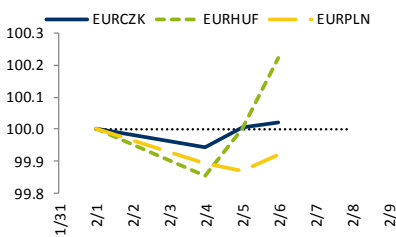




Central Europe
Wednesday

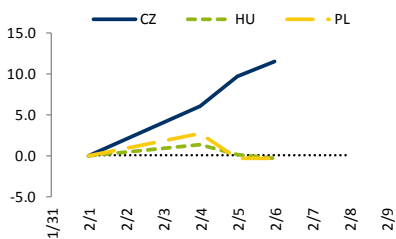
Wednesday, 06 February 2019

Forex markets (index)



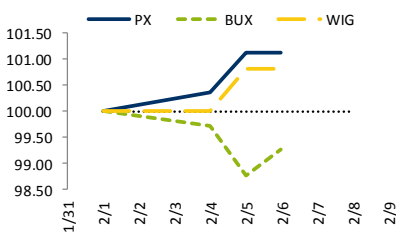
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.72	25.71	0.02
EURHUF	318.3	317.6	0.22
EURPLN	4.289	4.286	0.05

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.863	1.845	1.8
HUGB 10Y	2.65	2.66	-0.2
PLGB 10Y	2.74	2.74	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1060.0	1060.0	0.00
BUX	40678	40474	0.50
WIG	61147	61147	0.00

Our regional insights:

The Czech koruna eyes the CNB meeting

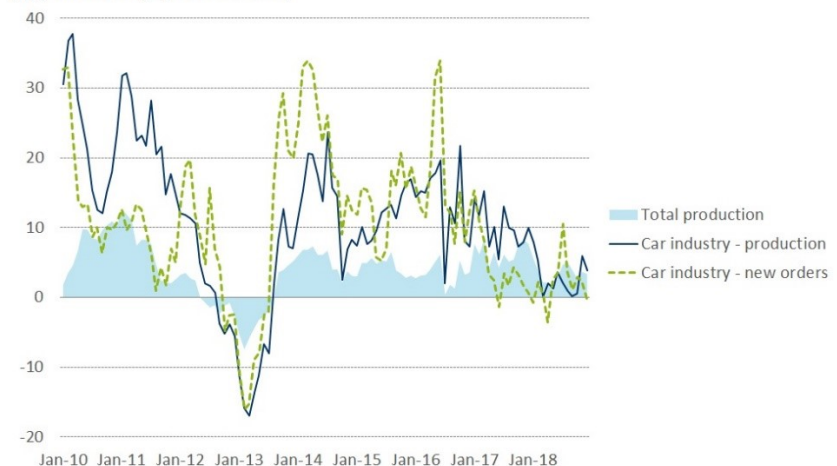
At this time, the Czech koruna is fully focused on the CNB meeting scheduled for Thursday. The recent dovish statements by the new central banker, Tomáš Holub who previously headed the macroeconomic forecast department, show that the CNB is beginning to take the growing external risks more seriously - particularly the latest weak figures from Germany. This is an obvious turnaround in the current hawkish rhetoric of the Czech central bankers, so the upcoming Bank Board meeting is bound to be exciting and the result of the interest rate vote quite tight.

We are currently slightly inclined to believe that the Czech Central Bank will choose a cautious approach, in the end, and decide to keep the official interest rates unchanged. The CNB Governor Rusnok might possibly interpret the "pause" in the monetary policy tightening, spanning several months, as tactical waiting for another opportunity to raise the interest rate again; however, the outcome from the meeting will probably be slightly negative in the short term for the Czech koruna. On the other hand, the Czech money market has already priced in the CNB's interest rate stability as a given till the end of the year, and even anticipates a slight drop in a 2-year time frame. That is one of the reasons why the CZK should not react to the outcome of the CNB's meeting strongly.

Still, the Czech currency will be hardly supported by a fresh release of hard macro data. Today's release the Czech industrial production has just showed that slowdown in Germany has started to hit this sector in the whole region. While the industrial output dropped by 1.4% y/y December, the details of the report also revealed that new orders in the car industry fell by 13.6% y/y.

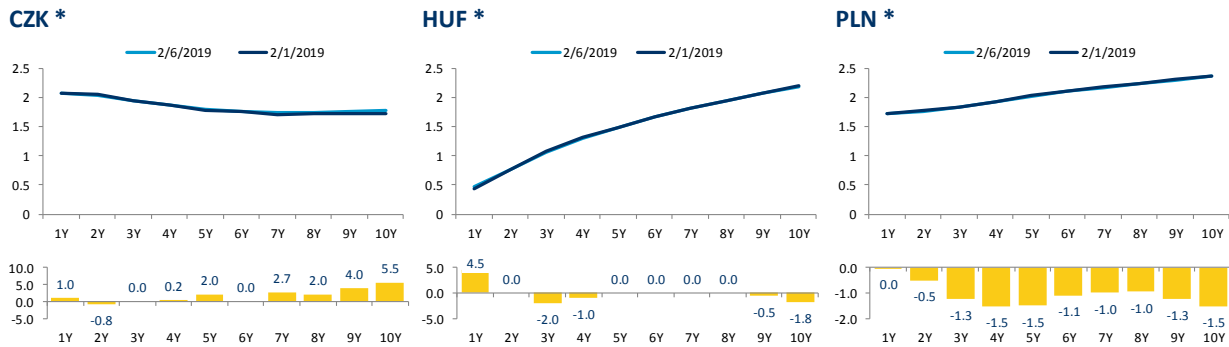
CZ: Industrial Production

(y/y, 3m average; Source: CSU)



Jan-10 Jan-11 Jan-12 Jan-13 Jan-14 Jan-15 Jan-16 Jan-17 Jan-18

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	02/06	9:00	Trade balance (national)	CZK B 12/01/2018	6		0		-5.5		20.2	
CZ	02/06	9:00	Construction output	% 12/01/2018		2.5		3.9				0
CZ	02/06	9:00	Industrial output	% 12/01/2018		1.5		-1.4		0.0		4.8
CZ	02/06	12:00	CZ bond auction 2017-2027, 0.25%	CZK B 02/01/2019						5		
CZ	02/06	12:00	CZ bond auction 2018-2029, 2.75%	CZK B 02/01/2019						5		
CZ	02/06	12:00	CZ bond auction 2015-2030, 0.95%	CZK B 02/01/2019						3		
PL	02/06	14:00	NBP meeting	% 02/01/2019	1.5				1.5		1.5	
HU	02/07	9:00	Industrial output	% 12/01/2018							-1.1	3.5
CZ	02/07	10:00	FX reserves of the CNB	EUR B 01/01/2019							124.5	

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