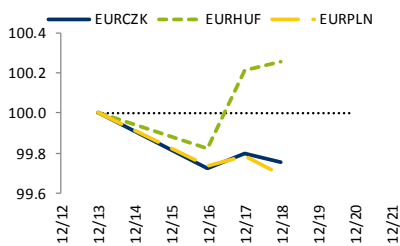
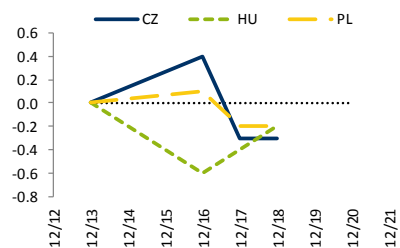




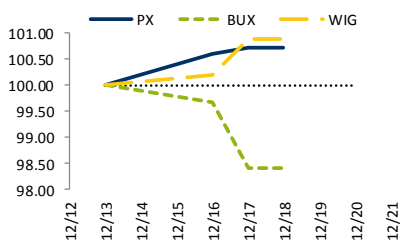
Wednesday, 18 December 2019

Forex markets (index)

	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.43	25.45	-0.05
EURHUF	330.4	330.2	0.04
EURPLN	4.257	4.261	-0.10

Gov. bonds 10 Y (bps change)

	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.495	1.495	0.0
HUGB 10Y	1.83	1.83	0.1
PLGB 10Y	2.01	2.01	0.0

Equity indices (index)

	LAST	PREVIOUS	CHANGE (%)
PX	1101.1	1101.1	0.00
BUX	45035	45035	0.00
WIG	57226	57226	0.00

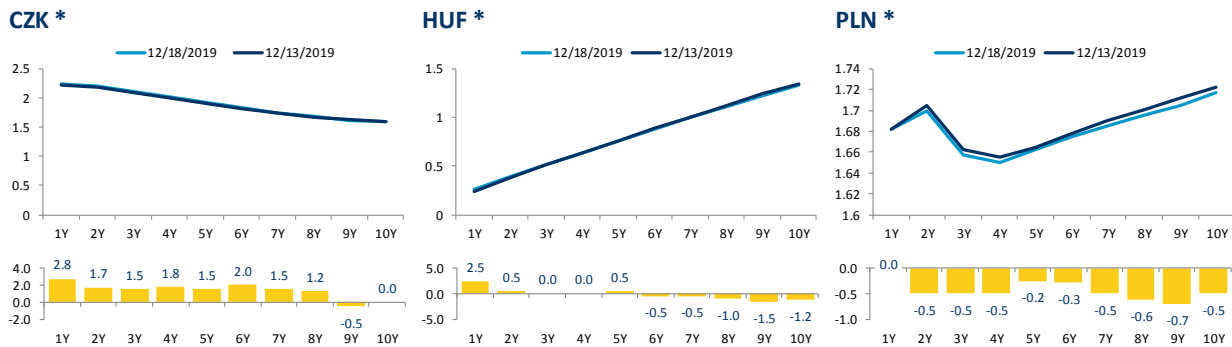
Our regional insights:**The CNB meeting in focus**

The last important event for the Czech koruna and government bonds this year is the CNB meeting today. The recent figures have come as a slightly negative surprise for the Czech central bank so far. While the GDP growth moderated in the third quarter (mainly due to household consumption), a more rapid slowdown was seen in wage growth. Meanwhile, inflation is surprised on the upside by the end of the year, albeit largely as a result of a pick-up in food price inflation. At the same time, the geopolitical tensions have eased substantially over the last two weeks thanks to the clear result of the election in Great Britain and the first phase of trade agreement between the USA and China. However, we believe that these factors will not be strong enough for the CNB to take action. Among other things, also because, after a considerable time, the Czech koruna rate is stronger than expected in the CNB prognosis (by approximately 1%) and as such should limit the inflationary pressures within the economy.

We therefore expect that the CNB will leave the interest rates unchanged today. Still, the possible increase in the rates is likely to remain on the table since at least two (out of the seven) votes of the Bank Board will be heard in favour of rate hike already today. In addition, if Germany recovers from the industrial recession at the beginning of 2020, the possibility of rate hike may be discussed once again as soon as at the CNB meeting in February.

The last days of the year and the outcome of the CNB's meeting today may thus turn out to be slightly positive for the Czech koruna as the markets have continued to expect stable interest rates for the upcoming months, while Czech government bonds may struggle.

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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
PL	12/18	10:00	Wages	%	11/01/2019					0.9	5.9	2.5	5.9
CZ	12/18	12:00	CZ bond auction 2015-2023, 0.45%		CZK B 12/01/2019					2			
CZ	12/18	12:00	CZ bond auction 2017-2033, 2.00%		CZK B 12/01/2019					3			
CZ	12/18	13:00	CNB meeting	%	12/01/2019	2.0				2.0		2.0	
PL	12/19	10:00	Industrial output	%	11/01/2019					-6.1	-1.1	7.8	3.5
PL	12/19	10:00	PPI	%	11/01/2019					0.1	0.2	-0.4	-0.1
HU	12/20	8:30	Current account		HUF B 3Q/2019							-122	
PL	12/20	10:00	Retail sales	%	11/01/2019					5.4	7.4	5.4	

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
Dublin Research			France		+32 2 417 32 65
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		+420 2 6135 3535
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Bratislava		+421 2 5966 8820
Marek Gabris	+421 2 5966 8809				
Budapest Research			Budapest		+36 1 328 99 85
David Nemeth	+36 1 328 9989				

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.

