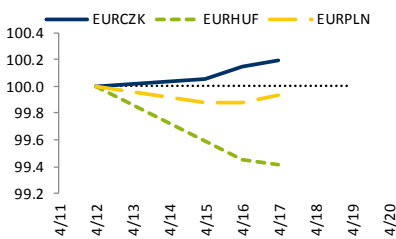




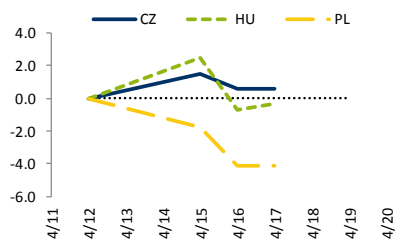
Wednesday, 17 April 2019

Forex markets (index)



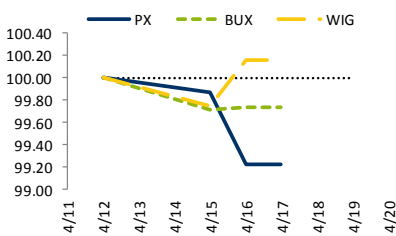
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.67	25.66	0.05
EURHUF	319.7	319.8	-0.04
EURPLN	4.275	4.273	0.05

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.912	1.912	0.0
HUGB 10Y	3.22	3.22	0.1
PLGB 10Y	2.86	2.86	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1095.9	1095.9	0.00
BUX	42826	42826	0.00
WIG	61067	61067	0.00

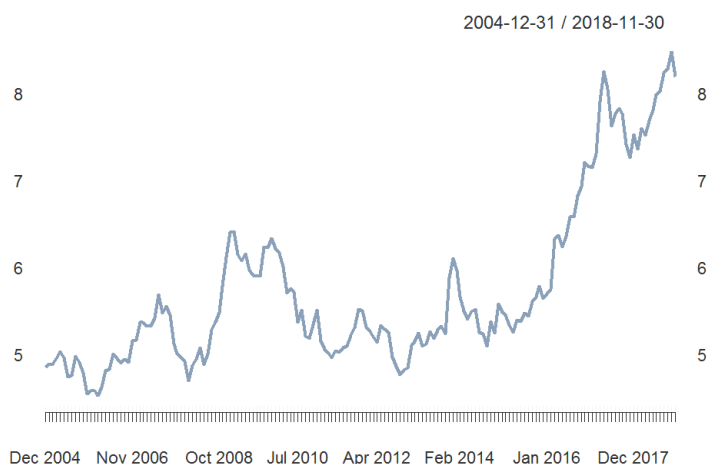
Our regional insights:

CNB's Holub: Brexit delay gives up a window of opportunity to hike in the first half (of 2019)

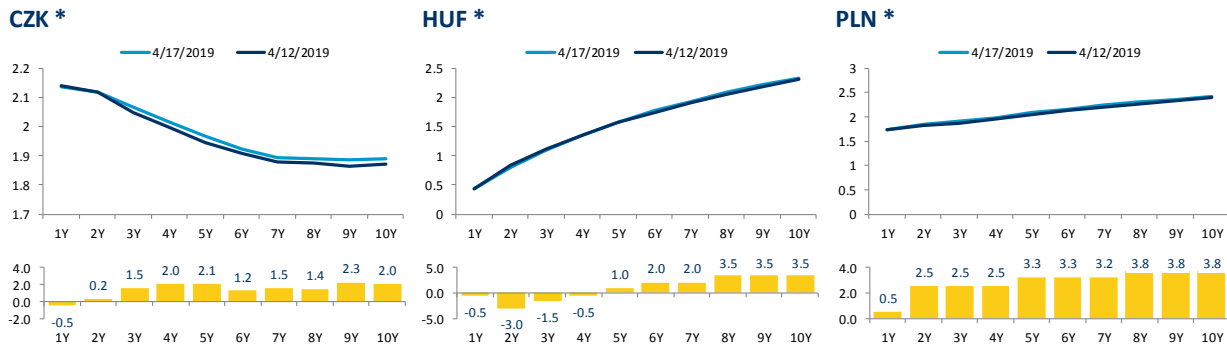
The upcoming CNB's Bank Board meeting could be really interesting as the most influential board member **Tomas Holub sounds hawkish**. He said that "if we need to increase interest rates, it would make more sense to do so in the first half of the year rather than later when we're uncomfortably close to Brexit again". It is worth noting that Holub voted with (other four members) in favour of holding rates unchanged during the last meeting, while two Board members voted for a 25bps rate hike. It is also important to add that the next CNB meeting is scheduled for May 2nd, so we can hear more comments in upcoming days as the tradition black-out (for Czech rate-setters) will already start next Thursday.

Obviously, the CNB Bank Board can argue that it is time hike not only because of currently high core inflation, but also because of a weaker koruna. The EUR/CZK has been still higher than the central bank expected in its projection, which indirectly implies easier financial conditions. And it seems to us that the Czech currency can disappoint again since it becomes naturally more stable because of hedging activities. Recall that the level of (Czech) exporters' hedging at the beginning of 2019, which probably used the favourable interest points weakening the CZK forward rate, is relatively high. While attractive forwards may continue to encourage hedging, the high level of hedging, a late stage on the economic cycle and weak automotive performance will discourage exporters from any further aggressive hedging. Moreover, the share of natural hedging of Czech have been also increasing as the share of foreign currency loans on country's exports have gone up too (see the chart below). This will fundamentally limit CZK's volatility and probably short-term gains too.

Natural hedging of Czech companies: share of foreign currency loans on exports



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	04/17	10:00	Wages	%	03/01/2019		4.3	5.7	5.5	7.2	0.4	7.6
PL	04/18	10:00	Industrial output	%	03/01/2019				8.6	4.4	-1.5	6.9
PL	04/18	10:00	PPI	%	03/01/2019				0.3	2.6	0.5	2.9

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