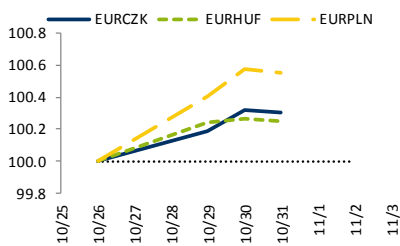
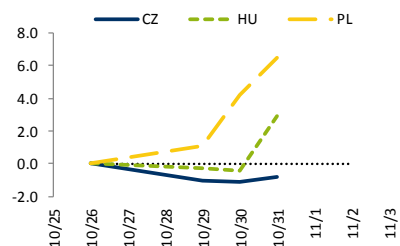




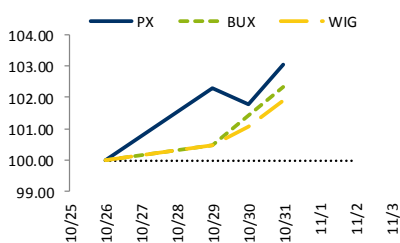
Wednesday, 31 October 2018

Forex markets (index)

	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.89	25.90	-0.02
EURHUF	324.7	324.7	-0.02
EURPLN	4.331	4.332	-0.03

Gov. bonds 10 Y (bps change)

	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.110	2.107	0.3
HUGB 10Y	3.63	3.60	0.9
PLGB 10Y	3.19	3.17	0.7

Equity indices (index)

	LAST	PREVIOUS	CHANGE (%)
PX	1063.0	1049.8	1.25
BUX	36775	36445	0.91
WIG	55050	54609	0.81

Our regional insights:**The koruna nervously eyes tomorrow's CNB meeting**

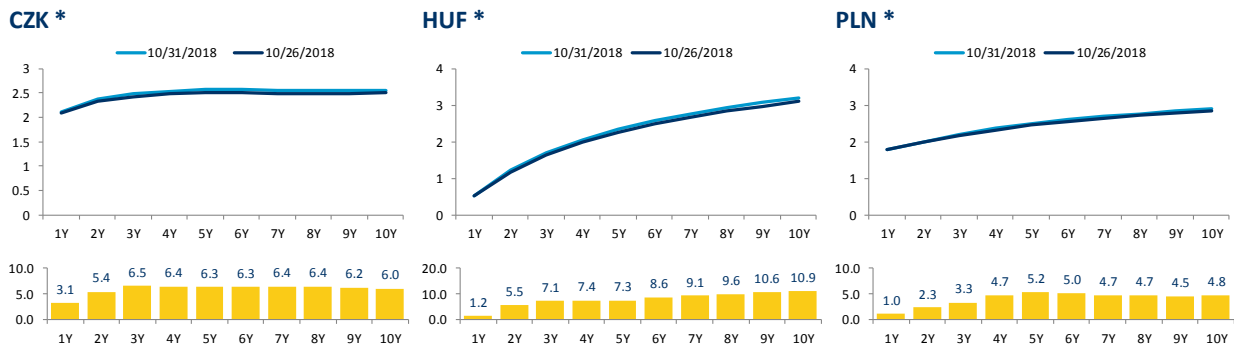
Another very important CNB's Bank Board meeting is just around the corner. Besides another an expected 25bps rate hike, Czech central bankers will debate a new staff forecast, which could be the most exciting outcome of the November Board meeting. It will show whether the CNB remains optimistic about further acceleration of the growth of the Czech economy, as well as convinced of a rapid strengthening of the koruna. Translated into numbers, it means it will show whether the CNB is still going to believe that, after a short-term downturn, the growth of the Czech economy will quickly return above 3%, and the koruna will get closer to the 25 EUR / CZK at the beginning of next year.

While the CNB's new forecast remains shrouded in mystery to the very last minute, a major part of the Bank Board has already hinted at its opinion on interest rate settings. The comments and interviews given so far seem to communicate a careful "yes" to another rate hike, whether justified by the excellent shape of the economy or a weaker currency. The currency still underperforms the CNB's forecast valid at the moment. After the Thursday session, the Czech currency could receive at least a short-lived boost. The CNB is going to increase its main interest rate to 1.75%, which will further expand the interest rate differential at the short end of the yield curve. Nevertheless, the determining factor sustainability of CZK's gains will be the overall impression from CNB Governor Rusnok's press conference. Unless the CNB continues to call for a rapid interest rate normalisation (towards the estimated equilibrium level at 3% for the repo rate), the koruna may not have enough strength to take off with a more pronounced appreciation trend.

The Polish inflation slides deeper below 2%

The Polish headline inflation slips even lower as the flash estimates of the October readings has showed this morning. The consumer prices increased by 1.7% compared with the corresponding month of 2017. The implied core inflation rate remained very low, while another drag very food price inflation, which has slowed due to a negative base effect.

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
HU	10/31	9:00	PPI	% 09/01/2018			0.1	6.7			-0.1	8.1
PL	10/31	10:00	CPI	% 10/2018 *P			0.4	1.7	0.4	1.8	0.2	1.9
CZ	10/31	10:00	Money supply M2	% 09/01/2018					4.3			5
PL	10/31	15:00	Budget balance	PLN M 09/01/2018								1052
CZ	11/01	9:30	PMI manufacturing	10/01/2018					52.5			53.4
CZ	11/01	13:00	CNB meeting	% 11/01/2018	1.75				1.75			1.5
CZ	11/01	14:00	Budget balance	CZK B 10/01/2018								16.8
PL	11/02	9:00	PMI manufacturing	10/01/2018								50.5

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