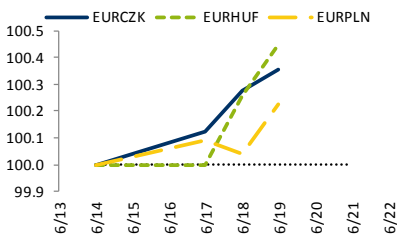




Central Europe
Wednesday

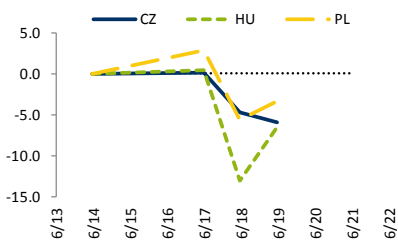
Wednesday, 19 June 2019

Forex markets (index)



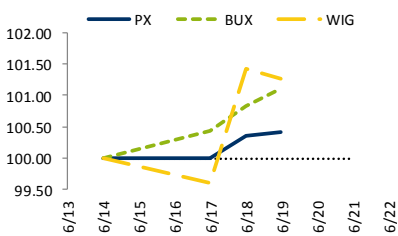
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.63	25.61	0.08
EURHUF	323.8	323.1	0.19
EURPLN	4.267	4.259	0.19

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.520	1.532	-1.2
HUGB 10Y	2.68	2.62	2.5
PLGB 10Y	2.36	2.33	1.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1055.8	1055.2	0.06
BUX	41039	40922	0.29
WIG	59835	59936	-0.17

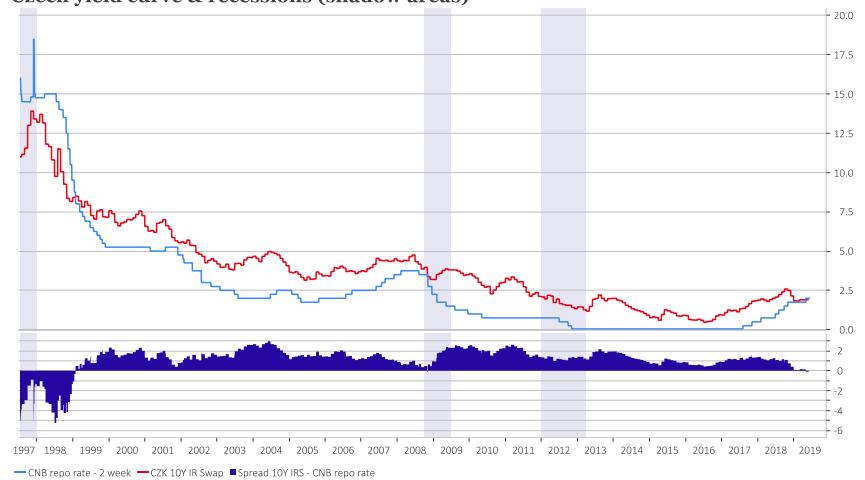
Our regional insights:

Draghi inverts the Czech yield curve even more

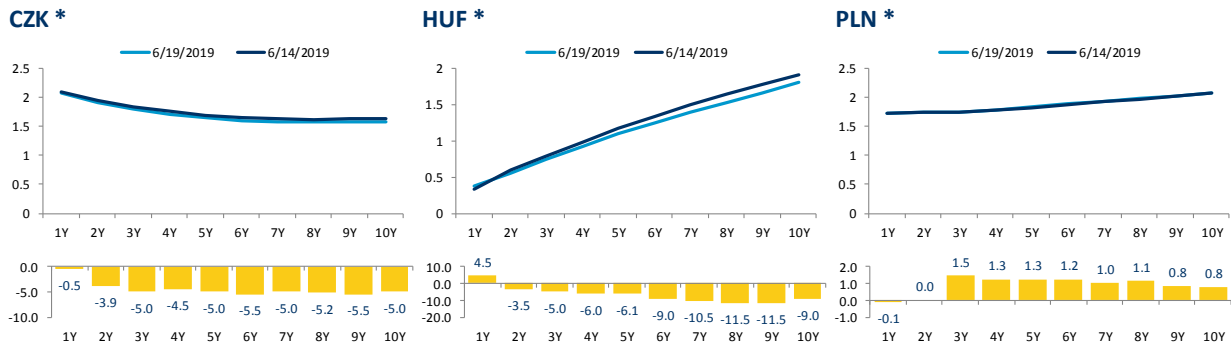
ECB president Draghi drove to price action not only on core bond markets, but in CE fixed-income markets too yesterday. Recall that Draghi in his introductory speech in Sintra the ECB chair made clear that “in absence of any improvement” in the outlook for growth and inflation, additional stimulus will be needed. He referred to all possible tools but three euro-zone central bank officials said lowering the depo rate would be the most likely initial step. Euro bond rates tanked with the bond rally drawing additional support from weak ZEW investor confidence. The German yield curve bull shifts south with stunning yield changes, varying from -6bps (2y) to -7bps (5y, 10y, 30y), to new record lows.

Like in the core markets, regional yield curve (downward) shifts were impressive too. We would specifically point to the Czech yield curve behaviour, which had been inverted before Draghi’s speech and it is even more after. For instance, 10Y CZK swap rate dropped by 10 bps and the yield of the 10Y Czech GB fell by 5 bps yesterday. Hence as a result, the spread between the 10Y CZK swap rate and CNB’s repo rate (standing at 2.0%) is now visibly negative. The same is applied to the spread between 10Y CZK swap rate and 3M Pribor. It is worth noting that this market situation happened only twice: first, during the Czech currency crisis in 1997 and secondly during the global financial crisis in 2008 and 2009 (see the chart below).

Czech yield curve & recessions (shadow areas)



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	06/19	10:00	Real gross wages	%	05/01/2019			7.7		7.1	0.4	7.1
PL	06/19	10:00	Employment	%	05/01/2019			2.7		2.9		2.9

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		+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 data of the report and are subject to change without notice.

