National Bank is getting closer and Czech rate-setters have today the last chance to speak about their views about the monetary policy. Then the unofficial black-out period starts.

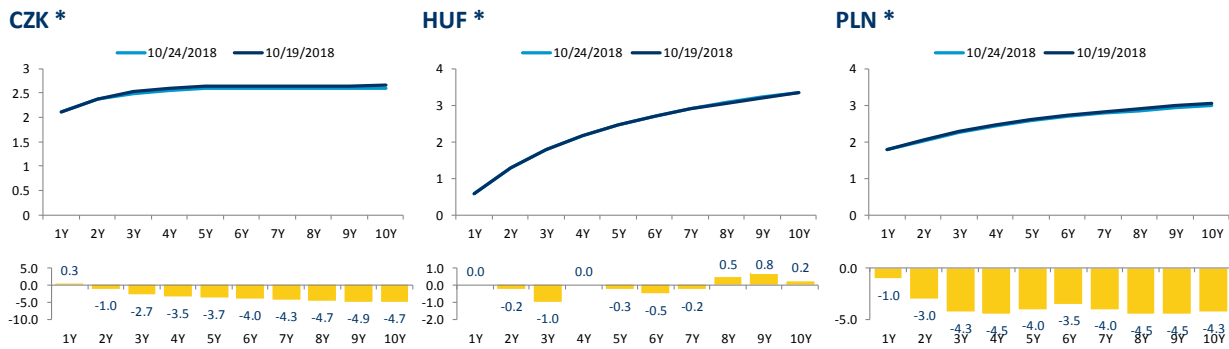
Yesterday, it was board-leaving Vice-Governor Mojmir Hampl, who said that in this phase of the economic cycle rates should be higher than they are'. By the way the CNB has recently released a research paper that tried to estimate the natural interest rate for the Czech Republic. The CNB working paper, which is called Quantifying the Natural Rate of Interest in a Small Open Economy – The Czech Case says that the natural interest rate in the Czech Republic was around 1% in 2017. This implies that that the CNB repo rate should be at around 3% level (taking into account the 2.0% inflation target). This is not the case yet and the market has been reluctant to price-in such a figure as it sees the peak of the hiking cycle below the 2.5% level.

Not only because of that the next CNB Bank Board meeting will be interesting. Recall that in September, the inflation monitored by the CNB stayed 0.2 percentage points below the bank's current staff forecast. Although a new forecast will be available at the central bankers' November meeting, the Board will decide also with regard to the (weaker) koruna. The CNB's model has assumed a rapid strengthening of the koruna against the euro in the long term, though the process came at a complete halt a few months ago. The question remains whether the CNB is going to raise the rates for the fifth time this year or whether it will decide to wait for the tightening of both monetary policy and credit conditions to kick in.

CZK FRA 1x4



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

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