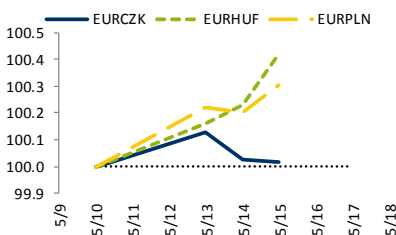




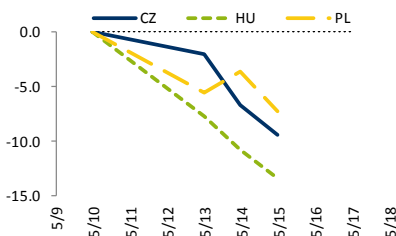
Wednesday, 15 May 2019

Forex markets (index)



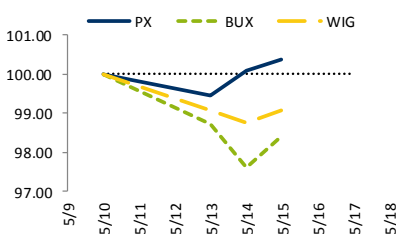
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.75	25.75	-0.01
EURHUF	325.0	324.4	0.19
EURPLN	4.312	4.307	0.10

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.859	1.886	-2.7
HUGB 10Y	3.14	3.16	-0.8
PLGB 10Y	2.82	2.85	-1.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1053.3	1050.3	0.29
BUX	40407	40085	0.80
WIG	56374	56209	0.29

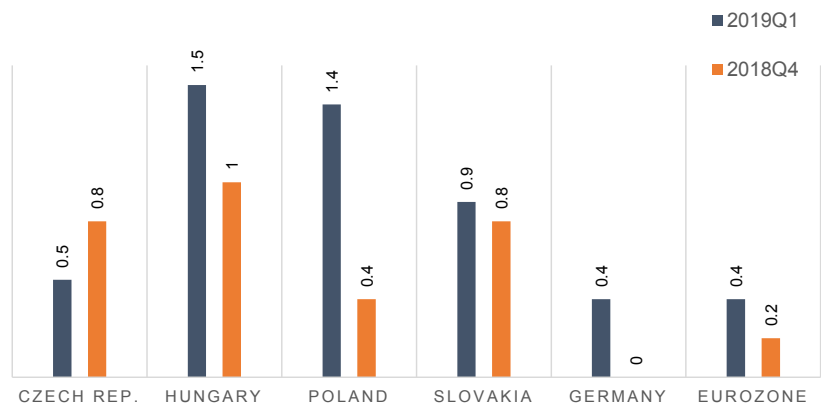
Regional insights

The Hungarian economy becomes overheated

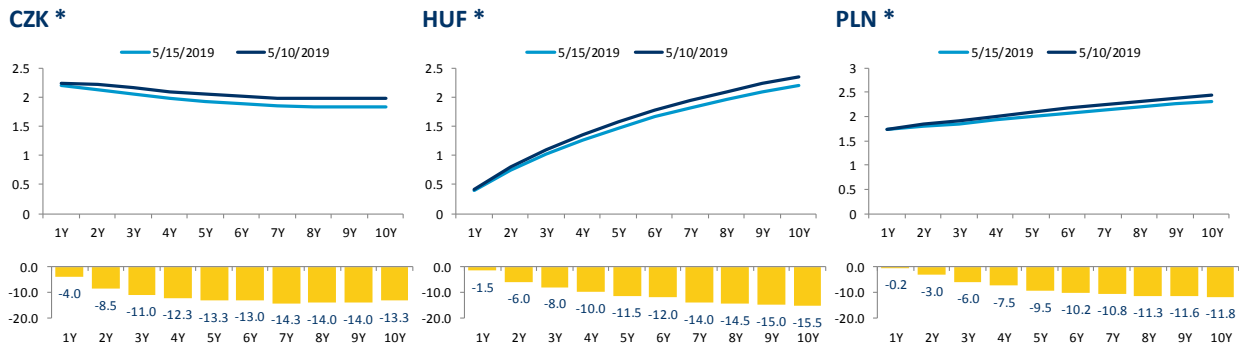
Growth divergence between Central and Western Europe remains wide as regional slowdown, which was had been indicated by some business sentiment indicators (PMIs), becomes illusive. Recalls that GDP growth mostly accelerated in Central Europe in quarter-on-quarter terms in the first quarter of this year with the only exception of the Czech Republic. Still, the Czech economy was able to growth by 2.5% yoy, which is not a bad outcome, if we take into account the German growth (0.7% yoy). Interestingly, **the top economic performer in Central Europe is now Hungary, which managed to increase its real GDP by impressive 5.3% yoy or 1.5% qoq respectively.**

Although there are no detail statistics of regional GDPs yet, we can safely assume that given the Eurozone growth weakness the solid regional growth performance was driven primarily by robust growth of domestic demand. This conclusion could be derived from retail sales and strong construction figures recorded in the first quarter, which remained very healthy across the whole Central Europe region. And again we have should mention Hungary, which posted an unbelievable jump in a real volume of construction output by 48% yoy in the first quarter of this year! This points to very strong investment activity in Hungary, so if we also take into account other macroeconomic indicators like the growth of real wages or the unemployment rate we will get an impression that the Hungarian economy becomes overheated. Thus, the pressure on the National Bank of Hungary to tighten its policy might increase further. Nevertheless, it seems that Hungarian rate-setters are no in hurry to hike official interest rates, which might be a reason why the forint has been recently facing some selling pressure.

REAL GDP GROWTH (QOQ IN %)



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	05/15	9:00	GDP	% 1Q/2019 *A	0.4	2.4	0.5	2.5	0.4	2.4	0.8	2.6
HU	05/15	9:00	GDP	% 1Q/2019 *P			1.5	5.3	1.4	4.9	1	5.1
PL	05/15	10:00	GDP	% 1Q/2019 *P			1.4	4.6	1.2	4.4	0.5	4.9
PL	05/15	10:00	CPI	% 04/2019 *F			1.1	2.2			1.1	2.2
CZ	05/15	12:00	CZ bond auction 2017-2027, 0.25%	CZK B 05/01/2019					3			
CZ	05/15	12:00	CZ bond auction 2017-2033, 2.00%	CZK B 05/01/2019					3			
CZ	05/15	12:00	CZ bond auction 2007-2057, 4.85%	CZK B 05/01/2019					0.5			
PL	05/15	14:00	NBP meeting	% 05/01/2019	1.5				1.5		1.5	
PL	05/16	14:00	Core CPI	% 04/01/2019					0.9	1.7	0.4	1.4

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