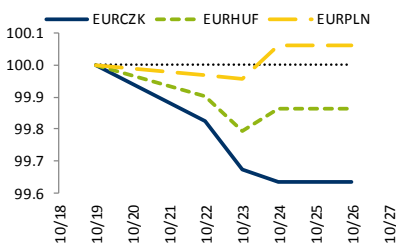




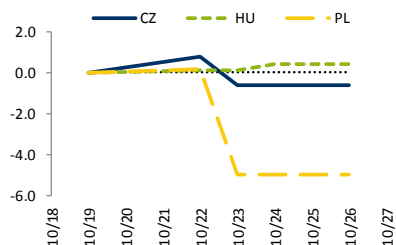
Friday, 26 October 2018

Forex markets (index)



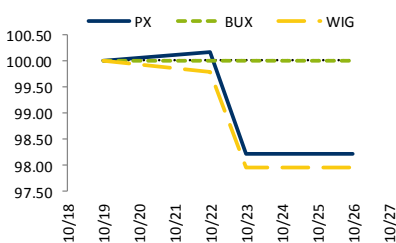
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.78	25.78	0.00
EURHUF	322.7	322.7	0.00
EURPLN	4.296	4.296	0.00

Gov. bonds 10 Y (bps change)



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

Regional insights

WIG falls into bearish territory. Does it matter?

Global equity sell-off have been visible not only in core markets, but in Central Europe. While markets losses in Prague and Budapest have been relatively modest the Warsaw Stock Exchange have already slipped into bear market territory as the key benchmark WIG20 is already more than 20% below its peak. In terms of the market capitalisation the loss of wealth reached EUR 43bn, which is around 8% of the Polish GDP. This tightens financial conditions in the Polish economy, but is it really serious for this fast converging economy. We do not think so. In our view if something matters for the Polish economy from the financial conditions' point of view – then these are real interest rates and credit risk premium. In this respect almost nothing has changed as the Polish yield curve has remained stable while Polish credit risk have been actually improving (recall the recent rating upgrade from the S&P). And as concerns the zloty – probably the most tricky part of Polish financial conditions –its volatility has negligible too (so far).

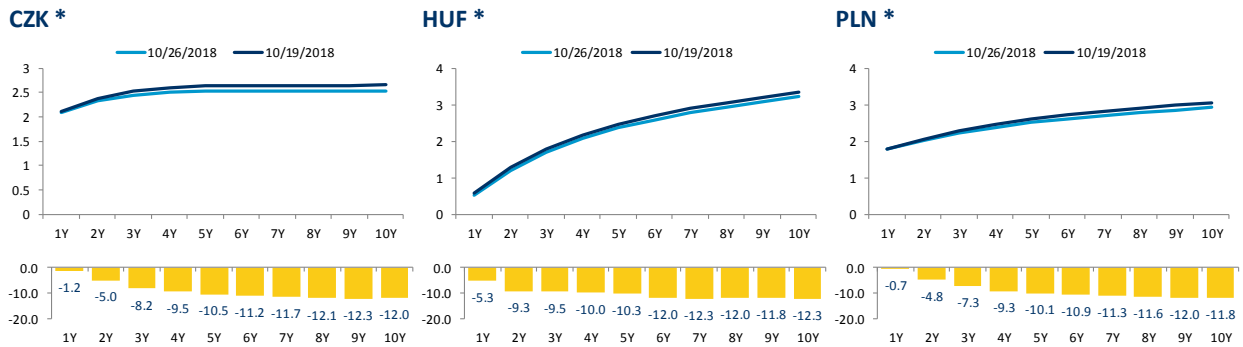
So, while we do not want underestimate the impact of recent global sell-off on Central Europe and particularly on Poland, we do believe that its impact through the financial channel is rather limited and regional policy makers (read central banks) should not react to that. On the other hand, should the recent global equity sell-off indicate that business activity in Western Europe has been really slowing (the last poor PMI indices from the Euro-area could mean something), then Central Europe should take the whole story more seriously.

Market capitalisation of Polish equities (EUR mn)



Source. Bloomberg

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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