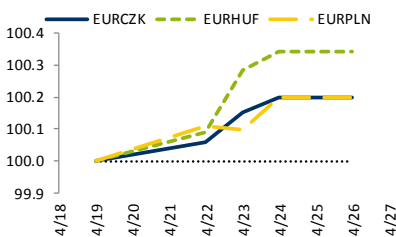




Central Europe
Friday

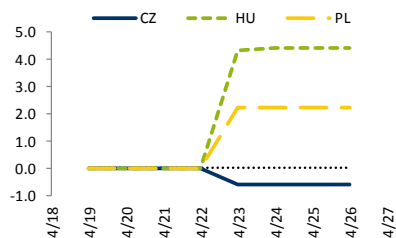
Friday, 26 April 2019

Forex markets (index)



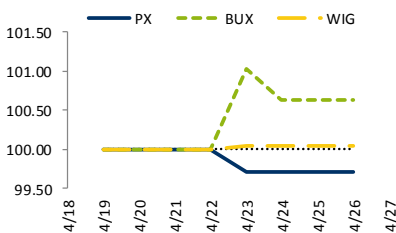
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.75	25.75	0.00
EURHUF	321.1	321.1	0.00
EURPLN	4.288	4.288	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.911	1.911	0.0
HUGB 10Y	3.20	3.20	0.0
PLGB 10Y	2.89	2.89	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1098.5	1098.5	0.00
BUX	43079	43079	0.00
WIG	60939	60939	0.00

Regional insights

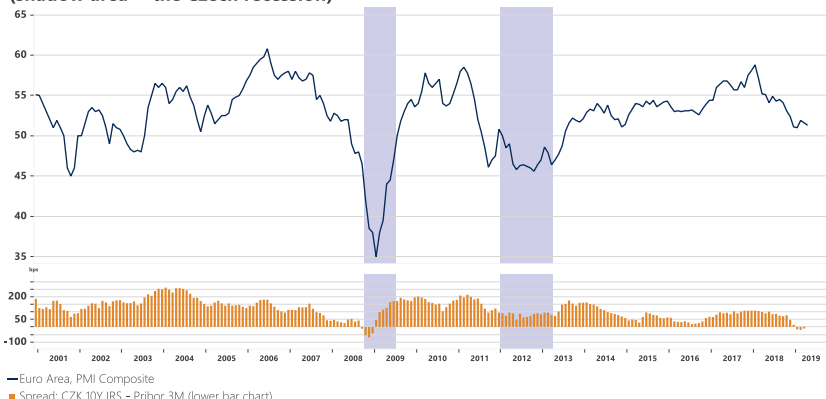
Outcome of next CNB's meeting still uncertain

German macroeconomic figures make life harder not only for some financial markets, but for central bankers too. Recall that the latest Ifo business sentiment index surprisingly dropped to 99.2 points, which is very close to four-year lows. This is not good news not only for the euro area and the ECB, but even for the Czech economy and the central bank. We will soon see how the weaker business sentiment affects the decision-making of the CNB Bank Board, meeting next Thursday to decide on monetary policy settings.

It is no secret that Czech central bankers were concerned about the poor news from Germany at the beginning of the year. Hence, at the meeting in May, the CNB will have to decide what figures from Germany and the euro area to take into account. Whether the hard February data from the industry, which does not look so bad, or the soft indicators such as PMI or Ifo, which suggest that the euro area economy remains vulnerable even in the second quarter.

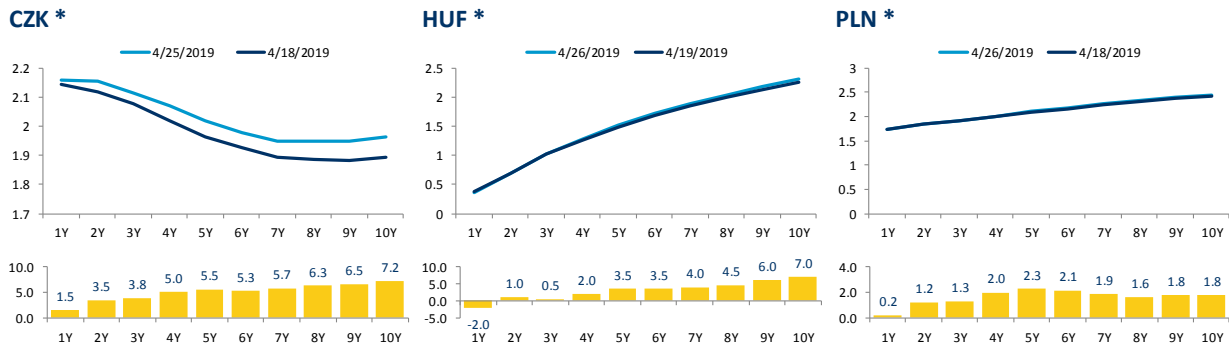
Nevertheless, if the CNB Bank Board sees the situation in Germany as stabilized and looks exclusively at domestic inflationary pressures, we can expect another hike on May 2nd. However, the overall message of the new quarterly staff projection and the balance of external risks by the individual bank board members will be crucial. All in all, the Bank Board's decision, or the vote will be very tight, which was confirmed also by recent comments by CNB's Governor Rusnok or Vice Governor Mora as they indicated that both the options are on the table. Let us add that the Czech money market is not sure about the outcome of the CNB meeting next week, either. Still, a part of the market believes that the CNB could raise official interest rates over a six-month horizon (which is roughly our opinion too). On the other hand the market has clearly priced in a rate cut in in the mid-term. In other words, the shape of the Czech yield curve remains really weird (see the next page) as the curve has remained inverted since the end of last year.

Eurozone PMIs and the slope of Czech yield curve (shadow area = the Czech recession)



— Euro Area, PMI Composite
■ Spread: CZK 10Y IRS - Pribor 3M (lower bar chart)

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

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
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
Dieter Lapeire	+32 2 417 25 47		France		+32 2 417 32 65
Dublin Research			London		+44 207 256 4848
Austin Hughes	+353 1 664 6889		Singapore		+65 533 34 10
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

