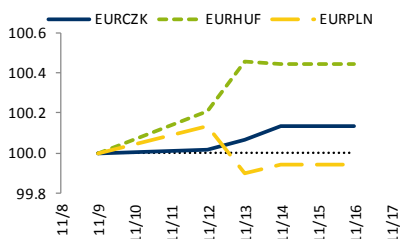




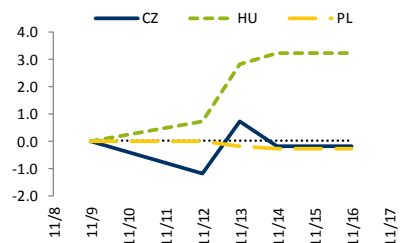
Friday, 16 November 2018

**Forex markets (index)**



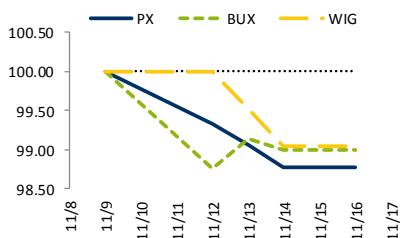
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.98	25.98	0.00
EURHUF	322.9	322.9	0.00
EURPLN	4.292	4.292	0.00

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.063	2.063	0.0
HUGB 10Y	3.70	3.70	0.0
PLGB 10Y	3.21	3.21	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1075.7	1075.7	0.00
BUX	38200	38200	0.00
WIG	56384	56384	0.00

**Regional insights**

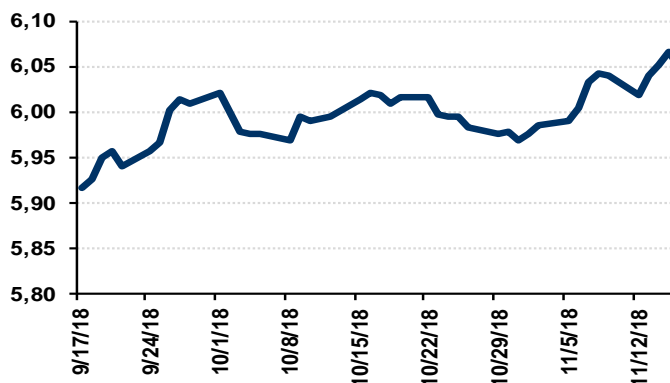
**The Polish zloty beats the Czech koruna**

The Polish zloty has hit 6-month highs against the Czech koruna this morning and it seems that its gains against the Czech currency can be extended further – at least in the short-run. Interestingly, the zloty has been able to outperform the koruna in a situation when the interest rate differential between the two currencies has been closed as the Czech National Bank keeps hiking, while the National Bank of Poland stays on hold. As a result of CNB’s hawkishness the Czech policy rate already stands above the Polish one.

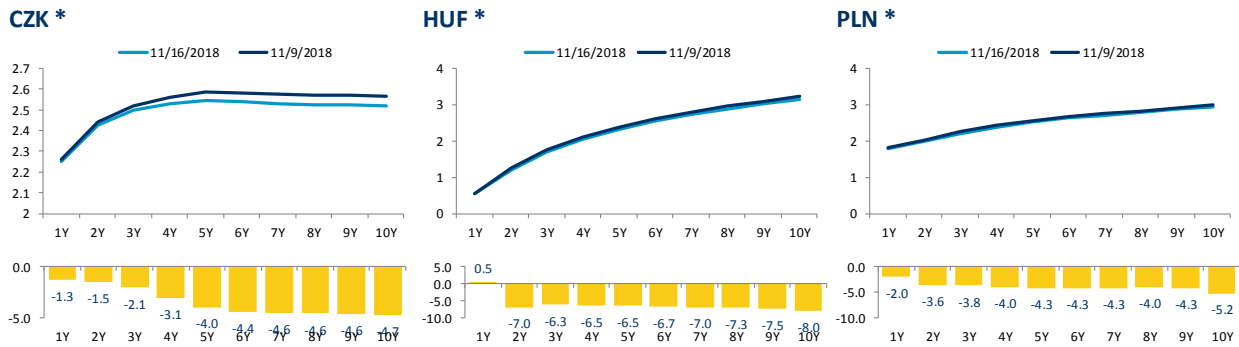
From a fundamental point of view the main reason why the Polish currency beats the Czech might lie in the current economic strength. As the GDP readings from the third quarter confirmed again the Polish economy has been growing much faster than the Czech one this year. Recall that by taking into account the Polish economy will grow above 5% this year, while the Czech GDP growth will probably slip below 3%.

As concerns other factors explaining the relative weakness of the koruna against the zloty we can also mention seasonality, which might work against the Czech currency at the end of the year. Given the huge amount of liquidity in the Czech financial system generated by CNB’s forex interventions and commercial banks’ reluctance to accept deposit at the end of the year (when contributions to the Resolution Fund are calculated – see: [https://www.cnb.cz/en/resolution\\_ft/prescribing\\_contributions/index.html](https://www.cnb.cz/en/resolution_ft/prescribing_contributions/index.html)), the implied CZK market interest rates might be depressed, which might make the koruna temporarily less attractive.

**PLN/CZK**



## 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
CZ	11/16	9:00	PPI	%			0.7	3.9	0.2	3.4	0.3	3.2
CZ	11/16	17:00	Review rating - Fitch		3. revize							

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