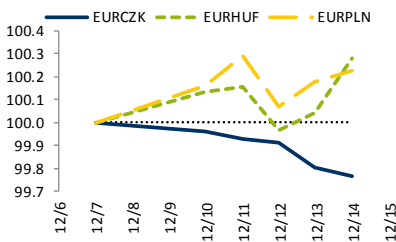




**Central Europe**  
Friday

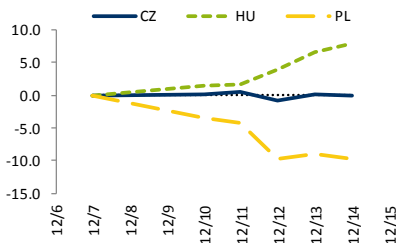
Friday, 14 December 2018

**Forex markets (index)**



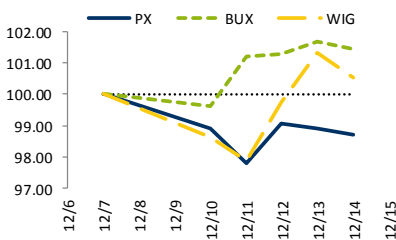
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.81	25.82	-0.03
EURHUF	324.2	323.5	0.23
EURPLN	4.299	4.297	0.05

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.964	1.954	1.0
HUGB 10Y	3.22	3.21	0.4
PLGB 10Y	2.94	2.95	-0.3

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1027.1	1029.2	-0.20
BUX	39945	40042	-0.24
WIG	58499	58953	-0.77

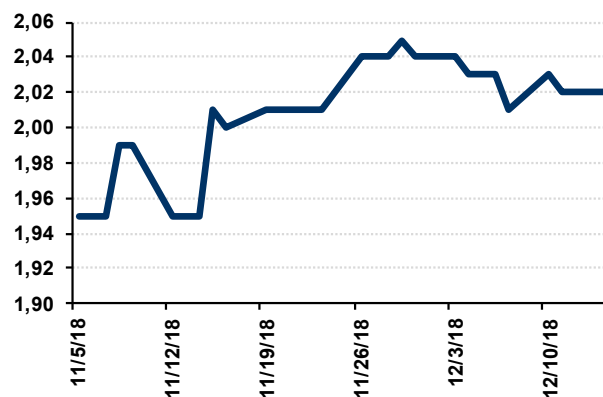
**Regional insights**

**The koruna firms ahead of the upcoming CNB meeting**

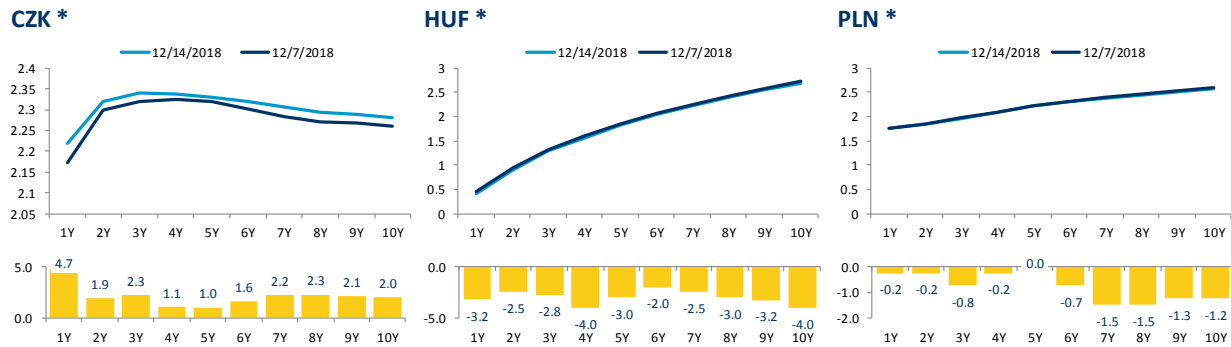
The Czech koruna has continued to firm ahead of the upcoming central bank meeting scheduled for next Thursday. While market's rate hike bets have remained unchanged a part of the forex market might actually think that there is a possibility the CNB will bring another hike already before the end of this week. This thinking was definitely encouraged by a recent hawkish comment delivered by CNB Board member Benda. He said just before the start of the black-out period that a (relatively) weaker koruna could be argument for a rate hike in December.

*We do not believe (like other analysts on the market) that the CNB will tighten its policy next week.* While it is important to note that Benda actually deviated in his opinion from CNB's governor **Rusnok view, who said on Tuesday that the debate was tilting against a rate increase this month, there are other fundamental reasons why the Czech central bank should not act again in December.** Recall that the performance of the Czech economy does not show any fundamental deviations from the central bank's November forecast. Economic growth is slightly weaker, wage growth slightly faster and inflation still lags behind expectations. The only thing that the Central Bank is currently worried about is the koruna exchange rate, because the Czech currency remains significantly weaker than the CNB has anticipated, so it could be argued that it eases overall monetary conditions. On the other hand, external risks – like Brexit or falling demand for cars - are in favour of moderate progress.

**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
PL	12/14	10:00	CPI	% 11/2018 *F			0	1.3			0	1.2
CZ	12/14	10:00	Current account	CZK B 10/01/2018	3		9.99		11		-2.99	
PL	12/14	14:00	Current account	EUR M 10/01/2018					-472		-547	
PL	12/14	14:00	Trade balance	EUR M 10/01/2018					-341		-449	
CZ	12/14	17:00	Review rating - Fitch	3rd revision								

## Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		<b>Brussels</b>		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
<b>Dublin Research</b>			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
<b>Prague Research (CSOB)</b>			Prague		+420 2 6135 3535
Jan Cermak	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
<b>Bratislava Research (CSOB)</b>			Bratislava		+421 2 5966 8820
Marek Gabris	+421 2 5966 8809				
<b>Budapest Research</b>			Budapest		+36 1 328 99 85
David Nemeth	+36 1 328 9989				

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