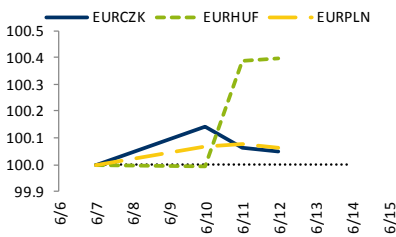




Central Europe
Wednesday

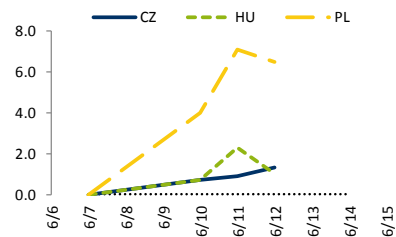
Wednesday, 12 June 2019

Forex markets (index)



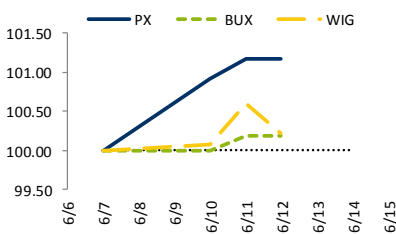
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.61	25.61	-0.02
EURHUF	321.4	321.3	0.01
EURPLN	4.263	4.263	-0.01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.627	1.623	0.4
HUGB 10Y	2.82	2.84	-0.5
PLGB 10Y	2.52	2.53	-0.2

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1061.9	1061.9	0.00
BUX	41235	41235	0.00
WIG	58984	59200	-0.37

Our regional insights:

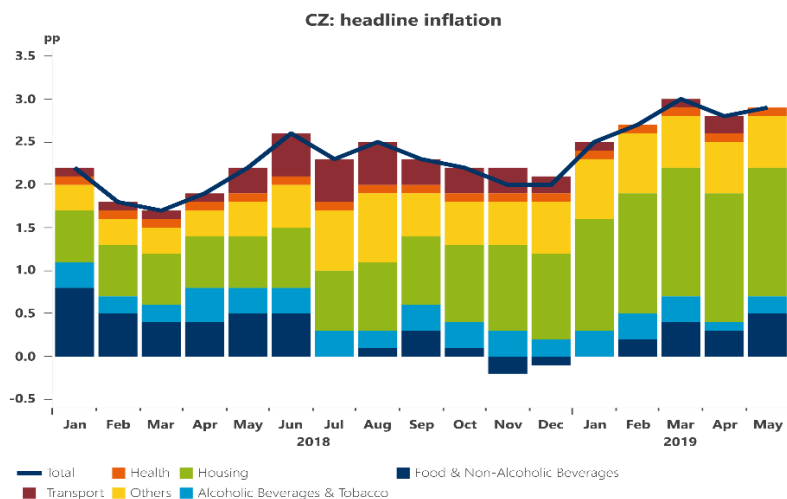
The Czech inflation ticks higher on expensive food

Czech consumer prices increased by 0.7% year-on-year, exceeding the market expectations significantly. The main reason was higher prices of food (potatoes in particular), i.e. highly volatile and almost unpredictable inflation components. The more expensive food stood behind more than one half of the seven tenths. Other significant pro-inflation factors of the past month include alcohol and housing costs.

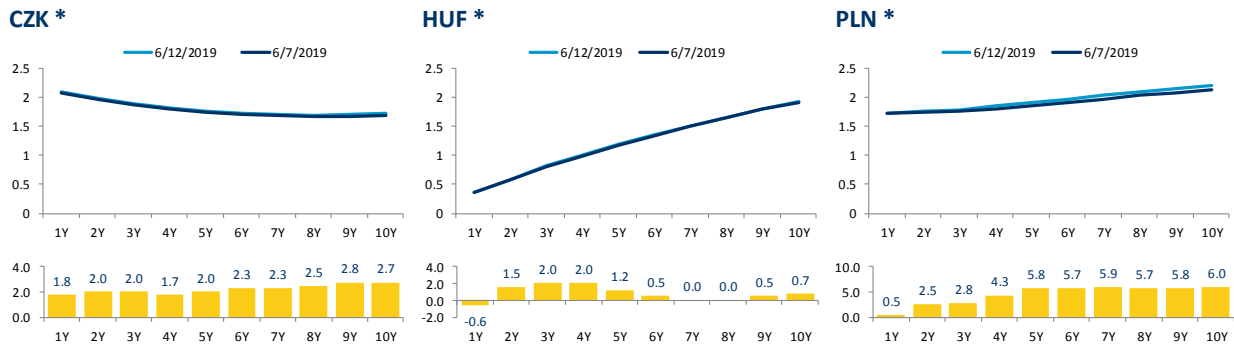
This means that the year-on-year inflation is heading up again after a short break – it jumped to 2.9 % from the previous 2.8 %, – and came close to the upper limit of the CNB’s tolerance interval again. It was also 0.2 percentage point above the central bank’s last macroeconomic forecast. Nonetheless, given the stronger role of food, it should not significantly influence the bank’s decisions. This conclusion was confirmed by a subsequent comment by the CNB Governor Rusnok, who said that there were no trends in the inflation development and that the acceleration was generated by volatile food prices. The CNB’s analytical commentary, which even contained the phrase that overall pro-inflation pressures are easing and that inflation will return to the central bank’s 2% target next year, ran along the same lines. With respect to this commentary, *we feel no need to change our short-term outlook for the CNB’s official interest rates, which should remain unchanged this year despite higher inflation.*

In our opinion, Czech inflation should start a slow decrease in the coming months (in year-on-year terms), but it will probably reach the CNB’s 2% target somewhat later than originally expected. The determining factor in this respect will be this year’s crops, and especially the prices of potatoes, which are currently almost 90% higher than last year, generating three tenths of a percentage point of inflation in themselves. No small feat for such a small item in the consumer basket.

Petr Dufek, ČSOB



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	06/13	14:00	Current account	EUR M	04/01/2019					638.0		533

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