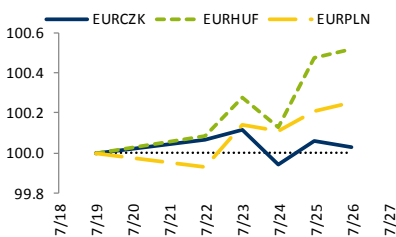




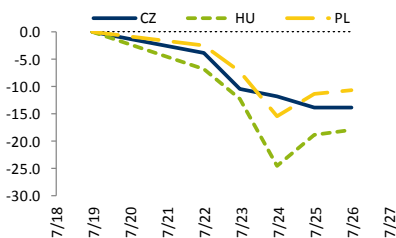
Friday, 26 July 2019

Forex markets (index)



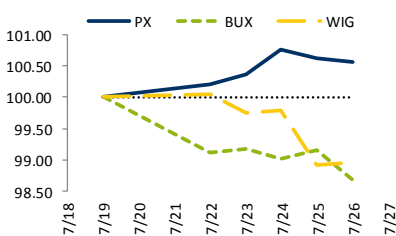
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.53	25.54	-0.03
EURHUF	326.7	326.5	0.05
EURPLN	4.261	4.259	0.04

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.308	1.309	-0.1
HUGB 10Y	2.14	2.13	0.4
PLGB 10Y	2.06	2.06	0.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1073.5	1074.0	-0.05
BUX	41158	41354	-0.47
WIG	60269	60250	0.03

Regional insights

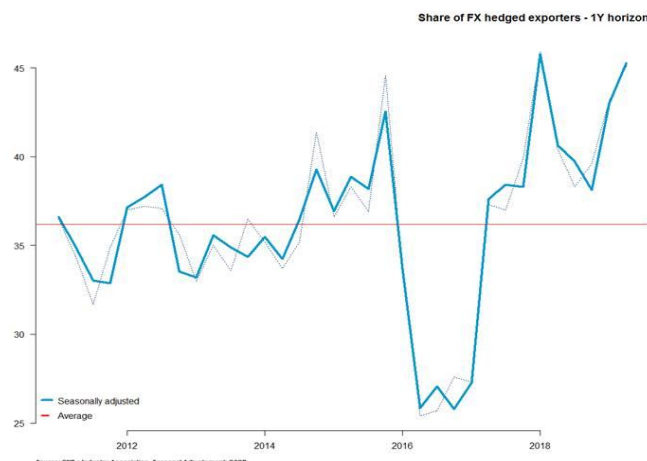
CZK is doing fine as prospects for ECB/Fed easing help

We had significantly weakened our outlook on the Czech koruna during spring as the third quarter was expected to be negative for all regional due to Brexit and the weak figures from Germany. However, the reality thus far looks more positive. Although the German economy will probably drop again mid-year and the uncertainty related to hard Brexit persists, the Central European currencies are actually doing relatively well. The plans of the ECB and the US Fed are significantly helping the koruna and its regional neighbours. While the ECB clearly prepared the markets for September's easing yesterday, the US Fed will already begin cut its interest rates next week. Obviously the leading Central Bank's preventive campaign is favourable for risky assets, including CE currencies. Moreover, Czech macro data does not look nearly as bad as that of Germany, where the nowcast only shows a gradual slowing of the Czech economy in the middle of the year (from 2.8% to 2.6%).

However, the above stated arguments are not sufficiently strong enough for us to begin betting on a significant appreciation of the koruna. Firstly, betting on easing (especially in the USA) seems to be too aggressive at this point. If these expectations change, the CE currencies may be somewhat worse off again. Secondly, while the Czech economy is doing significantly better in comparison to Germany, the domestic inflation pressures seemed to have already peaked. In reality, this means that the Czech National Bank will probably no longer have the opportunity to increase its interest rates in this economic cycle, which is not good news for the Czech currency in the long run.

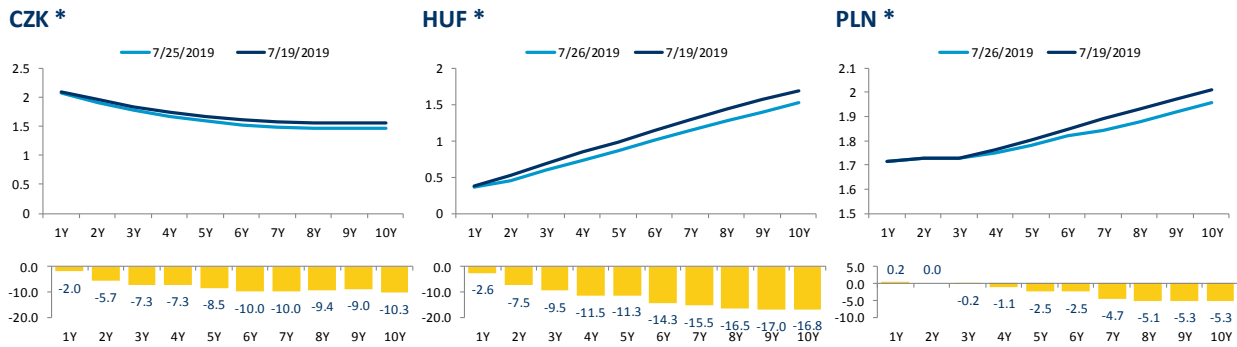
Moreover, the slowdown of the Czech economy in recent quarters has occurred under clearly deteriorating external results, where surpluses on current account have virtually disappeared due to worsening trade balance and weaker transfers from abroad (especially from the EU). In addition, a (relative) level of hedging of Czech exporters is reaching record-breaking levels. According to the Czech National Bank's most recent survey, the level of exporters' hedging in mid-2019 was above 45%, and the share of Euro loans on annual Czech exports was close to 8.5%.

In our view, these are signals which may slow koruna's gains in the near future.



Source: CIB a Industry Association, Seasonal Adjustment: CSOB

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	07/31	9:00	PPI	%	06/01/2019		1.5	5.3				
PL	07/31	10:00	CPI	%	07/2019 *P		0.9	5.3				
CZ	07/31	10:00	Money supply M2	%	06/01/2019							
PL	07/31	15:00	Budget balance	PLN M	06/01/2019							-2158
HU	08/01	9:00	PMI manufacturing		07/01/2019							54.4
PL	08/01	9:00	PMI manufacturing		07/01/2019							48.4
HU	08/01	9:00	Trade balance	EUR M	05/2019 *F							
CZ	08/01	9:30	PMI manufacturing		07/01/2019							45.9
CZ	08/01	13:00	CNB meeting	%	08/01/2019							2
CZ	08/01	14:00	Budget balance	CZK B	07/01/2019							-20.7
HU	08/02	9:00	Retail sales	%	06/01/2019							2.6

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