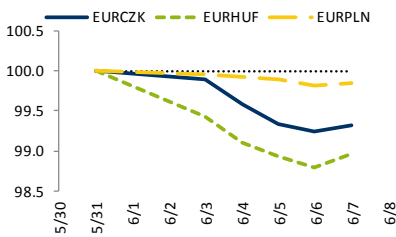




Central Europe
Friday

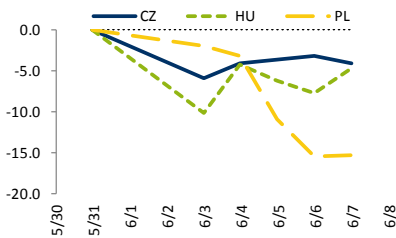
Friday, 07 June 2019

Forex markets (index)



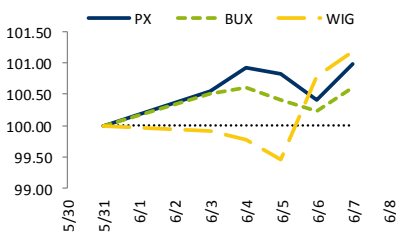
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.66	25.64	0.07
EURHUF	321.5	320.9	0.17
EURPLN	4.276	4.275	0.03

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.618	1.627	-0.9
HUGB 10Y	2.89	2.86	1.1
PLGB 10Y	2.48	2.48	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1054.3	1048.4	0.56
BUX	41156	41000	0.38
WIG	58591	58361	0.39

Regional insights

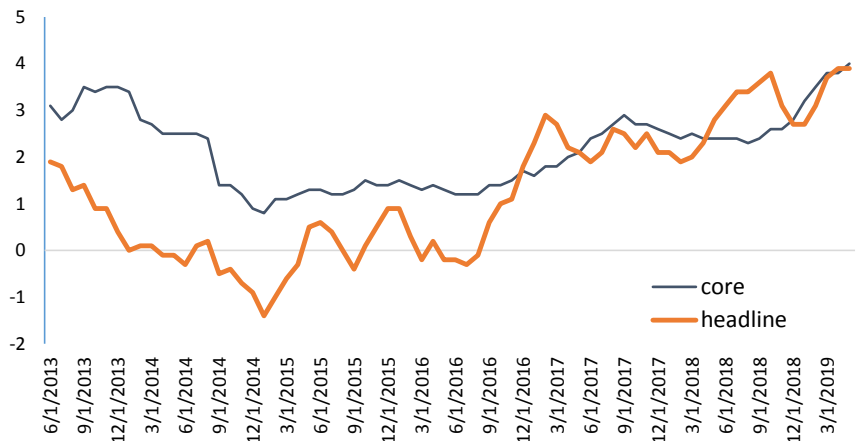
The ECB extends its forward guidance for low rates and gives a chance to CE currencies to stay strong

The ECB has made life of CE currencies easier again as it promised additional easing if needed yesterday. Recall that the ECB indicated it was prepared to ease policy again if needed, a willingness underlined by the inclusion of the phrase 'Looking ahead, the Governing Council is determined to act in case of adverse contingencies..' in Mr Draghi's opening press statement. To emphasise the ECB's capacity in this regard Mr Draghi indicated that there had been a detailed discussion regarding potential easing measures that the ECB might consider if needed in the future.

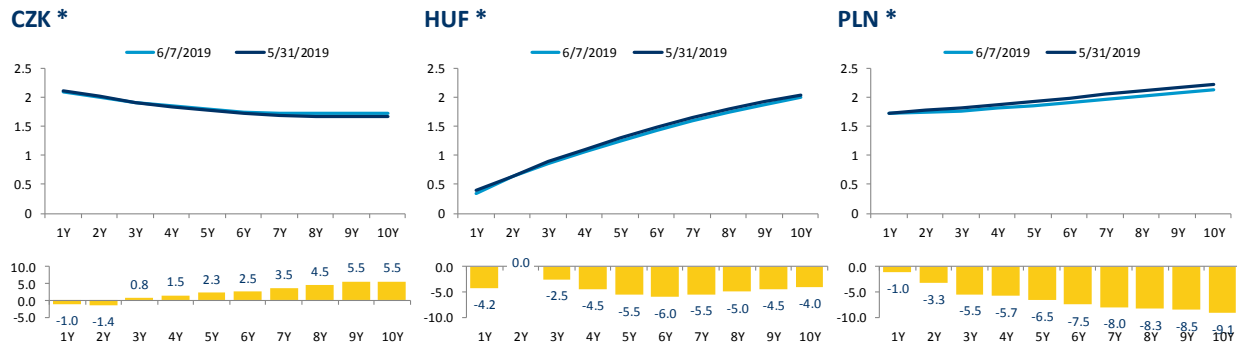
We consider the above mentioned dovish twist from the ECB as potentially bullish for all CE currencies, because it will keep respective interest rate differentials in place with a possibility of further widening (in favour of the CZK, HUF or PLN). In this respect it is worth noting that inflation figures have remained elevated in all CE economies and no regional central bank is ready to follow the dovish ECB now.

Specifically, in a case of the forint we should mention today's release of the May inflation readings, which showed that the core inflation has hit the upper limit of the tolerance band targeted by the NBH (4.0% y/y).

Hungary: headline & core inflation (yoy change 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
HU	06/07	9:00	CPI	%	05/01/2019		0.6	3.9			0.7	3.9
HU	06/07	9:00	core CPI	%	05/01/2019			4				3.9

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		
Austin Hughes	+353 1 664 6889		Singapore		+44 207 256 4848
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 6135 3535
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.

